IMPORTANT NOTICE

THE SECURITIES DESCRIBED HEREIN ARE AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OF THE SECURITIES ACT (AS DEFINED BELOW) OR (2) OUTSIDE THE UNITED STATES PURCHASING THE SECURITIES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES 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 OF THE UNITED STATES 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 APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. 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. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (2) outside the United States purchasing the securities in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or change during the process of electronic transmission and, consequently, BNP Paribas, UBS AG, Singapore Branch, Citigroup Global Markets Singapore Pte. Ltd., The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, Mandiri Securities Pte Ltd and Mizuho Securities USA LLC, as the initial purchasers (the "**Initial Purchasers**"), nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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. If a jurisdiction requires that the offering be made by a licensed broker or dealer and 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 the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

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. You are responsible for protecting against viruses and other destructive items. Your use of this email 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.

STRICTLY CONFIDENTIAL

PT Saka Energi Indonesia

(a limited liability company established in the Republic of Indonesia)

US$625,000,000 4.45% Senior Notes due 2024
Issue Price: 100%

PT Saka Energi Indonesia ("**we**," "**our**" or the "**Company**") is offering (the "**Offering**") US$625,000,000 4.45% Senior Notes due 2024 (the "**Notes**"). The Notes will bear interest at the rate of 4.45% per year. Interest on the Notes is payable semi-annually in arrears on May 5 and November 5 of each year (each, an "**Interest Payment Date**") commencing on November 5, 2017. The Notes will be our senior unsecured obligations and will mature on May 5, 2024. They 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.

We may redeem the Notes as a whole but not in part at any time upon the occurrence of certain tax events. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase. The Notes will not otherwise be redeemable prior to their maturity. For a more detailed description of the Notes, see "*Description of the Notes*."

The Notes are expected to be rated "Ba1" by Moody's Investors Service, Inc. ("**Moody's**"), "BB" by S&P Global Ratings, a division of the McGraw-Hill Companies Inc. ("**Standard & Poor'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.

Investing in the Notes involves certain risks. See "*Risk Factors*" to read about factors you should consider before buying the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("**Rule 144A**") and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers 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. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Offering Memorandum, see "*Plan of Distribution*" and "*Transfer Restrictions*." The Notes may not be offered or sold in Indonesia or to Indonesian citizens, wherever they are domiciled, or to Indonesian residents, in a manner which constitutes a public offer under Law Number 8 of 1995 regarding Capital Markets.

It is expected that the delivery of the Notes will be made through the book-entry facilities of The Depository Trust Company ("**DTC**"), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about May 5, 2017.

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Memorandum. 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, our subsidiaries, our associated companies or the Notes.

Joint Global Coordinators
(in alphabetical order)

BNP PARIBAS **Citigroup** **UBS**

Joint Bookrunners

BNP PARIBAS **Citigroup** **UBS** **HSBC** **Mandiri Securities** **Mizuho Securities**

Offering Memorandum dated April 26, 2017

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NOTICE TO INVESTORS

We have not authorized anyone to provide any information other than that contained in this Offering Memorandum. We and the Initial Purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. None of PT Saka Energi Indonesia, its subsidiaries, BNP Paribas, Citigroup Global Markets Singapore Pte. Ltd., UBS AG, Singapore Branch (in alphabetical order), The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, Mandiri Securities Pte Ltd and Mizuho Securities USA LLC (together, the "**Initial Purchasers**" or "**Joint Bookrunners**") or any of their respective affiliates has authorized anyone to provide you with any additional or different information. This Offering Memorandum may only be used where it is legal to offer and sell the Notes. The information in this Offering Memorandum may only be accurate as of the date of this Offering Memorandum or other dates as indicated herein. You should be aware that since the date of this Offering Memorandum there may have been changes in our business, financial condition and results of operations or otherwise that could affect the accuracy or completeness of the information set out in this Offering Memorandum.

This Offering Memorandum is being provided on a confidential basis in connection with an offering exempt from registration under the Securities Act and applicable U.S. state securities laws solely for the purpose of enabling prospective investors to consider the purchase of the Notes. None of us, the Initial Purchasers or any of their respective affiliates is authorizing the use of this Offering Memorandum for any other purpose. The information contained in this Offering Memorandum has been provided by us and other sources identified in this Offering Memorandum. No representation or warranty, express or implied, is made by the Initial Purchasers or their respective affiliates as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or any of their respective affiliates. Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein is prohibited, except to the extent such information is otherwise publicly available.

The distribution of this Offering Memorandum and the offer and sale of the Notes offered hereby are restricted by law in certain jurisdictions. You should inform yourselves about and comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this Offering Memorandum and the offer and sale of the Notes. None of us, the Initial Purchasers nor any of their respective affiliates, directors, officers, employees, agents or advisors is making any representation or undertaking to any investor regarding the legality of an investment in the Notes.

In making an investment decision, you should rely on your own examination of us and the terms of the Offering, including the merits and risks involved. You should not construe the contents of this Offering Memorandum as legal, business, financial or tax advice. You should consult your own attorney, business advisor, tax advisor or other professional advisor.

None of us, the Initial Purchasers nor their respective affiliates is offering to sell the Notes in any jurisdiction where the offer or sale is not permitted. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. No action has been taken in any jurisdiction that would permit a public offering to occur in any jurisdiction.

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 connection with the issue and distribution of the Notes, UBS AG, Singapore Branch or any person acting for it may, subject to applicable laws and regulations, 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, neither UBS AG, Singapore Branch nor any person acting on its behalf is under any 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.

In this Offering Memorandum, all references to:

- "**Government**" refer to the Government of Indonesia;
- "**Government Agencies**" refer to government agencies, and local government agencies, such as sub-district administrative organizations, provincial administrative organizations and municipalities;
- "**Indonesia**" refer to the Republic of Indonesia;
- "**our management**," "**Board**," "**Directors**" and "**Commissioners**" refer to the management, directors and commissioners of the Company;
- "**Rupiah**," or "**Rp.**" refer to the lawful currency of Indonesia;
- "**U.S. Dollar**" or "**US$**" refer to the lawful currency of the United States;
- "**United States**" or "**U.S.**" refer to the United States, its territories and possessions, any State of the United States and the District of Columbia;
- "**we**," "**our**," "**ourselves**," "**us**" or the "**Group**" refer to PT Saka Energi Indonesia and its subsidiaries, taken as a whole, as the context may require; and
- "**you**" or "**your**" refer to potential investors in or purchasers of the Notes.

Certain of the terms defined above are also defined in the "**Glossary of Terms**" contained elsewhere in this Offering Memorandum.

Any reference in this Offering Memorandum to any law, regulation or notification is a reference to such law, regulation or notification as the same may have been, or may from time to time be, amended, supplemented or replaced.

NOTE TO PROSPECTIVE PURCHASERS IN THE UNITED STATES

The Notes have not been, and will not be, registered under the Securities Act, or any U.S. state securities laws. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States. Pursuant to the Offering, the Notes may not be offered or sold in the United States except that the Notes may be offered or sold to persons who are qualified institutional buyers as defined in Rule 144A in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*." Each purchaser of Notes will be deemed to have made certain acknowledgements, representations and agreements as set forth herein. For a description of these and certain other restrictions on offers, sales and transfers of Notes and distribution of this Offering Memorandum, see "*Plan of Distribution*" and "*Transfer Restrictions*."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**"), any U.S. state securities commission, any other U.S. regulatory authority or any foreign securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum, nor have they passed upon or endorsed the merits of the Offering. Any representation to the contrary is a criminal offense in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes offered hereby within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

NOTICE TO INDONESIAN INVESTORS

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 in a manner which would constitute a public offering in Indonesia under Law No. 8 of 1995 on Capital Markets. The Indonesian Financial Service Authority (*Otoritas Jasa Keuangan* or "**OJK**") has not reviewed or declared its approval or disapproval of the issue of the Notes, nor has it made any determination as to the accuracy or adequacy of this Offering Memorandum. Any statement to the contrary is a violation of Indonesian law.

AVAILABLE INFORMATION

Subject to the following sentence, and for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, we will furnish, upon the request of any holder of Notes, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act, to such holder or beneficial owner or to a prospective purchaser of such Notes or interest therein who is a qualified institutional buyer within the meaning of Rule 144A, in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such Notes or any beneficial interest therein in reliance on Rule 144A. Notwithstanding the above, we will not provide such information if, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or we are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a limited liability company established in Indonesia. All of our Commissioners, Directors and executive officers reside in Indonesia. Substantially all of our assets and these other persons are located outside the United States. As a result, it may be difficult for investors to effect service of process upon such persons within the United States, or to enforce against us in court, judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by our Indonesian legal advisor, Soemadipradja & Taher, that judgments of courts outside Indonesia are not enforceable in Indonesian courts. 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. A claimant may be required to pursue claims in Indonesian courts on the basis of

Indonesian law. A purchaser of the Notes may not be able to enforce judgments against us obtained in the United States based upon certain of the civil liability provisions of the securities laws of the United States or any states thereof in Indonesian courts, and Indonesian courts may not enter judgments in original actions brought in Indonesian courts based solely upon the civil liability provision of the securities laws of the United States or any state thereof. Re-examination of the underlying claim would be required before the Indonesian court. 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. For more details, see "*Risk Factors — Risks Relating to Ownership of the Notes — It may not be possible for investors to effect service of process or to enforce certain judgments against us or our management*" and "*Risk Factors — Risks Relating to Ownership of the Notes — Holders of the Notes will be exposed to a legal system subject to considerable discretion and uncertainty and may have difficulty pursuing claims under the Notes*."

Under the indenture relating to the Notes, the Company will waive, to the fullest extent permitted by law, any immunity that it may be entitled to, including foreign sovereign immunity, from any legal action, suit or proceeding with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Memorandum, references to "**2014**," "**2015**" and "**2016**" refer to our fiscal years ended December 31, 2014, 2015 and 2016, respectively. Our consolidated financial statements as of and for the years ended December 31, 2014 and 2015 (the "**2015 Financial Statements**") were audited by Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited), independent public accountants, and as of and for the year ended December 31, 2016 (the "**2016 Financial Statements**") were audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms), independent public accountants, based on Standards on Auditing established by the Indonesian Institute of Certified Public Accountants ("**IICPA**"), as stated in their reports included elsewhere in this Offering Memorandum. The 2015 Financial Statements and the 2016 Financial Statements (together, the "**Financial Statements**") are included elsewhere in this Offering Memorandum. Unless otherwise stated, all our financial information is stated in accordance with Indonesian Financial Accounting Standards ("**IFAS**") and our Financial Statements are prepared in accordance with IFAS and presented on a consolidated basis. Our reporting currency is the U.S. Dollar, and accordingly our Financial Statements are presented in U.S. Dollars.

IFAS differ in certain respects from generally accepted accounting principles in the United States. For a description of certain accounting differences between IFAS and United States Generally Accepted Accounting Principles ("**U.S. GAAP**") that are relevant to the Financial Statements included in this Offering Memorandum, see "*Summary of Certain Differences Between Indonesian Financial Accounting Standards and United States Generally Accepted Accounting Principles*."

Rupiah amounts relating to realized average prices, costs and tariffs for our distribution and transmission businesses have been translated into U.S. Dollar amounts based on the middle exchange rates calculated based on Bank Indonesia's announced buying and selling rates, on the relevant transaction date. No representation is made that the Rupiah or U.S. Dollar amounts referred to in this Offering Memorandum could have been or could be converted into U.S. Dollar at any particular rate or at all. See "*Exchange Rates*" for certain historical information on the reference rate between the Rupiah and the U.S. Dollar.

Figures and percentages are rounded to one or two decimal places, where appropriate. Any discrepancies in the tables included in this Offering Memorandum between the amounts listed and the totals are due to rounding.

The information on our website, or the websites of any of our subsidiaries, or any website directly or indirectly linked to such websites, is not incorporated by reference into this Offering Memorandum and should not be relied upon.

NON-GAAP FINANCIAL MEASURES

In this Offering Memorandum, we refer to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin. We define EBITDA as our profit/(loss) for the year plus (i) finance cost, (ii) depreciation, depletion and amortization, (iii) depreciation on office equipment, and (iv) income tax expense/(benefit) minus (v) finance income, net of tax. We define Adjusted EBITDA as EBITDA plus (i) impairment losses on oil and gas properties and (ii) impairment losses on goodwill, minus (iii) gains from acquisitions. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues. Unless otherwise indicated, EBITDA, Adjusted EBITDA and Adjusted EBITDA margin in this Offering Memorandum are calculated on a consolidated basis. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin and measures derived therefrom are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, IFAS or U.S. GAAP. Further, EBITDA, Adjusted EBITDA and Adjusted EBITDA margin and measures derived therefrom are not measurements of our financial performance or liquidity under IFAS or U.S. GAAP and should not be considered as alternatives to net profit/(loss) or any other performance measures derived in accordance with IFAS or U.S. GAAP or as alternatives to cash flows from operations or as measures of our liquidity. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin and measures derived therefrom may not be indicative of our historical results of operations, nor are they meant to be predictive of future results.

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin and measures derived therefrom may not be comparable to similarly titled measured reported by other companies due to potential inconsistencies in the method of calculation. We have included EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We have also included Adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. For a reconciliation of EBITDA and Adjusted EBITDA to our net profit/(loss) for the year, see *"Summary Consolidated Financial and Certain Operating Data"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures."*

INDUSTRY, MARKET AND RESERVE DATA

This Offering Memorandum includes certain market share, statistical and industry data and third-party projections and forecasts regarding growth and performance of the industry we operate and invest in that we have obtained from industry publications and surveys, publicly available documents and government publications, Wood Mackenzie ("**Wood Mackenzie**"), as well as from internal sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but except for any data we provided to Wood Mackenzie in connection with the preparation of their report dated April 13, 2017 (the "**Wood Mackenzie Report**"), we cannot assure you that such data is complete or accurate. Information, including estimates, expectations and forecasts relating to, in particular, the Indonesian oil and gas industry, that appear under the section headed "*Description of the Indonesian Oil and Gas Industry*" in this Offering Memorandum, was derived from the Wood Mackenzie Report. Wood Mackenzie, an independent energy industry consultant and expert in the energy industry, has been commissioned by us to provide the Wood Mackenzie Report and consented to its inclusion in this Offering Memorandum. While reasonable actions have been taken to ensure that the information is extracted accurately and in its proper context, none of us (except with respect to any data we provided to Wood

Mackenzie in connection with the preparation of the Wood Mackenzie Report), the Initial Purchasers nor any of their respective affiliates has independently verified any of the data or ascertained the underlying economic assumptions relied upon therein. Similarly, third-party projections cited in this Offering Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. The industry and market data contained in this Offering Memorandum, including under "*Description of the Indonesian Oil and Gas Industry*," which are derived from the Wood Mackenzie Report, have not been updated since the date of such report. No assurances are or can be given that the estimated figures will be achieved. In addition, 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. As a result, you are cautioned against undue reliance on such information.

In general, the presentation of reserves in this Offering Memorandum follows the definitions used in the Society of Petroleum Engineers Petroleum Resources Management System ("**SPE-PRMS**"). SPE-PRMS defines "proved reserves" as those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. "Probable reserves" are defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than "proved reserves" but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Investors should note that different reserve reporting systems employ different assumptions, and that our methodologies for classifying and estimating reserves and resources vary in certain respects from the methodologies and classifications used by oil and gas companies subject to the reporting obligations of the SEC. No assurance can be given that the reserve estimates presented in this Offering Memorandum will be recovered at the levels presented. The estimation and evaluation of reserves involve multiple uncertainties. The accuracy of any reserve evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the date of this Offering Memorandum, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas and crude oil also affect our reserve estimates because those reserves are evaluated based on prices and costs as of the date of the evaluation. For a description of certain of the risks and uncertainties with respect to our reserve data, see "*Risk Factors — Risks Relating to our Business — Our natural gas and crude oil reserve estimates are uncertain and may not accurately reflect actual reserve levels. Even if our estimates are accurate, technical limitations may prevent us from retrieving these reserves*."

EXCHANGE RATES

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 shows the exchange rate of Rupiah to U.S. Dollar based on the middle exchange rates at the end of each month or day, as the case may be, during the periods indicated. The Rupiah

middle exchange rate is calculated based on Bank Indonesia's buying and selling rates. No representation is made that the Rupiah or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollar or Rupiah, as the case may be, at the rate indicated or any other particular rate, or at all.[(1)]

Year	At period end	Average[(2)]	High[(2)]	Low[(2)]
		(Rp. per US$1.00)		
2012	9,670	9,419	9,670	9,000
2013	12,189	10,451	12,270	9,634
2014	12,412	11,864	12,845	11,288
2015	13,795	13,458	14,728	12,444
2016	13,436	13,307	13,946	12,926
2017				
January	13,343	13,359	13,485	13,288
February	13,347	13,341	13,374	13,308
March	13,321	13,346	13,393	13,314
April (through April 21)	13,320	13,309	13,341	13,255

Notes:

(1) These data are sourced from Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia, Internet website of Bank Indonesia, available at: http://www.bi.go.id/en/moneter/informasi-kurs/transaksi-bi/Default.aspx.

(2) For full years, the high and low amounts are determined, and the average shown is calculated, based upon the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated. For each month, the high and low amounts are determined, and the average shown is calculated, based on the daily middle exchange rate announced by Bank Indonesia during the month indicated.

The Federal Reserve Bank of New York does not certify for customs purposes the noon buying rate for cable transfers in Rupiah.

EXCHANGE CONTROL

Law No. 24 of 1999, dated May 17, 1999 on the Flow of the Foreign Exchange System and Exchange Rate System provides that a person may hold and use foreign currency freely in the Republic of Indonesia. The transfer of foreign exchange to and from abroad and the status of the offshore asset or liability of an Indonesian company that falls under certain criteria, however, are subject to to disclosure and reporting obligations to Bank Indonesia. See "*Purchasing of Foreign Currencies Against Rupiah through Banks*" below. To maintain the stability of the Rupiah, and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Rupiah from banks within Indonesia to offshore banks, offshore branches of Indonesian banks, or any investment denominated in Rupiah with foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia without underlying transactions, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or who plan to be domiciled, in Indonesia for at least one year.

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

On June 28, 2011, the House of Representatives (the "**Indonesian Parliament**") 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 guideline ("**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 expenditure; (ii) the receipt or provision of grants either from or to overseas; (iii) international trade transactions, which includes (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 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 currency conducted based on applicable laws, including the law regarding Bank Indonesia, the law regarding investment and the law regarding *Lembaga Pembiayaan Ekspor Indonesia* (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 currency for non-cash transactions will remain effective until the expiry of such agreements. However, any extension and/or certain amendment 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 fee or consultancy services fee, (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 tariff for cargo at the seaport or airplane ticket tariff, (v) price lists, such as a restaurant menu price list, (vi) contracts, such as clauses for pricing or fees, (vii) documents of offer, order, 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, among others, (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 channel, (iv) drinking water infrastructure, including standard water bearer building, transmission channels, distribution channels, drinking water treatment installation, (v) sanitation infrastructure, including waste water treatment installation, collector channel and main channel, and waste facility which includes transporter and waste storage, (vi) informatics and technology infrastructure, including telecommunication network and e-government infrastructure, (vii) electricity infrastructure, including power plant, which includes 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 the relevant authorities and institutions to conduct certain action 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.

Purchasing of Foreign Currencies Against Rupiah through Banks

Pursuant to Bank Indonesia Regulation No. 18/19/PBI/2016 on Foreign Exchange Transaction to Rupiah between Banks and Foreign Parties ("**PBI 18/19/2016**"), any conversion of Rupiah into foreign currency by way of call spread option involving a foreign party would require an underlying transaction. Similarly, any conversion of Rupiah into foreign currency by way of spot transaction and derivative transaction involving a foreign party, which exceeds certain thresholds, would require an underlying transaction. Such thresholds include: (i) the purchases of foreign currency against Rupiah of more than US$25,000 or its equivalent per month per foreign party for spot transactions; (ii) the purchases of foreign currency against Rupiah of more than US$1,000,000 or its equivalent per month per foreign party or per outstanding sale or purchase per bank for derivative transactions; and (iii) the purchases of foreign currency against Rupiah of more than US$5,000,000 or its equivalent per transaction per foreign party for forward transactions.

Pursuant to PBI 18/19/2016, the underlying transactions include the following activities: (a) domestic and international trade of goods and services and/or (b) investments in the forms of foreign direct investment, portfolio investments, loans, capital and other investments inside and outside Indonesia. The underlying transactions in such activities also include income and expense estimation. The underlying transactions do not include (a) the use of Bank Indonesia Certificate for foreign currency derivative transactions against Rupiah; (b) placement of funds in banks (vostro) in the form of, among others, regular deposits, giro, term deposits and negotiable certificate of deposits; (c) undrawn credit facility in the form of, among others, standby loan and undisbursed loan; and (d) the use of Bank Indonesia Securities in foreign currency. Specifically for sales of foreign exchange against Rupiah through forward transaction by a foreign party to a bank and for transfer of Rupiah to an account owned by a foreign party, the underlying transactions also include the ownership of onshore and offshore foreign exchange funds, which could be in the form of, among others, regular deposits, giro, term deposits and negotiable certificate of deposits.

Foreign parties purchasing foreign currencies in excess of the thresholds set out under PBI 18/19/2016 will be required to submit certain supporting documents to the selling bank.

Pursuant to Bank Indonesia Regulation No. 18/18/PBI/2016 on Foreign Exchange Transaction to Rupiah between Banks and Domestic Parties ("**PBI 18/18/2016**"), any conversion of Rupiah into foreign currency by way of call spread option involving a domestic party would require an underlying transaction. Similarly, any conversion of Rupiah into foreign currency by way of spot transaction and derivative transaction involving a domestic party, whereby exceeds certain thresholds, would require an underlying transaction. Such thresholds include: (i) the purchase of foreign currency against Rupiah of more than US$25,000 or its equivalent per month per customer for spot transactions; (ii) the purchase of foreign currency against Rupiah of more than US$100,000 or its equivalent per month per customer for derivative transactions; (iii) the sales of foreign currency against Rupiah of more than US$5,000,000 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 or its equivalent per transaction per customer for option transactions.

Pursuant to PBI 18/18/2016, the underlying transactions include the following activities: (a) domestic and international trade of goods and services; (b) investment in the forms of direct investment, portfolio investments, loans, capital and other investments inside and outside Indonesia; and/or (c) provision of credit or financing from the bank in foreign currency and/or in Rupiah for trade and investment activities. The underlying transactions of such activities also include income and expense estimation. The underlying transactions do not include (a) placement of funds in banks in the form of, among others, regular deposits, giro, term deposits and negotiable certificate of deposits; (b) money transfer activities by remittance companies; (c) undrawn credit facility in the form of, among others, standby loan and undisbursed loan; and (d) the use of Bank Indonesia Securities in foreign currency. Specifically for sales of foreign exchange against Rupiah through forward transaction by a domestic party to a bank, the underlying transactions also include the ownership of onshore and offshore foreign exchange funds, which could be in the form of, among others, regular deposits, giro, term deposits and negotiable certificate of deposits.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains, and any amendment or supplement to this Offering Memorandum may contain, "forward-looking" statements that relate to future events, which are, by their nature, subject to significant risks and uncertainties. All statements, other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe," "expect," "plan," "aim," "intend," "will," "may," "project," "estimate," "forecast," "anticipate," "predict," "seek," "should" or similar words or expressions, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- estimated financial information and projections regarding our group, and our future development and economic performance, including our objective of reaching over 70,000 boepd in net production by 2022;
- future earnings, cash flow and liquidity;
- potential growth opportunities;
- our cost of capital and financing plans;
- our investment strategy;
- our relationship with the Government and our key customers and suppliers;
- the competitive position and the effects of competition on our investments;
- development of additional revenue sources;
- the amount and nature of future capital expenditures;
- delays or changes in the development of our exploration, development and production businesses;
- our oil and gas reserve estimates;
- environmental liabilities and litigation;
- our objections to certain tax assessments;

- production, revenue and profit or loss contributions from the Sanga Sanga block and the potential expiration of the Sanga Sanga PSC in 2018;
- the condition of and changes in the local, Indonesian, Asian or global economies;
- the demand for, prices of and availability of crude oil, natural gas, LNG, LPG and other fuels in Indonesia;
- changes in the value of the Rupiah against the U.S. Dollar and other currencies;
- the Indonesian oil and gas industry;
- the performance of third parties under material agreements;
- agreements to sell products for which production has not yet begun, such as LNG products from the Muara Bakau PSC, which is expected to achieve first gas in the second half of 2017 and will be subject to seven-year LNG SPAs;
- regulatory changes and future Government policy relating to the oil and gas industry in Indonesia;
- the outcome of litigation, arbitration or other proceedings involving us; and
- the timing of the Offering.

The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, 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 to differ materially from those in the forward-looking statements include, among others, the following:

- revenues generated by our exploration, development and production businesses;
- termination of any agreements with supplier or customers, or regulatory licenses or permits;
- costs, difficulties and uncertainties related to the integration of acquired businesses or assets, including liabilities accrued or incurred prior to our acquisition of them;
- competition from other companies in the oil and gas industry, including companies with greater resources than us;
- risks associated with changes in customers' preferences and the relative prices of alternative energy sources;
- dependence on third parties for the supply equipment or services relating to our business activities;
- compliance by third parties with their obligations under agreements to which we or our subsidiaries are parties;
- compliance costs and potential liability for remedial actions under existing or future environmental obligations;

- changes in the value of the Rupiah against other currencies, including the U.S. Dollar;
- changes in interest rates;
- changes in our suppliers or other major customers;
- changes in demand for our crude oil, natural gas, LNG, LPG and related services we deliver;
- acts of international or domestic terrorism;
- changes in general economic, business and political conditions in Indonesia and surrounding countries;
- changes in the laws, regulations, taxation, accounting standards or practices, or policies of the Government which apply to us;
- labor unrest or other similar situations;
- our ability to obtain and retain skilled personnel;
- the availability of insurance coverage at commercially acceptable premiums;
- accidents, public disorder, natural disasters, severe weather or outbreaks (or fear of outbreaks) of infectious diseases;
- our management's success at managing the above-described risks and factors; and
- other factors not yet known to us.

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*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." When relying on 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. Accordingly, none of us, the Initial Purchasers or any of their respective affiliates undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. None of us, the Initial Purchasers or any of their respective affiliates makes any 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. Accordingly, you should not place undue reliance on any forward-looking statements.

INDONESIAN REGULATION OF OFFSHORE BORROWINGS

Under Presidential Decree No. 59/1972, as amended by Presidential Decree No. 120/1998 ("**PD No. 59/1972**"), the Company is required to report particulars of its offshore borrowings to the Minister of Finance of Indonesia and the Governor of Bank Indonesia, on the acceptance, implementation, repayment of principal and payment of interest. Ministry of Finance Regulation No. KEP-261/MK/IV/5/73, as amended by the Ministry of Finance Regulation No. 417/KMK.013/1989 and by the Ministry of Finance Regulation No. 279/KMK.01/1991 as the implementing regulations of PD No. 59/1972, further requires that we submit reports to the Minister of Finance of Indonesia and the Governor of Bank Indonesia on the effective date of the contract and for each subsequent

three-month period. In addition, under Presidential Decree No. 39/1991, all offshore commercial borrowers must submit reports to the Team of Offshore Commercial Borrowing ("**PKLN Team**") upon the implementation of their offshore commercial borrowing. Presidential Decree No. 39/1991 does not stipulate the time frame, the format or the content of the reports that must be submitted.

On December 29, 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/21/PBI/2014 on the Implementation of Prudential Principles in Management of Offshore Borrowing of Non-Bank Corporations, as lastly amended by Bank Indonesia Regulation No. 18/4/PBI/2016 (the "**PBI 16/21/2014**"), which applies to non-bank corporations that obtain offshore borrowings in foreign currencies. Further to PBI 16/21/2014, 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 "**SEBI 16/24/DKEM**"). PBI 16/21/2014 requires non-bank corporations that have offshore borrowings in foreign currencies to fulfill three prudential principles: (i) hedging ratios, (ii) liquidity ratios and (iii) credit ratings.

The minimum hedging ratio for non-bank corporations that have offshore borrowings 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 and 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.

SEBI 16/24/DKEM 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 PBI 16/21/2014 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 borrowings 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 borrowings signed or issued since 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 idBB- (based on Bank Indonesia Circular Letter No. 17/18/DKEM of 2015), Fitch Ratings Indonesia (with equivalent rating of BB-(idn) (based on Bank Indonesia Circular Letter No. 17/18/DKEM of 2015), Investment & Credit Rating Agency (ICRA) Indonesia (with equivalent rating of (Idr)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. In addition, the credit rating requirement must be fulfilled when the loan is signed and/or issued. PBI 16/21/2014 sets additional provisions where corporation may use their parent company credit rating if (i) such corporation enters into an offshore borrowing in foreign currency with its parent company, or if the offshore borrowing is guaranteed by the parent company, or (ii) such corporation is a newly established corporation with a maximum three years since the corporation begins its commercial operation. The obligation to have a minimum credit rating does not apply to offshore borrowings 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 borrowing (i) that would be used for refinancing to the extent that the new foreign currency offshore borrowing will not add the amount of the outstanding debt, or the new foreign currency offshore borrowing 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 borrowings 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 other loans, (vi) of the financing companies who at minimum have a "sound" level for financial soundness which is last issued by the OJK) and fulfill the maximum gearing ratio as regulated by OJK, and (vii) of the Indonesian Export Financing Institution (the *Lembaga Pembiayaan Ekpor Indonesia* or LPEI). Failure to comply with the PBI 16/21/2014 would result in an administrative sanction in the form of a warning letter from Bank Indonesia being given to the debtors, with copies given to their lenders, relevant Ministries, the OJK and the Indonesian Stock Exchange (in the case of a public listed company).

Bank Indonesia issued 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 Borrowing Management for Non-Bank Corporation ("**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. In addition, PBI 16/22/2014 requires any non-bank entity which applies prudential principles to submit reports which cover (i) the implementation prudential principles, (ii) the implementation of the prudential principles which have complied with an attestation procedure; (iii) notification of compliance of credit ratings; and (iv) financial statements ("**Implementation of Prudential Principles Report**"). Bank Indonesia requires foreign exchange activities reports to be submitted monthly (no later than the 15th day of the following month). The Implementation of Prudential Principles Report must be submitted quarterly, unless another submission deadline is required under PBI 16/22/2014.

The reporting obligations under PBI 16/22/2014 are implemented under the following Circular Letter of Bank Indonesia. According to Bank Indonesia Circular No. 15/16/DInt dated April 29, 2013 on Reporting of Foreign Exchange Activities in the form of Offshore Borrowing Realization and Position, any person, legal entity or other entity domiciled in Indonesia or planning to be domiciled in Indonesia for at least one year, that obtains offshore commercial borrowings in foreign currency and/or Rupiah (of any amount) pursuant to loan agreements, debt securities, trade credits and other debts must submit reports to Bank Indonesia. The reports must consist of the main data report and the monthly recapitulation data report. The main data report must be submitted to Bank Indonesia no later than the 15th day of the following month after the signing of the loan agreement or the issuance of the debt securities and/or the debt acknowledgement over the trade credits and/or other loans and a monthly recapitulation data report must be submitted to Bank Indonesia no later than the 15th day of the following month. Such reports must be filed until the offshore commercial borrowing has been repaid in full.

According to Bank Indonesia Circular No. 17/4/DSta dated March 6, 2015 on the Reporting of Foreign Exchange Activities on the form of Offshore Borrowing Plan and Amendment of Offshore borrowing, an Indonesian company that intends to obtain a long-term offshore borrowing in a foreign currency and/or Rupiah is required to submit a report to Bank Indonesia by no later than March 15 of each year in relation to such borrowing including its annual offshore borrowing plans. In the event there is a change to the company's plan to obtain an offshore borrowing, an amendment to such report must be submitted to Bank Indonesia by no later than July 1 of the year of such change.

According to Bank Indonesia Circular No. 17/26/DSta dated October 15, 2015 on the Reporting of Foreign Exchange Activities Other than Offshore Borrowing, an Indonesian company engaged in

foreign exchange activities other than offshore borrowings which include but are not limited to guarantees made by an Indonesian foreign exchange activities (other than with respect to any borrowing of offshore borrowings) is required to submit the LLD report to Bank Indonesia no later than the 15th day each month after the maturity date of the report period.

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 the Reporting Application of Prudential Principles in relation to an Offshore Borrowing Management for Non-Bank Corporation, 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.

Any delay in submitting foreign exchange reports as mentioned above (other than the offshore borrowing 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 borrowing plan report) is punishable by a fine of Rp.10,000,000 per reporting period. Failure to submit the offshore borrowing 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 Borrowing ("**PBI 16/10/2014**") on May 14, 2014, as amended by Bank Indonesia Regulation No. 17/23/PBI/2015 dated December 23, 2015, as implemented by Bank Indonesia Circular No. 18/5/DSta dated April 6, 2016 on Withdrawal of Foreign Exchange Offshore Borrowing. Based on PBI 16/10/2014, every Indonesian debtor of an offshore borrowing must withdraw revenue from the borrowing through an Indonesian foreign exchange bank. The obligation applies to every borrowing that is derived from: a non-revolving loan agreement; debt securities; or the margin between the new foreign borrowing for refinancing purposes and the initial foreign borrowing.

The accumulated amount of foreign exchange received from an offshore borrowing should be equal to the total commitment. If the accumulated amount of foreign exchange received from an offshore borrowing is less than the committed amount under the offshore borrowing, 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 borrowing term. An Indonesian debtor must report the withdrawal of revenue from the offshore borrowing to Bank Indonesia monthly using the recapitulation data report as regulated under PBI 16/10/2014, Bank Indonesia Circular No. 18/5/Dsta, and Bank Indonesia Circular No. 15/16/DInt of 2013. Every submission of a report must be supported with any document evidencing that the relevant offshore borrowing is withdrawn through an Indonesian foreign exchange bank. Any Indonesian debtor failing to comply with the obligation may be imposed with 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 TRANSACTION DOCUMENTS

Pursuant to Law No. 24 of 2009, regarding Flag, Language, Coat of Arms and National Anthem enacted on July 9, 2009 ("**Law No. 24**"), agreements to which Indonesian entities are a party are required to be executed in Bahasa Indonesia, although dual-language documents are permitted when

a foreign entity is a party. However, there exists substantial uncertainty regarding how Law No. 24/2009 will be interpreted and applied, and it is not certain that an Indonesian court would permit the English version of an agreement to prevail or even consider the English version. See "*Risk Factors — Risks Relating to Ownership of the Notes — There is uncertainty under Indonesian law as to the validity and enforceability of English language documents such as the Indenture*." On July 7, 2014, the Government issued Government Regulation No. 57 of 2014 ("**GR No. 57/2014**") on Development, Fostering and Protection of Language and Literature and Enhancement of the function of the Indonesian Language to implement certain provisions of Law No. 24/2009. While this government regulation focuses on the promotion and protection of the Bahasa Indonesia and literature and is silent on the question of contractual language, it reiterates that contracts involving Indonesian parties must be executed in the Indonesian language (although versions in other languages are also permitted). As Law No. 24/2009 does not specify any sanctions for non-compliance, we cannot predict how the implementation of Law No. 24/2009 (including its implementing regulation) will impact the validity and enforceability of the Notes in Indonesia, which creates uncertainty as to the ability of Noteholders to enforce the Notes in Indonesia.

We will execute dual English and Bahasa Indonesia versions of all transaction agreements to which we are a party. All of these documents will provide that in the event of a discrepancy or an inconsistency, the parties intend that the English version would prevail; however, we cannot assure you that an Indonesian court would hold that the English language version would prevail.

SUMMARY

This summary highlights selected information contained elsewhere in this Offering Memorandum. It is not complete and does not contain all the information that may be important to you in deciding whether to invest in the Notes. This summary is qualified by, and must be read in conjunction with, the more detailed information and the Financial Statements appearing elsewhere in this Offering Memorandum.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those projected. See "Forward-looking Statements." Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us or the Initial Purchasers or any other person or that these results will be achieved or are likely to be achieved. The meanings of terms not defined in this summary can be found elsewhere in this Offering Memorandum.

You should read the entire Offering Memorandum, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading Indonesian upstream oil and gas company with a diversified portfolio of hydrocarbon assets. As a wholly-owned subsidiary of PGN, a leading integrated natural gas company with the largest transmission and distribution network in Indonesia, we are engaged in the exploration, development and production of natural gas and crude oil, and play a substantial role in executing PGN's long-term upstream strategy and expanding Indonesia's energy infrastructure.

We currently operate three blocks, jointly operate one block, and are minority partners in a further six blocks, in Indonesia, and have a minority interest in one block in the United States. As of December 31, 2016, our estimated net proved and probable reserves were 112.1 MMboe, consisting of 512.2 Bscf of natural gas reserves and 23.8 MMbbl of crude oil reserves. In 2016, our net production was 13.9 MMboe, consisting of 56.6 Bscf of natural gas and 4.1 MMbbl of crude oil. In 2016, our average daily net production for the full year was 37,868 boepd, consisting of 154.7 MMscfd of natural gas and 11,198 bopd of crude oil. Taking into account all producing assets in which we had a participating interest as of December 31, 2016, our daily net production as of the same date was 55,022 boepd, consisting of 232.9 MMscfd of natural gas and 14,867 bopd of crude oil. In 2015, our average daily net production for the full year was 30,154 boepd, consisting of 122.9 MMscfd of natural gas and 8,971 bopd of crude oil. In 2014, our average daily net production for the full year was 17,121 boepd, consisting of 63.1 MMscfd of natural gas and 6,237 bopd of crude oil.

Our revenues are supported by, among other things, long-term natural gas, crude oil and LNG offtake contracts with leading companies such as PT Perusahaan Listrik Negara (Persero) ("**PLN**"), PT Pertamina (Persero) ("**Pertamina**"), Itochu Petroleum Co. ("**Itochu**"), British Petroleum ("**BP**"), Chinese Petroleum Corporation ("**CPC**") and Korea Gas Corporation ("**KOGAS**"). In 2014, 2015 and 2016, our aggregate sales volume across all our products was 6.0 MMboe, 8.9 MMboe and 11.3 MMboe, respectively, while our realized price was US$93.6, US$48.1 and US$42.7 per bbl of crude oil, respectively, and US$3.3, US$3.6 and US$3.8 per Mscf of natural gas, respectively.

OUR RELATIONSHIP WITH PGN

Since our establishment in 2011 we have been a wholly-owned subsidiary of PGN, which is listed on the Indonesian Stock Exchange and 56.97% of whose shares are owned by the Government. Our assets represented 39.1% of PGN's consolidated assets as of December 31, 2016 and our net revenues represented 10.7% of PGN's consolidated net revenues for 2016. PGN had US$2,934.8 million in net revenues and US$308.6 million in net income in 2016, and total assets of US$6,834.2 million as of December 31, 2016, according to its public filings.

We are strategically positioned in PGN's vertical integration plans by playing a substantial role in its long-term upstream strategy of strengthening the resilience of its gas supply and expanding its asset portfolio. We identify, explore and develop new hydrocarbon sources for PGN, provide PGN with access to gas production, and contribute to the growth of its distribution revenue. PGN is represented on our Board of Commissioners by its President Director and Chief Financial Officer, which helps align our mission, strategy and major corporate decisions. PGN also permits us to benefit from the strength of its relationships with regulators and other industry participants, and to participate in the development of natural gas infrastructure in Indonesia.

We enjoy strong parental capital support from PGN, reflected in cumulative shareholder loans of US$1.9 billion received since our founding, of which US$1.1 billion had been converted to equity as of December 31, 2016. We believe that PGN's support affords us a strong capital structure that allows us to pursue organic growth opportunities and acquisitions even in challenging commodity price environments and periods of market dislocation. At the same time, we are also important within PGN's capital structure. Under the indenture for PGN's senior notes due 2024, a US$50 million cross default by a material subsidiary (defined as any subsidiary that owns principal property of PGN, which is all property other than such property that is reasonably determined by PGN not to be of material importance to the total business conducted by PGN and its subsidiaries, taken as a whole) would trigger a default under the indenture relating to PGN's notes.

Competitive Strengths

- Balanced portfolio of upstream assets
- Visible growth from a strong reserve base
- Proven operating capabilities
- High gas revenue visibility with robust offtake arrangements
- Experienced management team with strong corporate governance

Strategies

- Align our growth strategy and optimize synergies with PGN's long-term objectives
- Increase production from existing assets
- Diversify our portfolio through selective acquisitions and dispositions
- Continue to implement cost-saving initiatives
- Improve operational, organizational and corporate governance structures in accordance with international standards

Corporate Information

We were established on June 27, 2011 as a wholly-owned core subsidiary of PGN, Indonesia's largest natural gas transportation and distribution company. In accordance with our Articles of Association, our purpose and aim is to engage in the upstream oil and gas business and investment, covering the exploration, exploitation and development of energy resources including crude oil, natural gas, coal bed methane and others.

We maintain our principal executive office at The Energy Building, 11th-12th Floor, SCBD Lot 11A, JI Jend. Sudirman, Jakarta 12190, Indonesia. Our telephone number at that address is +6221 2995 1000 and our fax number is +6221 2995 1001. Our website is www.sakaenergi.com; however information on our website or on other websites referred to on our website is not incorporated by reference into this Offering Memorandum and accordingly should not be relied on for the offering of the Notes.

THE OFFERING

The following summary of the Offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. Terms used in this summary and not otherwise defined herein shall have the meanings given to them in "Description of the Notes." For a more complete understanding of the Notes, please refer to "Description of the Notes" in this Offering Memorandum.

Issuer	PT Saka Energi Indonesia, a limited liability company established in Indonesia.
Notes Offered	US$625,000,000 aggregate principal amount 4.45% Senior Notes due 2024.
Issue Price	100%.
Maturity Date	May 5, 2024.
Interest	The Notes will bear interest from May 5, 2017 at the rate of 4.45% per annum, payable semi-annually in arrears.
Interest Payment Dates	May 5 and November 5 of each year, commencing on November 5, 2017.
Record Dates	Each April 20 and October 20 immediately preceding an Interest Payment Date.
Ranking	The Notes will be direct, unsecured and unsubordinated obligations of the Company, 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 *pari passu* in right of payment with all other unsecured and unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated Debt pursuant to applicable law) and will be effectively subordinated to secured obligations of the Company and the obligations of its subsidiaries. The existing shareholder loans of the Company, amounting to US$838.4 million as of December 31, 2016, are not expressly subordinated to the Notes in accordance with the terms of such loans.
Further Issues	The Company will initially issue US$625,000,000 in aggregate principal amount of the Notes. Subject to certain conditions, the Company may, however, from time to time, without notice to or the consent of the holders of the Notes, issue Additional Notes having the same terms and conditions under the indenture relating to the Notes as the Notes in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single series with the previously outstanding Notes and vote together as one series on all matters with respect to the Notes; provided that, in order for Additional Notes to have the same CUSIP, ISIN, or other identifying number as the outstanding Notes, the Additional Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Certain Covenants	The Company will agree to observe certain covenants, including, among other things, a negative pledge and limitations on its ability to consolidate, merge or sell its assets substantially as an entirety. See "*Description of the Notes — Certain Covenants*." The Notes and the related Indenture do not otherwise restrict or limit the Company's ability to incur additional indebtedness by itself or its subsidiaries or its ability to enter into transactions with, or to pay dividends or make other payments to, affiliates.
Repurchase of Notes upon a Change of Control Triggering Event	No later than 30 days following a Change of Control Triggering Event, the Company will be required to make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of such purchase. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*."
Additional Amounts	Subject to certain exceptions, the Company will pay such Additional Amounts as will result in receipt by the holder of the Notes of such amounts as would have been received by such holder had no deduction or withholding of Indonesian (and certain other) taxes been required. See "*Description of the Notes — Additional Amounts*."
Redemption for Taxation Reasons	Subject to certain conditions and exceptions, the Notes may be redeemed at the option of the Company, as a whole but not in part, 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 for such redemption, in the event that as a result of certain changes in tax laws the Company becomes obligated to pay Additional Amounts in respect of certain withholding tax (including Indonesian withholding tax imposed at a rate in excess of 20%). See "*Description of the Notes — Redemption for Taxation Reasons*."
Transfer Restrictions	The Notes have not been registered under the Securities Act, or the securities laws of any other jurisdiction, and 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. Accordingly, the Notes are being offered and sold in the United States only to qualified institutional buyers (as defined in Rule 144A) in accordance with Rule 144A and outside the United States in offshore transactions in accordance with Regulation S. The Notes may not be offered or sold in Indonesia or to Indonesian citizens, wherever they are domiciled, or to Indonesian residents, in a manner which constitutes a public offer under Law Number 8 of 1995 regarding Capital Markets. For a description of these and other restrictions on offers, resales and transfers of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*."

Use of Proceeds	The net proceeds from the offering of the Notes, after deduction of fees and commissions and estimated expenses incurred in connection with this offering, are expected to be approximately US$620.8 million. We intend to use the net proceeds of the issue of the Notes as follows: (i) approximately US$500 million to repay bank borrowings drawn down under our credit facilities; and (ii) the remaining amount, or approximately US$120.8 million, to finance capital expenditure, acquisition activities, working capital requirements and other general corporate purposes.
Governing Law	The Notes and the Indenture governing the Notes will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof.
Denomination, Form and Registration	The Notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Notes sold in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons and will be deposited with the Trustee as custodian for, and registered in the name of a nominee of The Depository Trust Company, or DTC. Notes sold outside the United States in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons and will be deposited with the Trustee as custodian for, and registered in the name of a nominee of DTC for the respective accounts of Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, Luxembourg, each of which is a participant in DTC. DTC will credit the account of each of its participants, including Euroclear and Clearstream, Luxembourg, with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.
Delivery of the Notes	We expect that delivery of the Notes will be made on or about the closing date specified on the cover page of this Offering Memorandum, which we expect will be the sixth business day following the date of this Offering Memorandum, which we refer to as "T+6." You should note that initial trading of the Notes may be affected by the T+6 settlement. See "*Plan of Distribution*."

Ratings	The Notes are expected to be rated "Ba1" by Moody's, "BB" by Standard & Poor's and "BB+" by 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.
Risk Factors	See "*Risk Factors*" and the other information in this Offering Memorandum for a discussion of factors that should be carefully considered before deciding to invest in the Notes.
Listing	Approval-in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Memorandum. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes.
Trustee	Citicorp International Limited.
CUSIP	69371E AA3 (144A), Y7140V AA8 (Reg S)
ISIN	US69371EAA38 (144A), USY7140VAA80 (Reg S)
Common Code	160060018 (144A), 160060107 (Reg S)

SUMMARY CONSOLIDATED FINANCIAL AND CERTAIN OPERATING DATA

The following tables set forth our summary financial and certain operating data as of the dates and for each of the years indicated. The summary consolidated financial data in this section has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, prepared in accordance with IFAS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2014 and 2015 were audited by Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited), independent public accountants, and as of and for the year ended December 31, 2016 were audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms), independent public accountants, based on Standards on Auditing established by the IICPA, as stated in their reports included elsewhere in this Offering Memorandum. We have prepared and presented our consolidated financial statements in accordance with IFAS, which differs in certain respects from U.S. GAAP. See "Summary of Certain Differences Between Indonesian Financial Accounting Standards and United States Generally Accepted Accounting Principles." We have not quantified or identified the impact of the differences between IFAS and U.S. GAAP as they relate to our Financial Statements. Our Financial Statements are presented in U.S. Dollars. See "Presentation of Financial and Other Information."

The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the related notes thereto and other information included elsewhere in this Offering Memorandum.

Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss Data

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Net revenues	297,798	100.0%	263,697	100.0%	314,115	100.0%
Cost of revenues	(172,398)	(57.9)%	(251,848)	(95.5)%	(302,704)	(96.4)%
Gross profit	**125,400**	**42.1%**	**11,850**	**4.5%**	**11,411**	**3.6%**
General and administrative expenses	(10,751)	(3.6)%	(6,805)	(2.6)%	(10,817)	(3.4)%
Finance costs	(20,263)	(6.8)%	(30,466)	(11.6)%	(42,807)	(13.6)%
Impairment losses of oil and gas properties	(13,067)	(4.4)%	(119,561)	(45.3)%	(15,290)	(4.9)%
Impairment losses of goodwill	(5,234)	(1.8)%	(47,236)	(17.9)%	—	—
Finance income, net of tax	1,491	0.5%	3,709	1.4%	7,373	2.3%
Gain/(Loss) on foreign exchange, net	(2,065)	(0.7)%	(10,709)	(4.1)%	753	0.2%
Share of net loss of joint venture	—	—	—	—	(1,729)	(0.6)%
Other income/(expenses), net	2,953	1.0%	9,659	3.7%	19,481	6.2%
Profit/(Loss) before income tax benefit/(expense)	**78,463**	**26.3%**	**(189,558)**	**(71.9)%**	**(31,625)**	**(10.1)%**
Income tax benefit/(expense)	(57,672)	(19.4)%	76,386	29.0%	8,275	2.6%
Profit/(Loss) for the year	**20,791**	**7.0%**	**(113,172)**	**(42.9)%**	**(23,350)**	**(7.4)%**
Other comprehensive income Remeasurement of defined benefit program	(1,046)	(0.4)%	371	0.1%	1,727	0.5%
Total comprehensive income/(loss) for the year	**19,745**	**6.6%**	**(112,800)**	**(42.8)%**	**(21,623)**	**(6.9)%**

Consolidated Statements of Financial Position Data

	As of December 31,		
	2014	2015	2016
		US$'000	
Current assets			
Cash and cash equivalents	193,363	194,065	162,649
Trade receivables	30,222	31,052	59,952
Other receivables	20,093	19,911	166,797
Inventories	33,368	36,770	55,995
Advances	2,712	16,051	37,078
Prepaid expenses	4,239	11,958	32,041
Cash call advances	4,880	10,966	28,243
Total current assets	**288,877**	**320,772**	**542,755**
Non-current assets			
Oil and gas properties	1,416,588	1,614,420	1,708,666
Other long-term receivables	61,791	275,839	231,618
Estimated claims for tax refund	66,807	59,637	61,230
Exploration and evaluation assets	12,744	49,947	52,595
Goodwill	47,236	—	—
Deferred tax assets	—	21,178	27,720
Fixed assets	24	11	0(1)
Investment in joint venture	—	—	45,069
Total non-current assets	**1,605,189**	**2,021,033**	**2,126,898**
Total assets	**1,894,067**	**2,341,805**	**2,669,653**
Current liabilities			
Shareholder loans	448,350	—	—
Short-term bank loans	—	—	100,000
Accrued liabilities	115,630	140,224	138,599
Trade payables	9,506	20,009	31,409
Other payables	71,998	27,874	38,236
Taxes payable	11,670	3,059	24,492
Short-term employee benefit liabilities	2,975	1,025	1,828
Total current liabilities	**660,158**	**192,191**	**334,564**
Non-current liabilities			
Shareholder loans	—	838,350	838,350
Long-term bank loans	—	294,892	494,813
Deferred tax liabilities	142,128	81,848	84,101
Asset abandonment and site restoration obligations	59,859	17,149	20,474
Long-term employee benefit liabilities	5,433	3,687	5,286
Total non-current liabilities	**207,420**	**1,235,925**	**1,443,024**
Total liabilities	**867,578**	**1,428,116**	**1,777,588**
Total equity attributable to owners of the parent entity	1,026,482	913,666	892,049
Non-controlling interest	7	22	16
Total equity	**1,026,489**	**913,689**	**892,065**

Note:

(1) Denotes that the amount is less than US$1,000

As of December 31, 2014, we had net current liabilities of US$371.3 million. We had net current assets of US$128.6 million and US$208.2 million as of December 31, 2015 and 2016, respectively. We had net assets of US$1,026.5 million, US$913.7 million and US$892.1 million as of December 31, 2014, 2015 and 2016, respectively.

Consolidated Statements of Cash Flows Data

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Net cash provided by operating activities	208,432	44,360	79,388
Net cash used in investing activities	(1,057,414)	(733,040)	(410,730)
Net cash provided by financing activities	977,892	690,000	300,000
Net effects of foreign exchange differences from cash and cash equivalents	363	(618)	(74)
Net (decrease)/increase in cash and cash equivalents	**129,273**	**702**	**(31,416)**
Cash and cash equivalents at beginning of the year	64,090	193,363	194,065
Cash and cash equivalents at end of the year	**193,363**	**194,065**	**162,649**

Certain Operating Data

The tables below set forth, on a net working interest basis, our sales volume and realized prices for natural gas, crude oil, LPG and LNG for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Sales volume:			
Crude oil (Mbbl)	2,184	2,609	3,095
Natural gas (MMscf)	19,682	33,673	40,923
LPG (MT)	37,998	43,321	50,519
LNG (MMscf)	—	—	3,066
Total (MMboe)	**6.0**	**8.9**	**11.3**

	Year ended December 31,		
	2014	2015	2016
Realized price:			
Crude oil (US$/bb1)	93.6	48.1	42.7
Natural gas (US$/Mscf)	3.3	3.6	3.8
LPG (US$/MT)	757.8	424.0	344.4
LNG (US$/Mscf)	—	—	2.6

Non-GAAP Financial Measures

We use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin as supplemental metrics for evaluating our financial performance. We define EBITDA as our profit/(loss) for the year plus (i) finance cost, (ii) depreciation, depletion and amortization, (iii) depreciation on office equipment, and (iv) income tax expense/(benefit), minus (v) finance income, net of tax. We define Adjusted EBITDA as EBITDA plus (i) impairment losses on oil and gas properties and (ii) impairment losses on goodwill minus (iii) gains from acquisitions. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues.

The table below reconciles our profit/(loss) for the year under IFAS to our definition of EBITDA and Adjusted EBITDA for the years indicated:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Profit/(loss) for the year,	20,791	(113,172)	(23,350)
Plus:			
Finance cost	20,263	30,466	42,807
Depreciation, depletion and amortization	95,487	150,359	182,087
Depreciation on office equipment	16	13	11
Income tax expense/(benefit)	57,672	(76,386)	(8,275)
Minus:			
Finance income, net of tax	(1,491)	(3,709)	(7,373)
EBITDA (unaudited)	**192,738**	**(12,429)**	**185,907**
Plus:			
Impairment losses on oil and gas properties	13,067	119,561	15,290
Impairment losses on goodwill	5,234	47,236	—
Minus:			
Gains from acquisitions	(5,604)	—	(18,317)
Adjusted EBITDA (unaudited)	**205,435**	**154,368**	**182,880**

The table below sets forth our EBITDA, Adjusted EBITDA and Adjusted EBITDA margin for the years indicated:

	Year ended December 31,		
	2014	2015	2016
	(unaudited)	(unaudited)	(unaudited)
	US$'000, except percentages		
EBITDA[(1)]	192,738	(12,429)	185,907
Adjusted EBITDA[(1)]	205,435	154,368	182,880
Adjusted EBITDA margin[(2)]	69.0%	58.5%	58.2%

Notes:

(1) EBITDA and Adjusted EBITDA are widely used financial indicators of a company's ability to service and incur debt, but are not standard measures under IFAS or U.S. GAAP. Accordingly, EBITDA and Adjusted EBITDA should not be considered in isolation or construed as alternatives to cash flows, revenue, or any other measures of financial

performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We have also included Adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. EBITDA and Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies and components of our EBITDA and Adjusted EBITDA may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than IFAS. Investors should not compare our EBITDA and Adjusted EBITDA or components of our EBITDA and Adjusted EBTIDA to EBITDA or Adjusted EBITDA or components of EBITDA or Adjusted EBITDA presented by other companies.

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

An investment in the Notes involves certain risks. You should carefully consider all of the following factors, in addition to all of the information contained in this Offering Memorandum including the consolidated financial statements included herein and the related notes thereto, prior to investing in the Notes. The factors described below are not the only ones facing our company. Additional factors not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading prices 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. 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 natural gas and crude oil reserve estimates are uncertain and may not accurately reflect actual reserve levels, or may prove to be inaccurate over time. Even if our estimates are accurate, technical limitations may prevent us from retrieving these reserves.

We estimate the natural gas and crude oil reserves in the blocks we operate, and rely on the estimates of third party operators (or independent petroleum consultants) of the blocks that we do not operate. Several of these estimates have not been evaluated by independent petroleum consultants. Determination of reserves estimates is an inexact, interpretative activity generally based upon certain guidelines and definitions. The use of multiple sources of reserve estimates from independent consultants and/or third-party operators, as is the case with the presentation of reserves in this Offering Memorandum, can increase the variability in methodology, assumptions and time period for estimates from source to source. For all estimates, there are numerous uncertainties inherent in estimating quantities of proved and probable reserves, including many factors beyond our control. Estimates of economically recoverable natural gas and crude oil reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgments, the assumed effects of governmental regulation and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are therefore, to some degree, speculative, and classifications of reserves are always subject to a degree of uncertainty. For these reasons, estimates of the economically recoverable natural gas and crude oil reserves attributable to any particular group of properties and the classification of such reserves based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially. Estimates of reserves are also largely dependent on the interpretation of data obtained from drilling, testing and production and may prove to be inaccurate over time. Estimates of proved and probable reserves that may be developed and produced in the future are frequently based upon volumetric calculations and by analogy to similar types of reservoirs, rather than upon actual production history. Subsequent evaluation of the same reservoirs based upon production history may result in revisions to the estimated proved and probable reserves.

No assurance can be given that the reserve estimates presented in this Offering Memorandum will be recovered at the levels presented. The quantities of natural gas and crude oil that are ultimately recovered could be materially different from our reserve estimates, and downward revisions or reclassifications of our estimates could affect our business, financial condition, results of operations and prospects. We can provide no assurance that the reserves estimates upon which we have made investment and development plan decisions accurately reflect actual reserve levels or reservoir performance, or even if accurate, that technical limitations will not prevent us from retrieving these reserves. For a discussion of how we estimate our reserves, including how we define proved and probable reserves, see *"Business — Reserves."*

We may not be able to successfully explore, find and develop new reserves to replace those produced and sold.

Our future success and ability to achieve our growth objectives are dependent upon our ability to find, acquire, explore and develop new reserves to replace those produced and sold. Exploration and development activities are capital intensive and their successful outcome cannot be assured. We undertake exploration activities which require significant costs with no guarantee that such expenditure will result in the discovery of commercially recoverable natural gas or crude oil. Even in areas where we undertake exploration activities which have a number of prospects for the discovery of natural gas and crude oil, there is a risk that drilling in a particular geographic area might result in no discovery of natural gas and crude oil (a "**dry well**"). If we are unable to find, acquire, explore and develop new and additional reserves, we will not be able to grow our business, which would have a material adverse effect on our business, financial condition, results of operations and prospects. Drilling a dry well would also mean that we may not be able to recover the costs incurred in drilling that well or make a return on its investment, resulting in significant exploration expenditure being written off.

Drilling activities may also be curtailed, postponed or aborted as a result of factors including weather conditions, government requirements and contractual conditions, shortages of or delays in obtaining equipment, reductions in product prices or limitations in the market for products. Wells may be shut in for, among other things, offtake interruptions or due to inadequacy or unavailability of pipeline or storage capacity. Geological uncertainties and unusual or unexpected formations and pressures may result in dry wells and wells that are productive but do not produce sufficient revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or the recovery of drilling, completion or operating costs. Any of these circumstances may have a material adverse effect on our business, financial condition, results of operations and prospects.

We hold a minority interest in most of our assets, which are operated by joint venture partners that we do not control.

We are the operator of the Pangkah, South Sesulu and Wokam II blocks, in each of which we own 100% of the working interest. We also jointly operate the Sanga Sanga block, in which we hold a 37.8% working interest, with a joint venture partner. All of our remaining assets are operated by joint venture partners that we do not control. See *"Business — Description of Production, Development and Exploration Assets."* Accordingly, we generally have limited control over the day-to-day management or operations of these assets and are dependent upon the activities of the operator. Any mismanagement of an asset by an operator may result in delays or increased costs to our non-operated exploration, development or production activities. The likelihood of these circumstances arising could increase if these operators face financial difficulties. For example, in 2016, Swift Energy, which is the operator of the Fasken block, filed for Chapter 11 proceedings in the U.S. but has since completed a restructuring and emerged from bankruptcy proceedings. While Swift Energy's financial difficulties and subsequent bankruptcy did not affect the operations of the Fasken block (or our business, financial condition, results of operations and prospects), there can be no assurance that future financial difficulties faced by the operators of the blocks we have a working interest in would not affect us adversely.

There is a risk that other parties with interests in our assets may elect not to participate in, or consent to, certain activities relating to those assets which require that party's consent (including decisions relating to drilling programmes, including the number, identity and sequencing of wells, appraisal and development decisions and decisions relating to production). In these circumstances, it may not be possible for such activities to be undertaken alone by us or in conjunction with other participants at the desired time or sequence or at all. Further, in relation to our non-operated assets, our joint venture partners may default in their funding or other obligations. In such circumstances, we may be required

under the terms of the relevant operating agreement to contribute all or part of any funding shortfall, or otherwise expend capital to fulfil other parties' obligations. Any failure by our joint venture partners to adequately perform their contractual obligations may materially and adversely affect our business, financial condition, results of operations and prospects.

We are a wholly-owned subsidiary of PGN, which in turn is subject to the control of the Government and the Government's interests may differ from ours.

We are a wholly-owned subsidiary of PGN, and its President Director and chief financial officer are members of our board of commissioners. See *"Business — Our Relationship with PGN."* The Government is the principal shareholder of PGN and owned 56.97% of PGN's total issued share capital as of December 31, 2016. The Government holds a special share in PGN which gives the Government approval power with respect to certain matters, such as the election and removal of commissioners and directors of PGN, amendments to PGN's articles of association, changes in PGN's capital structure and mergers, acquisitions, consolidation or liquidation. As a consequence, the Government controls PGN which in turn controls us. PGN and the Government, through its shareholding in PGN, are able to influence our strategy, operations and management policies. There can be no assurance that PGN and the Government will exercise their influence to our benefit or the benefit of our other security holders, including holders of the Notes. We derive significant benefits from our relationship with PGN (and indirectly the Government), such as access to policy makers and support from strategic policies relating to the natural gas and crude oil industry in Indonesia. There can be no assurance that we will continue to enjoy these benefits. Further, our business is dependent on investments, licenses, concessions, supply arrangements and PSCs with Government-related entities such as SKK Migas, PLN and Pertamina. Government-related purchases account for a significant proportion of our revenues, with natural gas, crude oil, LNG and LPG sales to such entities representing 45.5% of our net revenues in 2016.

The Government could further affect us through other actions, such as the imposition of taxes and foreign exchange restrictions. Furthermore, the Government, through SKK Migas, could affect our business and prospects in a number of ways, such as the imposition of oil and gas regulations and the renegotiation or nullification of existing concessions and contracts. If we are required to act in the Government's interests and those interests differ from our interests, or if the Government favors the interests of other Government-related entities over ours, or if the Government terminates or reduces any of the benefits we currently enjoy from them or other Government-related entities, we could suffer a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on PGN's financial support by way of equity contributions and shareholder loans, and have benefited from not having been required to pay dividends to PGN. There can be no assurance that PGN will continue to provide us with financial support, including extending any shareholder loans beyond their current terms or converting them to equity (these loans were approximately US$838 million as of December 31, 2016) and continuing to not require us to pay dividends. In addition, PGN's existing shareholder loans to us, which amounted to US$838.4 million as of December 31, 2016, are not expressly subordinated to the Notes in accordance with the terms of such loans. PGN may require us to prioritize the repayment of those loans over our other unsecured, unsubordinated debt obligations, including the Notes, which could negatively affect the interests and chances of repayment of holders of the Notes if our liquidity were limited at that time. There is also no equivalent to equitable subordination or recharacterization of shareholder loans into equity under Indonesian law, so in restructuring or liquidation proceedings under Indonesian law, PGN's loans to us would be expected to rank *pari passu* with all of our other unsecured and unsubordinated debt.

Furthermore, there is uncertainty over the future composition of our shareholding. Government officials have been quoted in media reports indicating plans to merge PGN and Pertamina's subsidiary Pertamina Gas (Pertagas). As of the date of this Offering Memorandum, we do not know the status or timing of these proposals. The governance structure that might emerge if these proposals are implemented is also unclear, and could result in more or less Government influence on our business.

If the proposals are implemented in a manner that results in less autonomy and independence, or results in the financial support from our shareholder being reduced or withdrawn, or is otherwise disadvantageous to us, this may have an adverse impact on our business, financial condition, results of operations and prospects.

Fluctuations in the prices of natural gas and crude oil could adversely affect our business, financial condition, results of operations and prospects.

While a significant proportion of our natural gas production is sold under long term GSAs at prices that are fixed, we also generate revenue from the sale of crude oil, LNG and LPG, the sale prices of which are typically linked to formulae tied to certain pricing indices (e.g. our crude oil is sold on an ICP basis while our LNG is generally priced on a JCC basis). The sale price of production from our interest in the Fasken block is also linked to a U.S. domestic natural gas index price (specifically, the Houston Ship Channel Natural Gas Index, which tracks the Henry Hub Natural Gas Spot Price). Other than a portion of our contracted sales volumes from the Fasken block, we do not currently hedge the sales volumes under our sales agreements. See *"Business — Marketing Strategy"* for a description on the general terms under which we sell and market our oil and gas entitlements. Accordingly, our business is affected by the market prices of natural gas, crude oil, LNG and LPG and the difference between the prices received for the sales of these products and the costs we incur in exploring for, developing and producing these products.

The international market for crude oil is volatile, and has in recent years been characterized by significant price fluctuations. For example, the monthly average price of Indonesian Crude Oil Prices declined from a high of US$123.36 in March 2012 to a low of US$27.49 in January 2016. It has since recovered to US$34.19 in March 2017. Similarly, market prices for natural gas sold in the United States can and have experienced volatility. The Henry Hub Natural Gas Spot Price declined from a high of US$13.05 per Million Btu in December 2005 to a low of US$1.93 MMBtu in December 2015. It has since increased to US$2.88 MMBtu in March 2017. Historically, prices of natural gas and crude oil have fluctuated widely in response to many factors, which are beyond our control. These factors include, among others, political developments and instability in the Middle East and other major petroleum producing regions; the ability of OPEC and other petroleum producing nations to set and maintain production levels and therefore influence market prices; current and forecast global and regional demand and supply levels; domestic and foreign government regulations affecting the energy industry; the price and availability of substitute energy sources; weather conditions and seasonality; market uncertainty and speculative activities; changes to natural gas and crude oil pricing policies in Indonesia; and overall global, domestic and regional economic conditions. Volatility in natural gas and crude oil prices arising out of one or more of these factors could adversely affect our business, financial condition, results of operations and prospects. For further details regarding the effect of crude oil and natural gas prices on our financial results, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations and Financial Condition — Prices of crude oil and natural gas.*"

Failure or delay by SKK Migas, our joint venture partners or by us to comply with the terms of our PSCs, and the failure to receive SKK Migas and other government approvals on a timely basis, could adversely affect us.

All our assets in Indonesia are operated pursuant to PSCs entered into with SKK Migas (and prior to it, BPMIGAS). Our PSCs contain requirements regarding quality of service, capital expenditures, legal status of the contractors and assets, restrictions on the transfer and encumbrance of assets and other limitations. See *"Business — Indonesian PSC Terms."* Any failure to comply with the terms of these PSCs by us or our joint venture partners could result, under certain circumstances, in the termination of the PSC, which could adversely affect our business, financial condition, results of

operations and prospects. In addition, SKK Migas approval is required for substantially all material activities undertaken under the PSCs, including exploration, development, production, drilling and other operations, sale of natural gas and crude oil and the hiring or termination of personnel. The failure to obtain such approvals, or delays in obtaining such approvals, or conditions imposed in connection with the grant of such approvals, could adversely affect our business, financial condition, results of operations and prospects.

The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues.

Our PSCs in respect of our assets in Indonesia are valid for a specified period of time only, after which an extension or new contract will need to be applied for. We, and in respect of our non-operated assets, the operators themselves, will have to negotiate with the MEMR, through SKK Migas, to renew or extend the term of the relevant PSC. However, there can be no assurance that we will be able to negotiate new PSCs with the MEMR when our existing arrangements expire, or that any new arrangements will be on satisfactory terms. We have no preferential or pre-emptive right to negotiate any new PSC and the MEMR may elect to grant a new contract to other contractor parties, excluding us, or to elect not to grant a new PSC at all.

This is particularly relevant in respect of our interest in the Sanga Sanga PSC which is due to expire on August 8, 2018 and our interest in the Southeast Sumatra PSC which is due to expire on September 7, 2018. We, together with our joint venture partner and as joint operator to the Sanga Sanga PSC, and in respect of the Southeast Sumatra PSC acting through the operator, had submitted a proposal for extension of these PSCs to the MEMR through SKK Migas. The MEMR, through SKK Migas, has informed us and our joint venture partners that the Sanga Sanga PSC and the Southeast Sumatra PSC will not be extended and management of the blocks will be handed over to Pertamina. This is consistent with the position set out in MEMR Regulation No. 15 of 2015 (as amended) which provides that the MEMR may decide, upon receiving a PSC operator's request to extend an expiring PSC to transfer the management rights over the PSC working area to Pertamina; permit the extension of the existing PSC; or require a joint operation between the PSC contractors and PT Pertamina (Persero). We are currently in negotiations with SKK Migas and the MEMR to explore the possibility of our participation in, and operatorship of, these blocks under the new PSCs that are expected to be awarded following the expiration of the current Sanga Sanga PSC and the Southeast Sumatra PSC.

There is no assurance, however, that the MEMR will agree to our participation in these blocks, or that any conditions to our participation that the MEMR may impose (including the terms of the new PSCs) will be acceptable to us. If the MEMR decides not to grant us participation in the Sanga Sanga and Southeast Sumatra blocks (as a result of us not agreeing to certain conditions or otherwise), our participating interest in the Sanga Sanga and Southeast Sumatra blocks will cease upon expiry of the relevant PSC, which would adversely affect our production volumes and revenues. While we expect these declines to be partially offset by the commencement of, or increase in, production from some of our other blocks, we cannot provide any assurance that this will be the case. The other PSCs which we have interests in are due to expire a number of years later (for example, the Muriah PSC in 2021, the Pangkah PSC in 2026 and the Ketapang PSC in 2028), and there is also no assurance that an extension of the term of any of these PSCs will be granted (particularly in light of MEMR Regulation No. 15 of 2015), or that we will be offered participation in these blocks if new PSCs are awarded.

In addition, there is uncertainty in relation to the terms of the new PSCs that will be granted. For a discussion of the changes in PSC terms in Indonesian resulting from the new "gross split" model that became effective in January 2017, see *"Risk Factors — Risks relating to the Indonesian Oil and Gas Industry — A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests which may result in an adverse impact on our business, financial condition, results of operations and prospects."*

Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II, South Sesulu and the West Bangkanai blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods.

Our Indonesian PSCs typically allow for an exploration period with an initial term of six years. If no discoveries of commercial quantities of crude oil and natural gas are made in that period, the PSC permits the contractor to request from SKK Migas a one-time extension of four years. The PSC terminates if no discoveries of commercial quantities of crude oil and natural gas have been made by the end of the exploration period. See *"Business — Indonesian PSC Terms."*

The exploration period under the Wokam II PSC will expire in 2020, which is the end of the four-year extension of the initial exploration period that was granted in October 2016, and the South Sesulu PSC will expire in 2019, which is the end of the four-year extension of the initial exploration period that was granted in 2015. We can provide no assurance that a discovery of commercial quantities of natural gas and crude oil will be made before the end of the extended exploration period in respect of each of the Wokam II and the South Sesulu PSCs. If a discovery is not made by that time, the Wokam II PSC will terminate on December 17, 2020 and the South Sesulu PSC will terminate on May 6, 2019.

The initial exploration period under the West Bangkanai PSC will expire on May 16, 2019. While the West Bangkanai PSC provides that an approval for an extension of the exploration period for a further four years shall not be unreasonably withheld provided the contractor under the West Bangkanai PSC complies with the relinquishment requirements and satisfies its firm commitments, there can be no assurance that SKK Migas will grant an extension to us. If an extension is not granted, the West Bangkanai PSC will terminate.

The termination of any or all of, the Wokam II, South Sesulu and West Bangkanai PSCs could have an adverse effect on our business, financial condition, results of operations and prospects.

We cannot guarantee that we will be able to implement our development plans on schedule and within budget, or sustain production volumes to meet our contractual commitments.

The development plans and proposed appraisal and development activities in connection with our assets are based on estimates. There are numerous uncertainties in estimating the timing and quantity of development expenditures and the projection of production which may result in these plans not being implemented on schedule, within budget, successfully or at all. The results of any appraisal of oil and gas discoveries which are carried out following the discovery of reserves are inherently uncertain and may lead to the conclusion that efforts are unprofitable, either due to wells being dry or not economically viable to develop.

Our ability and that of our PSC partners to sustain production volumes in the quantities required to comply with our supply commitments is subject to various risks and contingencies. These include well shutdowns, accidents, force majeure events and unexpected declines in reservoir performance, such as in the Muriah block where the Kepodang field was producing approximately 80 MMcfd as of the end of 2016 compared to the required DCQ volume of 116 MMcfd, and we experienced a decline in such production volume in the first quarter of 2017 compared to the first quarter of 2016. It is possible that production levels from the field may not be sustainable over the life of the PSC.

In addition, unforeseen events may increase our costs and expenditure to exceed our budgets or estimates due to factors beyond our control, such as anticipated difficulties, complications and delays, fluctuations in raw material costs, delays in the delivery of required equipment and materials, failure to obtain required regulatory approvals and permits on a timely basis or at all, potential changes to national or local statutes and regulations that could prevent our projects from proceeding or increase associated costs, shut ins of connected wells, impediments to our ability or our joint venture partners

to acquire necessary rights-of-way, easements or land rights on a timely basis or at all, adverse decisions of governmental agencies, opposition from local population groups, or failure of contractors, operators and/or joint venture partners to comply with their respective contractual obligations.

Accordingly, there can be no assurance that we and our joint venture partners will be successful in our efforts to develop and operate our existing assets or sustain production volumes in the manner and quantity and for the period anticipated, or at all, or that the development plans in connection with our assets will be completed within the anticipated time frame, or at all, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

Any appraisal and development activities which are typically carried out following the discovery of oil and gas may require further funding or further licences and may not result in economically viable production.

The results of any appraisal of oil and gas discoveries are uncertain and may lead to the conclusion that efforts are unprofitable, either due to wells being dry or not economically viable to develop. Appraisal and development activities involving the drilling of wells may be unpredictable and not result in the outcome planned, targeted or predicted, as extensive testing is required to understand the properties of an entire asset. Appraisal and development activities may also require the obtaining of additional licenses and permits. These may be subject to delay or to additional onerous requirements by reason of governmental, regional or local consultation, approvals or other considerations or requirements.

The success of our appraisal and development operations depends on our ability to find and commercially exploit discoveries of oil and gas, including, as appropriate, our ability to acquire land on which to locate pipelines, LNG plants and other equipment in a timely and cost-effective manner. We may require additional funding and significant infrastructure, including storage, transportation or processing capacity which we do not as yet have. We cannot provide any guarantee that such expenditure will result in the discovery of commercially recoverable oil or gas.

Any of the above may have a material adverse effect on our business, prospects, financial condition and results of operations.

Failure by third party contractors to fulfil their obligations would adversely affect our business, financial condition, results of operations and prospects.

We depend on independent third party contractors to undertake specialized tasks such as rig drilling and production optimization in connection with our exploration and production operations. There is a risk that these independent third party contractors will fail to meet their obligations as specified or underperform on contractual obligations, whether as a result of financial or operational difficulties or otherwise. Further, should any agreements with such joint venture partners or contractors be terminated, we cannot assure you that a suitable replacement can be found within a reasonable time or at all. As part of our business, we also have to assume some of the risk of damage or loss of the construction services and equipment provided to us by third-party contractors, such as drilling rigs, seismic acquisition vessels, service boats, tankers and floating storage and offloading vessels. Our exploration and production operations or development plans at assets affected by such failure may be disrupted for a substantial period of time to allow the terminated contractor to be replaced or for issues such as the replacement of equipment to be resolved. Such delays and disruptions could result in budget overruns and affect our business, financial condition, results of operations and prospects.

In addition, the infrastructure that we use to transport gas (including LNG and LPG) and crude oil to our customers is not owned by us. Such infrastructure, which includes tankers, pipelines and storage tanks, is leased from third-party providers, and we have limited or no control over the quality and availability of this infrastructure. If we and our joint venture partners are unable to obtain the equipment that we need to carry out our development plans, we and our joint venture partners may have to delay or restructure our development plans, which may have an adverse effect on our ability to commercialize our oil and gas reserves on a timely basis and accordingly our business, financial condition, results of operations and prospects.

Failure to manage our existing assets and growth effectively may adversely impact our business, financial condition, results of operations and prospects.

Our objective of achieving 70,000 boepd of production by 2022 and related plans to expand our portfolio of assets has presented, and will continue to present, significant challenges for our management, operational and administrative systems and our ability to maintain effective systems of internal controls. There can be no assurance that we will not experience difficulties in managing our existing assets and growth effectively because of issues such as political difficulties, capacity and capital constraints, construction delays and operational difficulties at projects. We may also face difficulties in upgrading or expanding existing facilities, locating and providing suitable management, and training an increasing number of personnel to manage and oversee our assets. Our expanding activities also require us to manage relationships with a large and growing number of partners, suppliers, contractors, service providers, lenders and other third parties. We may not find suitable acquisitions or successfully integrate new asset acquisitions to meet our efficiency and performance standards, nor keep existing assets up to those same standards. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses, which could have an adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to successfully execute strategic transactions that would develop and expand, or de-risk, our business. In addition, any acquisitions, joint ventures or investments which we are not able to complete could adversely affect us.

To achieve our growth objectives, we will not be able to rely solely on organic growth and will aim to continue identifying new opportunities and pursue strategic acquisitions, joint ventures and investments to build and expand our portfolio of assets. However, we may not be in a position to identify suitable targets to acquire or enter into new joint ventures with existing or new partners under satisfactory terms. Executing such transactions may involve investing significant financial resources and we may not be able to obtain sufficient financing. In addition, we continue to evaluate strategic opportunities such as divestments and farm-outs to de-risk our business, such as our on-going consideration of farm-out options for the South Sesulu block. All our acquisitions, joint ventures and investments also require approvals from the Government, and there can be no assurance that approvals will be given to the acquisitions, joint ventures or investments that we propose.

Even if our proposed acquisitions, joint ventures or investments complete, we may not realize any anticipated benefits from them. The process of integrating acquired operations, joint venture operations and investments into our existing operations may result in unforeseen difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our existing operations. There is no assurance that any of the above factors will not adversely affect our business, financial condition, results of operations and prospects or that such acquisitions, investments and joint ventures will eventually be profitable. These risks are heightened in areas, particularly in foreign countries, where we have not previously operated.

Competition in the oil and gas industry may have adverse effects on our business, financial condition, results of operations and prospects.

We face intense competition from other oil and gas companies who may bid for the same oil and gas assets that we seek to acquire or invest in, or compete for participation in the same joint ventures that we seek both in Indonesia and internationally. Such competitors may have access to greater financial or other resources than we do, or possess more relevant expertise, which may result in our bids for our proposed acquisitions and joint ventures not being successful. We also compete with other oil and gas companies for equipment and other resources such as oil and gas drilling rigs, which are a limited resource given the competitive market in the oil and gas sector. The increased demand for such equipment may result in increases to the prices that we have to pay in order to secure access to such equipment and other resources. See *"Business — Competition."*

The development of our assets involves construction, financing, regulatory and operational risks that could adversely affect us.

The development of our assets is subject to various construction, financing, regulatory and operational risks which include the breakdown or failure of equipment or processes, failure to obtain required government permits and approvals, work stoppages and other industrial actions by employees or contractors, opposition from local communities and special-interest groups, engineering and environmental problems and construction and operational delays. In addition, our business is subject to significant operational risks of fires, explosions, oil spills, well blowouts, leakage, release of toxic fumes and other unexpected or dangerous conditions that may cause personal injuries or death, property damage, environmental damage and interruption of operations. If we experience any of these or other problems, our exploration and production operations and development plans may be delayed which could result in budget overruns. Accordingly, our business, financial condition, results of operations and prospects would be adversely affected.

Our business is capital intensive, and if we are unable to obtain financing on reasonable terms to fund future capital expenditures, we may not be able to implement our exploration, development and production plans.

Oil and gas exploration, development and production are capital intensive operations and we have made, and plan to make, substantial capital expenditures for the acquisition of participating interests in, and the operation of, oil and gas blocks in Indonesia and overseas. We have historically benefitted from significant financial support from PGN, through shareholder loans. If we are unable to rely on a similar level of financial support from PGN in the future, we can provide no assurance that debt or equity financing or cash generated by our operations will be available or sufficient to meet our capital expenditure requirements or, if debt or equity financing is available, that it will be on terms acceptable to us. Our ability to obtain the required capital on acceptable terms is subject to a variety of uncertainties, including: limitations on our ability to incur additional debt, including prospective lenders' evaluations of our creditworthiness, restrictions on incurrence of debt in our existing and anticipated credit facilities, prevailing conditions in the capital markets in which we may seek to raise funds, and future results of operations, financial condition and cash flows.

If we are unable to obtain adequate long-term funding on satisfactory terms or at all, we may have to delay or abandon capital-intensive projects that are fundamental to our prospects and the development of our business. Moreover, future activities and expansion may require us to alter our capital structure, which may be adverse to the interest of our shareholders and holders of the Notes. If we cannot access sufficient capital for our operations, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Future financing may place restrictions on our operations.

The capital expenditure budget that we have submitted to SKK Migas for 2017 is approximately US$168.8 million and we currently estimate that our overall capital expenditures for existing projects for 2018 and 2019 will be approximately US$349.7 million and US$428.4 million respectively. While we believe that our internally generated cash flow can cover our planned capital expenditures, circumstances may change and we may need to raise additional funding in order to make our planned capital expenditures. If we raise additional debt financing, there may be additional restrictions placed on us which may, among other things:

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to pay our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and

- limit our flexibility in planning for, or reacting to, changes in our business and our industry, either through the imposition of restrictive financial or operational covenants or otherwise.

If we are unable to access financing on acceptable terms and conditions, there could be a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations would be adversely affected if we do not have sufficient working capital to meet our cash and operational requirements.

If our internal and external resources are insufficient to cover our working capital needs as a result of increased operational costs, delays in payments from customers, operating difficulties or for any other reason, we may be unable to obtain the working capital necessary to sustain our operations and may have to seek alternative sources of funding. If we fail to generate sufficient cash flow from our operating activities, or if we are unable to obtain and maintain sufficient cash balances and banking facilities, we may not have sufficient cash flow to fund our operations and we may not be able to procure alternative sources of funding on satisfactory terms or at all to meet our liquidity requirements.

We depend on the creditworthiness of our customers for collecting our trade receivables.

We depend on our customers for revenues payable under sales agreements for the natural gas, crude oil, LNG and LPG we produce and sell, and failure of our customers to perform under these agreements could have a material adverse effect on our business, financial condition, results of operations and prospects. As of December 31, 2016, our trade receivables were US$60.0 million.

We believe that all of our trade receivables are collectible. Hence, no allowance for impairment losses of trade receivables has been provided as of December 31, 2016. However, if amounts in connection with trade receivables are not recovered in the future, this may adversely affect our business, financial condition, results of operations and prospects. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Risk Management Objectives and Polices — Credit risk."*

Our operations are subject to operational hazards and partially insured or uninsured risks.

We may be subject to substantial liability claims due to the inherently hazardous nature of our business (as an upstream natural gas and oil company) or for acts and omissions of sub-contractors, operators or joint venture partners. Any indemnities we may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. There can be no assurances that accidents will not occur and any accidents which are significant and for which we are at fault could have a material adverse effect on our business, financial condition and results

of operations. We believe that the level of our insurance cover (and that of the operators of assets we do not ourselves operate) is reasonable based on the costs of cover, the risks associated with our business and industry practice. Our insurance (including that of operators of assets in which we have interests) currently includes cover for damage to or loss of certain production assets, insurance for out-of-control wells (including coverage of environmental damage caused thereby), third party liability coverage (including employer's liability insurance) and directors' and officers' liability insurance, in each case subject to deductibles, exclusions and limitations. We do not however have key-man, business interruption, onshore terrorism or sabotage insurance. See *"Business — Insurance."*

We are, however, unable to provide assurance that the proceeds of insurance applicable to covered risks will be adequate to cover losses or liabilities in full, including with respect to historical capital expenditure or lost profits. Accordingly, we may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. We are also subject to the risk of unavailability, increased premiums or deductibles, reduced coverage and additional or expanded exclusions in connection with our insurance policies and those of the operators of assets we do not ourselves operate.

As an upstream oil and gas company, we face significant environmental risks.

Our operations, which are often potentially hazardous, are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work in relation thereto. For example, our oil and gas operations entail risks of equipment defects, malfunctions and failures, human error, accidents, and natural disasters, which could result in uncontrollable flows of natural gas, fires, explosions, property damage, damage to the environment, injury and death. The location of pipelines near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering places, could increase the level of damage resulting from these risks, including the loss of human life, significant damage to property and the environment, impairment of our operations and substantial loss to us. Neighboring landowners and other third parties may file claims against us for personal injury or property damage allegedly caused by the release of pollutants into the environment. As disclosed above, we may incur substantial liability and cost if such damages are not covered by insurance or are in excess of insurance policy limits.

We monitor our operations in an effort to meet applicable environmental standards, laws and regulations. However, it is difficult to estimate any potential environmental liability and we may only make provisions in accordance with what we believe is a reasonable and prudent policy that takes into account payments made in prior years, stricter environmental standards, laws and regulations, and potentially higher levels of enforcement and fines and penalties for lack of regulatory compliance. Accordingly, we are unable to estimate any future financial impact of our environmental obligations. And although we endeavor to comply with all environmental and health and safety laws and regulations at all times, we or one of our subsidiaries may become involved in claims, lawsuits and administrative proceedings relating to environmental and health and safety matters in the future. See *"Business — Safety and Environment."*

In connection with our working interest in the Fasken block, we may be adversely affected by present or future U.S. environmental regulations and compliance with or breach of such regulations could adversely affect our business, financial condition, results of operations and prospects.

Hydraulic fracturing is an important and common practice that is used in the operations at the Fasken block. Hydraulic fracturing is regulated by U.S. state oil and gas commissions or similar state agencies. In recent years, however, several federal agencies have asserted regulatory authority over certain aspects of the process. The U.S. Congress has also from time to time considered legislation to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process. In addition, certain states have adopted, and other states are considering adopting, legal requirements that could impose new or more stringent regulations on well construction in connection with hydraulic fracturing activities. States could elect to prohibit high volume hydraulic fracturing altogether, following the approach taken by the State of New York in

2015. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in connection with the Fasken block, we (together with our joint venture partner in the Fasken block) could incur potentially significant added compliance costs with respect to such requirements, experience delays or curtailment in operations, and perhaps even be precluded from drilling wells. This could have an adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects depend on our senior management's experience and expertise and our ability to recruit and retain qualified personnel.

We depend on key members of our management team for the successful operation of our business. Our ability to maintain our competitive position and to implement our business strategy, in particular with respect to the development of our upstream business, is also dependent on our ability to attract and retain qualified technical personnel. The loss or change in the scope of the expertise of our senior management team, or difficulties in attracting and retaining qualified technical personnel in the future, could have a material adverse effect on our business, financial condition, results of operations and prospects. Competition for personnel in Indonesia with relevant expertise is intense within our industry due to the relatively small pool of qualified individuals, and a failure to recruit or retain qualified senior management and personnel could have a material adverse effect on our ability to implement our strategy, business, financial condition, results of operations and prospects.

Labor strikes could adversely affect our business.

There are proposals for approximately 75% of our permanent employees to register with the Union (Serikat Pekerja Saka Energi) of PT Saka Energi Indonesia, which has not yet been established. These arrangements and the establishment of the Union are currently being reviewed by the Ministry of Employment and the Ministry of Law and Human Rights for approval of establishment. While our relationship with our employees in the past has been good and we have never experienced any mass demonstrations or strikes, we cannot rule out a deterioration in our labor relations or labor unrest within our workforce. Strikes, lockouts or other significant work stoppages in the future could adversely affect our business, results or operations and financial condition.

Our business depends on various exploration, development and production licenses. If any of these licenses are suspended, restricted, terminated or not extended prior to expiry, this would have a material adverse effect on our business, financial condition, results of operations and prospects.

Our activities in Indonesia and other countries in which we operate or intend to operate are subject to licenses, regulations and approvals of Governmental Agencies including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation and environmental and health and safety matters. We have limited control over whether or not necessary approvals or licenses (or renewals thereof) for our operations are granted, the timing of obtaining (or renewing) such licenses or approvals, the terms on which they are granted or the tax regime to which we or assets in which we have interests will be subject. As a result, we have limited control over the nature and timing of development and exploration of oil and gas blocks in which we have or seek interests.

In addition, production in the Fasken block is based on leases with various landowners. These leases provide that they will expire if production is not commenced (unless an extension option is exercised), or once production has commenced, upon the end of such production. If production ceases on some or all of the leased areas, whether on account of commercial unviability or otherwise, the relevant leases would be subject to termination. The termination of a material number of these leases would adversely affect our anticipated returns from the Fasken block.

We are subject to audit by SKK Migas and other Governmental Agencies which may result in claims by them against us.

Under the terms of our PSCs and various Indonesian laws and regulations, we are subject to audit by SKK Migas and other Governmental Agencies which may result in claims against us. In addition, the Supreme Audit Agency ("**BPK**") of Indonesia audits our accounting records and bookkeeping on behalf of the Government. If BPK makes any claims relating to cost recovery under any PSCs and we are required to make settlement of such claims, our liquidity and financial condition could be adversely affected.

We are currently in ongoing disputes with the Indonesian tax authorities, the outcome of which is uncertain.

We are currently in disputes with the Indonesian tax authorities in relation to our acquisition of a 25% working interest in the Pangkah PSC in July 2013 and a further 75% working interest in January 2014.

In connection with these acquisitions, we also acquired related party loans held by the sellers of the Pangkah block interests. We have paid all taxable amounts arising from the acquistion of the Pangkah block interests in respect of the acquisition of the related party loans. The Directorate General of Taxes is of the view that this acquisition was related to the transfer of participating interest in the Pangkah block and accordingly, required that we pay certain tax amounts pursuant to Income Tax Article 4(2) relating to the indirect transfer of participating interest. We have paid the amount demanded of US$61.2 million but have filed an appeal with the Indonesian Tax Court for a tax refund. The appeal process is ongoing. In addition, the Directorate General of Taxes has sent to us assessment letters amounting to US$35.3 million for 2013 and US$127.7 million and US$19.8 million for 2014, in respect of the proper application of Income Tax Article 26(4) relating to permanent establishment in connection with our revenues from the Pangkah block. We have filed an objection to these assessments.

The outcome of these matters is uncertain. With respect to the Article 4(2) matter, we have recorded the refund claim as a non-current asset in our consolidated statement of financial position as of December 31, 2016 and 2015. If this dispute is resolved in our favor, the refunded amounts would be credited against our future tax liabilities. If not, we would not receive any refunds of the disputed amounts. We have not made any provisions for the Article 26(4) claims and an adverse outcome against us in that dispute would have an adverse effect on our financial condition, particularly if penalties (which can be as high as 100% of the disputed amount) are levied against us. If there are any other disputes with the Indonesian tax authorities in the future, we may be liable to pay the disputed amounts, as well as accrued interest and penalties, which could materially and adversely affect our liquidity and financial condition.

Risks Relating to the Indonesian Oil and Gas Industry

There are various industry risks for companies operating in the oil and gas industry in Indonesia which we believe are relevant for us.

The interpretation and application of the Oil and Gas Law is still uncertain and may adversely affect our business, financial condition and results of operations and prospects. In addition, the implementation of a new oil and gas law, may adversely affect our business, financial condition, results of operations and prospects.

The Oil and Gas Law of 2001 (the "**Oil and Gas Law**") came into force on November 23, 2001. See *"Regulatory Overview of Oil and Gas Activities in Indonesia."* The Oil and Gas Law creates an over-arching statutory framework setting forth general principles for the regulation of the oil and gas industry in Indonesian that are expected to be further developed in a series of Government regulations, presidential decrees and ministerial decrees. However, not all of the implementing regulations to the

Oil and Gas Law have been issued. The Government may also implement policies regarding oil and gas exploration, development and production that differ from previous policies. Accordingly, the uncertainty surrounding the Oil and Gas Law has increased the risks, and may result in the future increase of the costs, of conducting oil and gas businesses in Indonesia. The full impact of the Oil and Gas Law, the related implementing regulations and any future change in Indonesian oil and gas laws on our financial and operational status is difficult to ascertain at this time as not all of the implementing regulations to the Oil and Gas Law have been issued and some have only been recently enacted.

Furthermore, it is anticipated that a new oil and gas law will be enacted in the future, the form and timing of which is uncertain. It has been announced that there are several draft amendments to the Oil and Gas Law which have been submitted to the House of Representatives and that the draft amendments are currently listed as "priority" in the 2017 National Legislation Program (Program Legislasi Nasional). There is a possibility, therefore, that a new Indonesian oil and gas law will be issued in the future. The scope of the possible revisions that the new oil and gas legislation could make to the legal and regulatory environment for oil and gas in Indonesia is uncertain. If and to the extent the new law or the implementing regulations to the Oil and Gas Law, or their implementation or interpretation by Indonesian regulatory authorities, courts or SKK Migas, are detrimental to our business and to our position, our business, financial condition, results of operations and prospects could be materially and adversely affected.

There is potential uncertainty as to the legal validity and enforceability of our PSCs entered into with BPMIGAS, the predecessor to SKK Migas.

SKK Migas is an interim body established by the President of Indonesia to replace its predecessor, BPMIGAS, following the dissolution of BPMIGAS by a decision of the Indonesian Constitutional Court on November 13, 2012. See *"Regulatory Overview of Oil and Gas Activities in Indonesia — Environmental Obligations on Oil and Gas Operations."* A number of our PSCs were entered into with BPMIGAS prior to its dissolution by the Indonesian Constitutional Court. Although SKK Migas has assumed the functions and responsibilities of BPMIGAS and the Indonesian Constitutional Court has provided that all agreements entered into by BPMIGAS should remain valid until their respective expiry dates, our PSCs were not formally assigned or novated by legal instrument to SKK Migas from BPMIGAS, leading to potential uncertainty as to their legal validity and enforceability. While the establishment of SKK Migas or its assumption of PSCs is not, as far as we are aware, subject to any challenge before the Indonesian Constitutional Court or any other Indonesian court, irrespective of whether any such action would be commenced, there can be no assurance that we will be able to assert our rights under our PSCs.

A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests, which may result in an adverse impact on our business, financial condition, results of operations and prospects.

Pursuant to the Regulation of the Minister of Energy and Mineral Resources Number 8 of 2017 issued by the Government on January 13, 2017, a new "gross split" PSC economic model for conventional oil and gas assets was adopted in Indonesia (the "**Gross Split Scheme**"). This regulation came into force on January 16, 2017. Under this new model, the cost recovery mechanism, which currently applies to our existing PSCs, has been abolished with the Government no longer reimbursing contractors for their development and operating costs, but instead offering contractors a potentially larger share of production. At this stage, it is unclear whether the gross split mechanism will impact adversely upon contractors and this may vary on a case-by-case basis depending upon a number of factors including the nature of the field development and the stage in the asset life-cycle of the PSC in question.

The Gross Split Scheme will apply to new PSCs, but will not apply to PSCs awarded prior to January 16, 2017 (the effective date of the new scheme), which will continue to operate under the cost recovery model. Any existing PSCs which expire after January 16, 2017 and are not extended but are replaced will operate under this new Gross Split Scheme. There is also a possibility that the Government requires existing PSCs be amended to reflect the Gross Split Scheme prior to expiration, or as a condition to an extension prior to expiration after January 16, 2017.

If our PSCs which are near the end of their term expire and we enter into new PSCs under the Gross Split Scheme in respect of such assets, or if the Government requires the contracting parties under our existing PSCs to move to the Gross Split Scheme as part of a PSC extension process or otherwise, depending on the production split and the PSC costs of development and operations, our business, financial condition, results of operations and prospects may be adversely affected. The impact of adopting the new Gross Split Scheme on contracting parties is uncertain. We have interests in the Sanga Sanga PSC, which is due to expire on August 7, 2018, the Southeast Sumatra PSC which is due to expire on September 6, 2018 and the Muriah PSC which is due to expire on May 21, 2026. The Government may require, as a condition to granting new PSCs (in relation to the Sanga Sanga PSC and the Southeast Sumatra PSC), the adoption by the contracting parties of the Gross Split Scheme. If we are able to procure a participating interest or operating role in connection with such PSCs, such a shift may adversely affect our business and financials and affect our development plans and costs.

Upon the expiry of PSCs, contractors are required under the terms of the PSCs (in respect of those awarded after 2005) and the Oil and Gas Law to satisfy certain abandonment and site restoration ("ASR") obligations, the scope of which is uncertain.

The Oil and Gas law provides that contractors are required to maintain certain funds to satisfy their ASR obligations. These obligations are also expressly set out in the terms of PSCs awarded after 2005 (but not in earlier PSCs). The funds are required to be deposited by the contractor in a joint account of the contractor and SKK Migas. See *"Regulatory Overview of Oil and Gas Activities in Indonesia."* While guidelines issued by SKK Migas imply that contractors of PSCs awarded prior to 2005 (for example, the Pangkah PSC and the Muara Bakau PSC) would be subject to the requirement to maintain funds for ASR obligations, it is unclear how this must be carried out in practice. We understand, however, that SKK Migas will apply pressure on contractors to make appropriate yearly contributions to a fund to satisfy ASR obligations once production in a block commences. Before production in a block commences, contractors must include estimates of the anticipated ASR costs for each exploratory well in the annual budget of operating costs under the work program.

We believe that we are in compliance with all of the ASR obligations under our existing PSCs and under the Indonesian regulations and have made a provision for the ASR obligations in respect of our various PSC interests, in an amount of US$59.4 million as of December 31, 2016. Further, an amount of US$38.9 million is maintained in an escrow account at state-owned banks in compliance with our ASR obligations for the same period. There can be no assurance, however, that we will not in the future incur ASR obligation charges which are higher than the amount provided for as the amount of such future costs is not clear under the Oil and Gas Law. Any increased costs associated with our ASR obligations or penalties for failure to comply with these obligations may have an adverse effect on our business, financial condition, results of operations and prospects. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Our Results of Operations and Financial Condition — Asset abandonment and site restoration obligations."*

We may be adversely affected by present or future environmental regulations and our compliance with or breach of such regulations could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to various environmental laws and regulations concerning land use, air emissions, water discharge, waste materials and abandonment of our wells and other operating structures in connection with the design and operation of our upstream natural gas and crude oil facilities in Indonesia and our interests in the U.S (in respect of the Fasken block) which are often difficult and costly to comply with and which carry substantial penalties for non-compliance. See "*Regulatory Overview of Oil and Gas Activities in Indonesia — Environmental Obligations on Oil and Gas Operations.*"

For instance, on October 3, 2009, Law No. 32 of 2009 on Protection and Management of Environment (the "**Environmental Law**") was enacted, which required that all current environmental management licenses be integrated into the environmental permit issued pursuant to the Environmental Law and introduced more stringent penalties for breaches of environmental laws and regulations. On February 23, 2012, the Government enacted Regulation No. 27 of 2012 on Environmental Permit which requires that, in addition to an environmental impact analysis (*Analisa Mengenai Dampak Lingkungan*) ("**AMDAL**") approval, an environmental management effort plan (*Upaya Pengelolaan Lingkungan*) ("**UKL**") or an environmental monitoring effort plan (*Upaya Pemantauan Lingkungan*) ("**UPL**"), and an environmental permit from the State Ministry of Environmental Affairs or governor or mayor/head of regent of their respective areas would need to be obtained. Under the Environmental Law, if obligations in the AMDAL approval or UKL or UPL are not met, one of the sanctions that could be imposed is the revocation of our environmental permit. Revocation of an environmental permit may lead to nullification of business licenses, which may require related operations to be discontinued. See *"Regulatory Overview of Oil and Gas Activities in Indonesia — Environmental Obligations on Oil and Gas Operations."*

While we believe that our businesses have been operated in material compliance with applicable environmental laws and regulations, licenses, permits and approvals, we cannot assure you that we will not be in breach of any applicable environmental laws and regulations, and all conditions established by applicable licenses, permits and approvals at any given time. Furthermore, we cannot assure you that we will not be subject to stricter enforcement or interpretation of existing environmental laws and regulations, or that such laws, regulations or requirements established for maintaining or renewing applicable licenses, permits and approvals will not become more stringent in the future. The failure to renew or maintain any required licenses, permits or approvals or our inability to satisfy any such existing or stricter laws, regulations or requirements may result in the suspension of operation, the imposition of remedial measures or give rise to other liabilities which may result in significant costs, including compliance costs and/or additional capital expenditures to our operations. Such liabilities and costs may have an adverse effect on our business, financial condition, results of operations and prospects.

Changes in Indonesian gas pricing regulation may adversely affect our revenues.

The Oil and Gas Law allows us to set the price of natural gas and crude oil sold to our industrial customers and other customers not classified as small-scale customers pursuant to Indonesian natural gas and crude oil benchmark prices. We therefore have the ability to set the price of natural gas and crude oil sold to customers domestically at levels commercially and financially satisfactory to us. However, there can be no assurance that in the future we will still be entitled to independently set our own selling prices of natural gas and crude oil to our industrial customers and other customers not classified as small-scale customers. See *"Regulatory Overview of Oil and Gas Activities in Indonesia."*

Increased regulation by the Government and Governmental Agencies may increase the cost of regulatory compliance, limit our access to new exploration projects and impact our development plans.

In Indonesia (where most of our assets are located), Governmental Agencies such as SKK Migas, the Ministry of Energy and Mineral Resources, the Ministry of Trade, the Ministry of Forestry, the Ministry for Environment, the Coordinating Ministry of Maritime Affairs and/or Bank Indonesia administer and issue regulations that affect the oil and gas industry. The continued expansion of the roles of these Governmental Agencies coupled with adverse effects from unfavorable market perceptions of the environmental impact of the operations of oil and gas companies that generally follow specific incidents may result in the adoption of new regulations, legislation and practices that we would be required to comply with.

New regulations, legislation and practices may be more stringent, particularly in relation to environmental, health and safety controls, decommissioning and abandonment, and oversight of exploration and production operations. Given the possibility of unanticipated regulatory or other developments, including more stringent regulations, legislation and practices, the amount and timing of future legal and regulatory compliance expenditures could vary substantially from their current levels. Any new regulations, legislation and practices could therefore increase the cost of compliance and may require changes to our drilling operations, exploration, development and decommissioning plans and could impact our ability to capitalize on our assets and limit our access to new exploration opportunities.

Risks Relating to Indonesia

We are incorporated in Indonesia and a significant majority of our assets and operations are located in Indonesia. As a result, we may be materially and adversely affected by changes in political, economic, legal and social conditions in or affecting Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt.

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

The economic crisis that affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among other effects, currency depreciation, a significant decline in real GDP, high interest rates, social unrest and political instability. These conditions had a material adverse effect on Indonesian businesses, including businesses similar to ours. Indonesia entered a recessionary phase with relatively low levels of growth between 1999 and 2002. The rate of growth has stabilized at relatively higher levels in subsequent years, though there has been a moderate slowdown in growth from 2012 to 2016. In addition, 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. Accordingly, there is no assurance that the current Indonesian economic situation would not deteriorate, which could have an adverse effect on our business, financial condition, results of operations and prospects.

In addition, following the global financial crisis in 2008 which caused failures of large US financial institutions and rapidly evolved into a global credit crisis, unemployment in developed markets around the world increased and a number of major companies experienced significantly diminished results and, in some cases, bankruptcy or a significant threat of bankruptcy. These extremely negative economic developments, adversely affected both developed economies and developing markets, including Indonesia, and despite having occurred almost ten years ago, the global economy is still largely in recovery with slow to moderate growth. The current global economic situation could deteriorate, which could have an adverse impact on Indonesia and our business, financial condition, results of operations and prospects.

Political and social instability in Indonesia may materially and adversely affect us.

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change. Although Indonesia successfully conducted its first free elections for parliament and president in 1999, as a new democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Megawati, former President Yudhoyono and current President Joko Widodo, as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anticorruption measures, decentralization and provincial autonomy, actions of former Government officials and their family members, and the American-led military campaigns in the Middle-East. Although these demonstrations were generally peaceful, some have turned violent. There can be no assurance that this situation will not lead to further political and social instability. Any significant political instability and unrest could lead to extended disruptions in our operations or adversely affect the Indonesian economy, which could adversely affect our business.

Indonesia is located in an earthquake zone and is subject to significant geological risk and other natural disasters that could lead to property damage, loss of life, social unrest 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 therefore have significant economic and developmental effects. While these events did not have a significant economic impact on the Indonesian capital markets, there can be no assurance that future geological occurrences or other natural disasters will not significantly impact the Indonesian economy. A significant earthquake or other geological disturbance or other natural disasters in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Terrorist attacks, 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.

In recent years, Indonesia has experienced various terrorist attacks directed towards the Government, foreign governments and public and commercial buildings frequented by foreigners, which have killed and injured a number of people. There can be no assurance that further terrorist acts will not occur in the future. Such terrorist acts could destabilize Indonesia, increase political and social instability, thereby adversely affecting investors' confidence in Indonesia and the Indonesian economy. Any of the events described above, cause interruption to parts of our business, and materially and adversely affect our business, financial condition, results of operations and prospects.

Outbreak of an infectious disease or any other serious public health concerns in Indonesia or elsewhere may adversely impact our business, financial condition, results of operations and prospects.

The outbreak of an infectious disease in Indonesia or elsewhere, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in Indonesia and thereby adversely impact 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.

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 which may materially and adversely affect us.

In 2000, the Government issued Law No.21 of 2000 regarding Labor Union which permits employees to form unions without intervention from an employer, the Government, a political party or any other party. On March 25, 2003, then President Megawati enacted Law No. 13/2003 regarding Employment 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 liberalization of regulations permitting the formation of labor unions combined with weak economic conditions has resulted, and will likely continue to result in, labor unrest and activism in Indonesia. 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 and could adversely affect our business, financial condition, results of operations and prospects, and our ability to make payments under the Notes.

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

Currently, Indonesia's sovereign foreign currency long-term debt is rated (i) "Baa3 (positive)" by Moody's, (ii) "BB+ (positive)" by Standard & Poor's and (iii) "BBB- (positive)" by Fitch. 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. No assurance can be given that Moody's, Standard & Poor's, Fitch or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade 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 our business, financial condition, results of operations and prospects.

Indonesian corporate and other disclosure and accounting standards differ from those in the United States, countries in the European Union and other jurisdictions.

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 other more developed countries, and certain statistical and financial information of a type typically published by companies in other more developed countries may not be available. As a result, investors may not have access to the same level and type of disclosure that may be available in other countries, and comparisons with other companies in other countries may not be possible in all respects.

Our consolidated financial statements are prepared in accordance with IFAS, which differs in certain respects from U.S. GAAP. As a result, our consolidated financial statements and reported earnings could be significantly different from those which would be reported under U.S. GAAP. This Offering Memorandum does not contain a reconciliation of our consolidated financial statements to U.S. GAAP, and there is no assurance that such a reconciliation would not reveal material differences. See *"Summary of Certain Differences Between Indonesian Financial Accounting Standards and United States Generally Accepted Accounting Principles"* for a summary of differences that may be applicable.

We may be affected by uncertainty in the balance of power between local governments and the central government in Indonesia.

Indonesian Law No. 25 of 1999 on fiscal decentralization and Law No. 22 of 1999 on regional autonomy were passed by the Indonesian parliament in 1999 and further implemented by Government Regulation No. 38 of 2007. Law No. 22 of 1999 has been revoked by and replaced by the provisions on regional autonomy of Law No. 32 of 2004 as amended by Law No. 8 of 2005 and Law No. 12 of 2008. Law No. 32 of 2004 and its amendments were revoked and replaced by Law No. 23 of 2014 on regional autonomy as amended by Government Regulation in Lieu of Law No.2 of 2014, Law No.2 of 2015 and Law No.9 of 2015. Law No. 25 of 1999 has been revoked and replaced by Law No. 33 of 2004 regarding the Fiscal Balance between the Central and the Regional Governments respectively. Currently, there is uncertainty in respect of the balance between the local and the central governments and the procedures for renewing licenses and approvals and monitoring compliance with environmental regulations. In addition, some local authorities have sought to levy additional taxes or obtain other contributions. There can be no assurance that a balance between local governments and the central government will be effectively established or that our business, financial condition, results of operations and prospects will not be adversely affected by dual compliance obligations and further uncertainty as to legal authority to levy taxes or promulgate other regulations affecting our business.

Depreciation in the value of the Rupiah, principally against the U.S. Dollar, may adversely affect our business, financial condition, results of operations and prospects.

While all of our sales of natural gas, crude oil, LPG and LNG are denominated in U.S. Dollars, a small amount of our payments in Indonesia as well as VAT refunds and claims for tax refunds are made in rupiah. There can be no assurance that the Rupiah will not be subject to depreciation and volatility in the future. Any changes in the value of the Rupiah against the U.S. Dollar could therefore have an adverse effect on our business, financial condition, results of operations and prospects.

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

We are a limited liability company established under the laws of Indonesia. All our commissioners, directors and executive officers reside outside the United States. A significant majority of our assets and these other persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process upon us or such persons within the United States or other jurisdictions, or to enforce against us or such persons, judgments obtained in courts of such jurisdiction, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States or any state thereof.

We have been advised by our Indonesian legal advisors, Soemadipradja & Taher, that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. It would be highly unlikely for Indonesian courts to enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of jurisdictions other than Indonesia. As a result, holders of the Notes, as claimants, would be required to pursue claims against us or our commissioners and directors in Indonesian courts on the basis of Indonesian law, which would require re-examination of the underlying claim. 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.

Holders of the 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, or their practical implementation by Indonesian courts, may differ materially from those that would apply within the jurisdiction of the United States or European Union member states. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognized as under legislation or judicial precedent in the United States and most European Union member states. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that such debtors would not have in jurisdictions with more established legal regimes such as those in the United States and 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 are not systematically published. Indonesia's commercial and civil laws, as well as rules on judicial process, were historically based on Dutch law in effect prior to Indonesia's independence in 1945 and some have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian laws depends, in 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. 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. Furthermore, corruption in the court system in Indonesia has been publicly reported by certain international financial institutions, foreign governments or international organizations. There is also no assurance that Indonesian courts would enforce, or even consent to adjudicating agreements that are governed by non-Indonesian law.

In September 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 Indonesian 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. The Indonesian commercial court ruled, among other things, that since the trust deed relating to the notes was governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and that accordingly, it did not have authority to examine and adjudicate this case. As a result, it may be difficult for holders of the Notes to pursue a claim against us in Indonesia, which may adversely affect or eliminate entirely the holders' ability to obtain and enforce a judgment against us in Indonesia or increase the holders of the Notes' costs of pursuing, and the time required to pursue, claims against us.

There is uncertainty under Indonesian law as to the validity and enforceability of English language documents such as the Indenture.

Pursuant to Law No. 24, agreements between Indonesian entities and other parties must be set out in Bahasa Indonesia, which is the national language of Indonesia, save that where such party is a foreign entity or individual, the agreement may also be prepared in the language of such foreign party or in the English language. However, there exists substantial uncertainty regarding how Law No. 24 will be interpreted and applied, and it is not certain that an Indonesian court would permit the English version of an agreement to prevail or even consider the English version. On July 7, 2014, the Government issued GR No.57/2014 to implement certain provisions of Law No. 24. While this GR No.57/2014 focuses on the promotion and protection of Bahasa Indonesia and is silent on the question of contractual language, it reiterates that contracts involving Indonesian parties must be executed in the Indonesian language (although versions in other languages are also permitted). As Law No. 24 does

not specify any sanctions for non-compliance, we cannot predict how the implementation of Law No. 24 (including its implementing regulation) will impact the validity and enforceability of the Notes in Indonesia, which creates uncertainty as to the ability of the holder of the Notes to enforce the Notes in Indonesia.

The Indenture and certain other documents entered into in connection with the issuance of the Notes will be prepared in dual English language and Bahasa Indonesia forms as permitted under Law No. 24. 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. In addition, concepts in the English language may not have a corresponding term in Bahasa Indonesian and the exact meaning of the English text or may not be fully captured by such Bahasa Indonesian version. If this occurs, we cannot assure you that the terms of the Notes, including the Indenture, will be as described in this Offering Memorandum, or will be interpreted and enforced by the Indonesian courts as intended.

Risks Relating to Ownership of the Notes

The Notes will be unsecured obligations and will be structurally subordinated to the claims of creditors of our subsidiaries.

The claims of all existing and future third-party creditors of our subsidiaries as to the cash flows and assets of such companies will have priority over the claims of the shareholders of such subsidiaries, including us, and the creditors of such shareholders (such as holders of the Notes). As of December 31, 2016, we had total consolidated indebtedness of US$1,433.2 million. The Indenture does not contain any restrictions on our ability or that of our subsidiaries to incur additional indebtedness.

An Indonesian court has limited certain rights of a trustee, acting on behalf of holders of certain notes, in a decision that affected the holders' rights and the terms of the notes in connection with a court-supervised debt restructuring or PKPU.

Indonesian law does not recognize equitable principles in general including, without limitation, the relationship of trustee and beneficiary or other fiduciary relationships as would be the case in common law jurisdictions. In several court-supervised debt restructuring proceedings in Indonesia, known as PKPU proceedings, the PKPU administrator and the Supervisory Judges at the Commercial Court failed to acknowledge the noteholders or the trustee as creditors of the company. In the PKPU proceeding of PT Trikomsel Oke Tbk ("**Trikomsel**") in early 2016 (the "**Trikomsel PKPU**"), the PKPU administrators rejected claims in connection with certain foreign currency bonds concluding that the relevant trustees did not have any standing to make claims on behalf of the relevant noteholders. The PKPU administrators further held, that only individual noteholders that had filed claims on their own would be able to participate in the PKPU proceedings and to vote on the restructuring plan. This stance was further affirmed by the Commercial Court and the Trikomsel PKPU was settled on September 28, 2016, through the ratification of a composition plan (rencana perdamaian) which was approved by certain noteholders of Trikomsel, and then ratified by the Jakarta Commercial Court.

It may be difficult or impossible for holders of the Notes or the Trustee to enforce all of their rights under the Notes, including being able to vote in PKPU proceedings in Indonesia. There can be also no assurance that in the future, a PKPU administrator or Commercial Court will not issue a similar decision in PKPU proceedings such as the Trikomsel PKPU in relation to the capacity of the Trustee or holders of the Notes as our creditors, if we were to contest the enforcement by the Trustee or the holders of the Notes of our obligations under the Notes.

Enforcing the rights of holders of the Notes 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, PKPU 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 the rights of the holders of the Notes. The rights of holders of the Notes under the Notes will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that the holders of the Notes will be able to effectively enforce their rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative, PKPU 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 government entities 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 the ability of the holders of the Notes to enforce their rights under the Notes in the relevant jurisdictions or limit any amounts that they may receive.

We 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 or otherwise as required by the Indenture governing the Notes.

Upon the occurrence of certain events constituting a change of control triggering event, we are required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of their principal amount plus accrued and unpaid interest to the date of purchase. If any such event triggering our repurchase obligations were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving our company that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or a downgrade of the ratings of the Notes in accordance with the terms of the Indenture, and even if they do, may not constitute a "Change of Control Triggering Event" as defined in the Indenture. Except as described under *"Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event,"* the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The Notes do not contain restrictive financial or operating covenants.

The Indenture governing the Notes will contain various covenants intended to benefit the interests of the holders of the Notes that limit our ability to, among other things, incur liens under certain circumstances, consolidate or merge with or into, or sell substantially all of our assets to, another person. These covenants are subject to a number of important exceptions and qualifications. For more details, see *"Description of the Notes."*

The Indenture governing the Notes, however, does not contain restrictive financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness, the issuance or repurchase of securities by us, and the entry into sale and leaseback transactions. In addition, the Indenture does not contain any other covenants or provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating or the rating of the Notes as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders. Subject to the terms of our existing corporate debt and other credit facilities, we may incur substantial additional indebtedness in the future.

There has been no prior market for the Notes; the absence of a prior market in the Notes may contribute to a lack of liquidity and the market price of the Notes following this offering may be volatile.

The Notes are a new issue of securities for which there is currently no public market, and no active trading market might ever develop. Although approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. If such a market develops, the price and trading volume of the Notes may be highly volatile and the Notes could trade at prices that may be lower than their initial offering price. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances or acquisitions, prevailing interest rates, fluctuations in price for comparable companies and government regulations and changes thereof applicable to our industry and national or international general economic conditions could cause the price of the Notes to change. We and the Initial Purchasers have no obligation to make a market for the Notes. In addition, the market for debt securities in emerging markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that any such developments may not result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future and have a material adverse effect on the holders of the Notes.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and national and international macroeconomic conditions. The market for securities of Indonesian issuers is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Indonesia. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

There are restrictions on the resale of the Notes, which may adversely affect their liquidity and the price at which they may be sold.

The Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act, which could affect the liquidity of the Notes and their selling prices. See *"Transfer Restrictions."*

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

The Notes are expected to be assigned a rating of "Ba1" by Moody's, "BB" by Standard & Poor's and "BB+" by Fitch. The ratings address our ability to perform our 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. No assurances can be given that the ratings will be confirmed or they will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain facts and statistics are derived from third-party sources and publications not independently verified by us, the Initial Purchasers or our respective advisors.

Facts and statistics in this Offering Memorandum relating to certain macroeconomic data, end-use market data, growth rates and other industry data are derived, except as otherwise indicated, from various publicly available and official government or Governmental Agencies sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to the possibility statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other purposes, they should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. See *"Description of the Indonesian Oil and Gas Industry."*

Holders of the Notes may be excluded from receiving compensation in respect of a consent, waiver or amendment to the Indenture or the Notes.

We are generally excluded from paying any consideration, directly or indirectly, to any holder of the Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes 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. However, we will be permitted to exclude holders of the Notes in any jurisdiction where such consent, waiver or amendment or payment of consideration for such consent, waiver or amendment, in each case in the manner we deem appropriate, would not be permitted under applicable law in such jurisdiction or would require us to: (a) file a registration statement subjecting us or any of our subsidiaries to ongoing periodic reporting or similar requirements; (b) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if we are not otherwise required to so qualify; or (c) generally consent to service of process in any such jurisdiction. We intend to evaluate at the time of any consent, waiver or amendment the costs, potential liabilities and any other factors we consider appropriate at the time associated with extending such consent, waiver or amendment into the relevant jurisdictions. On the basis of this evaluation, we will then make a decision as to how to proceed and whether to extend such consent, waiver or amendment. We cannot assure you that we will include holders of the Notes in jurisdictions where the above exclusions are permitted.

Noteholders are exposed to risks relating to Singapore taxation.

The Notes to be issued are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore, subject to the fulfillment of certain conditions more particularly described in the section *"Taxation — Singapore Taxation."* However, there is no assurance that the Notes will continue to be "qualifying debt securities" or that the tax concessions in connection therewith will apply throughout the tenure of the Notes should the relevant tax laws be amended or revoked at any time.

USE OF PROCEEDS

The net proceeds from the offering of the Notes, after deduction of fees and commissions and estimated expenses incurred in connection with this offering, are expected to be approximately US$620.8 million.

We intend to use the net proceeds of the issue of the Notes as follows: (i) approximately US$500 million to repay bank borrowings drawn down under our credit facilities; and (ii) the remaining amount, or approximately US$120.8 million, to finance capital expenditure, acquisition activities, working capital requirements and other general corporate purposes.

CAPITALIZATION

The table below sets forth our indebtedness, equity and capitalization as of December 31, 2016 on an actual basis and as adjusted to account for (i) the issue of the Notes in connection with the Offering, (ii) the application of a portion of the proceeds from the issue of the Notes towards repaying certain indebtedness as described in the notes to the table below. The "Actual" column in this table has been extracted from the consolidated financial statements and related notes appearing elsewhere in this Offering Memorandum and should be read in conjunction with "*Use of Proceeds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*" Other than as indicated below and in "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness*," there has been no material change to our total capitalization and indebtedness since December 31, 2016.

	As of December 31, 2016	
	Actual	As Adjusted
	(US$'000)	(US$'000)
Current indebtedness:		
Short-term bank loans[(1)]	100,000	100,000
Non-current indebtedness:		
Shareholder loans	838,350	838,350
Long-term bank loans[(2)]	494,813	—
Notes offered hereby[(3)]	—	620,814
Total indebtedness	**1,433,163**	**1,559,164**
Equity:		
Issued and fully paid capital	1,062,537	1,062,537
Retained earnings — Appropriated	17	17
Retained earnings — Unappropriated	(172,328)	(172,328)
Other components of equity	1,823	1,823
Non-controlling interests	16	16
Total equity	**892,065**	**892,065**
Total capitalization[(4)]	**2,325,228**	**2,451,229**

Notes:

(1) On March 10, 2017, we repaid US$50 million of our indebtedness. We are in the process of obtaining a syndicated loan facility which we expect to be in the amount of US$300 million, which we expect to agree to in the second quarter of 2017. We intend to utilize a portion of the proceeds of this syndicated loan facility to repay a portion of the amounts outstanding under our shareholder loan from PGN and for capital expenditure and general corporate purposes. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Indebtedness.*"

(2) We intend to use a portion of the proceeds from this offering of the Notes to repay our existing long-term bank loans in full.

(3) This amount is net of offering discount, underwriting, management and selling commissions and other estimated transaction expenses relating to the issuance of the Notes, which will be deducted from the nominal amount of the Notes, consistent with the Company's accounting policy under IFAS.

(4) Total capitalization is the sum of total indebtedness and total equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected financial data as of the dates and for each of the years indicated. The selected consolidated financial data in this section have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, prepared in accordance with IFAS and included elsewhere in this Offering Memorandum. Our consolidated financial statements as of and for the years ended December 31, 2014 and 2015 were audited by Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited), independent public accountants, and as of and for the year ended December 31, 2016 were audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms), independent public accountants, based on Standards on Auditing established by the IICPA, as stated in their reports included elsewhere in this Offering Memorandum. We have prepared and presented our consolidated financial statements in accordance with IFAS, which differs in certain material respects from U.S. GAAP. See "Summary of Certain Differences Between Indonesian Financial Accounting Standards and United States Generally Accepted Accounting Principles." We have not quantified or identified the impact of the differences between IFAS and U.S. GAAP as they relate to our Financial Statements. Our Financial Statements are presented in U.S. Dollars. See "Presentation of Financial and Other Information."

The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the related notes thereto and other information included elsewhere in this Offering Memorandum.

Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss Data

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Net revenues	297,798	100.0%	263,697	100.0%	314,115	100.0%
Cost of revenues	(172,398)	(57.9)%	(251,848)	(95.5)%	(302,704)	(96.4)%
Gross profit	**125,400**	**42.1%**	**11,850**	**4.5%**	**11,411**	**3.6%**
General and administrative expenses	(10,751)	(3.6)%	(6,805)	(2.6)%	(10,817)	(3.4)%
Finance costs	(20,263)	(6.8)%	(30,466)	(11.6)%	(42,807)	(13.6)%
Impairment losses of oil and gas properties	(13,067)	(4.4)%	(119,561)	(45.3)%	(15,290)	(4.9)%
Impairment losses of goodwill	(5,234)	(1.8)%	(47,236)	(17.9)%	—	—
Finance income, net of tax	1,491	0.5%	3,709	1.4%	7,373	2.3%
Gain/(Loss) on foreign exchange, net	(2,065)	(0.7)%	(10,709)	(4.1)%	753	0.2%
Share of net loss of joint venture	—	—	—	—	(1,729)	(0.6)%
Other income/(expenses), net	2,953	1.0%	9,659	3.7%	19,481	6.2%
Profit/(Loss) before income tax benefit/(expense)	**78,463**	**26.3%**	**(189,558)**	**(71.9)%**	**(31,625)**	**(10.1)%**

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Income tax benefit/(expense)	(57,672)	(19.4)%	76,386	29.0%	8,275	2.6%
Profit/(Loss) for the year	**20,791**	**7.0%**	**(113,172)**	**(42.9)%**	**(23,350)**	**(7.4)%**
Other comprehensive income						
Remeasurement of defined benefit program	(1,046)	(0.4)%	371	0.1%	1,727	0.5%
Total comprehensive income/(loss) for the year	**19,745**	**6.6%**	**(112,800)**	**(42.8)%**	**(21,623)**	**(6.9)%**

Consolidated Statements of Financial Position Data

	As of December 31,		
	2014	2015	2016
		US$'000	
Current assets			
Cash and cash equivalents	193,363	194,065	162,649
Trade receivables	30,222	31,052	59,952
Other receivables	20,093	19,911	166,797
Inventories	33,368	36,770	55,995
Advances	2,712	16,051	37,078
Prepaid expenses	4,239	11,958	32,041
Cash call advances	4,880	10,966	28,243
Total current assets	**288,877**	**320,772**	**542,755**
Non-current assets			
Oil and gas properties	1,416,588	1,614,420	1,708,666
Other long-term receivables	61,791	275,839	231,618
Estimated claims for tax refund	66,807	59,637	61,230
Exploration and evaluation assets	12,744	49,947	52,595
Goodwill	47,236	—	—
Deferred tax assets	—	21,178	27,720
Fixed assets	24	11	0[(1)]
Investment in joint venture	—	—	45,069
Total non-current assets	**1,605,189**	**2,021,033**	**2,126,898**
Total assets	**1,894,067**	**2,341,805**	**2,669,653**

	As of December 31,		
	2014	2015	2016
		US$'000	
Current liabilities			
Shareholder loans	448,350	—	—
Short-term bank loans	—	—	100,000
Accrued liabilities	115,630	140,224	138,599
Trade payables	9,506	20,009	31,409
Other payables	71,998	27,874	38,236
Taxes payable	11,670	3,059	24,492
Short-term employee benefit liabilities	2,975	1,025	1,828
Total current liabilities	**660,158**	**192,191**	**334,564**
Non-current liabilities			
Shareholder loans	—	838,350	838,350
Long-term bank loans	—	294,892	494,813
Deferred tax liabilities	142,128	81,848	84,101
Asset abandonment and site restoration obligations	59,859	17,149	20,474
Long-term employee benefit liabilities	5,433	3,687	5,286
Total non-current liabilities	**207,420**	**1,235,925**	**1,443,024**
Total liabilities	**867,578**	**1,428,116**	**1,777,588**
Total equity attributable to owners of the parent entity	1,026,482	913,666	892,049
Non-controlling interest	7	22	16
Total equity	**1,026,489**	**913,689**	**892,065**

Note:

(1) Denotes that the amount is less than US$1,000

As of December 31, 2014, we had net current liabilities of US$371.3 million. We had net current assets of US$128.6 million and US$208.2 million as of December 31, 2015 and 2016, respectively. We had net assets of US$1,026.5 million, US$913.7 million and US$892.1 million as of December 31, 2014, 2015 and 2016, respectively.

Consolidated Statements of Cash Flows Data

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Net cash provided by operating activities	208,432	44,360	79,388
Net cash used in investing activities	(1,057,414)	(733,040)	(410,730)
Net cash provided by financing activities	977,892	690,000	300,000
Net effects of foreign exchange differences from cash and cash equivalents	363	(618)	(74)
Net (decrease)/increase in cash and cash equivalents	**129,273**	**702**	**(31,416)**
Cash and cash equivalents at beginning of the year	64,090	193,363	194,065
Cash and cash equivalents at end of the year	**193,363**	**194,065**	**162,649**

The following discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

The selected financial information as of and for the years ended December 31, 2014, 2015 and 2016 set forth below have been prepared in accordance with IFAS and are derived from our consolidated financial statements. Such consolidated financial statements (i) as of and for the years ended December 31, 2014 and 2015 have been audited by Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited), independent public accountants, and (ii) as of and for the year ended December 31, 2016 have been audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms), independent public accountants, based on Standards on Auditing established by the IICPA as stated in the 2015 Financial Statements and 2016 Financial Statements, respectively, which are included elsewhere in this Offering Memorandum.

Overview

We are a leading Indonesian upstream oil and gas company with a diversified portfolio of hydrocarbon assets. As a wholly-owned subsidiary of PGN, a leading integrated natural gas company with the largest transmission and distribution network in Indonesia, we are engaged in the exploration, development and production of natural gas and crude oil, and play a substantial role in executing PGN's long-term upstream strategy and expanding Indonesia's energy infrastructure.

We currently operate three blocks, jointly operate one block, and are minority partners in a further six blocks, in Indonesia, and have a minority interest in one block in the United States. We generate revenue primarily from the sale of crude oil and natural gas, and to a lesser extent, from LPG and LNG. In 2014, 2015 and 2016, our aggregate sales volume across all our products was 6.0 MMboe, 8.9 MMboe and 11.3 MMboe, respectively, while our realized price was US$93.6, US$48.1 and US$42.7 per bbl of crude oil, respectively, and US$3.3, US$3.6 and US$3.8 per Mscf of natural gas, respectively.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition have been, and are expected to continue to be, affected by the following significant factors:

Prices of crude oil and natural gas

As primarily an upstream crude oil and natural gas exploration, development and production company, our operating results are significantly impacted by the domestic and, to a lesser extent, regional and international market prices for crude oil and natural gas, in particular where the prices at which we sell our products are directly linked to prevailing market prices. We also derive revenue to a lesser extent from sales of LPG and LNG. The international market for gas and oil is volatile, and has recently been characterized by significant price fluctuations, with substantial reductions in particular in the price of crude oil occurring since 2014. The volatility of the market prices of crude oil and natural gas is subject to a variety of factors beyond our control, including cyclical market forces, regional and international supply and demand, geopolitical events and developments and instability in petroleum producing regions such as Southeast Asia where the majority of our producing assets are located, as well as elsewhere in the world. See "*Risk Factors — Risks relating to our Business — Fluctuations in the prices of natural gas and crude oil could adversely affect our business, financial condition, results of operations and prospects*" for further details.

Prices for crude oil in particular are directly correlated to our operating results, as the oil we produce and deliver is sold with reference to prevailing market prices such as the relevant ICP plus a premium. Most notably, beginning in the fourth quarter of 2014, oil prices declined sharply, which had an adverse effect on participants in the oil and gas industry globally, including us, and it directly impacted the price we could charge for our crude oil. We experienced an overall decrease in net revenues from crude oil from US$204.3 million in 2014 to US$132.1 million in 2016, which was primarily attributable to the decline in prevailing prices for crude oil. The average selling price for crude oil with reference to the ICP declined from US$96.5 per bbl in 2014 to US$49.2 per bbl in 2015 and further to $40.2 per bbl in 2016, contributing to a corresponding decrease in our realized price of crude oil from US$93.6 per bbl to US$48.1 per bbl and further to US$42.7 per bbl in the same years, respectively.

By contrast, sales of our natural gas, which constituted nearly half of our net revenues in 2016, are typically set pursuant to our GSAs which establish long-term fixed prices (typically within a band and with adjustments for inflation). We also executed a put option transaction in January 2017 to hedge against pricing risks for the substantial portion of our natural gas sales from the Fasken block. The GSAs to which we are a party provide us with substantial long-term visibility on revenue from our natural gas sales, and means that we are less exposed to volatility with respect to natural gas prices. We experienced an overall increase in net revenues from natural gas from US$64.7 million in 2014 to US$119.8 million in 2015 and further to US$156.6 million in 2016, which was driven primarily by an increase in the amount of natural gas that we produced, and to a lesser extent, price increases under the terms of our gas sales agreements.

The prices of the LNG products we sell are also subject to LNG SPAs, which are linked to prevailing market prices. In particular, the Muara Bakau PSC, which is expected to achieve first gas in the second half of 2017, will be subject to two seven-year LNG SPAs with Pertamina to supply in total 1.4 Mtpa of LNG until 2024. Under the terms of the LNG SPAs, the LNG is to be sold on an oil-linked basis and on take or pay terms.

Production volume and product mix

Our sales revenue is directly correlated with our crude oil and natural gas production volumes, which in turn depend primarily on the level of the proven and probable reserves in the fields in which we have an interest, and our ability to extract oil and gas products from such fields in profitable amounts. The level of proven and probable reserves is affected by factors such as:

- the extent to which we acquire interests in producing reserves or acquire other companies that own producing reserves;

- our ability to locate and procure resources which are capable of being commercialized and converted into reserves, whether by acquisition or exploration;

- the rate at which exploration leads to successful discoveries and the speed at which successful exploration and development move to production;

- the speed at which we and our partners deplete the reserves through production of crude oil and natural gas; and

- the expiration and extension of the terms of the PSCs under which we and our partners produce crude oil and natural gas.

The comparability of our revenue and results of operations across financial years is impacted by the fact that we are a relatively young company which is rapidly expanding and which has acquired interests in various blocks during the years under review. A number of our blocks have commenced production during the last three years (and at various points in time during the calendar years), and as a result it may be difficult to compare revenue and production levels from one year to the next. Moreover, our ability and that of our PSC partners to sustain production volumes in the quantities required to comply with our supply commitments is subject to various risks and contingencies. These include well shutdowns, accidents, force majeure events and unexpected declines in reservoir performance, such as in the Muriah block where the Kepodang field is currently producing approximately 80 MMcfd compared to the required DCQ volume of 116 MMcfd, and it is possible that production levels from the field may not be sustainable over the life of the PSC, which in turn may result in us losing potential revenue or being subject to ship-or-pay penalties, depending on the terms of the underlying agreements. See "*Risk Factors — Risks Relating to Our Business — We cannot guarantee that we will be able to implement our development plans on schedule and within budget, or sustain production volumes to meet our contractual commitments*."

Our results of operations are also affected by the mix of products that we sell. Due in part to prevailing market prices for crude oil in particular, which can fluctuate significantly from time to time, certain products may provide us with higher margins than other products during particular periods. Key determinants of our product mix in a given period include the prevailing market prices and the estimated per unit costs required to access production sources. For example, due to the continued weakness in market prices for crude oil, which had experienced sharp price declines since the fourth quarter of 2014, we have reduced the production volume of crude oil from the Pangkah PSC from 2014 through 2016, and focused more of its production on natural gas over this period. Due to our planning process and the time it takes to adjust production levels, there is typically a time lag between the movements in market prices for crude oil and the time when we actually increase our natural gas production. As the prices for crude oil and natural gas have historically been cyclical, we expect to continue to adjust our product mix when warranted by changes in market conditions, which in turn will continue to affect our overall revenue generation and profitability.

Our acquisition of the Sanga Sanga block in November 2016 and the potential expiration of the related PSC in August 2018 will increase the variability, and therefore affect the comparability, of our historical and future results of operations.

On November 17, 2016, we completed the acquisition of a 37.8% working interest in the Sanga Sanga block, one of the larger oil and gas producing assets in Indonesia. As discussed in more detail in "*Business — Assets — Sanga Sanga Block*," the transaction involved our acquisition of (i) 100% of BP East Kalimantan Ltd. BP East Kalimantan Ltd ("**BPEK**"), which owned a 26.3% participating interest of the Sanga Sanga PSC, and (ii) 50% of Unimar LLC ("**Unimar**"), through which we indirectly acquired an additional 11.5% participating interest in the Sanga Sanga PSC.

Production from the Sanga Sanga block is significant. In 2016, it produced 18.9 MMboe, consisting of 77,219 MMscf of natural gas and 5.6 MMbbl of crude oil. Our net production from Sanga Sanga from the date of completion of the acquisition through December 31, 2016 was 7.3 MMboe.

From November 17, 2016 to December 31, 2016, BPEK had net revenues of US$9.8 million, loss before income tax of US$2.7 million and net loss of US$4.9 million, which were reflected in our consolidated statement of profit or loss for 2016. Had BPEK been consolidated from January 1, 2016, our consolidated statement of profit or loss for 2016 would have shown pro forma revenue of US$92.5 million and pro forma loss of US$22.7 million. This unaudited pro forma statement is presented for illustrative purposes and is not indicative of what the financial position might have been or what results of operations might have been achieved had the acquisition occurred as of the earlier date indicated or the financial position or results of operations that might be achieved for any future periods. Production volume from the Sanga Sanga block in the first quarter of 2017 has declined relative to the first quarter of 2016.

Unimar also had a net loss for the full year 2016. Its operating results over the course of the year varied, resulting in fluctuations between profit and loss on a month-to-month basis, including net losses in each of the November 2016 and December 2016 financial months. Accordingly, we recorded a share of net loss of joint venture of US$1.7 million in 2016, which represented 50% of Unimar's aggregate net loss from November 17, 2016 to December 31, 2016.

We expect that our 37.8% working interest in the Sanga Sanga block will continue to contribute meaningfully to our production, revenue and profit or loss during the course of 2017 and 2018, until the potential expiration of the PSC in August 2018. For details, see "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*." In addition to expecting our operating and financial results for subsequent periods to be affected by the loss of the asset, we also expect to recover US$30.0 million through the refund of escrowed contingent consideration relating to the acquisition that will no longer be payable. See "*— Description of Major Line Items in our Consolidated Statements of Financial Position — Advances*."

Because of the significant scale of production from the Sanga Sanga block and owing to the timing of our acquisitions of BPEK and Unimar and the expected timing of the potential expiration of the Sanga Sanga PSC, we expect the comparability of our historical and future results of operations to be affected.

The terms of our PSCs

All but one of our production assets are subject to PSCs, which govern terms such as profit sharing, contract area of operations, work programs and expenditures, cost recovery and title to assets. The duration of the PSCs for most of our production blocks in operation range from 20 to 30 years, with our working interest ranging from less than 10% to 100%. Our share of the oil and gas production remaining after cost recovery and deduction of the first tranche petroleum ("**FTP**") (which is shared between the Government and the contractor) which ranges from 17.9% to 62.5% for oil and 48.1% to 71.4% for gas, depending on the production sharing arrangement.

The cost recovery provisions of our PSCs, which we believe are customary in the Indonesian upstream oil and gas industry, permit us to recover (i) approved costs incurred in capital investment for exploration and development and (ii) production and operating expenses against available revenues generated by the PSC after deduction of FTP. Under FTP terms, the Government and the contractor are entitled to take and receive oil and gas of a certain percentage (typically 15% or 20%) each year of the total production in a particular production area, depending on contract terms, before any deduction for cost recovery. After we have recovered all approved costs, the Government is then entitled to a specified profit share of the remaining production and we retain the rest as our profit share. Because our recoverable costs are customarily settled in gas and oil production, the exact amount realizable by us out of these cost recoveries varies depending on the value of such production (which in the case of oil is determined by the ICP). For example, at certain oil price levels, a significant portion, if not all, of the value of our production may be allocated for cost recovery, which in turn will decrease our and the Government's profit share. In some instances, this may result in an increase in our net entitlement. However, a decline in oil prices may more than offset the increase in our net entitlement, which would lead an overall decrease in revenue.

Moreover, our PSCs in respect of our assets in Indonesia are only valid for a specified period of time, after which an extension or new contract will need to be applied for with SKK Migas. If we are unable to negotiate extensions of such PSCs, we may not be able to realize gains on our investments in them. We currently have two PSCs, Sanga Sanga PSC and Southeast Sumatra PSC, which are due to expire in 2018, and the Government has informed us through SKK Migas that they will not be extended.

We are currently in negotiations with SKK Migas and the Government to explore the possibility of our participation in, and operatorship of, these blocks under the new PSCs that are expected to be awarded

following the expiration of the current Sanga Sanga PSC and the Southeast Sumatra PSC. There is no assurance however, that the Government will agree to our participation in these blocks, or that any conditions to our participation that the Government may impose (including the terms of the new PSCs) will be acceptable to us. See "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*" for further details. In addition, there is uncertainty in relation to the terms of the new PSCs that will be granted. For a discussion on the changes in PSC terms in Indonesia resulting from the new "gross split" model that became effective in January 2017, see "*Risk Factors — "Risk Relating to the Indonesian Oil and Gas Industry — A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests, which may result in an adverse impact on our business, financial condition, results of operations and prospects.*"

The contractor also has a DMO that requires it to sell a portion of its Profit Oil and its share of FTP to the Government at reduced prices (typically at market price during the first five years of production and then reducing to a price of US$0.20/bbl or 10% to 25% of the ICP depending upon the terms of the PSC). The DMO for gas only applies to PSCs signed after the enactment of Oil and Gas Law No. 22 of 2001 and the price for the DMO gas is mutually agreed between the parties. Our PSCs either provide that the amount of DMO oil or gas: (a) is set at 25% of the contractor's share of the Profit Oil or Profit Gas (as the case may be); or (b) varies with the total Indonesian oil production but is capped at 25% of the PSC's oil or gas production multiplied by its Profit Oil Share or Profit Gas Share (as the case may be). However, following Constitutional Court Decision 002/PUU-I/2003 in 2003 which held the maximum DMO limit to be unconstitutional and the subsequent issuance by the Government of MEMR Regulation 2 of 2008 on "PSC Contractor DMO Implementation," the DMO for all our PSCs is currently set at a fixed percentage of 25% of our PSCs' production. The size of our DMO and the discount to price at which we must fulfill them have a direct effect on revenues from our upstream business.

See "*Business — Indonesian PSC Terms*" for further details on our PSCs.

Exploration and development expenditure and success rates

Our cost of revenues and operating expenses primarily consist of (i) expenditures to operate the oil and gas concession and PSCs in which we are an operator and (ii) our exploration, development and production expenditures, which are generally allocated *pro rata* based on our working interest. Our cost of revenues is primarily comprised of non-cash charges relating to (a) depreciation and amortization of fixed assets related to production and transportation and (b) exploration costs related to unsuccessful exploration and discovery efforts for oil and gas reserves. Our cost of revenues also includes production and lifting costs, such as costs related to lifting oil and gas to the surface and onto the collecting point, as well as supporting facility expenses related to main activities such as transportation costs.

Exploration and development budgets are prepared in conjunction with other parties with interests in the relevant assets, including operators, joint operators, other PSC and concession participants and regulatory bodies. Under the terms of the agreements to which we are a party, we are generally required to meet periodic cash calls to fund exploration, development and production activities agreed to by the respective operating partners. Our expenses are apportioned to us on a project-by-project basis in accordance with our respective working interest in each project, as reported by each project operator. For projects in which we are not the operator, we rely on financial and other operating information provided by independent auditors appointed by such partners in verifying the expenses allocated to us. In such cases, we have less control over managing such exploration costs as we rely to a substantial extent on the operators.

Since 2014, we have increased our participation in oil and gas exploration activities. Moreover, as a result of the global decline in oil prices beginning in the fourth quarter of 2014, profitability in crude

oil production has become more difficult to achieve or maintain. In 2014, 2015 and 2016, depreciation, depletion and amortization charges were US$95.5 million, US$150.4 million and US$182.1 million, respectively, while our production and lifting costs were US$76.9 million, US$101.5 million and US$120.6 million, respectively. Our gross profit over the same periods was US$125.4 million, US$11.9 million and US$11.4 million, respectively. We expect our costs and expenses in respect of production activities to continue to increase in the future in line with our operational expansion plans, while our profitability (in particular with respect to our sales of crude oil) may continue to be impacted by the current climate of low oil prices.

Furthermore, the upstream oil and gas industry is inherently uncertain as to whether appraisal and exploration efforts will yield discoveries capable of profitable commercial production, if at all. Given the significant upfront investment costs necessary to fund exploration efforts before any production returns are realized, our ability to identify and develop productive assets (whether by acquisition or exploration) at a high success rate is important to our overall operations. In particular, while we typically capitalize exploration and evaluation expenditures during the corresponding stages of operation, once a determination has been made that the project will not yield commercial quantities of oil or gas, those capitalized expenditures would require impairment, which in turn would adversely affect our income statement in the same period. See "*— Critical Accounting Policies, Estimates and Judgments — Revenue and expenses recognition — Exploration and evaluation expenditures*" for further details. In addition, to the extent that the project is unable to yield the minimum exploration commitment prior to relinquishment of the asset at the end of the exploration period, we would also be responsible for paying our share of the outstanding minimum commitment to the Government. See "*Risk Factors — Risks Relating to our Business — Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II and South Sesulu blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods*" for further details. Thus, exploration and development efforts that do not successfully yield commercial quantities of oil and gas may render us unable to recover our investment and in turn have a significant adverse effect on our results of operations and financial condition.

Taxation

We had net tax expenses of US$57.7 million in 2014 and net tax benefits of US$76.4 million in 2015 and US$8.3 million in 2016, representing an effective tax/benefit rate of 73.5%, 40.3% and 26.2%, respectively. We recorded net tax benefits in 2015 and 2016 primarily due to our deferred tax benefits.

Our tax expenses include corporate income tax applicable on the jurisdictions (principally Indonesia) where our subsidiaries operate and where the underlying assets of PSCs are located. Each PSC requires the contractor to pay Indonesian corporate tax on its revenue generated from the sale of its Profit Oil Share and FTP and assumes such oil is sold at the applicable ICP or DMO price. The applicable tax rate is the Indonesian corporate tax rate in effect at the time the PSC was executed. From 2014 to 2016, the applicable tax rates on our PSCs ranged from 35% to 48%. Moreover, each PSC is taxed individually and no cross deduction is allowed. As a result, PSCs cannot be consolidated for Indonesian income tax purposes and we are not permitted to offset losses from one PSC against profits from another PSC.

Our tax positions are significantly affected by deferred tax benefits and deferred tax expenses due to the tax effects of significant temporary differences between commercial and tax reporting. Deferred taxes primarily include deferred tax liabilities on oil and gas properties, which amounted to US$250.7 million, US$216.8 million and US$241.3 million as of December 31, 2014, 2015 and 2016, respectively, and was partially offset by deferred tax assets on unrecovered costs, which amounted to US$84.6 million, US$130.6 million and US$175.8 million as of the same dates, respectively. Within any individual PSC, we are able to carry forward uncovered costs to future years up to the PSC expiration date.

From time to time we may be engaged in tax disputes which could impact our results of operations. We are for example currently in disputes with the Indonesian tax authorities in relation to our acquisition of a 25% working interest in the Pangkah PSC in July 2013 and a further 75% working interest in January 2014. See also "*Risk Factors — We are currently in ongoing disputes with the Indonesian tax authorities, the outcome of which is uncertain.*"

Critical Accounting Policies, Estimates and Judgments

We have identified certain accounting policies that are significant to the preparation of the Financial Statements included elsewhere in this Offering Memorandum. Note 2 to the Financial Statements includes a summary of significant accounting policies used in the preparation of the Financial Statements. The determination of these accounting policies is fundamental to our financial condition and results of operations, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, operating results and cash flows.

We have also identified accounting policies that involve judgments and estimates used in the preparation of the Financial Statements. The selection of critical accounting policies, the judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. See note 3 to the Financial Statements for a summary of the principal accounting judgments, estimates and assumptions made by management in the process of applying our accounting policies.

Certain of our critical accounting policies, estimates and judgments are set forth below:

Oil and gas properties

Costs of drilling development wells and development-type stratigraphic test wells, platforms, well equipment and attendant production facilities, are capitalized as uncompleted wells, equipment and facilities. Such costs are transferred to wells and related equipment and facilities upon completion. When the development well is completed on a specific field, it is transferred to the production wells.

Depreciation, depletion and amortization of oil and gas properties, except uncompleted wells, equipment and facilities under construction, is calculated using the unit of production method, on the basis of proved and probable reserves, where relevant.

Oil and gas reserve estimates

The amounts recorded for depletion, depreciation and amortization as well as the recovery of the carrying value of oil and gas properties involving production of oil and gas reserves depends on estimated reserves of oil and gas. The primary factors affecting these estimates are technical engineering assessments of producible quantities of oil and gas reserves in place and economic constraints such as the availability of commercial markets for oil and gas production as well as assumptions related to anticipated commodity prices and the costs of development and production of the reserves.

The economic assumptions used to estimate reserves change from period to period, and additional geological data is generated during the course of operations, therefore estimates of reserves may change from period to period. Changes in reported reserves may affect our financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charged to profit or loss may change where such charges are determined on units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provision may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.

Revenue and expense recognition

Revenues from the production of crude oil and natural gas are recognized on the basis of the provisional entitlement method at the point of lifting. Differences between our actual liftings of crude oil and natural gas result in a receivable when final entitlements exceed liftings of oil and gas (underlifting position) and in a payable when liftings of oil and gas exceed final entitlements (overlifting position). Underlifting and overlifting volumes are valued based on the annual weighted average ICP (for crude oil) and price as determined in the respective GSA (for gas). Expenses are recognized as incurred on an accrual basis.

Exploration and evaluation assets

Our accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be a recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off to the consolidated statement of profit or loss and other comprehensive income.

Development activities commence after a project is sanctioned by the appropriate level of management. Judgment is applied by management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure.

Joint arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Judgment is required to determine when we have joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

We have determined that the relevant activities for our joint arrangements are those relating to the financial, operating and capital decisions of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires us to assess our rights and obligations arising from the arrangement. Specifically, we consider:

- Whether the joint arrangement is structured through a separate entity.
- When the arrangement is structured through a separate entity, we also consider the rights and obligations arising from:
  - The legal form of the separate entity;
  - The terms of the contractual arrangement; and
  - Other relevant facts and circumstances.

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Goodwill

Goodwill on business combinations is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Taxation

Our tax expenses comprise current and deferred tax. Tax is recognized in 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 charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where we and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in annual tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted as at the reporting period and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there are legally-enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entities where there is an intention to settle the balances on a net basis.

The underpayment/overpayment of income tax is presented as part of "Current Tax Expenses" in profit or loss. We also present interest/penalty, if any, as part of "Current Tax Expenses."

The subsidiaries involved in oil and gas exploration and production in Indonesia are subject to income tax at rates of 44% to 48% and outside Indonesia are subject to income tax at a rate of 35%.

Uncertain tax exposure

Based on the tax regulations currently enacted, our management judges if the amounts recorded under claim for tax refund are recoverable and refundable by the Government tax office. Our management also judges on possible liability that might arise from the tax assessment under objection.

Significant judgment is involved in determining the provision for corporate income tax and other taxes on certain transactions. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. We analyze all tax positions related to income taxes to determine if a tax liability for unrecognized tax benefit should be recognized.

Asset abandonment and site restoration obligations

We recognize our obligations for future dismantlement and transfer of assets and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in our PSCs or in line with applicable regulations.

The initial estimated costs for dismantlement and site restoration of oil and gas properties are recognized as part of the acquisition costs of the assets and are subsequently depreciated/depleted using the unit of production method in line with the depletion rate of the selected assets.

In most instances, the dismantlement and transfer of assets and site restoration activities of oil and gas production facilities, wells, pipelines and related assets will occur many years in the future. The provision for future dismantlement and transfer of assets and asset restoration obligation ("**ARO**") is the best estimate of the present value of the future expenditure required to undertake the dismantlement and transfer of assets and site restoration obligation at the reporting date, based on current legal requirements. The estimated future dismantlement and transfer of assets and site restoration obligation, therefore, requires our management to make judgments regarding the timing of removal and transfer, the extent of restoration activities required and future removal and restoration technologies.

Such estimates are reviewed on a periodical/annual basis and adjusted each period/year as required. Adjustments are reflected in the present value of the dismantlement and transfer of assets and site restoration obligation provision at the consolidated statement of financial position date with a corresponding change in the book value of the associated asset.

The unwinding of the effect of discounting the provision is recognized as a finance cost.

We recognize a provision for asset abandonment and site restoration obligations associated with our oil and gas wells, facilities and infrastructures. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all the structures from the site and restore the site.

Description of Major Line Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income or Loss

The table below sets forth certain data from our consolidated statements of profit or loss and other comprehensive income or loss for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Net revenues	297,798	100.0%	263,697	100.0%	314,115	100.0%
Cost of revenues	(172,398)	(57.9)%	(251,848)	(95.5)%	(302,704)	(96.4)%
Gross profit	**125,400**	**42.1%**	**11,850**	**4.5%**	**11,411**	**3.6%**
General and administrative expenses	(10,751)	(3.6)%	(6,805)	(2.6)%	(10,817)	(3.4)%
Finance costs	(20,263)	(6.8)%	(30,466)	(11.6)%	(42,807)	(13.6)%
Impairment losses of oil and gas properties	(13,067)	(4.4)%	(119,561)	(45.3)%	(15,290)	(4.9)%
Impairment losses of goodwill	(5,234)	(1.8)%	(47,236)	(17.9)%	—	—
Finance income, net of tax	1,491	0.5%	3,709	1.4%	7,373	2.3%
Gain/(Loss) on foreign exchange, net	(2,065)	(0.7)%	(10,709)	(4.1)%	753	0.2%
Share of net loss of joint venture	—	—	—	—	(1,729)	(0.6)%
Other income/(expenses), net	2,953	1.0%	9,659	3.7%	19,481	6.2%
Profit/(Loss) before income tax benefit/(expense)	**78,463**	**26.3%**	**(189,558)**	**(71.9)%**	**(31,625)**	**(10.1)%**
Income tax benefit/(expense)	(57,672)	(19.4)%	76,386	29.0%	8,275	2.6%
Profit/(Loss) for the year	**20,791**	**7.0%**	**(113,172)**	**(42.9)%**	**(23,350)**	**(7.4)%**
Other comprehensive income						
Remeasurement of defined benefit program	(1,046)	(0.4)%	371	0.1%	1,727	0.5%
Total comprehensive income/(loss) for the year	**19,745**	**6.6%**	**(112,800)**	**(42.8)%**	**(21,623)**	**(6.9)%**

Net revenues

We derive net revenues from the sale of oil and gas products, namely (i) crude oil, (ii) natural gas, (iii) LPG and (iv) LNG. The table below sets forth, for the years indicated, a breakdown of our net revenues by principal product:

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Crude oil	204,344	68.6%	125,552	47.6%	132,099	42.1%
Natural gas	64,657	21.7%	119,779	45.4%	156,604	49.9%
LPG	28,796	9.7%	18,366	7.0%	17,401	5.5%
LNG	—	—	—	—	8,011	2.6%
Total net revenues	**297,798**	**100.0%**	**263,697**	**100.0%**	**314,115**	**100.0%**

Crude oil and natural gas have historically been our most important oil and gas products by revenue contribution. Crude oil sales represented 68.6%, 47.6% and 42.1% of our net revenues in 2014, 2015 and 2016, respectively, while natural gas sales represented 21.7%, 45.4% and 49.9% in the same years, respectively.

The revenue generated by our oil and gas products is determined by the quantity and sales price of such products. Production volume is largely dependent on the operational efficacy and stage of production of the CGUs in which we have an interest, while sales prices are largely dependent on (a) prevailing market prices for crude oil and LNG, (b) the terms of our gas sales agreements with respect to natural gas and (c) Government pricing with respect to LPG. See "— *Significant Factors Affecting Our Results of Operations and Financial Condition — Prices of oil and gas products*" and "— *Significant Factors Affecting Our Results of Operations and Financial Condition — Production volume and product mix*" and for further details.

The table below sets forth, for the years indicated, a breakdown of our net revenues and net revenue contribution by block:

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of net revenues	Amount	% of net revenues	Amount	% of net revenues
	US$'000, except percentages					
Block:						
Pangkah	269,051	90.4%	156,045	59.2%	159,790	50.9%
Southeast Sumatra	11,044	3.7%	52,170	19.8%	38,453	12.2%
Fasken	17,702	5.9%	34,425	13.1%	30,408	9.7%
Ketapang	—	—	11,466	4.4%	45,992	14.6%
Muriah	—	—	9,592	3.6%	29,082	9.3%
Bangkanai	—	—	—	—	620	0.2%
Sanga Sanga[(1)]	—	—	—	—	9,770	3.1%
Total net revenues	**297,798**	**100.0%**	**263,697**	**100.0%**	**314,115**	**100.0%**

Note:

(1) Our revenue from the Sanga Sanga block is attributable to our acquisition of 100% of BPEK (subsequently renamed Saka Energi Sanga Sanga Ltd.), which owns a 26.3% participating interest in the Sanga Sanga PSC. The acquisition was completed on November 17, 2016, and as a result, we only booked revenue from Sanga Sanga PSC in November and December of 2016. From November 17, 2016 to December 31, 2016, BPEK had net revenues of US$9.8 million, loss before income tax of US$2.7 million and net loss of US$4.9 million, which were reflected in our consolidated statement of profit or loss and other comprehensive loss for 2016. Our participating interest in the Sanga Sanga block also includes an investment in Unimar, a joint venture for which we recorded net losses of US$1.7 million from November 17, 2016 to December 31, 2016. See "— *Other Operating Expenses — Share of net loss of joint venture*" for further details.

The tables below set forth, on a net working interest basis, our sales volume and realized prices for our natural gas, crude oil, LPG and LNG for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Sales volume:			
Crude oil (Mbbl)	2,184	2,609	3,095
Natural gas (MMscf)	19,682	33,673	40,923
LPG (MT)	37,998	43,321	50,519
LNG (MMscf)	—	—	3,066
Total (MMboe)	**6.0**	**8.9**	**11.3**

	Year ended December 31,		
	2014	2015	2016
Realized price:			
Crude oil (US$/bbl)	93.6	48.1	42.7
Natural gas (US$/Mscf)	3.3	3.6	3.8
LPG (US$/MT)	757.8	424.0	344.4
LNG (US/Mscf)	—	—	2.6

Cost of revenues

Our cost of revenues represents costs that relate directly to production processes, namely:

(i) depreciation, depletion and amortization, which include (a) depreciation and amortization of oil and gas properties and (b) exploration costs related to unsuccessful exploration and discovery efforts for oil and gas reserves (including previously capitalized exploration and evaluation expenditures once a determination has been made that the project will not yield commercial quantities of oil or gas and that the cost is hence unrecoverable); and

(ii) production and lifting costs, which include (a) costs related to lifting oil and gas to the surface and onto the collecting point, plus treating, processing and storing in the field and (b) supporting facility expenses related to main activities such as transportation costs from storage to customers, field service units, warehouses, camp facilities and other facilities.

The table below sets forth, for the years indicated, a breakdown of our cost of revenues:

	Year ended December 31,					
	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	US$'000, except percentages					
Depreciation, depletion and amortization	95,487	55.4%	150,359	59.7%	182,087	60.2%
Production and lifting costs	76,911	44.6%	101,488	40.3%	120,617	39.8%
Total cost of revenues	**172,398**	**100.0%**	**251,848**	**100.0%**	**302,704**	**100.0%**

Our depreciation, depletion and amortization charges in 2014, 2015 and 2016 related principally to Pangkah, with Ketapang and Fasken also contributing a material portion of such charges in 2016. Our production and lifting costs on a per boe basis in 2014, 2015 and 2016 amounted to US$12.3, US$9.2 and US$8.7, respectively.

As with our revenues, our cost of revenues is substantially impacted by the sales price and quantity of oil and gas products we produce. In addition, where we have a minority participating interest in a block but are not the operator, we have less control over operating costs and rely on the block operator to provide us information with respect to such costs, resulting in less visibility regarding the sub-components of such costs compared to when we are the operator of the block ourselves.

Gross profit

Our gross profit was US$125.4 million, US$11.9 million and US$11.4 million in 2014, 2015 and 2016, respectively, while our gross profit margin (defined as gross profit divided by net revenues and multiplied by 100%) was 42.1%, 4.5% and 3.6% in the same years, respectively.

General and administrative expenses

General and administrative expenses primarily represent professional fees and salaries and employee benefits.

Other operating expenses

We present our finance costs, impairment losses of oil and gas properties, impairment losses of goodwill, finance income, net of tax, loss/(gain) on foreign exchange, net, share of net loss of joint venture and other income/(expenses), net collectively as other operating expenses. The table below sets forth, for the years indicated, a breakdown of our other operating expenses:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Impairment losses of oil and gas properties	13,067	119,561	15,290
Impairment losses of goodwill	5,234	47,236	—
Finance costs	20,263	30,466	42,807
Finance income, net of tax	(1,491)	(3,709)	(7,373)
Share of net loss of joint venture	—	—	1,729
Other expenses/(income), net	(2,953)	(9,659)	(19,481)
Loss/(gain) on foreign exchange, net	2,065	10,709	(753)
Total other operating expenses	**36,185**	**194,604**	**32,219**

Impairment losses of oil and gas properties

Impairment losses of oil and gas properties represent the difference between the carrying value of a CGU and its respective recoverable amount, as determined by our management. The table below sets forth, for the years indicated, a breakdown of our impairment losses of oil and gas properties:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Block:			
Southeast Sumatra	10,912	8,714	5,881
Fasken	11,068	—	—
Ketapang	12,681	—	2,319
Pangkah	(21,595)[(1)]	110,848	7,090
Total	**13,067**	**119,561**	**15,290**

Note:

(1) Represents reversal of impairment loss as a result of positive changes in the estimates and assumptions used to determine the recoverable amounts as of December 31, 2013.

In recent years, certain of our CGUs have been tested for impairment in light of lower market prices for oil and gas products. Impaired CGUs include those for which the associated products are sold below the corresponding spot prices. See "— *Critical Accounting Policies, Estimates and Judgments — Oil and gas properties*" for further details.

Impairment losses of goodwill

We had impairment losses of goodwill of US$5.2 million, US$47.2 million and nil in 2014, 2015 and 2016, respectively. Our impairment losses for goodwill in 2015 was primarily due to the significant decline in oil prices over the year which began in the fourth quarter of 2014. As we conducted impairment testing of goodwill using cash flow projections with respect to an acquired entity, and such projections were driven in large part by the impact of the prices we were able to charge for our products, our updated cash flow projections with respect to our acquired PSCs, in particular the Pangkah PSC, resulted in a provision for impairment of the remaining balance of goodwill in 2015. See "— *Critical Accounting Policies, Estimates and Judgments — Goodwill*" for further details.

Finance costs

Our finance costs primarily consist of interest expenses on shareholder loan extended to us by PGN. In 2014, 2015 and 2016, our finance costs amounted to US$20.3 million, US$30.5 million and US$42.8 million, respectively, of which US$16.2 million, US$18.8 million and US$22.8 million was attributable to shareholder loans extended by PGN. An increasing proportion of our finance costs are attributable to bank loans, relating in substantial part to a US$600 million credit facility into which we entered in December 2015. See "— *Indebtedness*" for further details. To a lesser extent, our finance costs also include (i) interest expenses on carry receivables, which represent the unwinding of interest income on long-term receivables to adjust the carrying amounts to their face value and (ii) unwinding effect of discount, which represents the discount rate applied by management in determining the estimated liabilities associated with asset abandonment and site restoration obligations.

Finance income

Our finance income represents interest from carry receivables and bank interest.

Other expenses/(income), net

Our other income in 2014 and 2016 primarily consisted of gains from acquisitions, which represent the excess of the fair value of the net assets over the total of consideration transferred, non-controlling interest recognized and previously held in connection with the acquisition of the Muriah PSC in 2014 and the Sanga Sanga PSC in 2016, in each case relative to the acquisition cost. Other components of our other income include income from non-operational activities, such as receivables from insurance claims and reclassification of accrued receivables.

Our other expenses represent expenses for non-operational activities, such as taxes on interest income.

Share of net loss of joint venture

Our share of net loss of joint venture is attributable to net losses of Unimar, which we acquired 50% of on November 17, 2016 as part of our investment in the Sanga Sanga block. Unimar, through its subsidiaries, owns a 23.1% participating interest in the Sanga Sanga block, effectively giving us a 11.6% participating interest. Unimar had a net loss for the full year 2016. Its operating results over the course of the year varied, resulting in fluctuations between profit and loss on a month-to-month

basis, including net losses in each of the November 2016 and December 2016 financial months. Accordingly, we recorded a share of net loss from Unimar of US$1.7 million in 2016, which represented 50% of Unimar's aggregate net loss from November 17, 2016 to December 31, 2016.

Income tax expense/(benefit)

Our tax expenses include corporate income tax applicable on the various jurisdictions where our subsidiaries operate and where the underlying assets of PSCs are located. We had net tax expenses of US$57.7 million in 2014 and net tax benefits of US$76.4 million in 2015 and US$8.3 million in 2016, representing an effective tax/benefit rate of 73.5%, 40.3% and 26.2%, respectively. See "— *Significant Factors Affecting Our Results of Operations and Financial Condition — Taxation*" for further details.

Review of Historical Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net revenues

Our total net revenues increased by 19.1% from US$263.7 million in 2015 to US$314.1 million in 2016, primarily due to an increase in net revenues from natural gas. We also began producing LNG in 2016, which contributed to the growth in net revenues.

Net revenues from natural gas increased by 30.7% from US$119.8 million in 2015 to US$156.6 million in 2016, primarily due to a 21.5% increase in sales volume of natural gas from 33,673 MMscf in 2015 to 40,923 MMscf in 2016. This was driven primarily by full year production activities in 2016 for the Muriah PSC compared to five months in 2015, an increase in natural gas sales from the Pangkah PSC, and sales from the Sanga Sanga PSC which we acquired in 2016. The increase in net revenues was also driven by an increase in our realized price of natural gas from US$3.6 per Mscf to US$3.8 per Mscf in the same years, respectively.

Net revenues from crude oil increased by 5.2% from US$125.6 million in 2015 to US$132.1 million in 2016, primarily due to an 18.6% increase in sales volume of crude oil from 2,609 Mbbl in 2015 to 3,095 Mbbl in 2016. This was primarily driven by full year production activities in 2016 from the Ketapang PSC compared to five months in 2015. The increase in net revenues from crude oil was partially offset by a decrease in our realized price of crude oil from US$48.1 per bbl to US$42.7 per bbl in the same years, respectively, which was in line with the continued decline in global oil prices.

By production block, the overall increase in net revenues was primarily attributable to (i) net revenue increases from the Ketapang PSC and Muriah PSC, in each case primarily due to full year production activities for each PSC in 2016 compared to five months in 2015, and (ii) the commencement of production from the Sanga Sanga PSC and Bangkanai PSC, which began contributing net revenues in 2016. This was partially offset by a decrease in net revenues from the Southeast Sumatra PSC, primarily due to decreased sales volume of crude oil.

Cost of revenues

Our total cost of revenues increased by 20.2% from US$251.8 million in 2015 to US$302.7 million in 2016, primarily due to costs incurred in respect of full-year production activities of the Ketapang PSC and Muriah PSC, which began production in 2015. We also began incurring costs from the Bangkanai PSC and Sanga Sanga PSC as a result of the commencement of production at such blocks. The increase in our cost of revenues outpaced the increase in net revenues primarily because of lower realized prices as a result of the continued decline in global oil prices.

Gross profit

As a result of the foregoing, our gross profit decreased by 4.2% from US$11.9 million in 2015 to US$11.4 million in 2016, while our gross profit margin decreased from 4.5% to 3.6% in the same years, respectively.

General and administrative expenses

Our general and administrative expenses increased by 58.8% from US$6.8 million in 2015 to US$10.8 million in 2016, primarily due to an increase in third-party consulting fees related to the acquisition of Sanga Sanga PSC.

Other operating expenses

Our other operating expenses significantly decreased by 83.5% from US$194.6 million in 2015 to US$32.2 million in 2016, primarily due to significant decreases in impairment losses of oil and gas properties and goodwill. Most of the provisions for such impairment had already been made in 2015 in connection with the decline in global oil prices beginning in the fourth quarter of 2014, which negatively impacted the projected cash flows from oil production assets (for Pangkah in particular) and in turn, the estimated fair value of such assets. We also had an increase in finance costs mainly due to interest expenses incurred on shareholder loans. Our other operating expenses in 2016 were partially offset by gains from acquisitions, which was attributable to bargain purchase in connection with the acquisition of Sanga Sanga PSC, as well as interest income on carried receivables.

Loss before income tax benefit/expense

As a result of the foregoing, our loss before income tax benefit/expense decreased by 83.3% from US$189.6 million in 2015 to US$31.6 million in 2016.

Income tax benefit

Our income tax benefit decreased by 89.1% from US$76.4 million in 2015 to US$8.3 million in 2016, representing a decrease in effective benefit rate from 40.3% to 26.2% over the same period, respectively. The decrease was primarily due to deferred income taxes related to impairment losses in 2015. Our tax benefits in 2015 and 2016 were primarily to our loss before tax as a result of the decline in global oil prices, which exerted downward pressure on our net revenues and gross profit.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 79.3% from US$113.2 million in 2015 to US$23.4 million in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net revenues

Our total net revenues decreased by 11.5% from US$297.8 million in 2014 to US$263.7 million in 2015, primarily due to a decrease in net revenues from crude oil, partially offset by an increase in net revenues from natural gas.

Net revenues from crude oil decreased by 38.6% from US$204.3 million in 2014 to US$125.6 million in 2015, primarily due to a decrease in our realized price from US$93.6 per bbl to US$48.1 per bbl, which was primarily driven by the decline in global oil prices that began in the fourth quarter of 2014. The decrease in net revenues from crude oil was partially offset by an 19.5% increase in sales volume from 2,184 Mbbl to 2,609 Mbbl in the same years, respectively, which was primarily driven by (i) full year production activities of the Southeast Sumatra PSC and (ii) the commencement of production of the Ketapang PSC in 2015.

Net revenues from natural gas increased by 85.2% from US$64.7 million in 2014 to US$119.8 million in 2015, primarily due to a 71.1% increase in sales volume from 19,682 MMscf in 2014 to 33,673 MMscf in 2015. This was driven primarily by (i) full year production activities of Fasken and the Southeast Sumatra PSC and (ii) the commencement of production of the Muriah PSC in 2015. The increase in net revenues was also driven by an increase in our realized price of natural gas from US$3.3 per Mscf to US$3.6 per Mscf in the same years, respectively.

By production block, the overall decrease in net revenues was primarily attributable to the Pangkah PSC, which had a 42.0% decrease in net revenues from US$269.1 million in 2014 to US$156.0 million in 2015, primarily due to a decrease in crude oil production which was principally attributable to declining crude oil prices from late 2014. This was partially offset by (i) an increase in net revenues from the Southeast Sumatra PSC and Fasken, primarily due to full year production activities in 2015 and (ii) the commencement of production from the Ketapang PSC and Muriah PSC, which began contributing net revenues in 2015.

Cost of revenues

Our total cost of revenues increased by 46.1% from US$172.4 million in 2014 to US$251.8 million in 2015, primarily due to increased production activities relating to the ramping up of operations at our production blocks, which led to greater depreciation costs and associated production costs. As a result, while we had an decrease in net revenues due mainly to declining global oil prices, we did not experience a corresponding decrease in cost of revenues to the same degree due to our high production volume, particularly with respect to the Pangkah PSC. We also incurred full year production activities for the Southeast Sumatra PSC and Fasken and began incurring costs from the Ketapang PSC and Muriah PSC as a result of the commencement of production at such blocks.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit significantly decreased from US$125.4 million in 2014 to US$11.9 million in 2015, while our gross profit margin decreased from 42.1% to 4.5% in the same years, respectively.

General and administrative expenses

Our general and administrative expenses decreased by 37.0% from US$10.8 million in 2014 to US$6.8 million in 2015, primarily due to a decrease in third-party consulting fees related to the acquisition of interests.

Other operating expenses

Our net other operating expenses significantly increased from US$36.2 million in 2014 to US$194.6 million in 2015, primarily due to significant increases in impairment losses of oil and gas properties and goodwill as a result of the decline in global oil prices beginning in the fourth quarter of 2014, which negatively impacted the projected cash flows from oil production assets (for Pangkah in particular) and in turn, the estimated fair value of such assets. We also had an increase in finance costs mainly due to interest expenses incurred on shareholder loans. Our other operating expenses in 2015 were partially offset by other income attributable to a reclassification of dismantling costs in connection with Pangkah PSC and the reclassification of accrued tax liabilities from Fasken.

Profit/Loss before income tax benefit/expense

As a result of the foregoing, we had profit before income tax benefit/expense of US$78.5 million in 2014 and loss before income tax benefit/expense of US$189.6 million in 2015.

Income tax benefit/expense

We had tax expenses of US$57.7 million in 2014 and net tax benefits of US$76.4 million in 2015, representing an effective tax/benefit rate of 73.5% and 40.3% respectively. We recorded net tax benefits in 2015 primarily due to deferred income taxes arising from impairment losses in the same year.

Profit/Loss for the year

As a result of the foregoing, we had profit for the year of US$20.8 million in 2014 and loss for the year of US$113.2 million in 2015.

Description of Major Line Items in our Consolidated Statements of Financial Position

The table below sets forth certain data from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2014	**2015**	**2016**
		US$'000	
Current assets			
Cash and cash equivalents	193,363	194,065	162,649
Trade receivables	30,222	31,052	59,952
Other receivables	20,093	19,911	166,797
Inventories	33,368	36,770	55,995
Advances	2,712	16,051	37,078
Prepaid expenses	4,239	11,958	32,041
Cash call advances	4,880	10,966	28,243
Total current assets	**288,877**	**320,772**	**542,755**
Non-current assets			
Oil and gas properties	1,416,588	1,614,420	1,708,666
Other long-term receivables	61,791	275,839	231,618
Estimated claims for tax refund	66,807	59,637	61,230
Exploration and evaluation assets	12,744	49,947	52,595
Goodwill	47,236	—	—
Deferred tax assets	—	21,178	27,720
Fixed assets	24	11	0[(1)]
Investment in joint venture	—	—	45,069
Total non-current assets	**1,605,189**	**2,021,033**	**2,126,898**
Total assets	**1,894,067**	**2,341,805**	**2,669,653**

	As of December 31,		
	2014	2015	2016
		US$'000	
Current liabilities			
Shareholder loans	448,350	—	—
Short-term bank loans	—	—	100,000
Accrued liabilities	115,630	140,224	138,599
Trade payables	9,506	20,009	31,409
Other payables	71,998	27,874	38,236
Taxes payable	11,670	3,059	24,492
Short-term employee benefit liabilities	2,975	1,025	1,828
Total current liabilities	**660,158**	**192,191**	**334,564**
Non-current liabilities			
Shareholder loans	—	838,350	838,350
Long-term bank loans	—	294,892	494,813
Deferred tax liabilities	142,128	81,848	84,101
Asset abandonment and site restoration obligations	59,859	17,149	20,474
Long-term employee benefit liabilities	5,433	3,687	5,286
Total non-current liabilities	**207,420**	**1,235,925**	**1,443,024**
Total liabilities	**867,578**	**1,428,116**	**1,777,588**

Note:

(1) Denotes that the amount is less than US$1,000

As of December 31, 2014, we had net current liabilities of US$371.3 million. We had net current assets of US$128.6 million and US$208.2 million as of December 31, 2015 and 2016, respectively. We had net assets of US$1,026.5 million, US$913.7 million and US$892.1 million as of December 31, 2014, 2015 and 2016, respectively.

Oil and gas properties

Our oil and gas properties consist of wells and related equipment located at the various blocks in which we have a production interest. The total amounts are net of deductions, accumulated depreciation, depletion and amortization and allowance for impairment losses. The table below sets forth, as of the dates indicated, a breakdown of our oil and gas properties:

	As of December 31,		
	2014	**2015**	**2016**
		US$'000	
Wells and related equipment at cost	1,555,984	2,066,038	2,316,758
Deductions	—	(42,301)	(1,400)
Accumulated depreciation, depletion and amortization	(102,853)	(253,212)	(435,299)
Allowance for impairment losses	(36,543)	(156,104)	(171,393)
Total	**1,416,588**	**1,614,420**	**1,708,666**

We invest in oil and gas properties through both capital expenditure and through acquisitions. The table below sets forth, for the years indicated, a breakdown of our investments in wells and related equipment in respect of additions and acquisitions at cost, and excluding deductions, depreciation, depletion and amortization and allowance for impairment losses:

	Year ended December 31,		
	2014	**2015**	**2016**
		US$'000	
Beginning balance at cost	439,984	1,555,984	2,066,038
Additions through capital expenditure	152,166	439,163	257,922
Additions through acquisitions	963,834	70,890	35,100
Ending balance at cost	**1,555,984**	**2,066,038**	**2,359,060**

Investments in wells and related equipment in 2014 primarily consisted of the acquisitions of production interests in the Pangkah, Fasken and Muriah PSCs, and to a lesser extent, capital expenditures in the Ketapang PSC. Such investments in 2015 primarily consisted of capital expenditures and acquisition of production interests on the Muara Bakau PSC, and to a lesser extent, capital expenditures on the Fasken and Pangkah PSCs. Such investments in 2016 primarily consisted of capital expenditures on the Muara Bakau and Pangkah PSCs, and to a lesser extent, acquisition of production interests in the Sanga Sanga PSC.

Depreciation, depletion and amortization of oil and gas properties (except uncompleted wells, equipment and facilities under construction, which are capitalized until completion) is calculated using the unit of production method by dividing gross production by gross proved and probable reserves. We perform impairment testing on oil and gas properties when circumstances (including prevailing crude oil prices) indicate that the CGU's carrying value may be impaired. Impairment losses of oil and gas properties represent the difference between the carrying value of a CGU and its respective recoverable amount, as determined based on a value-in-use calculation using cash flow projections based on production and development forecast approved by our management. See "— *Critical Accounting Policies, Estimates and Judgments — Oil and gas properties*" for further details.

Inventories

Our inventories consist of spare parts, well supplies and other components, net of allowance for inventory obsolescence. Our inventories amounted to US$33.4 million, US$36.8 million and US$56.0 million as at December 31, 2014, 2015 and 2016, respectively. The overall increase in inventories was primarily due to an overall increase in the volume of our business, in particular with respect to the production of natural gas. We consume our inventories primarily in exploration activities, and therefore we increase our inventory limits in anticipation of increases in such activities.

Trade receivables

Our trade receivables represent amounts owed from third party and Government-related purchasers of our crude oil, natural gas, LNG and LPG. Our trade receivables amounted to US$30.2 million, US$31.1 million and US$60.0 million as at December 31, 2014, 2015 and 2016, respectively. The overall increase in trade receivables was primarily due to an overall increase in the volume of our business, in particular with respect to the production of natural gas. Trade receivables are non-interest bearing and generally repayable on seven to 30 day terms. In 2014, 2015 and 2016, we did not make any allowance for impairment of trade receivables as, in the opinion of our management, all of the receivables were collectible.

Other receivables

Our other receivables primarily represent underlifting receivables, short-term carry receivables and our share of receivables from oil and gas activities carried out under joint operation contracts. Our other receivables amounted to US$20.1 million, US$19.9 million and US$166.8 million as at December 31, 2014, 2015 and 2016, respectively. The significant increase as at December 31, 2016 was primarily due to receivables attributable to the Muara Bakau PSC being reclassified from long-term receivables to short-term receivables as we expect to receive such amounts within 12 months from the end of 2016.

Exploration and evaluation assets

Our exploration and evaluation assets amounted to US$12.7 million, US$49.9 million and US$52.6 million as of December 31, 2014, 2015 and 2016, respectively. The significant increase in exploration and evaluation assets as of December 31, 2015 was primarily due to investments in exploration activities primarily with respect to the South Sesulu PSC, and to a much lesser extent Wokam PSC and West Bangkanai PSC.

Estimated claims for tax refund

We had estimated claims for tax refund of US$66.8 million, US$59.6 million and US$61.2 million as of December 31, 2014, 2015 and 2016, respectively. Such claims represent amounts determined by our management as being recoverable from the relevant tax authorities based on applicable tax regulations. More specifically, we are currently in disputes with the Indonesian tax authorities in relation to our acquisition of a 25% working interest in the Pangkah PSC in July 2013 and a further 75% working interest in January 2014. The Directorate General of Taxes has argued that we have underpaid the required tax amounts pursuant to Income Tax Article 4(2) relating to the indirect transfer of participating interest and has submitted a claim against us. We have paid the amount demanded of US$61.2 million but have filed an appeal with the Indonesian Tax Court for a tax refund, which is ongoing. We have recorded the refund claim as a non-current asset in our balance sheet as of December 31, 2016. If this dispute is resolved in our favor, the refunded amounts would be credited against our future tax liabilities. If not, we would not receive any refunds of the disputed amounts and would have to write off the associated non-current item in our consolidated statement of financial position. See also "*Risk Factors — We are currently in ongoing disputes with the Indonesian tax authorities, the outcome of which is uncertain.*"

Goodwill

Our goodwill as of December 31, 2014 was attributable to our acquisitions in January 2014 of SIPL and SPLLC, which were private entities with participating interests in the Pangkah PSC. Following the acquisitions, we had 100% participating interest in the Pangkah PSC. Due to the significant decline in oil prices in 2015, the updated cash flow projections resulted in a provision for impairment of the remaining balance of goodwill in the same year, resulting in no balance of goodwill as of December 31, 2015 and 2016.

Advances

Our advances increased from US$2.7 million as of December 31, 2014 to US$16.1 million as of December 31, 2015, primarily due to advances from oil and gas activities carried out under joint operation contracts, and further increased to US$37.1 million as of December 31, 2016, primarily due to US$30.0 million refundable security deposits attributable to our acquisition of Sanga Sanga PSC. The security deposits represent contingent consideration payable to the former owners when the actual oil price exceeds the Brent forward price for three years from 2016-2019 and upon our ability to obtain an extension of the Sanga Sanga PSC in 2018. In connection with such contingent consideration payable, we placed a bank guarantee of US$12 million, for which the fair value of the contingent consideration arrangement as at the acquisition date was US$1.9 million. Because the Government declined to grant an extension of the Sanga Sanga PSC beyond the current expiration date in September 2018, the entire amount of these security deposits will be refunded. See "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*."

Prepaid expenses

Our prepaid expenses increased from US$4.2 million as of December 31, 2014 to US$12.0 million as of December 31, 2015, and further increased to US$32.0 million as of December 31, 2016, primarily due to increases in prepaid expenses from oil and gas activities carried out under joint operation contracts. Our prepaid expenses as of December 31, 2015 and 2016 also included transaction costs incurred in obtaining syndicated bank loans.

Cash call advances

Our cash call advances increased from US$4.9 million as of December 31, 2014 to US$11.0 million as of December 31, 2015, and further increased to US$28.2 million as of December 31, 2016, primarily due to increases in cash calls for oil and gas activities carried out under joint operation contracts.

Investment in joint venture

Investment in joint venture represents an investment entered into in November 2016 under which we acquired 50% of an oil and gas company which had participating interests in Sanga Sanga PSC. Through December 31, 2016, we had invested a total of US$53.7 million in this company and received US$18.0 million in dividend income, resulting in a balance at year end of US$45.1 million after giving effect to gain on acquisition and share of the joint venture's loss for the period. We do not consolidate this joint venture investment.

Shareholder loans

See "— *Indebtedness — Shareholder loans*" for further details.

Bank loans

See "— *Indebtedness — Bank loans and credit facilities*" for further details.

Accrued liabilities

Accrued liabilities primarily relate to costs and expenses for oil and gas activities and liabilities assumed from acquisitions. The table below sets forth, as of the dates indicated, a breakdown of our accrued liabilities:

	As of December 31,		
	2014	2015	2016
		US$'000	
Oil and gas activities	68,354	95,913	88,689
Provisions	42,815	41,819	41,819
Interest on shareholder loans	4,462	2,031	6,030
Interest on bank loans	—	462	1,708
Others	—	—	353
Total accrued liabilities	**115,630**	**140,224**	**138,599**

The increase in accrued liabilities as of December 31, 2015 compared to as of December 31, 2014 was primarily due to accrued costs and expenses for oil and gas activities attributable to the Muara Bakau PSC.

Trade payables

Our trade payables represent our share of trade payables arising from oil and gas exploration and production activities carried out under joint operation agreements. Our trade payables amounted to US$9.5 million, US$20.0 million and US$31.4 million as of December 31, 2014, 2015 and 2016, respectively. Our trade payables are non-interest bearing typically with terms ranging from 7 to 30 days.

Other payables

Our other payables primarily represent cash call payables and payables from joint operation activities. Our other payables amounted to US$72.0 million, US$27.9 million and US$38.2 million as of December 31, 2014, 2015 and 2016, respectively. We had a larger balance of other payables as of December 31, 2014 primarily due to payables arising from exploration activities in the Muriah PSC, which were subsequently settled in January 2015.

Asset abandonment and site restoration obligations

Our asset abandonment and site restoration obligations represent provisions for the estimated cost of future dismantlement and transfer of assets and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the PSCs or in line with applicable regulations. In most instances, the dismantlement and transfer of assets and site restoration activities of oil and gas production facilities, wells, pipelines and related assets will occur many years in the future. The provision for future dismantlement and transfer of assets and asset restoration obligation is our best estimate of the present value of the future expenditures required to undertake the dismantlement and transfer of assets and site restoration obligation as of the relevant balance sheet date, based on prevailing legal requirements. See "*Critical Accounting Policies, Estimates and Judgments — Asset abandonment and site restoration obligations*" for further details.

Our asset abandonment and site restoration obligations amounted to US$59.9 million, US$17.1 million and US$59.4 million as of December 31, 2014, 2015 and 2016, respectively, in each case net of amounts already placed in escrow accounts for the funding of such obligations, which amounted to US$30.8 million, US$33.8 million and US$38.9 million as of the same dates, respectively.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by our operating activities, shareholder loans and bank loans. We have extensive cash needs for our acquisition and capital expenditure plans as we continue to grow our portfolio of upstream oil and natural gas assets in various stages of exploration, development and production, as well as for our working capital purposes. In 2017, we entered in a one-year offtake financing arrangement with Itochu under which we received advance payments of US$80 million in respect of our future committed deliveries of crude oil, with future amounts owing under the offtake agreement determined by reference to prevailing market price for crude oil at the time of delivery. Going forward, in addition to the proceeds raised from this Offering, we expect to continue to rely on such sources for our liquidity needs and, with respect to external debt financing, will evaluate the applicable pricing and market conditions as needed.

Cash Flows

The table below sets forth certain data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Net cash provided by operating activities	208,432	44,360	79,388
Net cash used in investing activities	(1,057,414)	(733,040)	(410,730)
Net cash provided by financing activities	977,892	690,000	300,000
Net effects of foreign exchange differences from cash and cash equivalents	363	(618)	(74)
Net (decrease)/increase in cash and cash equivalents	**129,273**	**702**	**(31,416)**
Cash and cash equivalents at beginning of the year	64,090	193,363	194,065
Cash and cash equivalents at end of the year	**193,363**	**194,065**	**162,649**

Net cash provided by operating activities

In 2016, we had net cash provided by operating activities of US$79.4 million, primarily consisting of cash inflow from receipts from customers of US$315.2 million, partially offset by cash outflow from (i) payments to suppliers and other operating activities of US$164.8 million, (ii) payments on interest expenses of US$29.1 million and (iii) payments on other taxes of US$38.5 million, which related to withholding taxes.

In 2015, we had net cash provided by operating activities of US$44.4 million, primarily consisting of cash inflow from receipts from customers of US$262.9 million, partially offset by cash outflow from (i) payments to suppliers and employees of US$138.1 million, (ii) payments on other taxes of US$53.0 million, which mainly related to transfer taxes arising from the acquisition of Muara Bakau PSC and (iii) payments on interest expenses of US$27.6 million.

In 2014, we had net cash provided by operating activities of US$208.4 million, primarily consisting of cash inflow from (i) receipts from customers of US$294.5 million and (ii) receipts from VAT

reimbursement of US$18.6 million, which related to VAT reimbursement from SKK Migas, partially offset by cash outflow from (i) payments on other taxes of US$66.8 million, which related to transfer taxes arising from the acquisition of Pangkah PSC and (ii) payments to suppliers and employees of US$39.6 million.

Net cash used in investing activities

In 2016, we had net cash used in investing activities of US$410.7 million, primarily consisting of cash outflow from (i) capital expenditure on oil and gas properties of US$250.5 million, in particular with respect to Muara Bakau PSC and Pangkah PSC, (ii) acquisitions of PSCs of US$77.5 million, in particular Sanga Sanga PSC and (iii) additions to carry receivables of US$68.0 million, which related to the development of Muara Bakau PSC.

In 2015, we had net cash used in investing activities of US$733.0 million, primarily consisting of cash outflow from (i) capital expenditure on oil and gas properties of US$438.0 million, in particular with respect to Muara Bakau PSC, (ii) additions to carried receivables of US$178.5 million, which related to the development of Muara Bakau PSC and (iii) acquisition of additional interests in oil and gas operations, service contracts, or participation sharing agreements of US$70.9 million, which related to the acquisition of Muara Bakau PSC.

In 2014, we had net cash used in investing activities of US$1,057.4 million, primarily consisting of cash outflow from (i) acquisitions of PSCs of US$673.4 million, in particular Pangkah PSC, (ii) capital expenditure on oil and gas properties of US$195.3 million, in particular with respect to Ketapang PSC, Bangkanai PSC and Fasken and (iii) acquisition of additional interests in oil and gas operations, service contracts, or participation sharing agreements of US$184.8 million, in particular with respect to Southeast Sumatra PSC and Fasken.

Net cash provided by financing activities

In 2016, we had net cash provided by financing activities of US$300.0 million, consisting of cash inflow from bank loans of US$300.0 million.

In 2015, we had net cash provided by financing activities of US$690.0 million, consisting of cash inflow from (i) shareholder loans of US$390.0 million and (ii) bank loans of US$300.0 million.

In 2014, we had net cash provided financing activities of US$977.9 million, consisting of cash inflow from (i) shareholder loans of US$896.7 million and (ii) capital contributions of US$81.2 million.

Indebtedness

Our operations, capital expenditure and acquisitions have relied in part on debt financing, including shareholder loans and bank loans. The table below sets forth, as of the dates indicated, a breakdown of our overall indebtedness:

	As of December 31,		
	2014	2015	2016
		US$'000	
Current indebtedness			
Shareholder loans	448,350	—	—
Short-term bank loans	—	—	100,000
Total current indebtedness	**448,350**	**—**	**100,000**
Non-current indebtedness			
Shareholder loans	—	838,350	838,350
Long-term bank loans	—	294,892	494,813
Total non-current indebtedness	**—**	**1,133,242**	**1,333,163**
Total indebtedness	**448,350**	**1,133,242**	**1,433,163**

The table below sets forth a maturity profile of our total indebtedness as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		US$'000	
Indebtedness repayable:			
Within one year	448,350	—	100,000
More than one year and less than five years	—	695,121	1,333,163
More than five years	—	438,121	—
Total indebtedness	**448,350**	**1,133,242**	**1,433,163**

Shareholder loans

Since our establishment in 2011, we have received strong parental capital support from PGN, totaling more than US$1.9 billion in shareholder loans and equity conversions through December 31, 2016. We received our first shareholder loans in 2013, which amounted to US$609 million in aggregate, to finance our initial acquisitions of production interests in Indonesia. See "*History, Organization and Corporate Structure — History and Organization*" for further details. PGN converted US$528 million of this loan to capital stock in the same year, with the balance rolled over to 2014 as a short-term loan.

On January 3, 2014, we entered into a short-term loan facility agreement of US$896.7 million with PGN, which we may draw down based on our investment capital needs. Drawn down loans would have a term of one year and bear interest at a rate of 2% per annum above the three-month LIBOR. We then drew down the full amount of the facility to finance acquisitions and capital expenditure on production interests. On December 30, 2014, 50% of the outstanding balance from this facility, or US$448.4 million, as well as the outstanding short-term loan of US$81 million carried over from 2013, were converted to capital stock by PGN. As a result, through December 31, 2014, PGN had converted US$1,057 million in aggregate shareholder loans to equity, with a balance of US$448.4 million in short-term shareholder loans outstanding as of the same date.

On February 5, 2015, we entered into an agreement with PGN to convert US$355.2 million of the outstanding shareholder loan to a non-current loan with a term of five years. The remaining $93.1 million of the loan continued to be repayable within 12 months after drawdown. Subsequently on February 23, 2015, we entered into an agreement with PGN to obtain an additional US$390 million in short-term loans to finance acquisitions and capital expenditure on production interests. On December 31, 2015, we entered into an agreement with PGN to convert the outstanding US$483.1 million in aggregate short-term shareholder loans to non-current loans with a term of five years. As a result, as of December 31, 2015, we had a balance of US$838.4 million in non-current shareholder loans.

Moreover, in August 2015, we entered into an agreement with PGN to obtain a US$200 million loan facility and subsequently drew down US$137.6 million. The loan bore interest at a rate of 2% per annum above the three-month LIBOR and was repaid in full in December 2015.

We intend to settle a portion of the shareholder loans outstanding as of December 31, 2016 with a new syndicated loan facility which we intend to enter into, as described further below.

Bank loans and credit facilities

Short-term bank loans

In June 2016, we entered into a short-term working capital loan facility of US$50 million from a single bank and drew down the same amount. The loan has a term of one year and bears interest at 1.60% above LIBOR. So long as the loan remains outstanding, we are required to meet the following conditions:

- Maintain at least 51% ownership of (i) the Company by PGN and (ii) the Company of its subsidiaries; and

- Maintain a total debt to total tangible net worth maximum of three times each quarter.

In July 2016, we entered into a short-term loan facility of US$100 million from a single bank and drew down US$50 million in connection with an acquisition financing. The loan has a term of one year and bears interest at 1.65% above LIBOR. So long as the loan remains outstanding, we are required to meet the following financial ratios:

- Debt-to-equity ratio of 65:35;

- Minimum debt service coverage ratio of 4.0:1; and

- Maximum debt (excluding shareholder loans) to EBITDA ratio of 4.5:1.

On March 10, 2017, we had repaid the entirety of the US$50 million of loans drawn down under this facility and as a result, had US$100 million available for drawing.

We were in compliance with the above covenants and ratios through March 31, 2017.

Long-term bank loans

In December 2015, we entered into a committed credit facility amounting to US$600 million with a syndicate of eight banks. The table below sets forth, as of the dates indicated, a breakdown of our draw downs, amortization and transaction costs relating to this facility:

	As of December 31,		
	2014	2015	2016
		US$'000	
Amount drawn down	—	300,000	500,000
Transaction costs	—	(10,382)	(10,538)
Amortization	—	83	1,565
Deferred transaction costs	—	5,191	3,786
Long-term bank loans, net	**—**	**294,892**	**494,813**

The facility has an onshore and offshore portion amounting to US$300 million each. The loans bear interest at LIBOR plus 1.85% for the onshore portion and LIBOR plus 1.60% for the offshore portion. The loans have a term of five years with a one-year grace period during the first year. So long as the loans remain outstanding, we are required to meet the following financial ratios:

- Debt-to-equity ratio of 65:35;
- Minimum debt service coverage ratio of 4.0:1; and
- Maximum debt (excluding shareholder loans) to EBITDA ratio of 4.5:1 for two years after the effective date of the facility, and 3.5:1 for each year thereafter.

We were in compliance with the above ratios through March 31, 2017. We utilized the bank loans primarily to finance acquisitions and capital expenditure on production interests. As of March 31, 2017, we had not drawn down the remaining US$100 million available on the facility.

Proposed new syndicated facility

We are in the process of obtaining an unsecured syndicated loan facility which we expect to be in the amount of US$300 million and which we expect to agree to in the second quarter of 2017. The indicative terms of this facility, which remain subject to further negotiation, are expected to be substantially in line with those of our existing bank loans, including in respect of applicable interest rate linked to LIBOR and covenants and financial ratios.

We intend to utilize a portion of the proceeds of this syndicated loan facility to repay a portion of the amounts outstanding under the shareholder loan and for capital expenditure and general corporate purposes.

Related Party Transactions

We are wholly owned by PGN and the majority shareholder of PGN is the Government. Accordingly, all of our transactions with PGN and other parties related to or owned by the Government constitute related party transactions. Our related parties also include associates and certain entities with whom we share key management.

Offtake agreements and sales

As a wholly-owned subsidiary of PGN engaged in the upstream oil and gas sector, we generate a significant portion of our revenues through long-term offtake contracts with leading state-owned players in the Indonesian energy industry, including PLN, Pertamina and PT Pupuk Kalimantan Timur (Persero) ("**Pupuk Kaltim**"). We purchase and sell natural gas and other products and services with respect to related parties on an arm's-length basis based on prevailing market pricing.

In 2015 and 2016, our net revenues attributable to Government-related entities amounted to US$103.6 million and US$143.0 million, respectively, representing 39.3% and 45.5% of our total net revenues in the same years, respectively. As of December 31, 2015 and 2016, trade receivables owed to us by Government-related entities , including receivables attributable to the Government, comprised 32.2% and 38.0% of our total trade receivables, respectively. We did not have trade payables attributable to related parties.

Joint interests

As of December 31, 2016, we had joint interests in the Southeast Sumatra production asset with Pertamina, another state-owned entity of the Government. The table below sets forth certain details of the Southeast Sumatra PSC:

Block	Working interest (%)	Date of expiration	Related party partners	Other partners
Production				
Southeast Sumatra	8.9%	September 7, 2018	Pertamina (20.5%)	CNOOC (operator, 65.5%); KUFPEC (5%)

See "*Business — Production Assets — Southeast Sumatra*" for further details.

Financing

We have obtained shareholder loans from PGN to finance acquisitions, capital expenditure and general working capital, which amounted to US$448.4 million, US$838.4 million and US$838.4 million as of December 31, 2014, 2015 and 2016, generating interest expenses of US$16.2 million, US$18.8 million and US$22.8 million in 2014, 2015 and 2016, respectively, which we record as accrued liabilities. See "*— Indebtedness — Shareholder loans*" for further details.

See "*Risk Factors — Risks Relating to our Business — We are a wholly-owned subsidiary of PGN, which in turn is subject to the control of the Government*," note 30 to the 2015 Financial Statements and note 36 to the 2016 Financial Statements for further details on our related party transactions.

Capital Expenditure

Our capital expenditure has primarily consisted of purchases of oil and gas properties and exploration and evaluation assets (excluding those obtained through acquisitions). The table below sets forth, for the years indicated, a breakdown of our historical capital expenditure at cost:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Oil and gas properties	152,166	439,163	257,922
Exploration and evaluation assets	12,211	37,203	2,438
Office equipment	10	—	—
Total capital expenditure	**164,387**	**476,366**	**260,360**

We have financed our capital expenditure primarily through shareholder loans, cash inflows from operating activities and bank loans. Our expected aggregate capital expenditure for 2017 is approximately US$168.8 million.

Contractual Obligations and Commitments

The table below sets forth a maturity profile of our contractual obligations as of December 31, 2016:

	Payment due within			
	One year or on demand	One to five years	More than five years	Total
	US$'000			
Accrued liabilities	138,599	—	—	138,599
Short-term bank loans[1]				
Principal	100,000	—	—	100,000
Future imputed interest charges	—	1,163	—	1,163
Long-term bank loans[2]				
Principal	—	500,000	—	500,000
Future imputed interest charges	12,630	37,890	—	50,520
Shareholder loan				
Principal	—	838,350	—	838,350
Future imputed interest charges	24,655	74,140	—	98,795
Total	**275,884**	**1,451,543**	**—**	**1,727,427**

Note:

(1) We repaid US$50 million of our short-term loans on March 10, 2017.

(2) We intend to use a portion of the proceeds from this offering to partially repay our existing indebtedness. See "*Use of Proceeds*" for further details.

In addition to the above, in connection with our investment in the Sanga Sanga PSC, we have placed a security deposit of US$30.0 million. The security deposit represents contingent consideration payable to the former owners when the actual oil price exceeds the Brent forward price for three years from 2016-2019 and upon our ability to obtain an extension of the Sanga Sanga PSC in 2018. In connection with such contingent consideration payable, we placed a bank guarantee of US$12 million, for which the fair value of the contingent consideration arrangement as at the acquisition date was US$1.9 million. Because the Government declined to grant an extension of the Sanga Sanga PSC beyond the current expiration date in September 2018, the entire amount of this security deposit will be refunded. See "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*."

Furthermore, we have contingent commitments payable arising from our acquisition of an 11.7% participating interest in the Muara Bakau PSC from GDF Suez Exploration Indonesia B.V. ("**GDF**"). See "*Business — Development Asset — Muara Bakau Block"* for further details. In particular, under the terms of the acquisition agreement, we assume a portion of GDF's share of project development costs with respect to the Jangkrik and Jangkrik Northeast fields of the Muara Bakau block. Our share of costs will be 10.5% of development costs, and is capped initially at US$250 million. The cap may be adjusted if (i) the initial cap is reached or (ii) commitments for LNG sales with respect to the Muara Bakau PSC reach a certain threshold. The adjusted cap will then be calculated in accordance with a formula based on both DMO and export sale commitments for LNG. Moreover, we are obligated to pay GDF an incentive fee depending on when commercial production at the Muara Bakau PSC begins. As first gas at the Muara Bakau block is expected in the second half of 2017, we expect the incentive fee to amount to US$4.5 million.

Other than as disclosed above, we had no material non-cancellable commitments as of December 31, 2016.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Non-GAAP Financial Measures

We use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin as supplemental metrics for evaluating our financial performance. We define EBITDA as our profit/(loss) for the year plus (i) finance cost, (ii) depreciation, depletion and amortization, (iii) depreciation on office equipment, and (iv) income tax expense/(benefit), minus (v) finance income, net of tax. We define Adjusted EBITDA as EBITDA plus (i) impairment losses on oil and gas properties and (ii) impairment losses on goodwill, minus (iii) gains from acquisitions. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues.

The table below reconciles our profit/(loss) for the year under IFAS to our definition of EBITDA and Adjusted EBITDA for the years indicated:

	Year ended December 31,		
	2014	2015	2016
		US$'000	
Profit/(loss) for the year	20,791	(113,172)	(23,350)
Plus:			
Finance cost	20,263	30,466	42,807
Depreciation, depletion and amortization	95,487	150,359	182,087
Depreciation on office equipment	16	13	11
Income tax expense/(benefit)	57,672	(76,386)	(8,275)
Minus:			
Finance income, net of tax	(1,491)	(3,709)	(7,373)
EBITDA (unaudited)	**192,738**	**(12,429)**	**185,907**
Plus:			
Impairment losses on oil and gas properties	13,067	119,561	15,290
Impairment losses on goodwill	5,234	47,236	—
Minus:			
Gains from acquisitions	(5,604)	—	(18,317)
Adjusted EBITDA (unaudited)	**205,435**	**154,368**	**182,880**

The table below sets forth our EBITDA, Adjusted EBITDA and Adjusted EBITDA margin for the years indicated:

	Year ended December 31,		
	2014	2015	2016
	(unaudited)	(unaudited)	(unaudited)
	US$'000, except percentages		
EBITDA[(1)]	192,738	(12,429)	185,907
Adjusted EBITDA[(1)]	205,435	154,368	182,880
Adjusted EBITDA margin[(2)]	69.0%	58.5%	58.2%

Notes:

(1) EBITDA and Adjusted EBITDA are widely used financial indicators of a company's ability to service and incur debt, but are not standard measures under IFAS or U.S. GAAP. Accordingly, EBITDA and Adjusted EBITDA should not be considered in isolation or construed as alternatives to cash flows, revenue, or any other measures of financial performance or as indicators of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is an indicative measure of our operating performance and is used by investors and analysts to evaluate companies in our industry. We have also included Adjusted EBITDA because we believe it is a more indicative measure of our baseline performance as it excludes certain charges that our management considers to be outside of our core operating results. EBITDA and Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies and components of our EBITDA and Adjusted EBITDA may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than IFAS. Investors should not compare our EBITDA and Adjusted EBITDA or components of our EBITDA and Adjusted EBTIDA to EBITDA or Adjusted EBITDA or components of EBITDA or Adjusted EBITDA presented by other companies.

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

Key Financial Ratios

The table below sets forth, as of the dates and for the years indicated, certain of our key financial ratios:

	As of or for the year ended December 31,		
	2014	2015	2016
	(unaudited)	(unaudited)	(unaudited)
Cash ratio[(1)]	0.3	1.0	0.5
Current ratio[(2)]	0.4	1.7	1.6
Return on assets[(3)]	1.1%	(4.8)%	(0.9)%
Return on equity[(4)]	2.0%	(12.4)%	(2.6)%
Debt-to-equity ratio[(5)]	0.4	1.2	1.6
Total liabilities to total assets[(6)]	0.5	0.6	0.7
Adjusted EBITDA to finance costs[(7)]	10.1	5.1	4.3
External debt to Adjusted EBITDA[(8)]	N/A	1.9	3.3
External debt to total capitalization[(9)]	N/A	14.4%	25.6%

Notes:

(1) Cash ratio is calculated by dividing cash and cash equivalents by total current liabilities.

(2) Current ratio is calculated by dividing total current assets by total current liabilities.

(3) Return on assets is calculated by dividing profit/(loss) for the year by total assets and multiplying the resulting value by 100%.

(4) Return on equity is calculated by dividing profit/(loss) for the year by total equity and multiplying the resulting value by 100%.

(5) Debt-to-equity ratio is calculated by dividing total indebtedness by total equity.

(6) Total liabilities to total assets is calculated by dividing total liabilities by total assets.

(7) Adjusted EBITDA to finance costs ratio is calculated by dividing Adjusted EBITDA by finance costs.

(8) External debt to Adjusted EBITDA is calculated by dividing total indebtedness (excluding shareholder loans) by Adjusted EBITDA.

(9) External debt to capitalization is calculated by dividing total indebtedness (excluding shareholder loans) by capitalization and multiplying the resulting value by 100%. Capitalization is calculated as the sum of total indebtedness and total equity.

Financial Risk Management Objectives and Policies

Our principal financial liabilities are loans and borrowings. The main purpose of our loans and borrowings is to finance the acquisitions and developments of our production interests. We have not entered into derivative transactions. We have cash and cash equivalents, trade and other receivables, other long-term receivables, trade and other payables and accrued liabilities that arise directly from our operations and shareholder loans. See note 32 to the 2015 Financial Statements and note 38 to the 2016 Financial Statements for further details.

Credit risk

Credit risk is the risk of suffering financial loss when our customers fail to fulfill their contractual obligations to us. Credit risk arises mainly from trade receivables from the sale of oil and gas to customers.

Customer credit risk is managed based on our established policy, procedures and controls relating to customer credit risk management. We conduct credit risk management by, among other things, exercising due care in new customer selection and monitoring balances of receivables on an ongoing basis to reduce the exposure to bad debts.

Crude oil sales are generally sold under short-term contracts and generally do not require collateral from the counterparty, and such sales represent approximately 23.4% of total trade receivables. Gas sales are sold under gas sales agreements between Pangkah PSC to a single counterparty, and such sales represent approximately 70.2% of total trade receivables. LPG sales are sold under sales agreements between Pangkah PSC to a single counterparty, and such sales represent approximately 2.6% of total trade receivables.

With respect to credit risk arising from other financial assets, which comprise cash and cash equivalents and other long-term receivables, our exposure to credit risk arises from default of the counterparty. We have concentration of credit risk from the placement of cash and cash equivalents, of which 25.3% of the balance as of December 31, 2016 was placed with one bank. We have a policy to not place investments in instruments with a high credit risk and instead only place investments with banks and counterparties with high credit ratings.

Liquidity risk

Liquidity risk is the risk that we are unable to meet our obligations when they fall due. We evaluate and monitor cash inflow and cash outflow to ensure the availability of funds to settle the obligations due. See note 32 to the 2015 Financial Statements and note 38 to the 2016 Financial Statements for a maturity profile of our financial liabilities based on contractual undiscounted payments.

Market risk

We are exposed to market risk, including interest rate risk. Our results of operations are also impacted by movements in commodity prices, in particular the price of crude oil. See "*— Significant Factors Affecting Our Results of Operations and Financial Condition — Prices of crude oil and natural gas.*" We have executed a put option transaction in January 2017 to hedge against pricing risks for a substantial portion (approximately 70%) of our natural gas sales from the Fasken block.

Interest rate risk

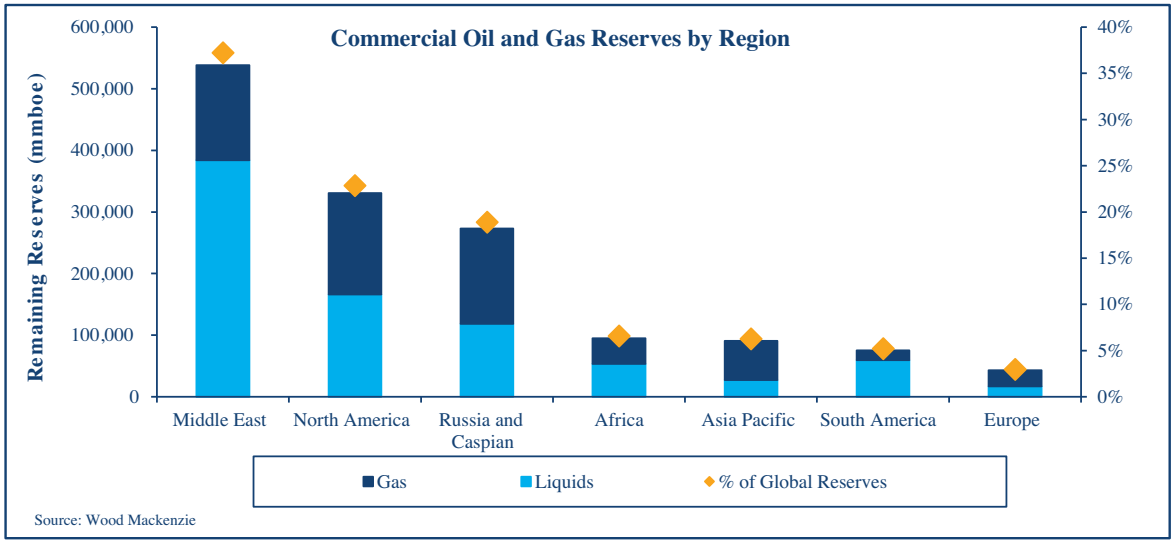
We take on exposure to the effects of fluctuations in the prevailing market interest rates on both our fair value and cash flow risks. See note 32 to the 2015 Financial Statements and note 38 to the 2016 Financial Statements for a sensitivity analysis of our interest rate risk.

The following industry and market data has been prepared by and obtained from Wood Mackenzie, an independent energy industry consultant and expert in the energy industry, using information derived, in part, from various government and private publications. This information has not been independently verified by us or the Initial Purchasers or any of our respective affiliates or advisors. Neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of such data or any assumptions relied upon thereon. Neither we nor the Initial Purchasers have any actual knowledge of any material misstatement contained in this section.

Global Oil and Gas Market Overview

Global reserves by region[1]

Wood Mackenzie estimates total global commercial oil and gas reserves at approximately 1,446 billion boe[2] (as of Q1 2017A), with the Middle East region accounting for 37% of the total, followed by North America (23%), Russia & Caspian (19%), and Africa (7%).



Global oil and gas consumption

Crude oil demand by region

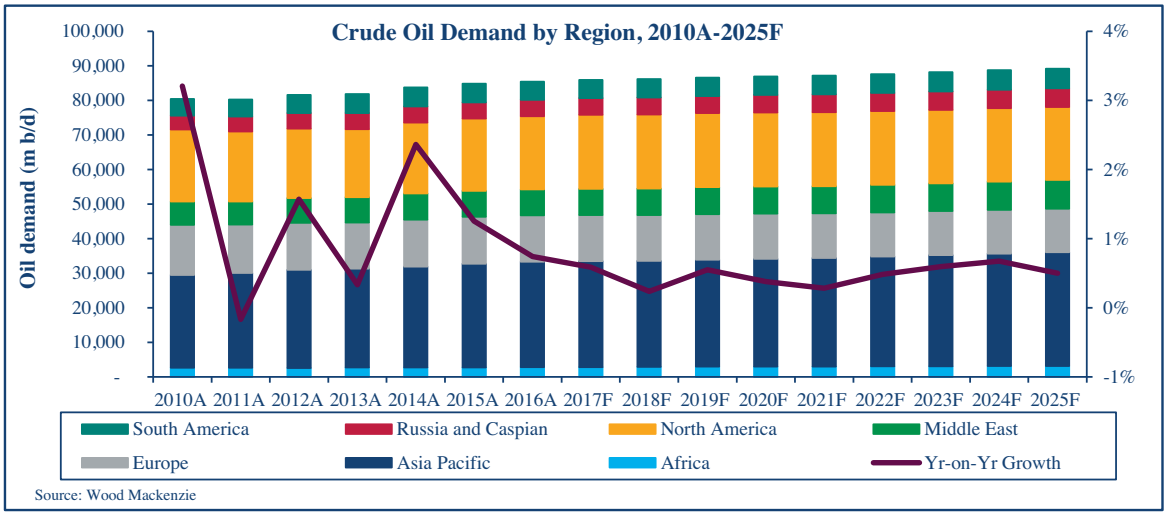
Global oil demand has risen since 2011A, with Wood Mackenzie projecting oil demand to continue increasing from 86.0 mmb/d in 2017F to 87.2 mmb/d in 2021F, equating to a 0.4% average annual growth rate. Despite demand cooling in Europe (where oil demand actually declines over the next five years), development in the rest of the world looks set to drive continued demand growth, albeit at a slower pace than in previous years. Wood Mackenzie expects that the volumetric demand for oil in Asia Pacific will surpass the total increase in demand from the rest of the regions, with 771 mb/d of

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1 Using Wood Mackenzie's methodology, commercial reserves are broadly equivalent to proven and probable reserves. In particular, Wood Mackenzie considers commercial reserves to be fields which are currently in production, under development or regarded as probable developments. Fields under development are fields where the development plan has been approved by the government authorities and the field participants have made the final investment decision for the project to proceed. Probable developments are discoveries where reserve estimates have been sufficiently proved-up and any development plan would be economically viable. Wood Mackenzie would expect probable developments to be either on-stream or under development within a five-year timescale.

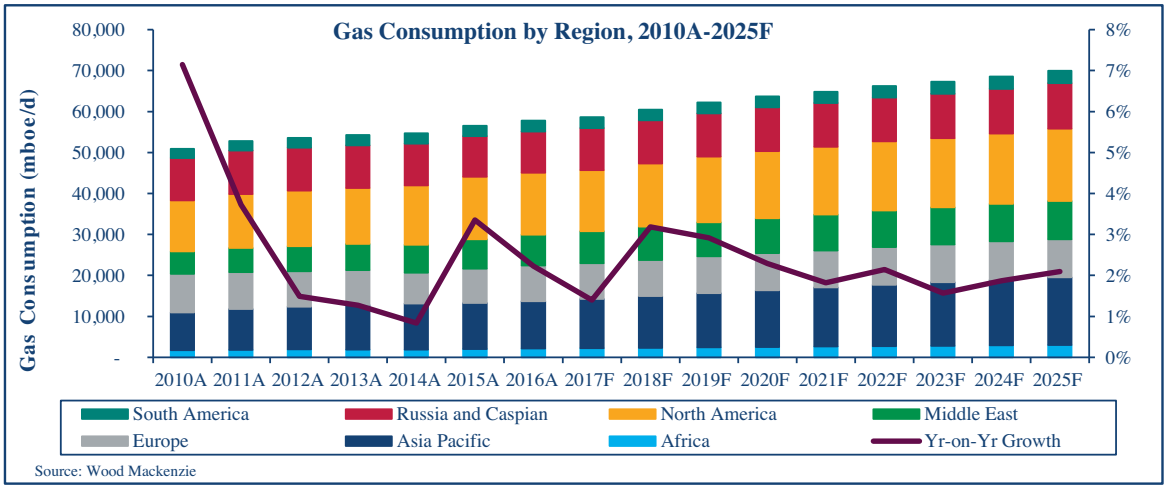
2 This includes both conventional and unconventional commercial reserves such as shale gas, tight oil, and oil sands.

additional demand expected between 2017F to 2021F, or an average annual growth rate of 0.6%. This demand growth is underpinned by increased transport demand in China and India. The implications for Asia Pacific include a continued (and growing) dependence on imported oil and regional governments focusing on increasing domestic supply.



Gas consumption by region

In Wood Mackenzie's view, gas looks set to take on a greater role globally, with gas demand expected to steadily increase into the future, from 58.6 mmboe/d in 2017F to 64.8 mmboe/d in 2021F, equating to an average annual growth rate of 2.6%. The main regions that contribute to this rise (volumetrically) are Asia Pacific, North America, and the Middle East with gas demand in Asia Pacific growing at an average of 4.7% per year between 2017F and 2021F. The Chinese gas market remains the largest driver for Asia gas demand growth. Recent policy initiatives in China related to incentivizing gas usage as a path to a lower-carbon future will underpin a resilience in long term gas demand. Wood Mackenzie expects the Chinese gas market to increase by over 393 bcm between 2015A and 2035F, with gas penetration increasing from 5% to 12% over the same period.



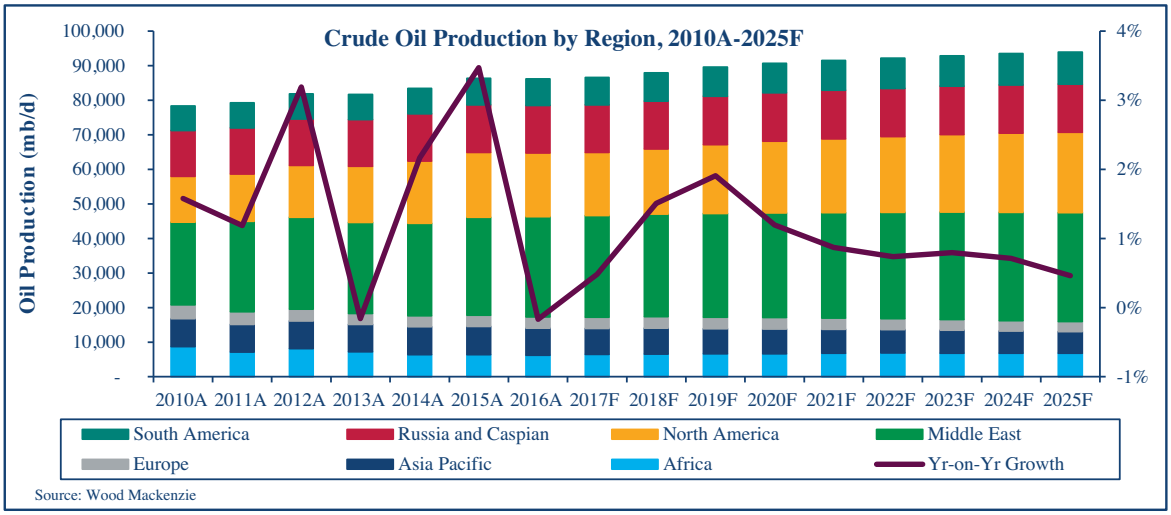
Global oil and gas production

Crude oil production by region

Based on Wood Mackenzie estimates, global oil production is set to rise from 86.6 mmb/d in 2017F to 91.5 mmb/d in 2021F, at an average annual growth rate of 1.4%. This is led by the projected growth in production in North America, the Middle East, and South America.

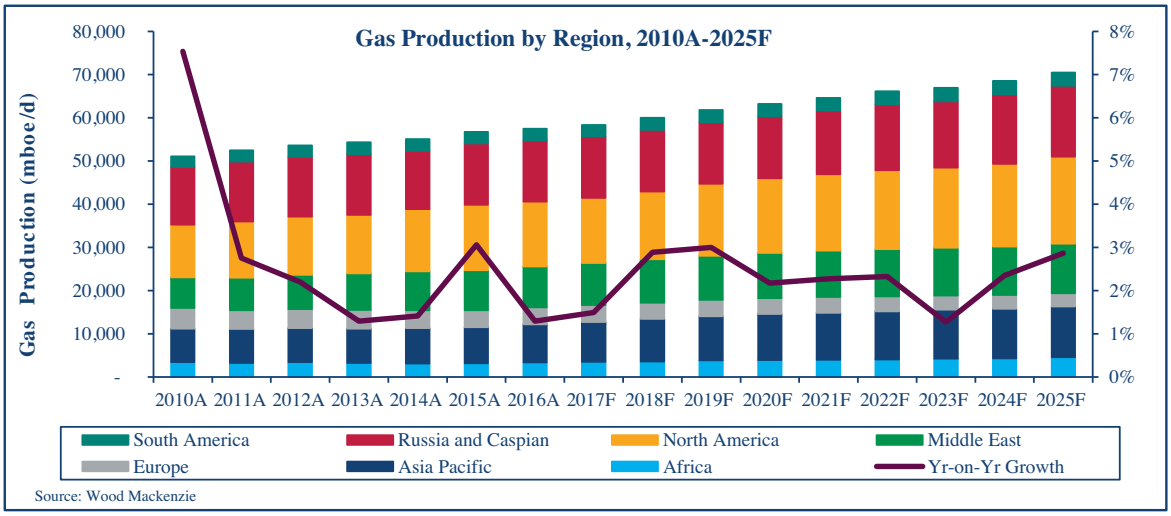
Wood Mackenzie expects rapid growth into the next decade for US oil production in response to the forecast for higher oil prices. The initial signs of a US tight oil recovery have begun: over 160 rigs have been added back since the bottom in late May 2016. Gains in efficiency and productivity along with cost reductions help set the stage for the strong recovery.

In Asia Pacific, oil production between 2017F and 2021F is set to decline at an average annual rate of 2.0%, as the region's current producing fields mature and smaller oil discoveries are made.



Gas production by region

Wood Mackenzie expects a 2.6% average annual increase in global gas production, from 58.4 mmboe/d in 2017F to 64.6 mmboe/d in 2021F. While the North America and Russia & Caspian regions are expected to maintain their positions as the leading producers of gas globally, Asia Pacific is expected to grow its gas production at an annual average rate of 4.4% between 2017F and 2021F, outperforming other regions. This production growth is driven by increases in Chinese (conventional and unconventional) and Australian (LNG) output; however gas production in South East Asia is also on the rise.

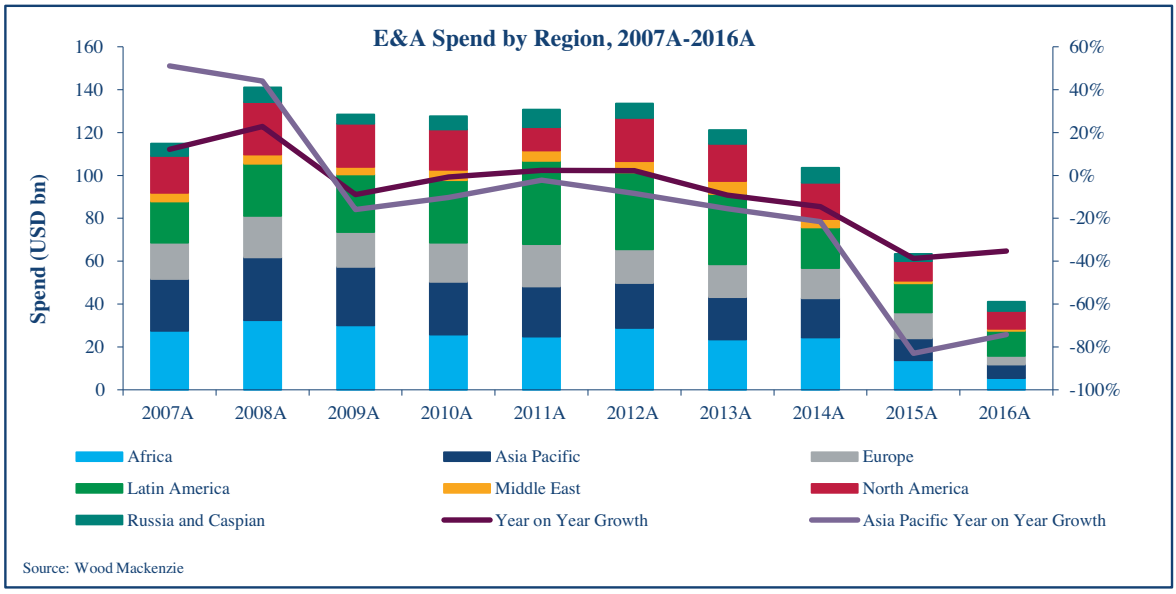


Global E&P spending outlook

*Exploration & Appraisal ("**E&A**") spend by region*

E&A spend decreased from US$114.80 billion in 2007A to US$41.1 billion in 2016A equating to a CAGR of -12.1%. E&A spend peaked at US$141.0 billion in 2008A, corresponding with the oil price spike and subsequent cost escalation in the service sector. In Asia Pacific, E&A spend fell at a CAGR of -15.6% over the same period, peaking at US$29.3 billion in 2008A. In 2016A, Asia Pacific recorded an E&A spend of US$6.2 billion.

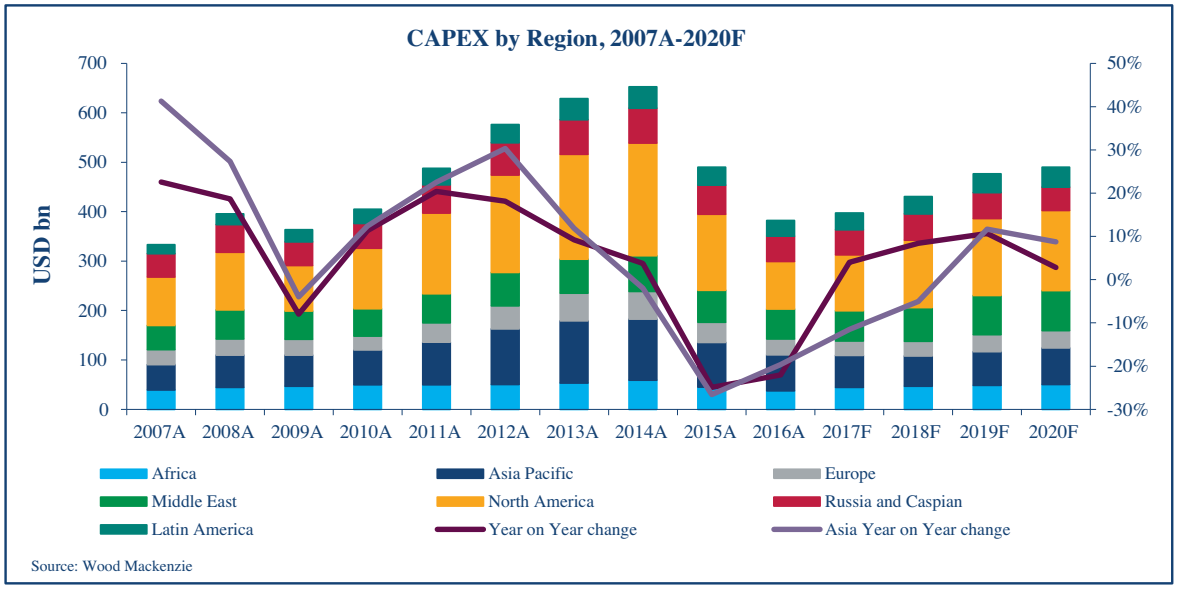
Lower oil prices since 2014 have manifested in a sharp drop-off in exploration spending globally, as companies have retreated from higher-risk frontier exploration to preserve capital for onstream and upstream assets under development. In many cases exploration spending is the first 'discretionary item' to be cut from budgets as companies have adjusted to the lower oil price. The effect has been felt in particular in Asia-Pacific as smaller prospect sizes and higher economic thresholds have restricted exploration in region to only the most "certain" prospects, normally those which can be monetized relatively quickly.



Capital costs by region

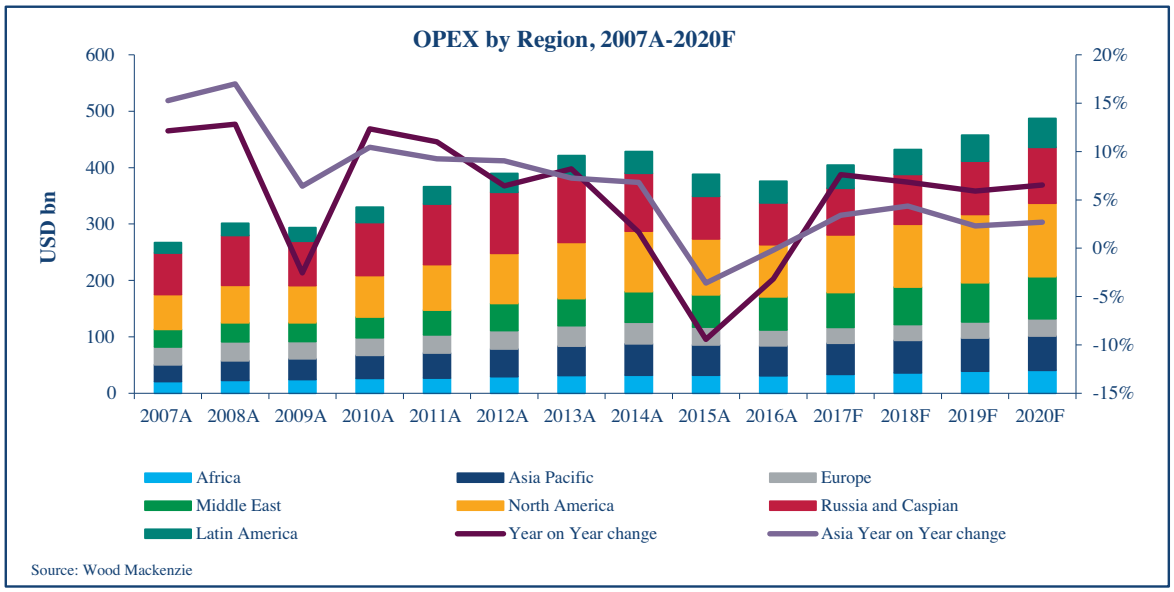
Based on projects in production or likely to produce in the near future (under construction or sanctioned), Wood Mackenzie forecasts global capex to increase from US$382.0 billion in 2016A to US$397.2 billion in 2017F. Asia Pacific accounted for 19% of the global E&P capex in 2016A, at US$72.9 billion. Asia Pacific regional capex is estimated at US$64.5 billion in 2017F, recovering to US$74.4 billion by 2020F.

Careful scrutiny of discretionary spend since lower oil prices began in 2014 has lead to all but the most attractive projects being deferred. Final investment decisions ("**FIDs**") dropped significantly in 2015 and 2016 as companies assessed their budgets and deferred most new capital spend in favor of existing committed capital (projects under construction). Wood Mackenzie expects that with a relative "stabilization" of oil prices and companies adjusting to this environment (as well as some cost reduction in the service industry), a return to capex growth is envisaged by 2020F.



Operating costs by region

As operating costs begin to rebound from the decrease in 2015A-2016A caused by low oil prices, Wood Mackenzie expects operating costs globally to increase from US$375.7 billion in 2016A to US$404.3 billion in 2017F, a year-on-year increase of 8%. In Asia Pacific, which saw a more muted response in OPEX to lower oil prices than other regions, year-on-year growth in 2017F is expected to be 3%, and stay within 5% through 2020F.



Crude oil and natural gas pricing

Crude oil pricing

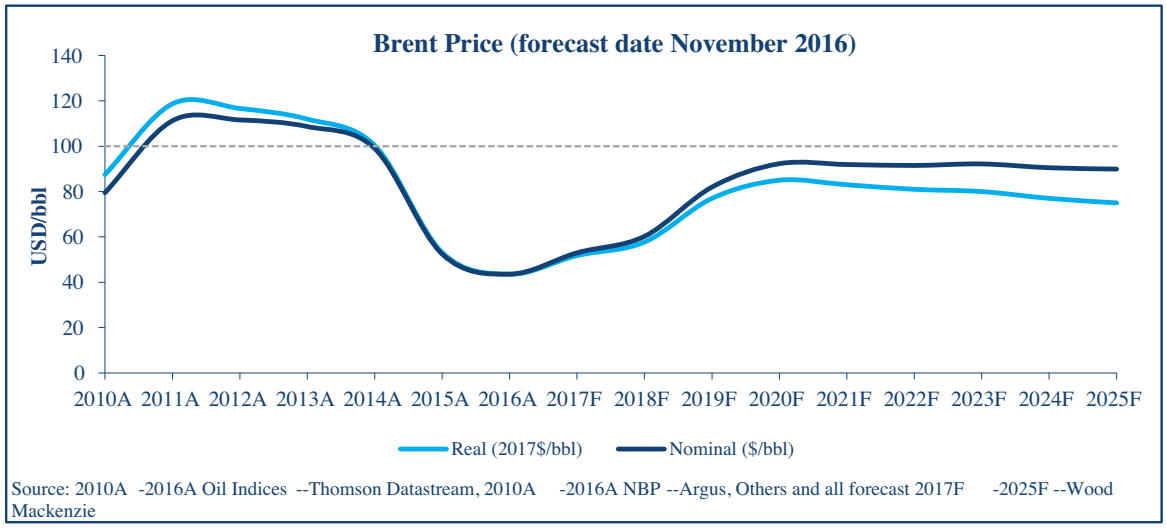
For 2017F, Wood Mackenzie forecasts the annual average price of US$52 (real 2017) per barrel for Brent. The supply and demand balance tightens in H2 2017F and Wood Mackenzie expects a significant need to drawdown inventories. The annual average for Brent is forecast at US$58 per barrel for 2018F in real 2017 terms as demand outpaces supply in H2 2018F.

Wood Mackenzie expects oil prices to rise in real terms through 2020F. The short term gains are driven by the relatively low OPEC spare productive capacity. This leaves the global oil market with reduced ability to respond to short-term supply outages or demand surges. The price forecast is also based on the breakeven price of pre-FID probable developments which are needed to meet oil demand.

Another factor in the narrowing of spare productive capacity is the rate of growth in US onshore Lower 48 production. Wood Mackenzie's analysis shows that a recovery in previous strong growth rates requires higher oil prices. While most of tight oil output is economic at US$50 to US$60 per barrel, some requires higher prices of US$70-US$75 per barrel.

The recovery in prices to 2020F helps drive forward growth in non-OPEC supply. Higher oil prices cause delayed pre-FID probable developments to be sanctioned. After 2020F, oil prices are expected to fall to an annual average of US$75 per barrel in real terms in 2025F.

After holding at an annual average of US$75 per barrel for Brent in 2025F-2026F, Wood Mackenzie expects oil prices to increase to US$82 per barrel in 2030F (real 2017). In the period after 2026F, as non-OPEC production plateaus, the forecast reflects the need for other higher cost supply and increased levels of upstream spending to access the technical reserves and yet-to-find sources of production included in our forecast. Oil demand continues to grow throughout the forecast period. The decline in non-OPEC supply boosts reliance on OPEC crude oil capacity and NGLs production to meet oil demand in the period from 2028F to 2035F.



Source: 2010A -2016A Oil Indices --Thomson Datastream, 2010A -2016A NBP --Argus, Others and all forecast 2017F -2025F --Wood Mackenzie

Natural gas pricing

Henry Hub Prices

North American gas market fundamentals look stronger for 2017F than any year in the shale gas era: production is declining from both oil and gas plays, and pipeline bottlenecks mean that low-cost Northeast supply can grow only about 16 bcm this year. Henry Hub prices rise sharply in 2017F, averaging about US$3.75/mmbtu. As major Northeast pipeline projects come online between late 2017F and 2020F, they debottleneck low-cost supplies, and Northeast production grows about 120 bcm in this period. While demand growth remains strong, Wood Mackenzie expects Henry Hub prices to fall: to less than US$3.50/mmbtu by year-end 2018F and an average of about US$2.80/mmbtu in the 2019F-2023F period.

By 2024F, the Northeast pipeline capacity currently under development finally begins to fill up, and higher prices in destination markets will be required to justify the next round of pipeline investment. Wood Mackenzie expects Henry Hub prices in the mid-US$3/mmbtu range during the second half of the 2020s, rising to US$4/mmbtu by 2030F.

Asian LNG and European spot prices

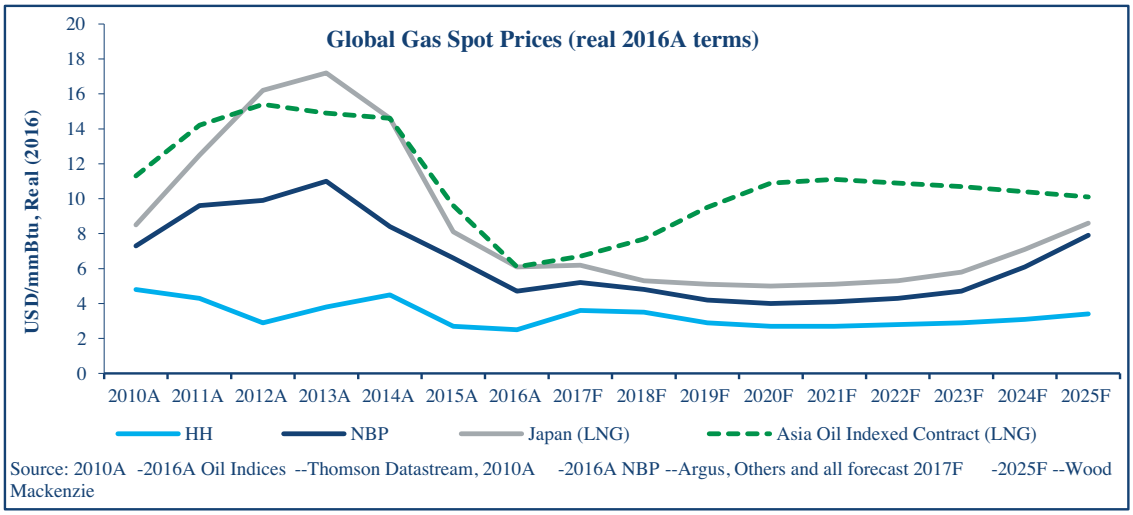
Over the past years global gas and LNG prices have been converging. Part of that has been the consequence of weakening oil prices. But much has also been the consequence of increasing global LNG supply and trade that has resulted in regional price differentials being set by differentials in shipping costs.

Asian spot LNG prices currently trade just at a small premium to European spot prices, reflecting requirements of Atlantic LNG at the margin. Increased global LNG supply has also resulted in lower level of oil indexation in Asian LNG contracts. Despite declining oil prices, the level of oil indexation for new contracts is now converging towards 12.5% Brent, from a peak of 16% Brent post Fukushima.

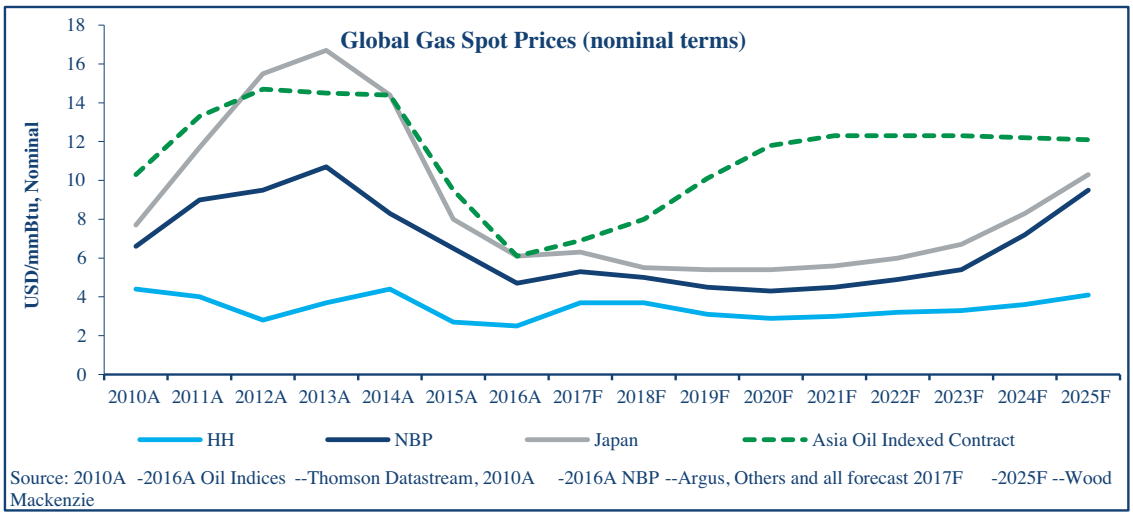
Global LNG and European spot prices in 2017F are expected to be higher, on average, compared to 2016A. However, global LNG supply is expected to increase by 50% by 2021F, driven by project currently under construction mainly in Australia and the US, resulting in the global LNG market to enter a period of oversupply. LNG demand increase in Asia will not be enough to compensate for this supply increase, resulting in increasing LNG imports to Europe, in excess of its requirements.

Consequently, US LNG will be at the margin in Europe, forcing the shut-in of some US LNG export capacity. Atlantic price differentials will settle at US$1.30/mmbtu, supportive of only the most cost efficient US LNG plants and of those offtakers with sunk regas capacity in Europe. With Henry Hub prices averaging US$2.80/mmbtu in the 2019F-2023F period, European prices are forecast to average US$4.25/mmbtu and Asian LNG prices to average US$5.3/mmbtu.

Beyond 2024F Wood Mackenzie forecasts that Europe and Asia will require new, pre-FID supply to meet demand and consequently prices will need to rise to reflect the full cycle economics of new pipe and LNG supply. European prices will rise to nearly US$9/mmbtu by 2030F and towards US$10/mmbtu by 2035F. The Japanese spot price will trend to nearly US$11/mmbtu by 2035F, based on alternative prices in Europe and also on the breakeven cost of new LNG supply. Wood Mackenzie's long term price forecast is consistent with the full cycle economics of developing new US LNG supply, requiring European and Asian LNG prices to trade at premium to Henry Hub in excess of US$5/mmbtu and US$6/mmbtu, respectively.



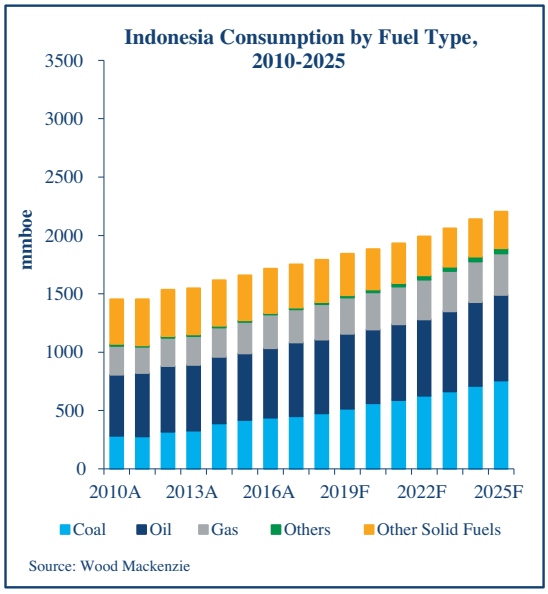
Source: 2010A -2016A Oil Indices --Thomson Datastream, 2010A -2016A NBP --Argus, Others and all forecast 2017F -2025F --Wood Mackenzie

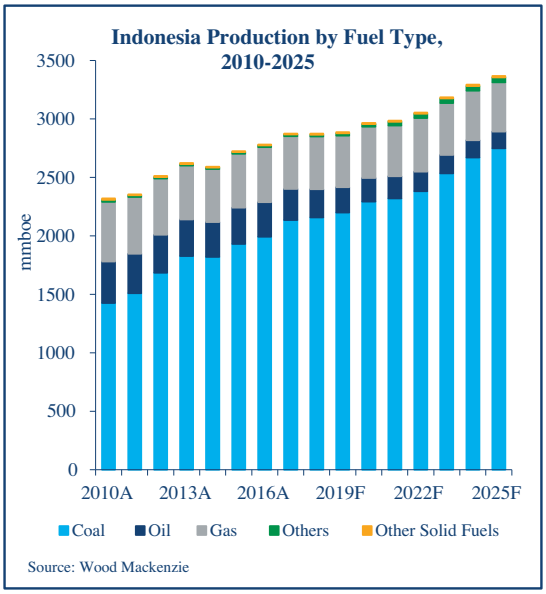


Source: 2010A -2016A Oil Indices --Thomson Datastream, 2010A -2016A NBP --Argus, Others and all forecast 2017F -2025F --Wood Mackenzie

Indonesia Oil and Gas Market

Consumption and Production





Oil demand

Oil product demand growth averaged 4.2% annually in the five years spanning 2008A to 2013A, primarily because of strong transport demand. However, Indonesia's oil use flattened from 2013A to 2015A as price reforms for gasoline and diesel/gasoil put a temporary dampener on transport sector demand. Even amid the tumble in crude oil prices and the Government's downward adjustment of prices in 2016A, retail fuel prices are currently some 15% (diesel) to 50% (gasoline) higher compared with pre-reform levels in 2012A. Poor mining sector demand for diesel/gasoil in 2014A/2015A has also contributed to a weaker demand outlook.

Looking ahead, Indonesia's total product demand is forecast to grow from 1.6 mmb/d in 2015A to 2.6 mmb/d in 2035F, at a compound annual growth rate of 2.4%. Transportation demand accounts for around 72% of the demand increase, with road transport alone accounting for 64% of growth. Petrochemical feedstock demand represents another 18% of the increase, with moderate growth expected from the residential and industrial sectors.



Oil production and imports

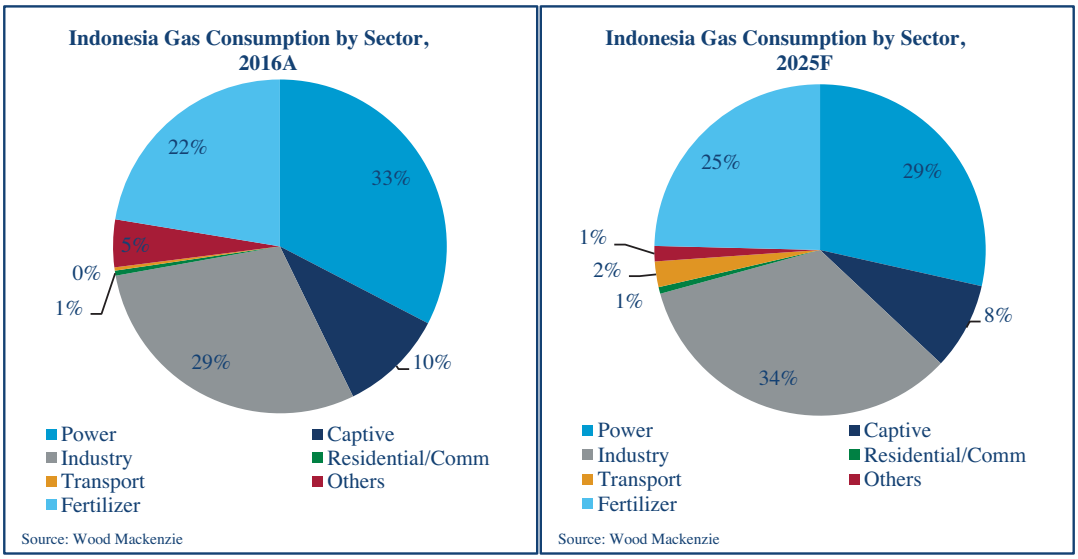
Indonesia has been a net importer of oil since 2004A, although Indonesia exported 7.4% of total oil production in 2016A. Indonesian oil production has been in decline since the turn of the decade, as smaller new oil developments have struggled to replace output from the mature, legacy fields such as the giant Minas and Duri fields in central Sumatra that lie at the heart of the nation's liquids output. In the absence of recent discoveries, oil production is forecast to decline from 733 mb/d in 2017F to 387 mb/d in 2025F. Future liquids output will increasingly rely on new EOR investment in existing fields, many of these being licenses that are due to expire soon with no certainty of extension for existing contractors.

Significant efforts have been undertaken by many operators over the last two decades to add reserves in existing Indonesian fields. Large enhanced oil recovery projects such as the Duri steamflood have had substantial impact (several hundred million barrels) on increasing the level of recoverable reserves from mature producing fields. With the progress of technology, there is potential for further increases in recovery from a number of important producing areas, especially onshore Sumatra. One example comes from a polymer-flooding project which is being trialled on the giant Minas fields.

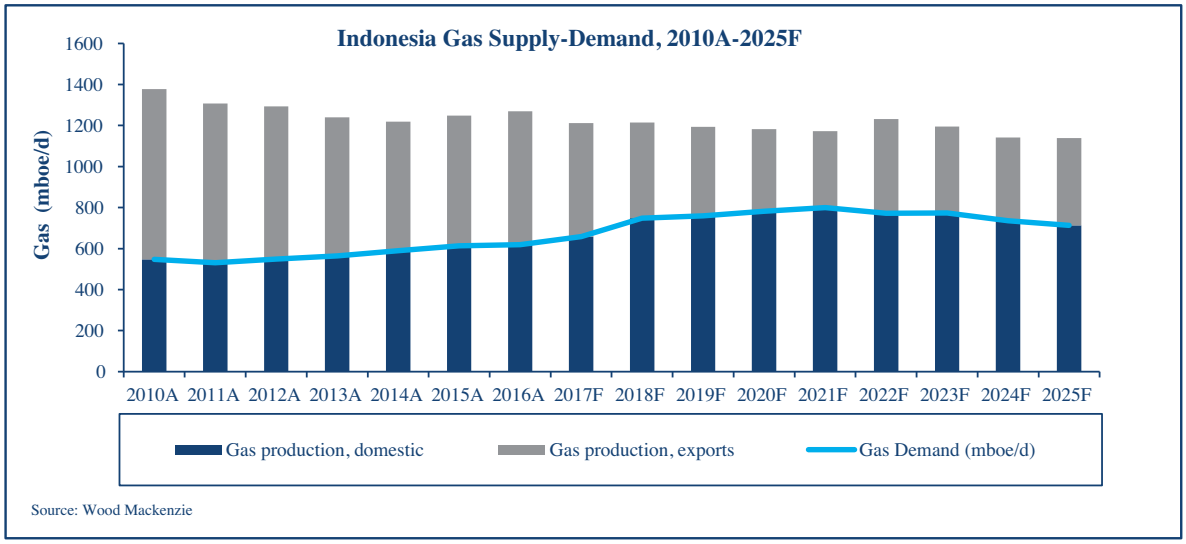
Further development of Pertamina's fields, especially in Sumatra and Java provides significant potential for reserves growth, albeit relatively unquantifiable. Pertamina has historically been constrained in terms of capital and access to technology and there is a perception that many of its operated concession areas remain under-exploited. The company is now seeking to engage international companies to assist in the exploration and development of a number of its producing areas. Should these efforts be successful, there could be an appreciable impact on Indonesian production in the post-2020F period.

Gas demand

Wood Mackenzie forecasts strong gas demand growth from power generation in the next five years. Gas demand from the power sector will grow robustly from 2016F to 2021F, driven by LNG regas projects in West Java and North Sumatra, and new piped gas supply projects in Central and East Java. Several gas-fired power plant projects are expected to be commissioned within the next five years, providing a strong growth on the demand side. From 2021F, Wood Mackenzie expects to start seeing the completion of around 13 GW new coal-fired power capacity in Java Island, together with the 3 GW Sumatra - Java HVDC link, which will cause a decline in gas demand growth until 2025F.



Industries and fertilizers are the key demand drivers for the non-power sector. Increased industrial activities and new fertilizer production facilities will drive gas demand growth in the short to medium term. Further upside above Wood Mackenzie's base-case forecast is possible, with speculative demand coming from new smelters and refinery projects. The mineral ore export ban will eventually see the development of new domestic smelters and processing facilities, while new grass root refineries could be built in Bontang (East Kalimantan) and Tuban (East Java).



Gas production

Sales gas production from Indonesia peaked in 2010A at 1,378 mboe/d, reflecting the ramp-up of production from the Tangguh LNG project. However, overall gas production remains flat in the near term from 2017F. Wood Mackenzie does not expect any material increase in Indonesia's total gas production over the 2018F-2021F period. Recent developments, particularly in Central/East Java and Sulawesi, could add some upside, but this is offset by a continuous decline in the existing gas production in West Java, East Kalimantan, and Central/South Sumatra to a lesser extent.

Wood Mackenzie anticipates further delays on key LNG supply projects. Apart from Donggi Senoro LNG, which commenced operating in August 2015, new LNG volumes could come from Sengkang in 2017F, Muara Bakau in 2018F and Tangguh Train 3 in 2021F. However, other large-scale LNG projects are becoming increasingly uncertain. Further delays on the IDD and Abadi LNG projects are very likely, amid low oil prices and regulatory uncertainties following the Government's decision to scrap the FLNG concept for Abadi, preferring an onshore liquefaction facility instead.

CBM development in Indonesia has slowed down with no blocks being awarded in 2013A-2015A; while only eight blocks were awarded throughout 2012A. In total, there are 54 CBM blocks across Indonesia, of which 31 are located in Kalimantan and the rest in Sumatra. Many of the blocks are inactive without any meaningful development. ExxonMobil and BP have divested their interests in Kalimantan signalling a slowdown in this sector and we are likely to see smaller companies push ahead with small projects on their own.

Gas sales contracts have been signed for the initial volumes from the Sangatta West and Sanga Sanga blocks in Kalimantan, and the Sekayu block in Sumatra, to PLN and a local government-owned company. Wood Mackenzie estimates a very limited production below 10 mmcfd in the near term.

Currently contracted production from Indonesia is nearly equally split between the domestic market and exports, at a ratio of 48%:52% respectively. In 2010A the split was 40%:60%. This decline in exports share of supply is set to continue, as the domestic market grows and new supply struggles to adequately replace falling production.

Indicative crude oil and natural gas pricing

Liquids pricing

Indonesia previously calculated its monthly crude prices using the average of Platts and RIM's price assessments. Since July 2016A, it switched its crude pricing formula to Dated Brent plus Alpha. Alpha is calculated by taking into consideration several factors, including the quality of the Indonesian crude, the production volume, and price trend on the international market. The use of Dated Brent as a price benchmark facilitates a more independent price assessment, allowing the crude price to trend closer to market conditions, and reduces the possibility of price manipulation.

Natural gas pricing

Gas exported as LNG is usually priced on a cost, insurance and freight (CIF) basis or free on board (FOB) basis. The gas price for each individual LNG contract is different. However, they are intrinsically indexed to average export crude prices excluding the premium crudes. Although the vast majority is sold on long-term contracts, a spot market has evolved.

Prices for gas exported to Malaysia and Singapore are linked to high sulphur fuel oil prices as quoted on the Singapore market.

Domestic gas has historically realized lower value with prices fixed (i.e. flat in nominal terms) for the duration of the contract. However, more recent gas sales contracts incorporate linkages to the Indonesian Crude Price and/or other escalation components, such as ammonia prices. Gas prices for contracts supplying to Java and Sumatra have been recording prices in the range of US$6 to US$9 per mmbtu.

Supplier	Buyer	Contract Start Year	Contract End Year	Gas Price (US$/mmbtu) in 2016
Cepu	Petrokimia Gresik (fertilizer)	2019	2027	7.69
North Sumatra Block A	Pertagas	2017	2030	9.26
Ketapang	PGN	2015	2021	5.67
Madura Strait	Inti Alasindo, Parna Raya, and PGN	2015	2026	7.00
Madura Strait	PGN	2015	2030	7.00
Pertamina South Sumatra	PUSRI (fertilizer)	2013	2020	5.38
Kangean	Petrokimia Gresik (fertilizer)	2012	2022	5.51
Brantas	BUMD Gresik	2012	2018	5.80
South East Sumatra	PLN (Cilegon)	2006	2018	2.68

Gas prices in Indonesia are negotiated on a bilateral basis between the producers and the gas aggregators or end-users. However, contracts are subject to approval from SKKMIGAS, which have sought to keep prices low.

In 2012A, a number of gas contracts were renegotiated with approval from the regulator. This led to a doubling of pipeline gas prices from around US$2-3/mmbtu to US$5-6/mmbtu. For new gas production, operators are able to achieve prices in the range of US$6-8/mmbtu.

Supplier	Buyer	Contract Start Year	Contract End Year	Gas Price (US$/mmbtu) in 2012
PGN Batam (Corridor) . .	PLN Panaran	2007	2018	2.48
Kampar Extension	PLN Borang	2005	2013	2.55
Kampar Extension	Gunung Megang	2007	2013	2.30
Pertamina South Sumatra .	PGN	2007	2019	2.94

Gas prices continued to increase further. Wood Mackenzie has seen an upward trend in the prices of more recent gas contracts. The Gundih-Tambak Lorok contract was signed at US$7.4/mmbtu with 2% annual escalation. More recently, North Sumatra Block A signed a contract with Pertagas at US$9.4/mmbtu (flat nominal).

As a result, consumer prices have increased. PGN raised its selling prices from US$6.9/mmbtu to US$9.2/mmbtu in West Java after securing the Government's approval. This took place in two phases, in September 2012A and April 2013A. Higher costs for the more recent development is understood to be the key driver behind the price increase. Although piped gas price increases will not continue indefinitely because prices of competing fuels such as LNG, coal and oil products will set the boundary.

The fertilizer sector has also seen a marked increase in prices. New contracts range between US$5.0-7.5/mmbtu. In East Kalimantan, the Kaltim fertilizer plant is buying gas from the Sebuku PSC at US$6.72/mmbtu with an upside to gas prices depending on the international ammonia price.

Although the Government has allowed gas prices to rise in the power, fertilizer and industrial sectors, small consumers in the transport sector are protected to promote the NGV growth. Gas sold to the transport sector through Pertamina is capped at US$4.72/mmbtu. Gas prices for city gas residential users are set at US$9-15/mmbtu depending on the consumption size.

In May 2016A, the Government released Presidential Regulation no. 40/2016 on the reference gas price for industrial buyers. Under the regulation, reference gas price for particular industries is set at US$6/mmbtu. Higher prices above this level are still possible at the energy ministry's discretion. Currently, the price reduction only applies to targeted industrial consumers: fertilizer, petrochemical, oleochemical, steel, ceramics, glass and rubber gloves manufacturers. The government is in the process of implementing the changes, and seeks to maintain the revenues for upstream operators by reducing the Government take from the impacted PSCs.

In January 2017A, MEMR regulation no. 11/2017 allows the state utility and independent power plants to import LNG on their own, on the condition that the available domestic gas are priced are higher than 11.5% of the ICP, and the power plant is able to source LNG at less than 11.5% of the ICP (Wood Mackenzie's long term assumption is that the ICP trades at a 3% discount to Brent).

Domestic market obligations

As stipulated under Article 46 of GR 55/2009 and Article 1 of MEMR Regulation 2/2008, upstream operators are required to provide 25% of production to fulfil domestic needs.

Law 22/2001 and Government Regulation 35/2004 reiterated the obligation of upstream contractors to meet domestic market demand. The law and regulation were significant in that they introduced a domestic market obligation for gas, in addition to oil.

MIGAS provided a clarification for blocks on offer post-2008A. Gas DMO will be calculated as 25% of the contractor's share of profit gas. Once a commercial discovery has been made, SKKMIGAS has one year in which to find a suitable buyer for the gas. If a suitable buyer is not identified or if commercial negotiations between the contractor and the identified buyer fail, the contractor can seek permission from the Government to export the gas to the international market. It is understood that this time restriction is not followed.

DMO pricing — liquids

For pre-August 1988A contracts, DMO production is reimbursed at a fee of US$0.20/bbl. For contracts signed between 1988A and 1992A, DMO production is reimbursed at 10% of the prevailing export price and a five-year DMO holiday became applicable. This is increased to 15% for contracts signed in 1992A-1993A and to 25% for contracts signed effective 1994A. Fields developed prior to 1977A did not benefit from the five-year DMO holiday.

Under the gross split PSC terms, introduced in January 2017A, DMO will be reimbursed at a full market price.

DMO pricing — gas

There is no specific formula for DMO gas prices, pricing will be determined as in normal sales negotiations.

Gross Split PSC terms

Gross split PSC terms	Condition	Contractor share
Base split		
Oil		43.0%
Gas		48.0%
Variable split (incremental)		
Development status	First POD	5.0%
	No POD	0.0%
Field location	Onshore	0.0%
	WD ≤ 20m	8.0%
	20m < WD ≤ 50m	10.0%
	50m < WD ≤ 150m	12.0%
	150m < WD ≤ 1000m	14.0%
	WD >1000m	16.0%
Reservoir depth	≤ 2500m	0.0%
	> 2500m	1.0%
Infrastructure	Well developed	0.0%
	New frontier	2.0%
Conventional status	Conventional	0.0%
	Unconventional	16.0%

Gross split PSC terms	Condition	Contractor share
CO_2	$CO_2 < 5\%$	0.0%
	$5\% \leq CO_2 < 10\%$	0.5%
	$10\% \leq CO_2 < 20\%$	1.0%
	$20\% \leq CO_2 < 40\%$	1.5%
	$40\% \leq CO_2 < 60\%$	2.0%
	$CO_2 \geq 60\%$	4.0%
H_2S (ppm)	$H_2S < 100$	0.0%
	$100 \leq H_2S < 300$	0.5%
	$300 \leq H_2S < 500$	0.75%
	$H_2S \geq 500$	1.0%
Crude gravity	API $< 25^0$	1.0%
	API $\geq 25^0$	0.0%
Local content (LC)	LC<30%	0.0%
	30% ≤ LC < 50%	2.0%
	50% ≤ LC < 70%	3.0%
	LC > 70%	4.0%
Production stage	Primary	0.0%
	Secondary	3.0%
	Tertiary	5.0%
Progressive split (incremental)		
Oil price split	Price < US$40/bbl	7.5%
	US$40/bbl ≤ Price < US$55/bbl	5.0%
	US$55/bbl ≤ Price < US$70/bbl	2.5%
	US$70/bbl ≤ Price < US$85/bbl	0.0%
	US$85/bbl ≤ Price < US$100/bbl	-2.5%
	US$100/bbl < Price < US$115/bbl	-5.0%
	Price ≥ US$115/bbl	-7.5%
Cumulative production split	< 1 mmboe	5.0%
	1 mmboe ≤ X < 10 mmboe	4.0%
	10 mmboe ≤ X < 20 mmboe	3.0%
	20 mmboe ≤ X < 50 mmboe	2.0%
	50 mmboe ≤ X < 150 mmboe	1.0%
	≥ 150 mmboe	0.0%
Ministerial prerogative		-5% to 5%

Source: MEMR Regulation No. 8/2017 on gross split contracts

Regulation and upstream fiscal regime

Regulatory environment

Indonesia's oil and gas sector is governed by Law 22/2001, which replaced the previous Laws 44/1960 and 8/1971. Prior to 2001A, Pertamina was responsible for all petroleum activities in the country. Laws 22/2001, Government Regulation No. 42/2002 and Government Regulation No. 31/2003 removed Pertamina's regulatory functions and transformed the company in to a limited liability company Pertamina (Persero), under the jurisdiction of the Minister of State Enterprises. Pertamina is engaged in exploration and production, oil and gas refining and processing, and the marketing and distribution of refined products.

BPMIGAS was established to replace Pertamina's upstream regulatory functions, to supervise upstream business activities to maximize benefit and revenue to the state. On behalf of the Government, BPMIGAS acts as a party to Production Sharing Contracts. BPMIGAS' responsibility includes assessment and presentation for ministerial approval of new field development plans, approval of development plans for fields already in production, approval of annual work programmes and budgets, monitoring and ministerial reporting on the implementation of cooperation contracts and responsibility for the appointment of sellers for the state's share of oil and gas.

A separate entity, BPHMIGAS, was established as the downstream regulatory and supervisory body.

MEMR has overall responsibility for the implementation of government policy in the energy sector. It incorporates the Directorate General of Oil and Gas (MIGAS), which supervises and promotes the optimal utilisation of the oil and gas resources of Indonesia to maximize the benefit for the people and Government. The exploration bid rounds, issuance and relinquishment of blocks fall under MIGAS' direct responsibility.

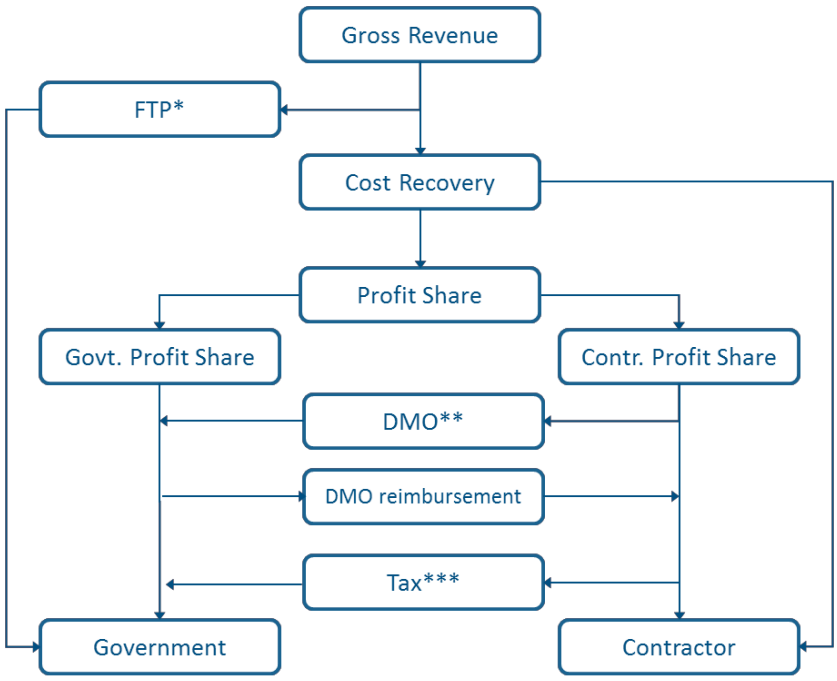
SKKMIGAS effectively replaced the functions of BPMIGAS, which was ruled as unconstitutional by Indonesia's Constitutional Court in November 2012A. Since then, a revision of the Oil and Gas Law have been discussed by lawmakers, to clarify the role of SKKMIGAS and prevent future legal challenges. However, there is no clear timeline for the revision to be finalized.

There also have been proposals by the Government to create a single holding company for select industrial sectors. For the oil and gas sector, the proposal is to merge all related state-owned enterprises — including Pertamina and PGN — under a holding company. It is unclear how this proposal will affect the ongoing discussion of the Oil and Gas Law revision.

Fiscal regime

The fiscal system in Indonesia is governed by the PSC regime. Royalty, in the form of FTP is paid on production and the standard rate of corporate income tax is applied to profits. There have been different vintages of PSC models, the difference being in the rate or method of calculation in items such as bonuses, cost recovery ceiling, FTP, profit sharing split, depreciation, investment credit and income taxes.

It should be noted that in some contracts additional incentives have been negotiated. In addition, PSCs awarded in licensing rounds post-2003A have incorporated contract-specific levels of FTP, investment credit and profit oil/gas splits.



*: FTP may be divided between the contractor and the Government, based on the contract.

**: The contractor is required to supply a percentage of oil production to the domestic market, multiplied by its pre-tax profit oil/gas entitlement percentage, capped at the amount of its combined share of FTP and profit share. The contractor receives a discounted price for those volumes.

***: A witholding tax rate of 20% is applied on the balance after income tax has been charged.

Gross PSC

In January 2017A the MEMR introduced the Gross PSC terms through Regulation No. 8/2017. The Gross PSC removes the cost recovery mechanism, and the Government and contractors split gross revenues. Upstream operations will continue to be supervised and managed by SKKMIGAS, but the new terms promise the operators a greater degree of freedom in managing the budget, costs and asset operations. The new terms will be applied to future licence awards and contract extensions. Contractors may also choose to adopt the new terms for existing PSCs.

The government's base share of revenues will be 57% for oil production and 52% for gas production. The contractors share of revenues can be increased, depending on field complexity. For example, a deepwater or an unconventional field will see the contractor's share of gross revenues increase by 16%. The prevailing rules of taxation is understood to apply. DMO oil will receive full market price.

	Standard PSC (2015 licensing round)	**Gross PSC**
FTP	FTP based on gross production, shared between government and contractor based on profit share percentage	No FTP applicable
Cost recovery	Capital and operating costs recovered from production after FTP	No cost recovery
Production sharing	Remaining production after cost recovery is shared based on flat percentage	Gross production shared between government and contractor based on gross production share percentage
Oil DMO price	DMO is set at 25% of market price	DMO is set at market price
Income Tax	25% income tax plus 20% withholding tax (40% effective tax rate)	Not specified

A number of aspects of the gross split PSC terms will have to be clarified by further regulatory changes, particularly on procurement without cost recovery and taxation. The fiscal term's standing in relation to the pending revision of the Oil and Gas Law is also uncertain.

State participation

Under older PSCs, upon first commercial discovery, a 10% participating interest is reserved for a government-designated Indonesian company, the shareholders of which shall be Indonesian Nationals.

Under the conditions of Government Regulation 35/2004, Indonesian companies are given preferential rights to acquire stakes in upstream contracts in new PSCs signed after October 2004A. The regulation provides outlines of these rights under two cases:

- When a company seeks to transfer an interest in a contract area to a party other than an affiliated or existing joint venture company, the Minister of Energy and Mineral Resources may request that the stake be first offered to national company — defined as registered in Indonesia and wholly owned by Indonesian citizens.

- When a field development plan is approved for the first field to be developed within a contract area, it is required that a participating interest of 10% in the contract area is offered to a company owned by the regional government. The signing of the Cepu contract in September 2005A provided an example of this regulation.

In November 2016A, the MEMR issued a regulation 37/2016 on the offering of 10% participating interest in upstream projects to regional government owned enterprise. The regulation sets a number of key changes from the previous Government Regulation 35/2004:

- Contractors are required to offer a 10% participating interest to regional governments upon approval of the first plan of development in a contract area, or during the process of PSC extension. It is understood that this does not apply to extension of exploration periods within a PSC.

- The allocation of the 10% participating interest between the provincial and district governments is based on the location of the reserves. The regulation does not include provision for subsequent change of the allocation, if there are additional discoveries made on the contract area.

- The Contractor is required to carry the regional government's costs, including historic exploration costs, through to the end of the PSC. Interests on the carried costs are not allowed.

- Following production, the Contractor is required to maintain positive cash flow for the regional government's stake.

- If the regional governments reject the 10% participating interest offer, the Contractor is required to offer 10% participating interest to a State-Owned Company (SOE). However, the Contractor is not required to carry the SOE's costs.

Local content

Since 2009A, Indonesia has set a minimum requirement of 35% for energy projects to source a proportion of their components from local manufacturers. Over the years, tighter regulations have emerged and with the Regulation No. 15/2013, local content requirement to be increased across the board for all oil and gas activities. The government has set a targeted year for the implementation of this requirement for various services (bulleted list below), recognizing the fact that it will take some time before local industries are ready to produce services or equipment required.

- Shipping services 75%, implementation post 2013

- Drilling 70% (onshore), 45% (offshore). Implementation post 2016

- Offshore EPCI 45%. Implementation post 2016

- Seismic, surveys and geological studies 90% (onshore), 35% (offshore). Implementation post 2020

- Other services 75%, implementation post 2020

Although how upstream procurement will be conducted under the new gross split terms is still unclear, the gross split terms provides incremental split for local content higher than 30%. The incremental split for local content is capped at 4%, applied for projects that achieve a local content of 70% or higher.

Abandonment

Early PSCs did not explicitly include provisions for decommissioning. Starting from 1995A, PSC terms include site restoration among the PSC contractor's responsibilities, although the terms do not state that the contractor must make provision for an abandonment fund.

Contracts signed from 2008A onwards require contractors to set aside funds allocated for decommissioning, referred as Abandonment and Site Restoration (ASR) funds, for each Plan of Development (POD). In 2010A, SKKMIGAS issued PTK 40/2010, containing further details on ASR funds. Cost estimates for decommissioning activities are included as part of the POD approval process, and may be reviewed periodically.

The funds set aside are put into an escrow account, then the amounts are used to generate an abandonment charge to the cost recovery pool, which are recovered in the same manner as operating expenses. Any interest earned gained by the account shall be treated as part of the fund. Upon PSC expiry, the contractor shall be responsible for execution of the decommissioning activities, unless the Government appoints a third-party. The contractors will pay for the actual decommissioning, and the Government will access the ASR funds to reimburse the contractor after the decommissioning has been completed. The contractors shall be liable for any deficit of funds, and any surplus belongs to the Government.

Several key issues remain uncertain, particularly on the criteria for the removal, reuse, or disposal of structures, and the extent of site restoration and post-decommissioning liability.

Overview of Indonesia's Oil & Gas Industry

Overview — key areas of interest to E&P companies

Indonesia is South-Eastern Asia's largest oil and gas producer, and also has the highest remaining commercial reserves, estimated at 9.2 billion boe. Indonesia's growing economy is driving higher domestic demand for energy, but oil production is declining, and several major gas developments are facing project delays.

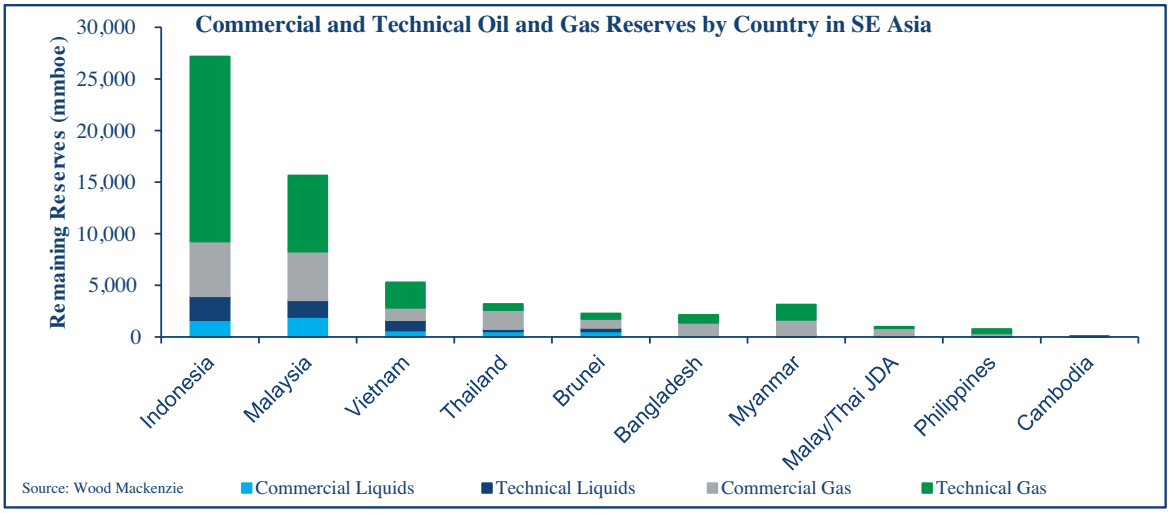
The majority of oil and gas production is sourced from the well-explored basins of Sumatra, Java and East Kalimantan. Given the maturity of the core producing areas within these regions, the country must increasingly rely on the development of smaller and more challenging fields to meet its requirements.

Exploration and development activity has been negatively impacted by regulatory and fiscal uncertainty, with the 2012A dissolution of BPMIGAS and recent series of negative regulations affecting investor confidence. The Government is proposing incentives and revising some of the negative regulations, in hopes of increasing exploration activity and reversing the production decline.

Exploration in Indonesia has underperformed over the last decade, and a lack of major success has contributed to a lack of significant development projects on the horizon. While exploration potential remains in Indonesia's more remote and frontier basins, attracting continued investment will be vital if Indonesia is to maximize the recovery of its remaining oil and gas resources.

O&G reserves/resources

Indonesia has 27,161 mmboe of remaining commercial and technical oil and gas reserves. Gas accounts for a significant portion of Indonesia's petroleum reserves (contributing 87% on a commercial and technical basis), and continues to be a primary energy source for Indonesia. The largest remaining gas reserves in Indonesia are in Sumatra, West Papua, Natuna Sea and East Kalimantan.



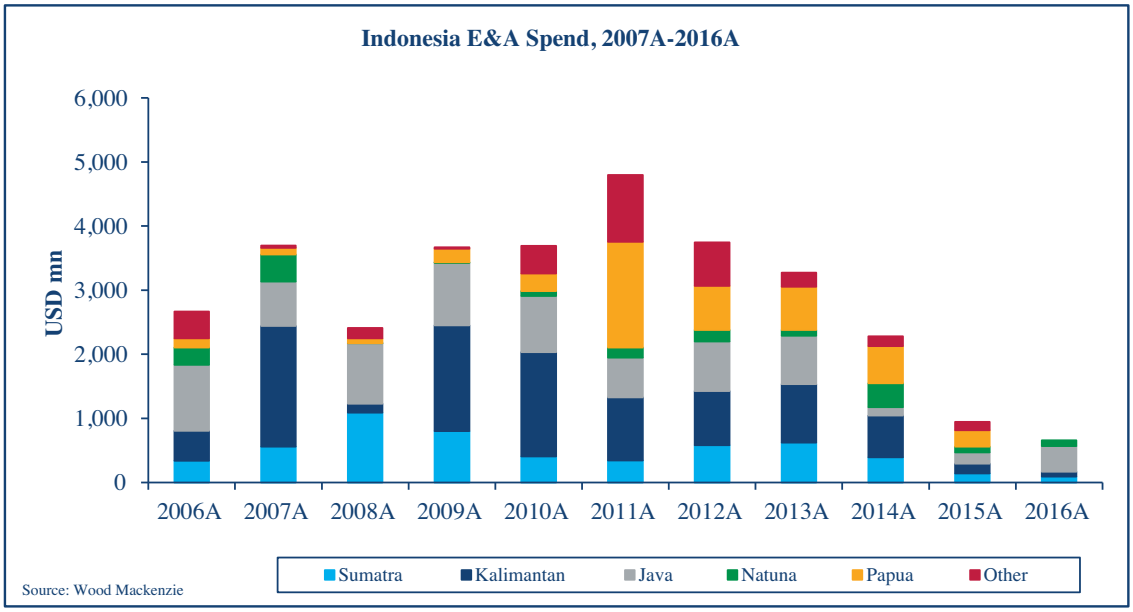
O&G exploration and production

Indonesia exploration & appraisal

There are 349 active licences in Indonesia. The government has offered one or two licensing rounds on an annual basis since 2000A with varying levels of interest. Trending the oil price movement, Indonesia licensing rounds attracted high levels of interest during the 2011A and 2012A period, where the Brent oil price were hitting US$100 per barrel. However, from 2013A onwards, the interest in Indonesia licensing rounds have decreased significantly. Only six conventional blocks were awarded in 2013A and 2014A, and none were awarded in 2015A. The situation has been exacerbated by the recent exodus of IOCs.

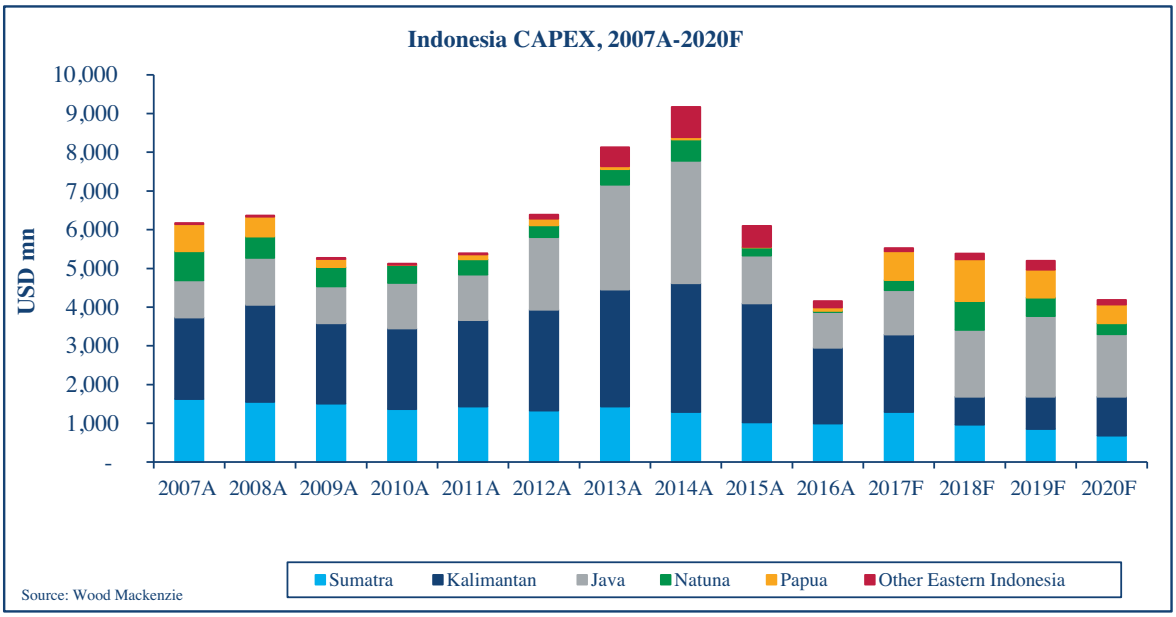
In the last decade, Indonesia exploration drilling has remained relatively steady at around 70-80 exploration and appraisal wells drilled each year, before falling in 2013A and 2014A. The majority, or around two-thirds, of these wells have been drilled onshore, but the most successful drilling has taken place offshore. Drilling has continued to focus on the traditional producing basins of Sumatra, Java and East Kalimantan, but in recent years, activity has begun to test the deeper waters and underexplored basins of Eastern Indonesia. Unfortunately, wildcat exploration in Indonesia's frontier basins has initially proved disappointing, with a number of operators re-evaluating their exploration plans. North America-based companies including Anadarko, Marathon, Murphy and Hess, have exited Indonesia as the country is viewed as high risk frontier region compared to the unconventional shale resources back home.

The chart below summarizes exploration spend in Indonesia since 2007A.



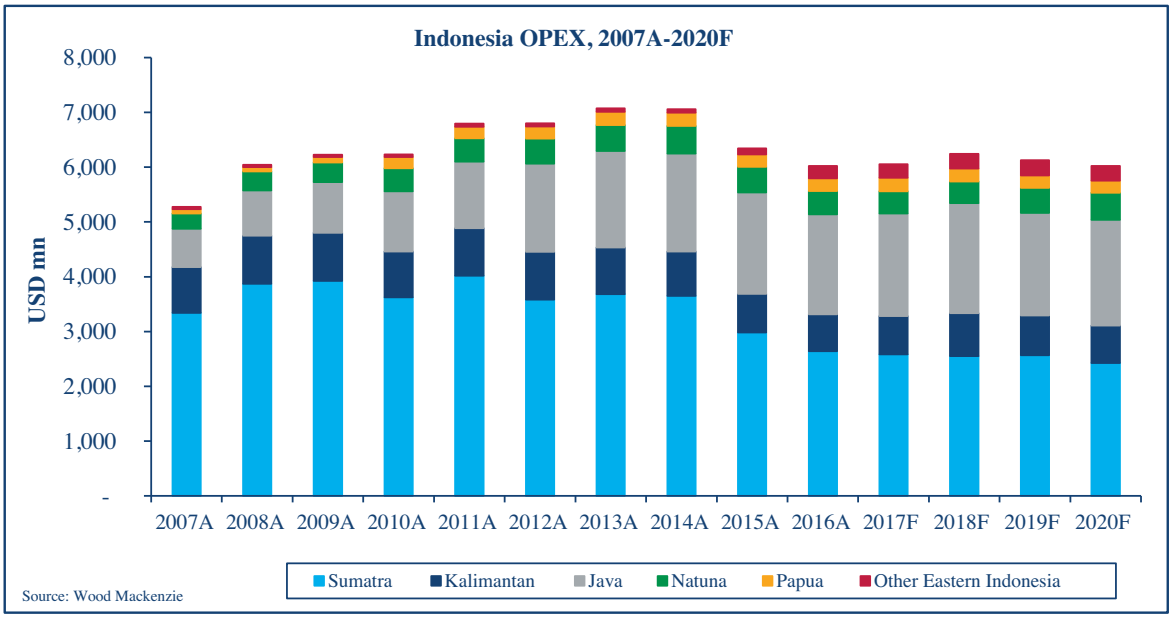
Indonesia capex

Indonesia capex, for projects under development in the short term, is expected to rebound in 2017F to US$5.5 billion from US$4.2 billion in 2016A. This is mainly due to project deferrals in 2016A as companies cut their capital budget in the lower oil price environment. Wood Mackenzie expects capital spend to be flat in the next three years due to the lack of sizable pre development projects in the horizon.



Indonesia opex

Wood Mackenzie estimates Indonesia opex to remain relatively flat at US$6.0 billion from 2016A to 2017F. With O&G production expected to fall during this period, the opex per barrel will increase and this can be largely attributed to the increasing costs of producing O&G from Indonesia's maturing fields.



Ongoing and future developments

The 200,000 b/d full-field oil production from the Banyu Urip field, achieved in 2016A, was the sole oil development of scale in recent years. Other notable developments that were brought onstream in 2016A include Bangka field offshore Kalimantan, the first deepwater subsea tieback in Indonesia, and the Kerendan field onshore central Kalimantan.

The North Sumatra Block A gas development was sanctioned in 2016A, and first gas is expected in 2018F. Also in 2016A, BP sanctioned the expansion of its Tangguh LNG project in West Papua. The project will see the development of a third LNG train and several shallow water gas fields. The Bison, Iguana, and Gajah Puteri fields, offshore Natuna, were sanction as subsea tiebacks in early-2017F.

The BD field is expected to be brought onstream in mid-2017F, the first of several shallow water gas fields developed in East Java. First gas from the deepwater Jangkrik complex is expected in H2 2017F. Gas from the Walanga, Sampi Sampi, and Bonge fields is planned to be monetized through the Sengkang mini-LNG plant. Wood Mackenzie estimates LNG production from the Sengkang LNG plant to start in H2 2017F.

Field	Block	Operator	Startup/ Expected Startup	Commercial Remaining Reserves at 01/01/2017 - Liquids (mmbbl)	Commercial Remaining Reserves at 01/01/2017 - Gas (bcf)
Alur Rambong, Alur Siwah, Julu Rayeu	North Sumatra Block A	Medco Energi	2018	2	264
Bangka	Rapak	Chevron	2016	3	160
Banyu Urip (peak)	Cepu	ExxonMobil	2016	—	337
BD, MDA-MBH-MDK	Madura Strait	Husky-CNOOC Madura	2017	18	868
Bison, Iguana, Gajah Puteri	Natuna Sea Block A	Premier Oil	2019	1	192
Jangkrik & Jangkrik North East	Muara Bakau	Eni	2017	6	1,250
Kerendan	Bangkanai	Ophir Energy	2016	3	204
Sirasun & Batur	Kangean	Kangean Energy Indonesia	2019	—	257
Tangguh Phase 2	Berau, Wiriagar, Muturi	BP	2021	16	3,195
Walanga, Sampi-Sampi, Bonge	Sengkang	Energy World Corporation	2017	—	128

Technical Reserves are not included.

Several greenfield projects are in the pre-FID stage, however commercial issues faced by these projects may defer their sanction.

Field	Block	Operator	Expected Startup	Commercial Remaining Reserves at 01/01/2017 - Liquids (mmbbl)	Commercial Remaining Reserves at 01/01/2017 - Gas (bcf)
Ande Ande Lumut	Northwest Natuna	Santos	2019	75	—
Jambaran-Tiung Biru	Cepu	Pertamina EP CEPU	2020	16	871
Lengo	Bulu	KrisEnergy	2021	—	229

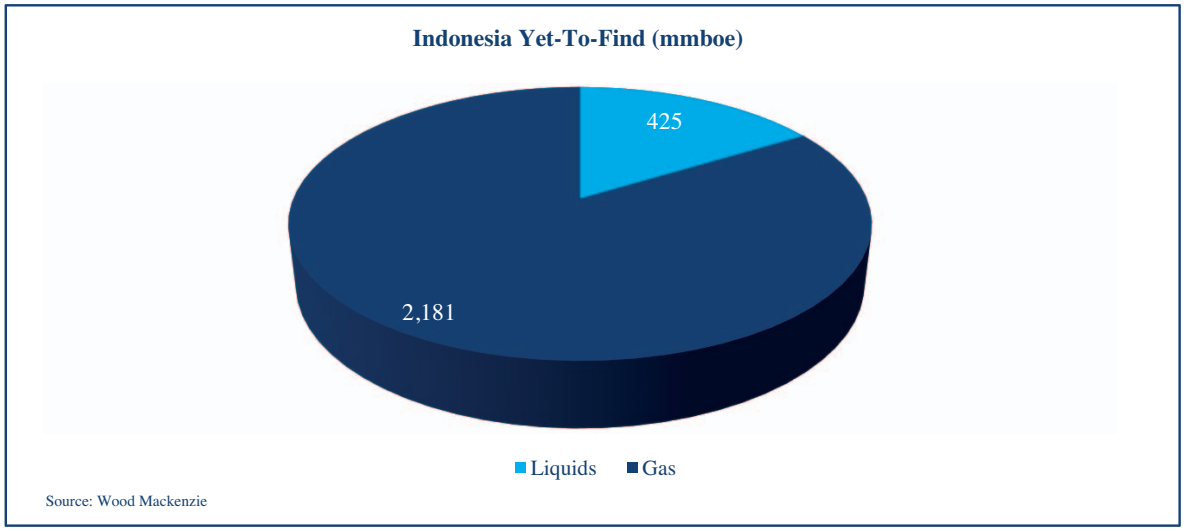
Technical Reserves are not included.

The following table lists a number of sizeable undeveloped oil and gas fields in Indonesia that have the potential to be developed in the near future. Wood Mackenzie has only included discoveries that exist within PSCs that have no fields currently in production or under development.

Field	Block	Operator	Expected Startup	Technical Reserves - Liquids (mmbbl)	Technical Reserves - Gas (bcf)
Abadi	Masela	INPEX	2026	203	21,456
Asap & Merah	Kasuri	Genting Oil & Gas	2024	17	2,150
Badik & West Badik	Nunukan	Pertamina	2024	104	105
Barokah	South Sesulu	PGN	2021	—	325
Dara	North Sokang	Black Platinum Energy	2024	—	530
Jambu Aye Utara	Krueng Mane	Eni	2022	3	163
Merakes	East Sepinggan	Eni	2024	—	850

Technical Reserves: Potentially recoverable hydrocarbon volumes that have been discovered but are not currently considered commercial by Wood Mackenzie. This may be due for example to low levels of reserves, perceived technical difficulties with a development, low product quality or the lack of available markets.

Prospectivity and recent discoveries



Indonesia is viewed by many as having considerable remaining oil and gas potential, with Wood Mackenzie estimating about 2,606 mmboe of total Yet-to-Find ("**YTF**") reserves. This is anticipated to be in the eastern basins, where large areas, both onshore and offshore, remain relatively unexplored. The major problem faced by potential explorers in these basins is the sheer size and remoteness of the areas to be explored. This, in combination with the lack of infrastructure and the harshness of the terrain (many of the prospective onshore areas are in remote jungle regions), makes the logistics of petroleum exploration very difficult.

Indonesia's coal bed methane ("**CBM**") resource potential is estimated in the range of 36 tcf, located in the Barito (9.7 tcf), Kutei (11.1 tcf), and South Sumatra (15.2 tcf). However, there are no material commercial CBM operations to date in Indonesia, and these estimates remain highly uncertain until further exploration and appraisal work is completed.

The following table lists the top ten discoveries made in the last five years by size. The majority of the volumes discovered have been gas.

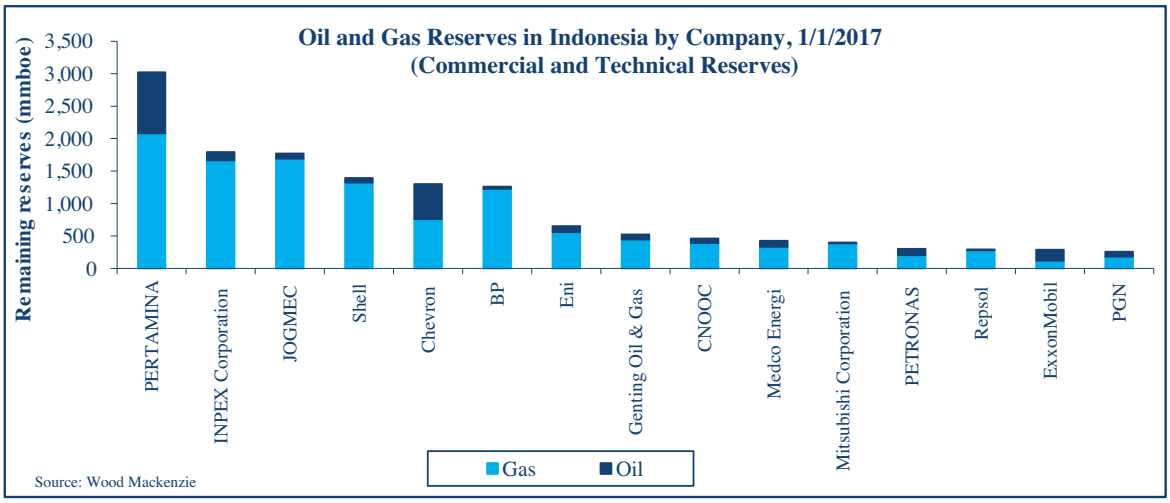
Field	Block	Operator	Discovery year	Discovered volume - Liquids (mmbbl)	Discovered volume - Gas (bcf)
Lofin	Seram Non Bula	CITIC Resources	2012	8	900
Merakes	East Sepinggan	Eni	2014	—	850
Kido	Kasuri	Genting Oil & Gas	2014	60	200
Kuda Laut	Tuna	Premier Oil	2014	40	185
Barokah	South Sesulu	PGN	2015	—	325
West Kerendan	Bangkanai	Ophir Energy	2014	8	250
Benggala	Pertamina EP - N. Sumatra	Pertamina EP	2012	1	274
Katak Biru	Muara Bakau	Eni	2012	—	250
Alas Tua East	Cepu	ExxonMobil	2012	—	200
Jati Asri	Pertamina EP - Java	Pertamina EP	2013	15	95

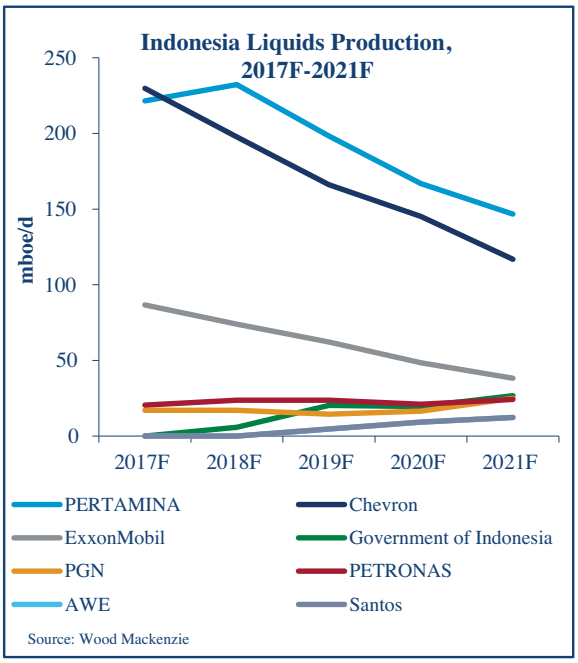
Key upstream players active in Indonesia

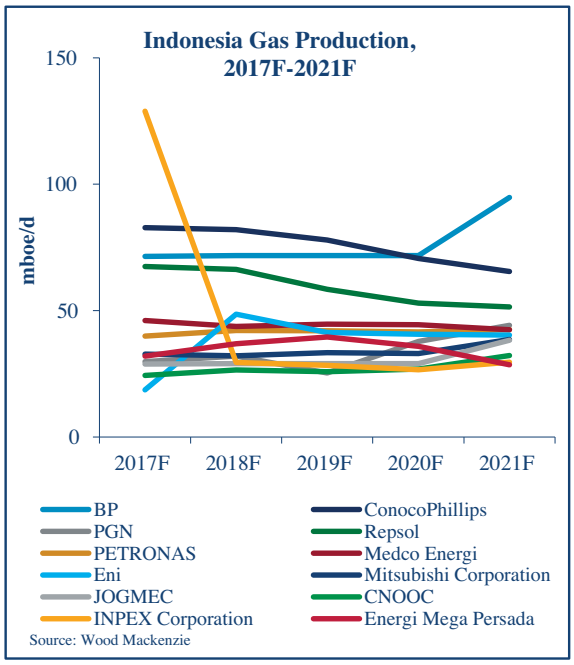
Indonesia has one of the most diverse upstream industries of any country in the world, with over 200 active PSC participants of varying capability and size. In terms of remaining reserves and production, the top 20 companies include US and European majors (Chevron, TOTAL, ConocoPhillips, BP, ExxonMobil), Indonesian independents (Medco Energi and Energi Mega Persada), the Company, international independents (Repsol, Premier Oil and Mubadala) and oil companies from Japan (INPEX, JOGMEC, JAPEX, Mitsubishi), China (CNOOC, PetroChina and Sinopec), smaller private equity funded companies (Jadestone Energy, Mandala Energy and HyOil), and Indonesia's state-owned Pertamina.

Following a long dominance by the international majors, Pertamina has now become the leading producer in Indonesia with 450 mboe/d of average working interest production from 2012A-2016A. This is driven in part by increased production from Cepu, but also due to the overall declining trend of production amongst companies like Chevron in Indonesia.

PSCs that will expire in the next few years will be a major feature of Pertamina's focus. In 2015A, the Government confirmed Pertamina will be given full stake and operatorship of the Offshore Mahakam PSC, the majority supplier of the gas feedstock into the Bontang LNG facility. In January 2017A, it was confirmed that an additional eight PSCs — four already operated by Pertamina — that are set to expire during 2017F-2018F will be extended, with Pertamina to be awarded full stake and operatorship. Going forward, Pertamina will manage the transition and decide on potential partners.



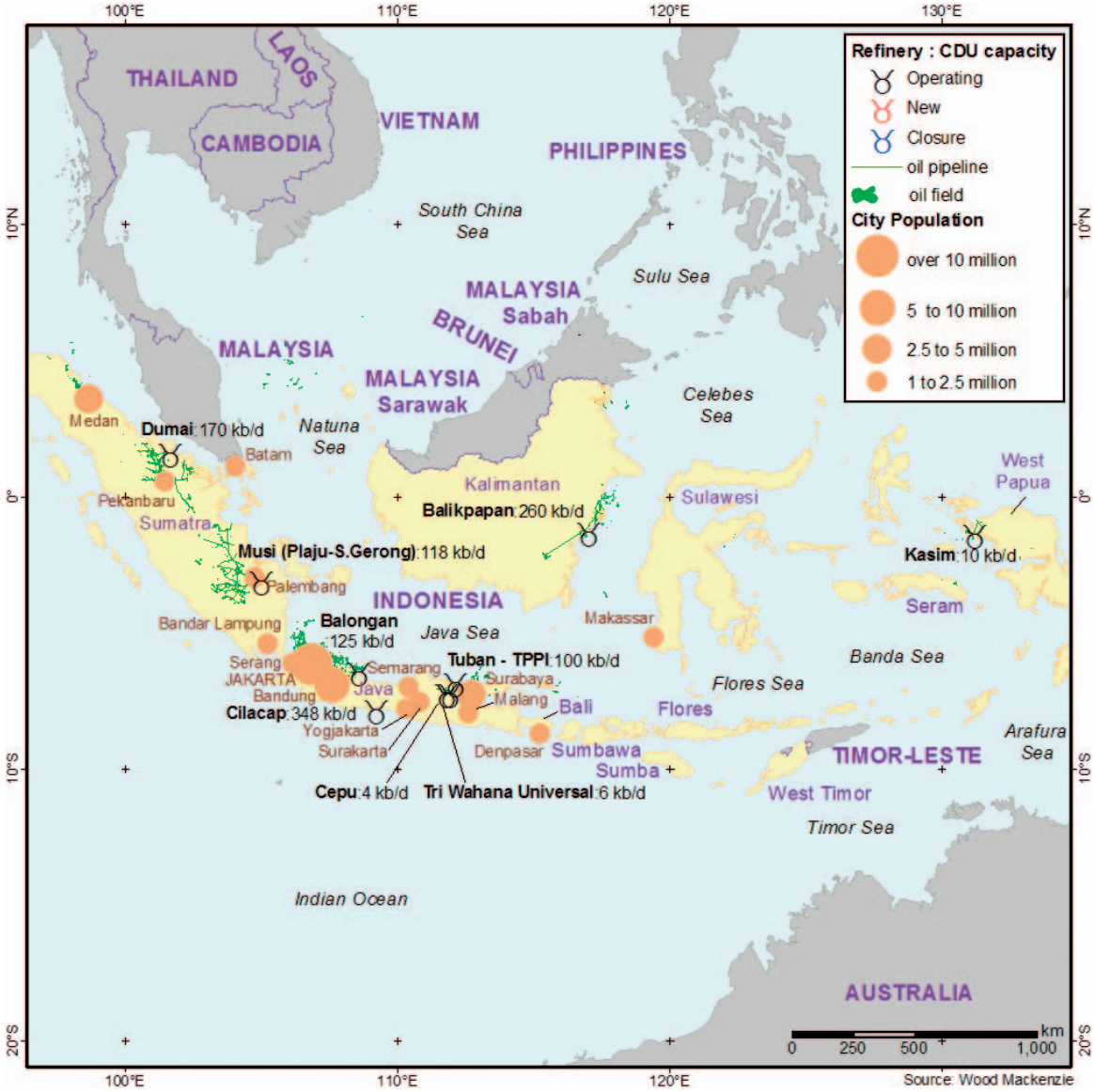




Note: Pertamina gas production not shown due to scale, but it is by far the largest gas producer in Indonesia with 246 mboe/d in 2017F, and 294 mboe/d by 2021F.

Indonesia infrastructure

Oil infrastructure



Indonesia has a total of nine active oil refineries, located in East Kalimantan, Java, Sumatra and West Papua, seven of which are wholly owned and operated by Pertamina. Pertamina began oil refining through its first refinery at Sungai Pakning in Riau, which started operations in 1969A, with a capacity of 50,000 b/d. Through a series of acquisitions and capacity expansions, Pertamina has a current refining capacity of over 1,000,000 b/d.

Indonesia has a stated objective to reduce its reliance on imported petroleum products. It aims to meet this objective by increasing domestic product supply through refinery expansions and construction of new grassroots refineries. A few foreign investors that showed interest in refining joint-venture projects in 2013A have now backed off as the subsidized domestic market did not provide a sufficient rate of return. However, the Government removed subsidies in the retail sector in January 2015A with the fall in global crude oil prices. This may again generate interest in new grassroots refinery projects in Indonesia. Currently, Pertamina are in formal agreements with Rosneft for a new refinery project in Indonesia. The government is working to provide more incentives to make new investments more viable. However, it is doubtful that any additional capacity will come online by 2022F, despite several capacity addition projects being announced.

However, there has been a positive development in Indonesia as Pertamina is looking to revamp its existing refineries with foreign partners. In 2014A, Pertamina entered agreements with Saudi Aramco, JX Nippon Oil & Energy Corp and China Petroleum & Chemical Corp (Sinopec) to progress its Refining Development Master Plan. This initiative aims to improve Pertamina refineries' operational capacities, complexities and competitiveness. Subsequently, JX and Sinopec have called off their investment plan with only Aramco progressing talks with Pertamina.

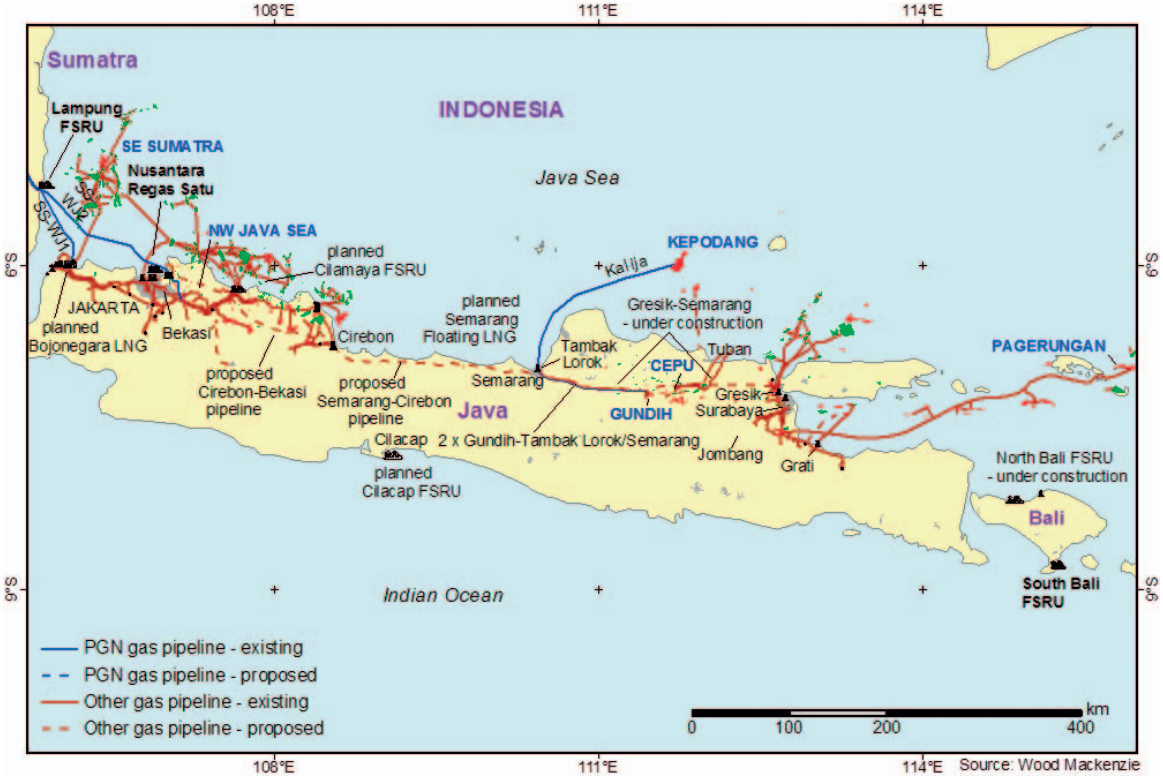
In May 2016A, Pertamina and Saudi Aramco awarded a detailed engineering study to expand the Cilacap refinery from its current 348,000 b/d to 370,000 b/d refining capacity by 2023F. In October 2016A, Pertamina also entered into a licensing agreement with Axens for its residue upgrading project in Balikpapan. This project involves the addition of a new RFCC, diesel hydrotreater and LPG sulphur removal unit, to reduce the refinery's fuel oil production and increase its low-sulphur diesel production. The project is expected to be completed post 2022F.

Separately, Pertamina is also replacing its semi-regen reformer for a continuous catalytic reformer (CCR) and adding an isomerisation unit as a part of the Blue sky project at the Cilacap refinery in 2018F. Overall, Indonesia's refining capacity will remain flat through to 2022F, as there are no firm CDU capacity additions in Wood Mackenzie's view.

Location	Refinery Name	Operator	Refinery Type	CDU Capacity (kbd)
Indonesia	Balikpapan	Pertamina	HCU	260
Indonesia	Balongan	Pertamina	FCC	125
Indonesia	Cepu	Pertamina	HSKIM	4
Indonesia	Cilacap	Pertamina	FCC	348
Indonesia	Dumai	Pertamina	HCU & COK	170
Indonesia	Kasim	Pertamina	HSKIM	10
Indonesia	Musi (Plaju-S.Gerong)	Pertamina	FCC	118
Indonesia	Tri Wahana Universal	Private Investors	HSKIM	6
Indonesia	Tuban — TPPI	Trans Pacific Petrochemical	HSKIM	100

Gas infrastructure

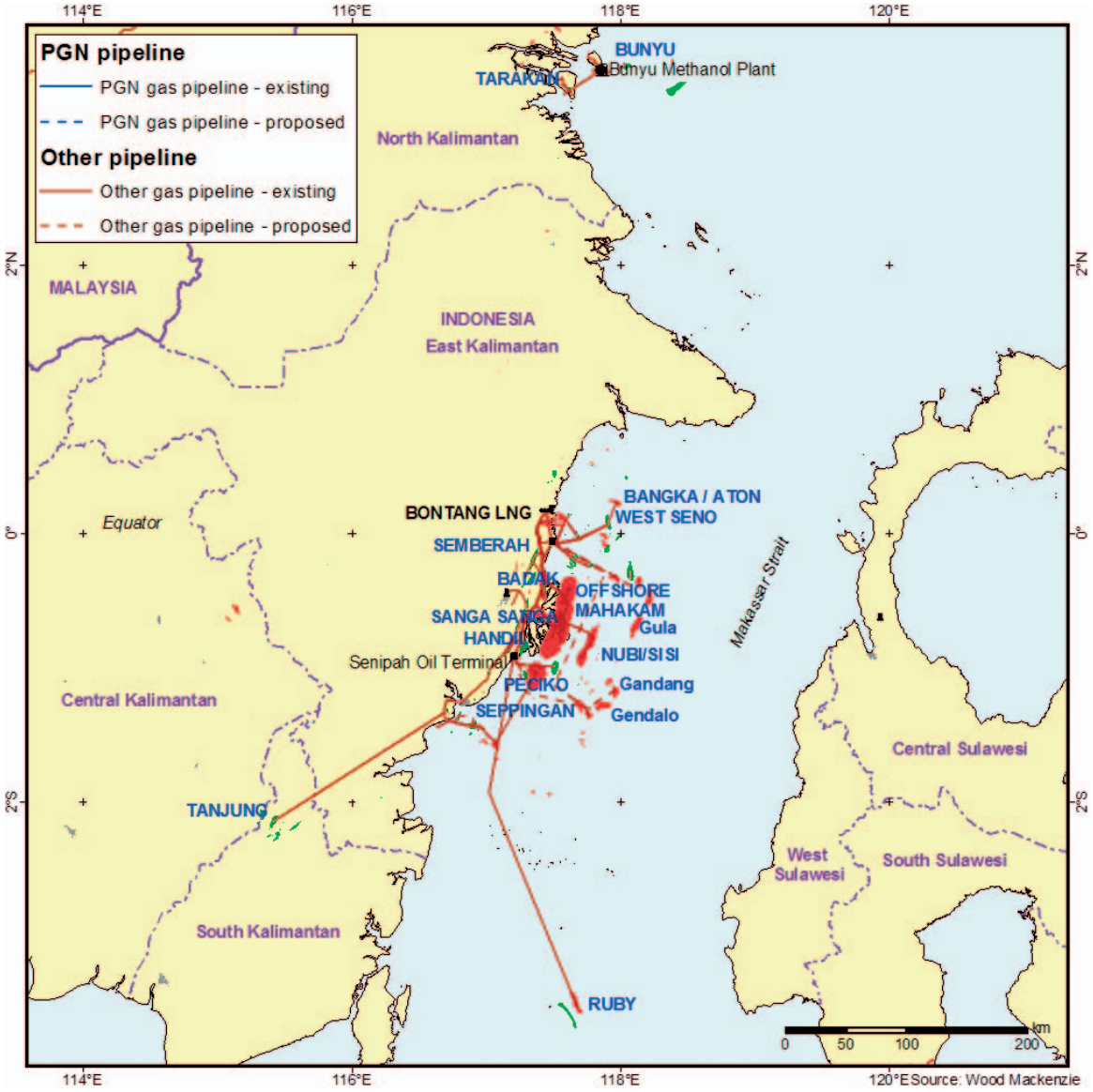
Java gas infrastructure



Sumatra gas infrastructure



Kalimantan gas infrastructure

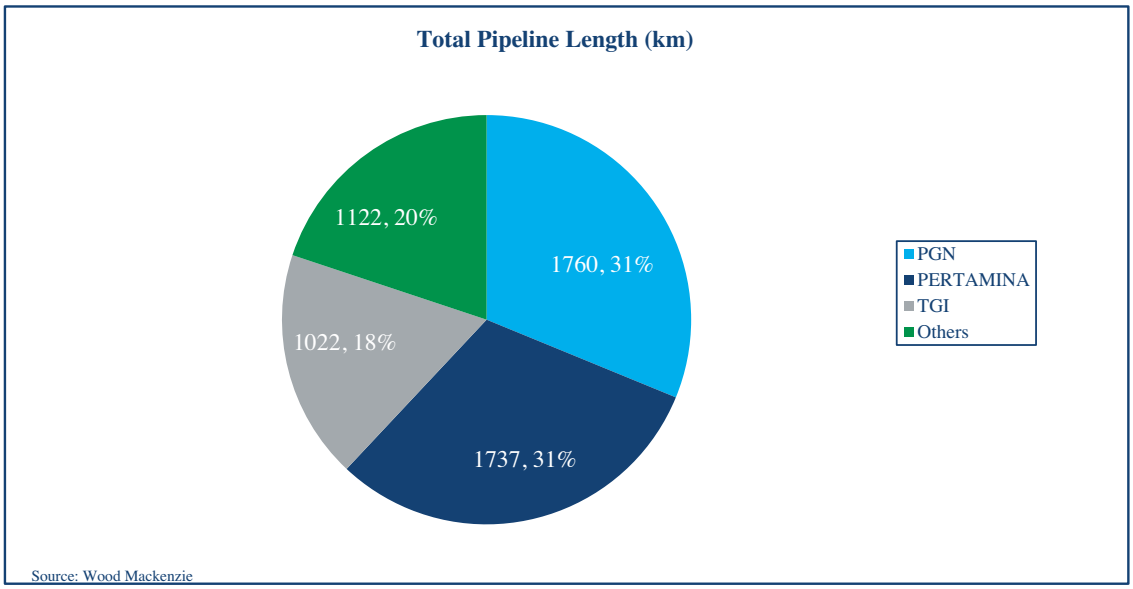


The lack of gas interconnection infrastructure divides Indonesia into several regional markets. Java Island is separated into the West Java, Central Java and East Java markets, while Sumatra Island is segregated into the Aceh/North Sumatra and Central/South Sumatra markets. Pipeline infrastructure outside Java and Sumatra is very limited, except in the East Kalimantan region around the Bontang LNG plant.

Existing inter-regional pipeline connections include the Grissik-Duri and the Grissik-Singapore pipelines connecting South Sumatra with Central Sumatra, Batam, and Singapore, and the SSWJ I and II pipelines connecting South Sumatra with West Java. In North Sumatra, the Arun-Medan pipeline was completed in December 2014A, connecting the gas markets in Aceh and Medan. Export pipelines also exist in the Natuna Sea, delivering gas to Singapore and Malaysia.

The market is growing as additional pipelines are being built. The Gundih-Tambak Lorok pipeline was commissioned in September 2014A, supplying gas to Semarang. Another pipeline to Semarang from Muriah was completed in August 2015A. The Cilegon-Bitung pipeline, which is part of PGN's gas pipeline expansion in West Java began operating in 2015A. In October 2014A, Pertagas started the construction of the Gresik-Semarang pipeline which will connect the Central and East Java markets in 2017F. In Sumatra, the Duri-Dumai pipeline is being constructed, targeting 2017F completion.

Pipeline ownership (based on operatorship)



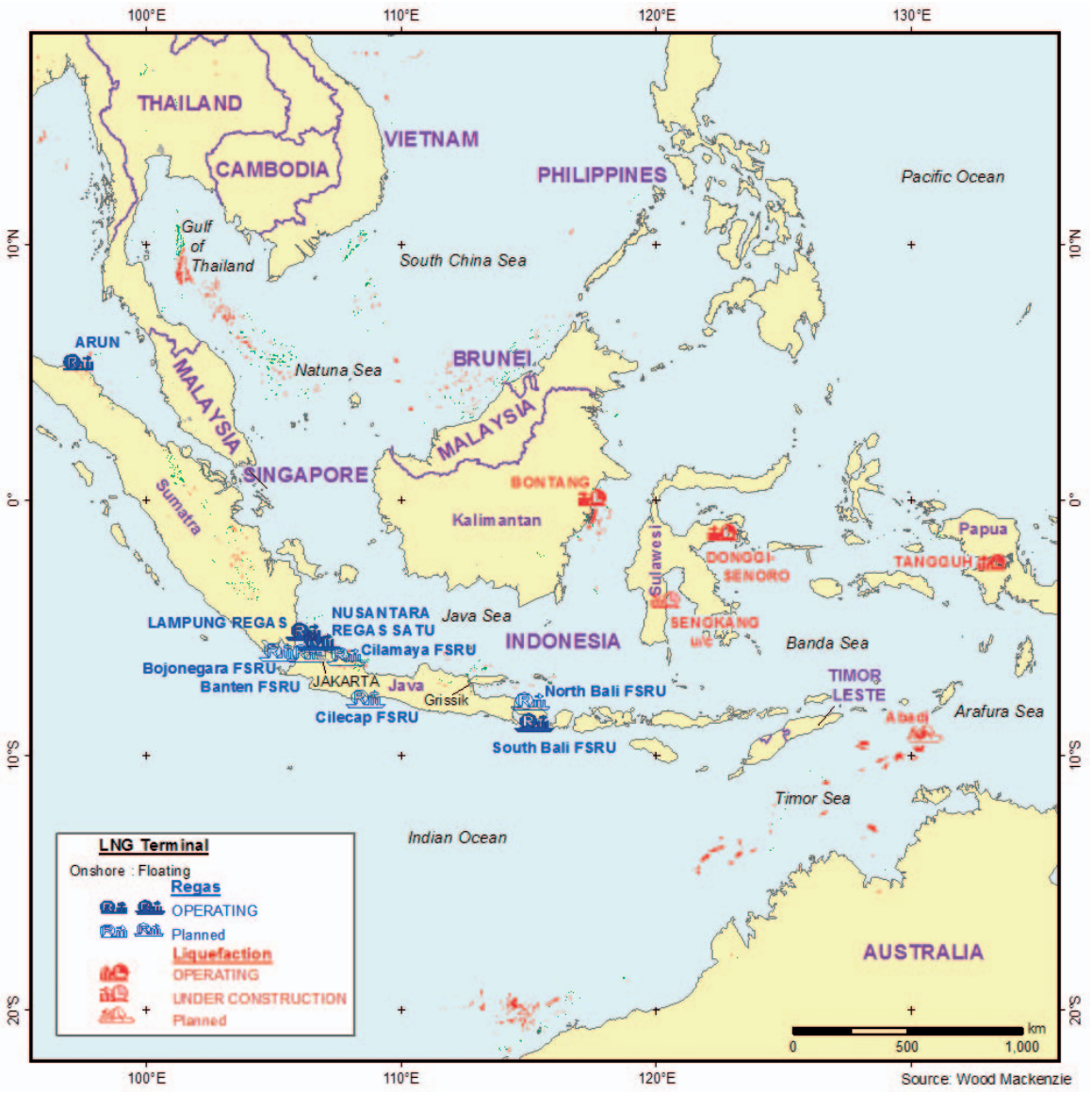
Existing pipelines

Pipeline System	Transporter/ Operator	Current Capacity (mmcfd)	Diameter (inch)	Length (km)
Java				
Cilamaya to Cilegon (via Tegal Gede & Nagrak)	Pertamina	250,400	18,24	218
Pagerungan Island to Porong (East Java Pipeline)	Pertamina	600	28.0	370
Porong to Gresik (East Java Pipeline)	Pertamina	600	28.0	53
Gundih - Tambak Lorok	Sumber Petrindo Perkasa	200	20.0	140
Kepodang - Tambak Lorok	PGN and Bakrie Brothers	250	18.0	200
Sumatra				
Arun - Medan	Pertamina	300	24	370
Medan - Sei Mangke	Pertamina	150	24	138
Pangkalan Brandan to Wampu	Pertamina	135	18,12	51
Grissik to Duri	TGI	430	28	544
Grissik to Singapore (via Batam)	TGI	467	28	478
Musi — Palembang	Pertamina	300	12,20 (varies)	200
Pagardewa - Labuhan Maringgai (SSWJ I)	PGN	530	32	268
Labuhan Maringgai - Bojonegara (SSWJ I)	PGN	530	32	105
Grissik - Pagardewa (SSWJ II)	PGN	440	36	196
Pagardewa - Labuhan Maringgai - Muara Bekasi - Rawa Maju (SSWJ II)	PGN	440	32	466
Natuna Sea				
West Natuna Transportation System to Singapore border (upstream pipeline) via Batam	PSCs	700	28	644
Kalimantan				
Tanjung Santan - SKG Bontang	Pertagas	200	16	40

Under development/proposed (likely) pipelines

Pipeline System	Licensee	Status	Ultimate Capacity (mmcfd)	Diameter (inch)	Length (km)
Java					
Gresik - Semarang	Pertamina	Under development	350-500	28.0	267
Semarang - Cirebon	—	Proposed	350-500	28.0	258
Sumatra					
Bentu Korinci Baru - Teluk Lembu	Bentu Korinci Baru PSC	Under development	40	8	40
Duri - Dumai	PGN	Under development	250-300	24.0	130
Dumai - Medan	PGN	Proposed	250-300	28.0	395
Kalimantan					
Simenggaris - Bunyu	Pertamina	Under development	35.0	10.0	70

LNG infrastructure



Existing LNG infrastructure

Facility	Type	Owner	Nominal Capacity (mmcfd)	Peak Capacity	Storage (m3)
Nusantara Regas Satu PGN FSRU	Regasification	Pertamina, PGN	397	397	125,000
Lampung	Regasification	PGN	240	240	170,000
Arun Regas Benoa Regas	Regasification	Pertamina	397	397	636,000
	Regasification	Pertamina, PLN	50	50	20,000
Liquefaction					
Bontang Liquefaction Plant	Liquefaction	Government of Indonesia (Badak)	2,916	—	—
Tangguh Liquefaction Plant	Liquefaction	Tangguh Consortium led by BP	998	1,497	—
Donggi Senoro Liquefaction Plant	Liquefaction	Mitsubishi Corporation	263	263	—

Planned LNG infrastructure

Facility	Type	Owner	Nominal Capacity (mmcfd)	Location	Status
Celukan Bawang FSRU	Regasification	Padma Energi	70.0	Bali	Under construction
Bojonegara Regas	Regasification	Pertamina	529.6	West Java	Proposed
Cilacap FSRU	Regasification	Pertamina	200.0	Central Java	Proposed
Pomala Regas	Regasification	PGN	50*	SE Sulawesi	Proposed
Java-1 FSRU	Regasification	PLN/IPP	199*	West Java	Proposed
Java-3 Peaker Regas	Regasification	PLN/IPP	50*	West Java	Proposed
Bangka Regas	Regasification	PLN/IPP	20*	South Sumatra	Proposed
Central Indonesia Mini-LNG	Regasification	PLN	290*	Central Indonesia	Proposed
Banten FSRU	Regasification	PT Energi Dian Kemala	132-530	West Java	Speculative
Cilamaya FSRU	Regasification	Pertamina	70.0	West Java	Speculative
East & West Indonesia Mini-LNG	Regasification	PLN	360*	East/West Indonesia	Speculative
Liquefaction					
Sengkang Liquefaction Plant	Liquefaction	EWC	265.0	South Sulawesi	Under construction
Abadi FLNG	Liquefaction	INPEX, Shell	331/993	Timor	Proposed

General Overview

Indonesia's oil and gas resources, and the mineral rights to them, are national assets controlled by the Government. In November 2001, the Oil and Gas Law was enacted, replacing Law No. Prp. 44 of 1960 (regarding oil and gas mining) and Law No. 8 of 1971 (regarding Pertamina, i.e. the State oil and gas company).

Prior to 2001, Pertamina was responsible for all petroleum activities in Indonesia. Since the enactment of Law No. 22 of 2001, which revoked certain oil and gas laws, Pertamina was no longer responsible for all petroleum activities in Indonesia. Pertamina's initial role was taken over by the implementing body for upstream oil and gas business ("**BPMIGAS**") with the enactment of Law No. 22 of 2001.

However, certain articles within the Oil and Gas Law were annulled as a result of the Constitutional Court of Indonesia's (the "**Constitutional Court**") decision on November 13, 2012 when the Court dissolved BPMIGAS as the implementing body in the upstream oil and gas sector. In response to the Court's decision, the Government enacted Presidential Regulation No. 95 of 2012 concerning the assignment of and the implementation of duties and functions of upstream oil and gas business activities ("**PR 95/2012**"), which stipulates, among others that, (i) performance of duties, functions and organization of BPMIGAS shall be transferred to the Minister of Energy and Mineral Resources ("**MEMR**") until new oil and gas regulations are issued; (ii) any cooperation contract (*Kontrak Kerja Sama*) signed between BPMIGAS and any business entity or permanent establishment shall remain valid until its expiration; (iii) the entire processing of upstream oil and natural gas activities managed by BPMIGAS shall be continued by the Minister of Energy and Mineral Resources in accordance with the provisions of laws and regulations. To implement PR 95/2012, the Government issued Presidential Regulation No. 9 of 2013 on the Management of Upstream Oil and Gas Activities ("**PR 9/2013**") which stipulated that all duties, roles and functions of BPMIGAS were assigned to the special task force for upstream oil and gas activities ("**SKK Migas**") on January 10, 2013, until such time as the issuance of a new oil and gas law in Indonesia.

The Oil and Gas Law is the umbrella legislation for oil and gas business activities setting forth general principles that are, and will be, further developed in a series of Government regulations, Presidential decrees and ministerial decrees, some of which have been promulgated by various Government institutions and agencies, such as Government Regulation No. 35 of 2004, as most recently amended by Government Regulation No. 55 of 2009 on Oil and Gas Upstream Business Activities (the "**Upstream Regulation**"), and Government Regulation No. 36 of 2004 as most recently amended by Government Regulation No. 30 of 2009 on Oil and Gas Downstream Business Activities (the "**Downstream Regulation**").

The Oil and Gas Law categorizes oil and gas activities into upstream and downstream activities. Upstream activities consist of exploration and exploitation of oil and gas resources, while downstream activities consist of processing, transporting, storage and trading activities. A company which carries out upstream business activities can only manage one oil and gas work area and thus, can only enter into one Production Sharing Contract ("**PSC**"). Further, a company which carries out upstream business activities may not carry out downstream activities and vice versa unless the downstream activities conducted by the company are considered to be the continuation of exploration and/or exploitation activities of the company, and therefore the downstream activities are not developed with the intention of benefiting and/or profiting from these activities alone. Upstream activities are carried out based on cooperation contracts entered into by a contractor and SKK Migas, for and on behalf of the Government, while downstream activities are carried out based on various licenses.

Upstream Activities

BPMIGAS, the previous upstream oil and gas implementing agency, was established based by Government Regulation No. 42 of 2002 on the Implementing Body for Upstream Oil and Gas Activities. BPMIGAS was tasked with, among other things, overseeing the management of oil and gas resources carried out by private legal entities (i.e. state-owned enterprises, regional-owned enterprises, cooperatives, private enterprises and permanent establishments), by becoming a counterparty to the entities' cooperation contracts (to be discussed further below) and issuing guidelines for oil and gas operational activities.

However, on November 13, 2012, the Constitutional Court dissolved BPMIGAS by way of Decision No. 36/PUU-X/2012 dated November 13, 2012. The Government has since issued new regulations designed to fill the gap left by the dissolution of BPMIGAS. On January 14, 2013, the President of Indonesia enacted PR 9/2013, which was followed up by Minister of Energy and Mineral Resources Regulation No. 9 of 2013 dated February 1, 2013 on the Organization and Working Structure of the SKK Migas (the "**MEMR Regulation No. 9/2013**"). Article 1 of MEMR Regulation No. 9/2013 stipulates that the MEMR will be responsible for coordinating and supervising the management of upstream oil and gas business. Article 2 of MEMR Regulation No. 9/2013 provides that the management of upstream oil and gas activities, which is subject to MEMR supervision, will be carried out by SKK Migas, until a new oil and gas law is issued. Under Article 9 of MEMR Regulation No. 9/2013, the Head of SKK Migas will answer directly to the President, similar to BPMIGAS. Under Article 3 of MEMR Regulation No. 9/2013, SKK Migas is authorized to carry out the following functions:

- providing recommendations to the MEMR for the preparation and determination of Working Areas and PSCs;
- signing of PSCs;
- evaluation and analysis of the first plan of development ("**POD**") for approval by MEMR;
- approving PODs other than the PODs mentioned above;
- approving work programs and budgets;
- carrying out monitoring and reporting on the implementation of PSCs to the MEMR; and
- appointing the seller of the State's oil and/or gas entitlement for the benefit of the State.

Upstream Oil and Gas Licensing Regime

Upstream oil and gas activities are performed based on a PSC entered into by a contractor and SKK Migas, for and on behalf of the Government. The PSC was introduced to govern the working relationship and sharing of production between the Government and private sector contractors in the Indonesian oil and gas industry. This PSC is similar to the production sharing arrangements applicable prior to the implementation of the Oil and Gas Law. Production sharing arrangements in existence prior to the implementation of the Oil and Gas Law will remain in effect until they are terminated on their own terms. The PSCs are awarded by the MEMR by competitive tender, either through a regular tender or a direct offer, which is regulated in detail by MEMR Regulation No. 35 of 2008 on the Determination and Offering Procedures of Oil and Gas Working Areas.

Competitive Tender Bidding

Designation of an upstream oil and gas Working Area is specifically regulated under MEMR Regulation No. 35 of 2008 on the Guidelines of Designation and Offering of Oil and Gas Working Area. Preparation of a Working Area for offering by way of tender is conducted by the Directorate General of Oil and Gas at the MEMR ("**DGOG**") through technical and economic evaluation and data processing and with consideration of SKK Migas. After this process, the DGOG will then propose to the MEMR the Working Area to be determined for offering through the tender process. In determining the Working Area, the MEMR will consult with the Governor who has authority over the area where the Working Area is located. A tender for a Working Area is conducted over (i) the area that has never been determined as a Working Area; (ii) part of a relinquished Working Area as regulated under the PSC; (iii) expired Working Areas; (iv) part of Working Areas that have never been developed and/or are being or have been produced that are relinquished as proposed by the PSC Contractor; and/or (v) part of Working Areas that have never been developed and/or produced that are relinquished as proposed by MEMR. The offering of a Working Area will be conducted by the DGOG, and will be announced through printed, electronic and other forms of media and other promotion of such Working Area. In relation to the offering, the DGOG will prepare and issue a bid document for every Working Area containing at least the: (i) bidding procedures; (ii) geological and oil and gas potential information; (iii) forecast of oil and gas reserve and production; and (iv) concept of the PSC (all together the bid document).

Direct Offer: Right to Match

A party that proposes a direct offer for a certain work area must first conduct a joint study with the DGOG. The DGOG may include an appropriately qualified third party in the Joint study. Once the joint study is completed and the MEMR approves the joint study results, the area will be tendered out. However, the party that proposed the direct offer has the right to match the best bid from among the tender participants ("**Right to Match**").

The designation of the Working Area for a direct offer process is conducted by the DGOG based on an evaluation of the joint study results. The Working Area must be an Open Area that has not been reserved by the DGOG for a tender round. In general, the steps for obtaining a PSC through a direct offer are similar to those for obtaining a PSC through an open tender, except that a direct offer involves the Right to Match.

Production Sharing Contracts

The Indonesian Parliament must be notified in writing of any signed PSC. A contractor of a PSC may be an Indonesian legal entity or a foreign business entity. Only one Working Area can be given to any one legal entity (also known as ring-fencing).

A PSC must at least cover these three main principles:

- ownership of oil and gas production remains with the state until the point of delivery;
- overall management control of operations carried out by the contractor rests with SKK Migas on behalf of the Government; and
- the contractors are responsible for all investments and production costs (exploration, development and production),

PSCs are granted for a 30 year initial period and can be extended for further 20 year periods. The 30 year initial period will be divided into exploration and exploitation periods. The exploration period may last up to 6 years, after which it can be extended once for a further 4 years. The exploitation period will last from the end of the exploration period until the expiry of the 30 year initial period or any subsequent extension of that period.

Generally, under a PSC, the contractor is required to commit to spending a specified sum of capital to implement a work program approved by the Government. The negotiation of PSC terms with potential contractors is handled primarily by the MEMR. The awards of oil and gas working areas are based on either a competitive tender process or direct offer.

As a general rule, the provisions of a PSC must comply with the applicable national laws. It is very rare that a PSC would be negotiated without reference to the standard form of the PSC. However, the details of (i) the 3 year firm commitment, (ii) mandatory area relinquishment, (iii) entitlement, (iv) first tranche petroleum and other revenue sharing schemes, and (v) bonus payments are some areas that need to be further negotiated by the contractor. Under a PSC, title over natural resources remains with the Government until the point of delivery, which is usually the point of export (accordingly, title to the oil and gas lifted for the contractor's share passes at the point of delivery), ultimate management control remains with SKK Migas, and funding and other risks are assumed by the contractors.

In November 2016, MEMR issued Regulation 37 of 2016 on the Offering of 10% Participating Interests in Oil and Natural Gas Work Areas ("**MEMR 37/2016**") in which PSC contractors are required to offer a 10% participating interest to a regional government owned enterprise upon approval of the first plan of development in a contract area, or during the process of PSC extension, which is already regulated generally in the upstream regulation and in the PSCs. It is understood that this does not apply to extension of exploration periods within a PSC. The PSC contractor is required to carry the regional government enterprise's costs, including historic exploration costs, through to the end of the PSC. Such costs may be recovered through the regional government enterprises portion of production and cannot be subject to interest. The recovery of costs must be carried out to ensure that the regional government enterprise receives a portion of the production. If the regional governments enterprise reject the 10% participating interest offer, the PSC contractor is required to offer the 10% participating interest to a State-Owned Company ("**SOE**"). However, the Contractor is not required to carry the SOE's costs.

A PSC contractor is also subject to Domestic Market Obligation ("**DMO**") requirement as set out under the PSC and the Upstream Regulation as further implemented by MEMR Regulation No. 2 of 2008 on Implementation of the Obligation to Satisfy Domestic Oil and Gas Needs by Cooperation Agreement Contractors issued on 5 February 2008 ("**MEMR Regulation 2/2008**"). The obligation requires them to supply 25% of their share of the oil and gas production (out of its equity share of production) to meet domestic needs.

By way of background, the Oil and Gas Law provided that a business entity or permanent establishment was obliged to provide a maximum of 25% of its production to fulfill domestic needs. The word "maximum" was then deleted in accordance with Indonesian Constitutional Court Judgment 002/PUU-I/2003, dated December 21, 2004 ("**2004 Judgment**"), which also confirmed that a contractor (whether a business entity or permanent establishment) is obliged to provide 25% of its oil and gas production to fulfill domestic needs. The 2004 Judgment was the basis for the new provision of a 25% fixed DMO, as stipulated under the MEMR Regulation 2/2008.

The DMO for gas only applies to PSCs signed after the enactment of the Oil and Gas Law. Historically there was no DMO obligation associated with gas production before the Oil and Gas Law.

The obligation to supply 25% of the contractors' share for petroleum is subject to a DMO fee in accordance with the relevant PSC, whereas for natural gas it is conducted through payment of applicable prices in accordance with the natural gas sale contract for the relevant oil and gas working area. For 60 months from the commencement of commercial production, the contractor shall be provided with an incentive whereby the DMO fee will be the market price of the oil or gas product. Under MEMR Regulation No 6 of 2016 on Requirements and Guidelines to Designate Allocation and Use as well as Price of Gas, the MEMR will be responsible for allocating the sale of gas to fulfill the DMO requirements.

Under the gross split PSC terms, introduced in January 2017, DMO will be reimbursed at a full market price. However, there is no specific formula for DMO gas prices, and the pricing will be determined as in normal sales negotiations.

Procurement of goods and services

A PSC contractor is required to prioritize the use of domestic goods, services, technology and engineering and design expertise in a transparent and competitive manner, in accordance with the PSC contractor's needs, quality standards, pricing and fair time for delivery.

The procurement of oil and gas related services and goods are governed under Book 2 of No. PTK-007/SKKO/0000/2015/S0 on Guidelines on Supply Chain Management ("**PTK 007**") which was enacted and amended under various SKK Migas decrees and lastly amended by SKK Migas Decree No. 0018/SKKO0000/2015/S0.

SKK Migas essentially oversees including the procurement of related services. As set out under Book 2 — Revision 3 Chapter VI point 5, of PTK 007 as attached in Decree 18 (Book 2 of Decree 18) oil and gas related services includes, the supply of goods, contractor services, other services and consultancy services.

In addition, pursuant to MEMR Regulation No. 27 of 2008 regarding Supporting Businesses in the Oil and Gas Sector, every oil and gas supporting services company which conducts its business either in the construction services or non-construction services (e.g. drilling service, shore/offshore logistic base, decommissioning, education and training service), is obligated to obtain a registration statement letter (*Surat Keterangan Terdaftar*) by submitting a written application to the DGOG. A registration statement letter is valid for three years from date of issuance.

Specifically for oil and gas companies, service users for any construction or engineering services shall select the service providers through a tender process. The guidelines for oil and gas company construction or engineering services tender procedure are regulated under PTK 007. The guidelines include detailed procedures that are applicable for each type of tender process (i.e. public/limited tender, direct election/appointment).

Introduction of new regulation governing gross-split of production

MEMR has recently issued Regulation No.8 of 2017 that introduced a new gross-split mechanism. The regulation came into force on 16 January 2017.

The gross-split mechanism will change how production from oil and gas fields will be shared between the PSC contractor and the Government and replaces the "cost recovery" concept where the government must reimburse a PSC Contractors' operational costs. The mechanism will result in a split between the PSC contractor (before tax) and the Government of gross production, without the contractor parties being able to make any deductions, including cost recovery deductions.

The mechanism will apply to new PSCs, but will not apply to PSCs awarded prior to January 16, 2017 (the effective date of the new scheme), which will continue to operate under the cost recovery model. Any existing PSCs which expire after January 16, 2017 and are not extended but are replaced will operate under this new gross split mechanism.

At this stage, it is unclear whether the gross split mechanism will impact adversely upon contractors and this may vary on a case-by-case basis depending upon a number of factors including the nature of the field development and the stage in the asset life-cycle of the PSC in question.

Following the issuance of Regulation 8 of 2017 on Gross Split PSCs, the MEMR also issued Regulation 26 of 2017 on the Upstream Oil and Gas Sector Cost Recovery Mechanism (MEMR Reg 26). Under MEMR Reg 26, contractors to PSCs still adopting the cost recovery concept ("**Cost Recovery PSCs**") must maintain a 'fair level' (which phrase is not defined, but which requirement should also apply to PSCs adopting the gross split mechanism) of oil and gas production and must continue to invest in its work area. The PSC contractor can recover the investment costs incurred during the remaining duration of such Cost Recovery PSC pursuant to its terms.

If a Cost Recovery PSC is extended to subsequently adopt the gross split mechanism and there are investment costs that have not been recovered, such unrecovered costs shall be calculated against the PSC contractor's gross split portion. If a Cost Recovery PSC expires and there is a new PSC with respect to the same project, any investment costs still owed to the old PSC contractor will be paid by the new PSC contractor to the old PSC contractor. Such outstanding investment costs and their settlement must be verified and approved by SKK Migas.

Downstream Activities

A licence from the MEMR is required for each of the following downstream oil and gas activities: (i) processing; (ii) transportation; (iii) storage; and (iv) trade (which is further broken down into wholesale trading and limited trading).

Unlike in the upstream sector, only legal entities incorporated in Indonesia can carry out downstream oil and gas business activities, and such entities may hold multiple downstream activities licences. Each entity that applies for any such licence must also send a copy of their application to the Regulatory Body for Downstream Oil and Gas (*Badan Pengatur Hilir Migas*, BPH Migas). We understand that neither the Company nor its subsidiaries will engage in any downstream activities.

Environmental Obligations on Oil and Gas Operations

In general, all parties carrying out business activities in Indonesia shall aim to prevent environmental destruction and possess the obligation to repair any destruction that may be caused from such activities, subject to the prevailing laws and regulations in Indonesia.

The following are the main environmental obligations with which businesses/activities in Indonesia must comply.

Environmental impact analysis ("AMDAL") or environmental management efforts/environmental monitoring efforts ("UKL-UPL") and environmental license

A company whose business activities are deemed to have a significant impact on the environment must prepare and submit an AMDAL and obtain the competent authority's decision of environmental feasibility of the AMDAL (the "**AMDAL approval**"), before it can obtain an operating license from the competent authorities. Minister of Environment and Forestry ("**MoEF**") Regulation No. 05 of 2012 governs the types of business and/or projects which require AMDALs.

If a business or project is not required to have an AMDAL, the business or project may be required to have an UKL-UPL. A UKL-UPL is an environmental document similar to an AMDAL, but it applies to businesses and projects with less environmental impact than those which require an AMDAL. In the oil and gas industry, a UKL-UPL document is required to be prepared and approved by either MoEF, Governor or Regent/Mayor (which will depend on the project's location) ("**UKL-UPL approval**") before exploration activities can commence.

As for AMDAL approval, oil and gas companies must obtain such approval prior to the submission of a POD application. Based on Law No. 32 of 2009 on environmental protection and management ("**Environmental Law**") and Government Regulation No. 27 of 2012 on Environmental License ("**Environmental Regulation**"), the AMDAL will be evaluated by the AMDAL evaluating committee and, based on its recommendation, MoEF, Governor or Regent/Mayor (again, depending on the project's location) will issue a decision regarding the feasibility of the company's business or project with respect to the environment, or the AMDAL approval. Subsequent to obtaining an approval the company must follow the approved terms of the AMDAL to ensure the preservation of the environment and to prevent and address any environmental damage caused by its operations.

A business/project that is subject to the AMDAL (or UKL-UPL) obligation is also required to have an environmental license (Izin Lingkungan) by the Environmental Law. The environmental license is a prerequisite for companies in obtaining their respective operational business license. In the event a company's environmental license is revoked, then the business and/or activity permit of the company will also be revoked. The process of obtaining the environmental license will be carried out simultaneously with obtaining an AMDAL or UKL-UPL approval. Following receipt of the AMDAL or UKL-UPL approval, a company should also receive its environmental license. To obtain the AMDAL or UKL-UPL approval, a company must submit a number of documents, e.g. description of the project and profile of the project owners. Key among these is an assessment of the environmental risks attached to the project and an outline of how these will be handled. In approving the AMDAL, the relevant evaluation and approval issuing authority will have regard to the risk mitigation being proposed, and also the results of the requisite public consultation. The criteria for the granting of the environmental license will be, broadly speaking, the same. In this connection, it should be noted that a company that has obtained an environmental license is required to allocate a guarantee fund for the restoration of the environment. In addition, the company is also subject to other obligations, e.g. submission of periodical reports on the implementation of its environmental license to the relevant license issuer. In addition to the main licensing obligations as set out above, oil and gas companies may also be required to possess specific licenses to carry out certain business activities, for example, a license to store hazardous and toxic waste.

Environmental Quality Standards (Baku Mutu Lingkungan)

The second category of environmental obligations of companies relates to the adherence by companies to the various environmental quality standards applicable to their respective industries or activities. These include, among other things, quality standards pertaining to emission, ambient air, nuisance, water, sea water, wastewater and any other quality based on the continuing development of science and technology. Article 68 of the Environmental Law stipulates that all businesses and activities shall adhere to the prevailing regulations regarding quality standards. The national quality standard regarding the environment is governed by Government regulation or ministerial decree and provincial or municipal governments are authorized to issue a regional regulation on regional/municipal quality standards. It is therefore important for companies to also review the local regulations on quality standards. The Government has set the applicable quality standards for each of the above aspects, in most instances requiring companies to report the monitoring of air emissions to the relevant Government Agencies. Technical guidelines have also been provided for implementing the specific standards and their monitoring obligations. Some examples of the emissions regulated are: (i) quality standards for air emissions from immovable sources; (ii) quality standards for different categories of water; and (iii) quality standards for domestic waste water. One of the relevant regulations that relates to the environmental quality standards in the oil and gas industry is the Minister of Environment Decree No. 19 of 2010 on the Waste Water Quality Standard for the Business and/or Activities of Oil and Gas and Geothermal. Any waste water produced from oil and gas and geothermal activity shall be in compliance with the standards as set out in such decree.

Sanction for violating the Quality Standards of Environment

Article 98 of the Environmental Law provides that any deliberate violation of the applicable quality standards of ambient air, water, sea water or other criterion or standards of environmental damage will be subject to criminal sanctions in the form of imprisonment (with a minimum period of 3 years and a maximum period of 10 years) and a fine (with a minimum fine of Rp.3.0 billion and a maximum fine of Rp.10.0 billion). The amount of sanctions may be increased if the violation results in human injury or death.

Meanwhile, Article 99 of the Environmental Law provides that violation of applicable ambient air, water or sea water quality standards by way of omission is subject to criminal sanctions in the form of imprisonment (with a minimum period of 1 year and a maximum period of 3 years) and a maximum fine of Rp.3.0 billion. The amount of sanctions may be increased if the violation results in human injury or death.

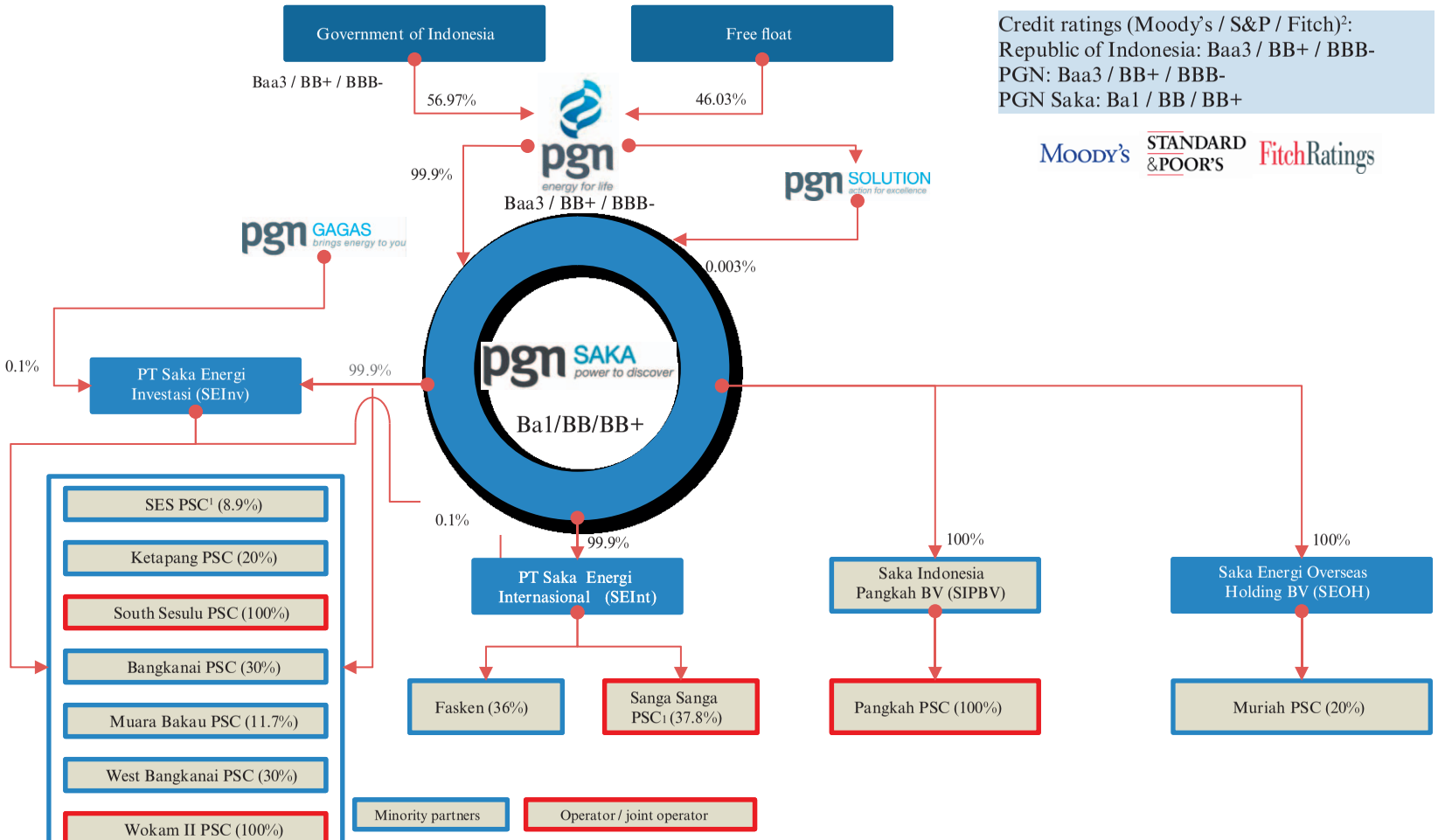
In addition to the above, a PSC contractor is also subject to other regulations that relate to specific environmental damage, e.g. the BPMIGAS (now SKK Migas) guideline on oil spills (Guidelines No. 005 of 2011). This guideline sets out the obligations of a PSC company in (i) preventing oil spills, e.g. preparation of equipment and establishment of emergency response training programs; and (ii) responding to an oil spill occurrence, e.g. notification and search and rescue obligations.

In general, an entity held responsible for an oil spill under the prevailing laws and regulations may be subject to three types of liabilities, criminal liability, civil liability and administrative sanctions. The Environmental Law adopts the strict liability concept, in which a party will be strictly liable for losses resulting from the party's operations if such operation poses significant threats to the environment, uses hazardous and toxic substances and/or generates hazardous and toxic waste. Such strict liability directly and immediately arises upon the occurrence of the environmental pollution and/or damage. SKK Migas has established a specific task force that shall deal with oil spill occurrences.

A PSC contractor will also be subject to a general obligation to preserve the environment under a PSC, and to comply with specific obligations such as abandonment and site restoration ("**ASR**") obligations under SKK Migas Guidelines No. 40 of 2010 ("**PTK 40/2010**"), and environmental baseline assessment ("**EBA**") obligations under SKK Migas Guidelines No. 45 of 2011 ("**PTK 45/2011**"). Under the PSCs and PTK 40/2010, a PSC Contractor must deposit funds into an ASR account once the production stage commences. The ASR account is a joint account of the contractor and SKK Migas. The ASR funds must then be used to comply with the ASR obligations under PTK 40/2010 once the oil and gas activities in the relevant Working Area have ended. A PSC contractor must comply with its EBA obligations under PTK 45/2011 from the commencement of its activities in its work area. However, for operations under PSCs which were signed before PTK 45/2011 came into effect, and in relation to which EBA obligations under PTK 45/2011 have not applied, but other environmental assessment (e.g. AMDAL) obligations have applied, the PSC contractor must submit the relevant environmental assessment reports to SKK Migas. SKK Migas will then, based on these documents, determine whether the contractor must comply with EBA obligations under PTK 45/2011.

CORPORATE STRUCTURE

The chart below, which does not include certain non-material subsidiaries, sets forth our simplified corporate structure as of the date of this Offering Memorandum:



Note: (%) Denotes working interest

1. Due to expire in August 2018
2. A credit rating is not a recommendation to buy, sell or hold the securities and may be subject to revision or withdrawn at any time by the assigning rating agency

Overview

We are a leading Indonesian upstream oil and gas company with a diversified portfolio of hydrocarbon assets. As a wholly-owned subsidiary of PGN, a leading integrated natural gas company with the largest transmission and distribution network in Indonesia, we are engaged in the exploration, development and production of natural gas and crude oil, and play a substantial role in executing PGN's long-term upstream strategy and expanding Indonesia's energy infrastructure.

We currently operate three blocks, jointly operate one block, and are minority partners in a further six blocks, in Indonesia, and have a minority interest in one block in the United States. As of December 31, 2016, our estimated net proved and probable reserves were 112.1 MMboe, consisting of 512.2 Bscf of natural gas reserves and 23.8 MMbbl of crude oil reserves. In 2016, our net production was 13.9 MMboe, consisting of 56.6 Bscf of natural gas and 4.1 MMbbl of crude oil. In 2016, our average daily net production for the full year was 37,868 boepd, consisting of 154.7 MMscfd of natural gas and 11,198 bopd of crude oil. Taking into account all producing assets in which we had a participating interest as of December 31, 2016, our daily net production as of the same date was 55,022 boepd, consisting of 232.9 MMscfd of natural gas and 14,867 bopd of crude oil. In 2015, our average daily net production for the full year was 30,154 boepd, consisting of 122.9 MMscfd of natural gas and 8,971 bopd of crude oil. In 2014, our average daily net production for the full year was 17,121 boepd, consisting of 63.1 MMscfd of natural gas and 6,237 bopd of crude oil. Our revenues are supported by, among other things, long-term natural gas, crude oil and LNG offtake contracts with leading companies such as PLN, Pertamina, Itochu, BP, CPC and KOGAS.

Our relationship with PGN

Since our establishment in 2011 we have been a wholly-owned subsidiary of PGN, which is listed on the Indonesian Stock Exchange and 56.97% of whose shares are owned by the Government. As of 31 December 2016, our assets represented 39.1% of PGN's consolidated assets as and our revenues represented 10.7% of PGN's consolidated revenues. PGN had US$2,934.8 million in revenue and US$308.6 million in net income in 2016, and total assets of US$6,834.2 million as of December 31, 2016, according to its public filings.

We are strategically positioned in PGN's vertical integration plans by playing a substantial role in its long-term upstream strategy of strengthening the resilience of its gas supply and expanding its asset portfolio. We identify, explore and develop new hydrocarbon sources for PGN, provide PGN with access to gas production, and contribute to the growth of its distribution revenue. PGN is represented on our Board of Commissioners by its President Director and Chief Financial Officer, which helps align our mission, strategy and major corporate decisions. PGN also permits us to benefit from the strength of its relationships with regulators and other industry participants, and to participate in the development of natural gas infrastructure in Indonesia.

We enjoy strong parental capital support from PGN, reflected in cumulative shareholder loans of US$1.9 billion received since our founding, of which US$1.1 billion had been converted to equity as of December 31, 2016. We believe that PGN's support affords us a strong capital structure that allows us to pursue organic growth opportunities and acquisitions even in challenging commodity price environments and periods of market dislocation. At the same time, we are also important within PGN's capital structure. Under the indenture for PGN's senior notes due 2024, a US$50 million cross default by a material subsidiary (defined as any subsidiary that owns principal property of PGN, which is all property other than such property that is reasonably determined by PGN not to be of material importance to the total business conducted by PGN and its subsidiaries, taken as a whole) would trigger a default under the indenture relating to PGN's notes.

Competitive Strengths

Balanced portfolio of upstream assets

Our portfolio of upstream assets comprises ten exploration, development and production blocks in the South Sumatra, East Java Sea, South/East Kalimantan and Papua regions of Indonesia, strategically located in or near PGN's existing distribution infrastructure, and one in Texas in the United States. Seven of our blocks are in production. Of these, we have 100% of the working interest in, and operate, the Pangkah block, jointly operate the Sanga Sanga block and have minority participating interests in the remaining five blocks. We have a 11.7% non-operating participating interest in the Muara Bakau block, which is at an advanced stage of development. Our three exploratory blocks cover approximately 7,077 square kilometers in Indonesia and consist of 100% participating interests in the Wokam II and South Sesulu blocks, which we also solely operate, and a 30% participating interest in the West Bangkanai block. We also have a 36% non-operating participating interest in the Fasken block in Texas. We believe that our upstream asset portfolio provides a balance between cash flow generation from production, near term production growth from development projects and reserve growth potential through exploration prospects while, at the same time, providing us with geological diversification for our business. We believe that this diversified portfolio across development stages assists us in self-funding part of the exploration and expansion of our organic reserves replacement, and provides us with a platform to grow our asset portfolio organically and strategically in the near to medium term.

Visible growth from a strong reserve base

As of December 31, 2016 our estimated net proved and probable reserves were 112.1 MMboe, consisting of 512.2 Bscf of natural gas reserves and 23.8 MMbbl of crude oil reserves. We believe that we have been able to successfully add to our reserves base and have benefited from the successful exploitation of existing reserves, with our average daily production volume for the three years ended December 31, 2016 growing at a compound average growth rate of 51.2%. We are focused on the development of our undeveloped crude oil and natural gas reserves, and the exploration of our resources and underexplored sedimentary basins. Key projects targeted for medium-term growth include the Bangkanai and Muara Bakau blocks, the latter of which is scheduled to commence production in the latter half of 2017. We continue to invest in converting reserves into production at the Pangkah block, and believe that there is potential to convert contingent resources and a September 2016 discovery of oil in place in the block into reserves. We expect to make a final investment decision with respect to capital commitments at our wholly-owned South Sesulu project during the course of 2017 which, if successful, would enable us to evaluate the commercial potential of the block. Our planned expenditure on exploration activities in 2017 is US$117.7 million as proposed to SKK Migas, and our planned exploration budget for 2018 is US$65.5 million. To complement our organic growth, we intend to engage in opportunistic acquisitions and development of assets in production or near production which meet our investment criteria and which we believe will provide an immediate or near term contribution to our production, reserves base and cash flow.

Proven operating capabilities

We believe that since our establishment in 2011, we have demonstrated significant exploration and development success in the assets that we operate. The Pangkah block, which we wholly own following our acquisition of a 25% participating interest in June 2013 and a 75% participating interest in January 2014, is currently our main producing asset. Production has been consistent since our acquisitions and in 2016, production of natural gas and crude oil from the Pangkah block was 5.0 MMboe, compared to 4.8 MMboe in 2015 and 4.9 MMboe in 2014. Our operating capabilities are also demonstrated through our exploration and reserve growth abilities. In 2015, we drilled an exploratory well in the South Sesulu block, which indicated the presence of gas resources. In 2016 our exploration efforts indicated additional resources and oil in place in the Pangkah block which, if capable of being commercialized, would contribute to continued production and field life extension at the block.

We periodically review our cost structure and have renegotiated contract terms with key vendors. We have implemented cost optimization and efficiency programs, reflected in our actual cost to budget ratio, which has 90% averaged over the last three years. By adjusting our drilling programs to focus less on new wells, and more on workovers, maintenance and development programs, we have historically been able to adapt our operating and cost structures to price volatility without impacting productivity. Optimizing our drilling inventories has enabled us to reduce our cash conversion cycle by reducing inventory days to 128 days in 2016 from 132 days in 2015 and 158 in 2014. In 2016, our production and lifting costs on a per boe basis amounted to US$8.7, compared to US$9.2 in 2015 and US$12.3 in 2014. These factors have allowed us to compete effectively, even in a low oil and gas price environment. We believe that our operational flexibility and capabilities allow us better access to funding for our acquisition and development costs.

High gas revenue visibility with robust offtake arrangements

Through PGN and other major industry participants, we enter into long-term fixed price natural gas offtake contracts with reputable offtakers, which we believe underpins the stability of our cash flow generation. Approximately 69%, 51% and 60% of our natural gas production in 2014, 2015 and 2016, respectively, was sold pursuant to long-term offtake agreements within Indonesia, contracted at a fixed price after plus inflation adjustment. The duration of these offtake agreements ranges from 10 to 15 years. We believe that these long-term arrangements give us revenue visibility, which aids capital commitment decisions in our exploration activities.

Our contracted gas prices for pipeline gas sold in Indonesia are within a range of approximately US$3.67 to US$7.36 per MMBtu, often with price increases for inflation (typically 2.5% to 3.0% per annum). Our gas offtakers in Indonesia include PLN, Pertamina, Pupuk Kaltim and PT Petrogas Jatim Utama ("**PJU**") (owned by the East Java regional Government). For our 36% participating interest in Fasken, our asset in Texas, the operator has entered into a gathering agreement providing for the transportation of natural gas from Fasken to the Kinder Morgan Texas Pipeline or the Eagle Ford Midstream, where it is sold at prices tied to monthly and daily natural gas price indices.

Experienced management team with strong corporate governance

Our senior management team has a proven track record of running successful businesses in the oil and gas industry in Indonesia and elsewhere, focused on the acquisition and development of oil and natural gas properties and enhancing returns through operational efficiencies. Our Board of Commissioners and senior management reflect our strong ties to PGN. Both the President Director and Chief Financial Officer of PGN are on our Board of Commissioners and all our directors are appointees of PGN. We believe that our management team's knowledge of the industry and in-country experience gives us a competitive advantage. Our management has experience in successfully sourcing, evaluating and executing acquisition opportunities, including the assets that make up the majority of our current portfolio. We also benefit from the capabilities of our technical and operational managers, who have average experience of approximately 30 years in the industry and previously held senior technical and commercial positions in prominent upstream multinational companies such as BP, Chevron, ConocoPhillips, Hess and Total and who have in-depth expertise with respect to geological and operating conditions in Indonesia. While we currently outsource certain of our operational functions, we are continuously strengthening and refining our in-house technical expertise across our exploration and production businesses.

Strategies

Our vision is to become Indonesia's leading upstream natural gas-focused development and production company, with the objective of reaching over 70,000 boepd in net production by 2022. We intend to achieve this objective through the following strategies:

Align our growth strategy and optimize synergies with PGN's long-term objectives

A key objective for PGN, as Indonesia's leading gas transmission and distribution company, is to strengthen the resilience of its gas supply. We, as PGN's upstream arm, are dedicated to expanding production in our existing portfolio, and to conducting our exploration and development activities, with a view to ensuring that PGN has a secure supply of gas to meet its current and future needs. We intend to develop our assets in conjunction with PGN's existing and proposed natural gas infrastructure development plans, and to efficiently commercialize our reserves with a view to optimizing our revenue as well as PGN's distribution revenue. We expect to work in tandem with PGN, with appropriate financial support from it, to develop our existing reserves and resources, and seek new sources of hydrocarbons through a combination of exploration and acquisition strategies, in order to meet our aim of reaching over 70,000 boepd in net production by 2022 from 55,022 boepd as of year-end 2016. A recent example of our alignment with PGN is the concurrent acquisition by us of a participating interest in the Muriah PSC and by PGN of the related transmission pipeline.

Increase production from existing assets

Increasing the potential of our asset portfolio includes the optimization of mature fields, development of our undeveloped fields, and exploration of new prospects. We intend to increase production levels and extend the production plateau and production life of our assets by implementing a number of advanced recovery technologies to redevelop our maturing fields. We believe that the greater use of techniques such as extended-reach horizontal drilling, side tracks, in-fill drilling and water injection will allow us to gather significant incremental recovery of oil and gas and substantially increase recovery rates. We also intend to improve our utilization of natural gas by reducing gas flaring and through upgrading and expanding our distribution network. We believe that the implementation of advanced recovery techniques and development plans will enable us to maintain and increase our production levels. We will continue to focus on the development of the Pangkah block to increase our production amounts. We also intend to continue exploration activities in our operating blocks.

Diversify our portfolio through selective acquisitions and dispositions

We plan to increase diversification of our portfolio within Indonesia and our technical and operational team's expertise and knowledge. For this purpose, we constantly monitor and evaluate potential acquisitions, divestments and farm-ins/outs of various assets within the framework of optimizing our investment portfolio. In the case of farm-outs and divestments, our strategy is to reduce unwanted exposure and risks, monetize assets as appropriate, bring in technical expertise where needed and enhance value for our company. For example, we continue to evaluate farm-out options to de-risk our development of the South Sesulu block. We aim to be selective with regard to acquisitions, focusing on producing or near producing gas assets with stable cash flow, located in proximity to PGN's current or future distribution networks. We also intend to capitalize on asset sales by international operators in Indonesia as we believe that our expertise and relationships within Indonesia provide us with the ability to efficiently operate those assets.

Continue to implement cost-saving initiatives

We vigorously pursue cost reductions throughout our operations, and have reduced our production and lifting costs on a per boe basis to US$8.7 in 2016 from US$9.2 in 2015 and US$12.3 in 2014. We plan to continue to implement cost saving initiatives to optimize value from our existing upstream assets and achieve high operating efficiency. We intend to continue reviewing investment plans for existing and new assets with a focus on renegotiating procurement spending and transacting with lower cost vendors, such that inventory and procurement periods and expenses are aligned with prevailing market conditions. For example, in the Pangkah block, we have reduced our rig daily rate from approximately US$180,000 in 2014 to approximately US$85,000 in 2016. We also plan to improve project management and the overall efficiency of production and operation activities. Where it meets our broader commercial objectives, we also intend to maintain operational control of our properties in order to enhance returns through operating improvements and cost efficiencies. Being the operator of

approximately 30% of the total area covered by our properties allows us to manage more effectively the timing and level of our capital spending, the development of drilling strategies and our operating costs. We believe that this flexibility to manage our development program allows us to optimize our field-level returns and profitability.

Improve operational, organizational and corporate governance structures in accordance with international standards

We are implementing various measures to accelerate the recruitment process to support our business expansion, and to develop and improve the skills of our personnel. On the technology side, we strive to continually gain new drilling and exploration competencies through internal development as well as partnerships, mergers, acquisitions and other means. We seek to strengthen the organizational support for our business expansion and long-term growth through periodic reviews and streamlining of the supply chain process, the investment process and the portfolio management process. We view maintaining a prudent capital structure management policy, including policies aimed at maintaining or improving our current credit rating, as an essential support to future growth. Through these and similar initiatives, we intend to further improve our operational, organizational and corporate governance structures to meet international standards.

Reserves

The table below sets forth information about our net proved and probable reserves of natural gas and crude oil for the years indicated.

	2014					
	Proved Reserves		Probable Reserves		Total Proved and Probable Reserves	
	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil
	Bscf	MMbbl	Bscf	MMbbl	Bscf	MMbbl
Beginning of year	41.8	3.2	4.0	0.6	45.8	3.8
Purchases/Sales of reserves in place	295.1	17.3	90.3	9.4	385.4	26.7
Production	23.0	2.3	—	—	23.0	2.3
End of year	**313.9**	**18.2**	**94.3**	**10.0**	**408.2**	**28.2**

	2015					
	Proved Reserves		Probable Reserves		Total Proved and Probable Reserves	
	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil
	Bscf	MMbbl	Bscf	MMbbl	Bscf	MMbbl
Beginning of year	313.9	18.2	94.3	10.0	408.2	28.2
Revision of previous estimates	0.8	0.3	(1.4)	—	(0.6)	0.3
Purchases/Sales of reserves in place	19.7	—	155.1	0.1	174.8	0.1
Production	44.8	3.3	—	—	44.8	3.3
End of year	**289.6**	**15.2**	**248.0**	**10.1**	**537.6**	**25.3**

	2016					
	Proved Reserves		Probable Reserves		Total Proved and Probable Reserves	
	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil
	Bscf	MMbbl	Bscf	MMbbl	Bscf	MMbbl
Beginning of year	289.6	15.2	248.0	10.1	537.6	25.3
Revision of previous estimates	(0.3)	0.6	0.1	0.2	(0.2)	0.9
Purchases/Sales of reserves in place	31.5	1.7	—	—	31.5	1.7
Production	56.6	4.1	—	—	56.6	4.1
End of year	**264.0**	**13.5**	**248.2**	**10.3**	**512.2**	**23.8**

The information on our historical natural gas and crude oil reserves in this Offering Memorandum is on a net working interest basis and, as such, represents our aggregate share of the estimated crude oil and natural gas reserves in all blocks or fields or specified areas, attributable to our working interest in such areas, before deducting the share payable to the Government as owner of the reserves pursuant to the terms of the relevant production sharing arrangement, the cost recovery portion and any applicable taxes.

We determine the natural gas and crude oil reserves for each block and field at the end of each year by taking the previous year's proved plus probable reserve determination and adding or subtracting any revisions of previous estimates, subtracting production for the year, and adjusting for any acquisitions or divestments. We aggregate the block-wise totals to determine our total net proved plus probable consolidated natural gas and crude oil reserves at the end of each year.

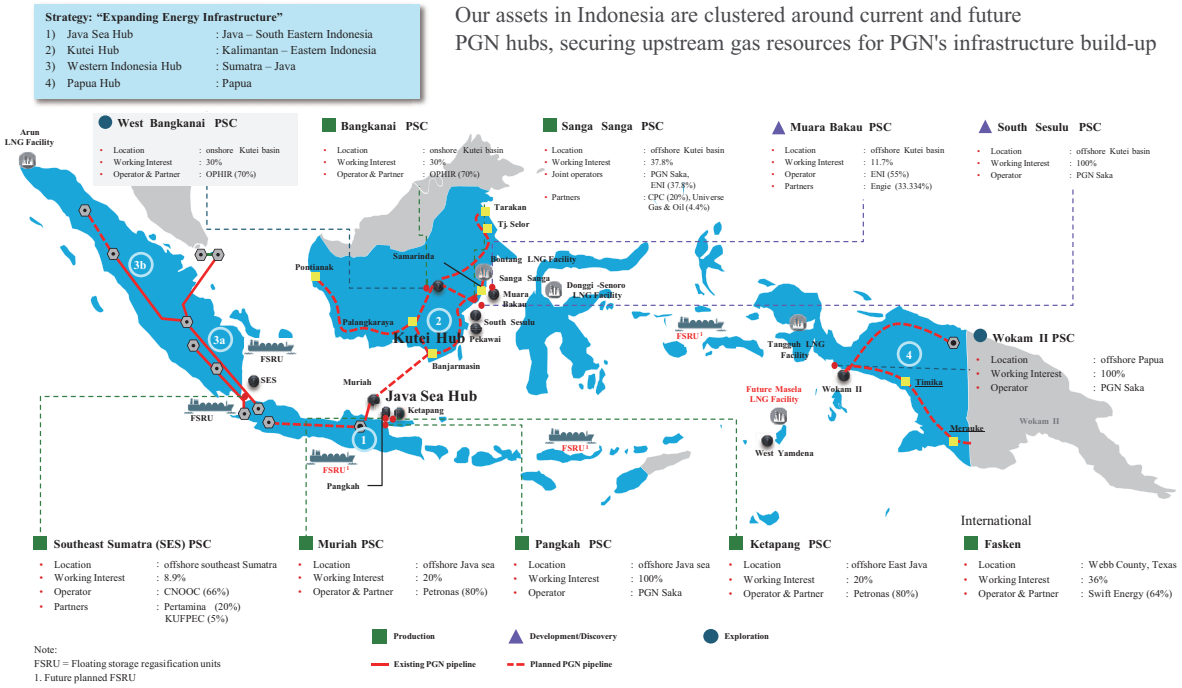
Information about our proved and probable reserves for the Pangkah Block, which we operate, is based on our estimates and those of independent petroleum consultants. Information about our proved and probable reserves for the Ketapang, Muriah and Fasken blocks is based on data disclosed to us by the third party operators of those blocks based on their estimates and those of independent petroleum consultants. Information about our proved and probable reserves for the Muara Bakau, Southeast Sumatara and Sanga Sanga blocks is based on the estimates of those third party operators. As some of these estimates have not been reviewed by independent petroleum consultants, there may be differences in methodology and assumptions. In general, however, the presentation of reserves in this Offering Memorandum follows the definitions used in SPE-PRMS.

SPE-PRMS defines "proved reserves" as those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. "Probable reserves" are defined as those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than "proved reserves" but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Investors should note that different reserve reporting systems employ different assumptions, and that our methodologies for classifying and estimating reserves and resources vary in certain respects from the methodologies and classifications used by oil and gas companies subject to the reporting obligations of the SEC. No assurance can be given that the reserve estimates presented in this Offering Memorandum will be recovered at the levels presented. The estimation and evaluation of reserves involve multiple uncertainties. The accuracy of any reserve evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the date of this Offering Memorandum, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas and crude oil also affect our reserve estimates because those reserves are evaluated based on prices and costs as of the date of the evaluation. For a description of certain of the risks and uncertainties with respect to our reserve data, see "*Risk Factors — Risks Relating to our Business — Our natural gas and crude oil reserve estimates are uncertain and may not accurately reflect actual reserve levels, or may prove to be inaccurate over time. Even if our estimates are accurate, technical limitations may prevent us from retrieving these reserves.*"

Description of Production, Development and Exploration Assets

Our assets comprise production, development and exploration blocks, most of which are strategically located in areas with existing infrastructure and benefit from strategic alignment with PGN. See "*Business — Our Relationship with PGN*" for a description of our relationship with PGN. The following map shows the location of our and PGN's assets as well as natural gas and LNG related infrastructure, including floating storage regasification units (existing units and units that are planned for construction in the future):



We currently operate three blocks, jointly operate one block, and are minority partners in a further six blocks, in Indonesia, and have a minority interest in one block in Texas in the United States, Texas. Our producing blocks are Pangkah, Southeast Sumatra, Ketapang, Muriah, Bangkanai, Sanga Sanga and Fasken. The following table sets forth certain information regarding our working interest and partners in our blocks.

Block	Working Interest (%)	Expiry Date	Partners
Production			
Pangkah	100% (operator)	May 9, 2026	—
Southeast Sumatra	8.9%	September 6, 2018	CNOOC (operator, 65.5%); Pertamina (20.5%); KUFPEC (5%)
Ketapang	20%	June 12, 2028	Petronas (operator, 80%)
Muriah	20%	May 21, 2026	Petronas (operator, 80%)
Bangkanai	30%	December 31, 2033	Ophir (operator, 70%)
Sanga Sanga[(1)]	37.8% (joint operator)	August 8, 2018	ENI (joint operator, 37.8%); Universe Gas & Oil Company, Inc (4.4%); OPICOIL Houston, Inc (20%)
Fasken	36%	Upon end of production	Swift Energy (operator, 64%)
Development			
Muara Bakau	11.7%	December 31, 2032	ENI (operator, 55%); Engie (33.3%)
Exploration			
South Sesulu	100% (operator)	May 6, 2039	—
Wokam II	100% (operator)	December 17, 2040	—
West Bangkanai	30%	May 15, 2043	Ophir (operator, 70%)

Note:

(1) We completed our acquisition of the working interest in the Sanga Sanga block on November 17, 2016, thus this acquisition has been recognized only in respect of the months of November and December.

The table below sets forth information about our block-wise annual production of natural gas and crude oil, on a net working interest basis, for the periods presented.

	Annual Production for the Year Ended December 31,								
	2014			2015			2016		
	Natural Gas	Crude Oil	Oil and Gas	Natural Gas	Crude Oil	Oil and Gas	Natural Gas	Crude Oil	Oil and Gas
	MMscf	MMbbl	MMboe	MMscf	MMbbl	MMboe	MMscf	MMbbl	MMboe
Block									
Pangkah	15,823	2.2	4.9	17,451	1.8	4.8	19,460	1.6	5.0
Southeast Sumatra	370	0.1	0.2	4,354	1.1	1.8	5,059	1.0	1.9
Fasken	6,851	—	1.2	20,446	—	3.5	20,212	—	3.5
Ketapang	—	—	—	241	0.4	0.4	908	1.3	1.4
Muriah	—	—	—	2,341	—	0.4	6,866	—	1.2
Bangkanai	—	—	—	10	—	0.0	0,247	0.0	0.1
Sanga Sanga[(1)]	—	—	—	—	—	—	3,864	0.2	0.8
Total	**23,043**	**2.3**	**6.2**	**44.844**	**3.3**	**11.0**	**56,616**	**4.1**	**13.9**

Note:

(1) We completed our acquisition of the working interest in the Sanga Sanga block on November 17, 2016, thus this acquisition has been recognized in our 2016 Financial Statements only in respect of the months of November and December.

Assets

Pangkah Block

The Pangkah block lies in the East Java Sea to the northwest of Madura Island and approximately 50 kilometers from the industrial city of Surabaya. The Pangkah block is situated within the East Java back-arc basin. The PSC area comprises the Ujung Pangkah field which was discovered in 1998, the Sidayu and the Tambakboyo fields which were discovered in 2000, the West Pangkah field which was discovered in 2004, and the Ronggolawe field which was discovered in 2012. The Ujung Pangkah field is currently the only producing field. The PSC originally covered an area of approximately 3,500 square kilometers. Further to successive relinquishments under the terms of the PSC, the PSC area is now 784 square kilometers, creating six non-contiguous areas in the PSC.

In April 2013, we acquired the entire issued share capital of KUFPEC Indonesia (Pangkah) BV, which held a 25% participating interest in the Pangkah PSC, and in January 2014, we also acquired Hess' 75% participating interest in the Pangkah PSC. The Pangkah PSC is currently the only 100% owned and operated producing asset in our portfolio. Our participating interests in the Pangkah PSC are owned by Saka Indonesia Pangkah Ltd (the operator), Saka Pangkah LLC and Saka Indonesia Pangkah BV (each of which is 100% directly or indirectly owned by us) in the following proportions: 65%, 10% and 25%. The Pangkah PSC became effective in May 1996 and expires in May 2026, or 30 years in duration.

Presently, there are 25 producing wells and two well head platforms in the Ujung Pangkah field. From the Pangkah offshore facility located approximately four kilometers off the coast of the Ujung Pangkah peninsula in East Java, field production is received at the onshore processing facility located

at the Maspion Industrial Estate in Gresik, East Java) via a subsea export pipeline. From the onshore processing facility, the treated gas is piped to the PLN power generation facility at Gresik, and LPG is piped to a LPG terminal facility. At the Maspion jetty, LPG and crude oil are exported by shipping.

Gas production in the Pangkah block started in 2007, followed by oil and LPG production in 2008 and 2009, respectively. Since production of oil and gas first commenced, the Pangkah block has produced over 17.2 MMbbls of oil and over 196.1 Bscf of gas. In 2016, the Pangkah block produced 5.0 MMboe, consisting of 19,460 MMscf of natural gas and 1.6 MMbbl of crude oil.

A summary of the Pangkah block's marketing and sales arrangements is set out below:

- In 2004, the operator at that time entered into a GSA with PLN to supply natural gas from the Pangkah PSC to Pembangkit Jawa Bali ("**PJB**") (a subsidiary of PLN) in Gresik, East Java. The GSA is on a take or pay basis and has a 20 year duration commencing upon start of gas supplies. Gas supplies commenced in 2007 and the GSA will expire in 2026. Negotiations in 2011 resulted in a two-tier price structure. For pricing purposes, the gas offtake is divided by volume into tier 1 gas ("**Tier 1 Gas**") and tier 2 gas ("**Tier 2 Gas**"). All Tier 1 Gas is sold at a fixed price, while all Tier 2 Gas is sold at a price escalating over a period from 2012 to 2026. The proportion of Tier 2 Gas to Tier 1 Gas will increase over such duration.

- In January 2016, we extended our LPG sale contract, which was initially entered into in August 2009 with PT Pertamina (Persero) as buyer, and the extended contract will expire on December 31, 2018.

- In December 2016, we entered into a sales agreement with Itochu on behalf of Saka Indonesia Pangkah Ltd (the operator), Saka Pangkah LLC and Saka Indonesia Pangkah BV for all crude oil production from the Pangkah block, with this agreement commencing in March 2017 and expiring in December 2017.

In 2015, we made a hydrocarbon discovery through the drilling of the Sidayu-3ST1 exploration well. The Sidayu-3ST1 exploration well is the first exploratory well to discover and confirm the presence of hydrocarbons within the Kujung-III and Ngimbang reservoirs (which reservoirs cover both the Sidayu and the Ronggolawe fields). From the Sidayu-3 well, four different layers were tested from which one flowed approximately 1,550 bopd of oil and 1.1 MMcfd of gas and another flowed approximately 190 bopd of oil and 8.6 MMcfd of gas. In 2016, the Sidayu-4V appraisal well was drilled vertically from August to October as part of an appraisal effort of the Sidayu structure. 7 layers were tested from the Sidayu-4 well, one of which flowed approximately 2400 bopd of oil and 0.7 MMcfd of gas and two of which flowed oil but could not be measured due to low pressure.

We will submit a POD for the Sidayu field in 2017, with approval expected in early 2018, and intend to commence production from the Sidayu field in 2018 or 2019. We also have plans to undertake exploration drilling in 2017 at the Ronggolawe-1 well in Ngimbang Formation.

We continue to drill exploration and development wells in the Pangkah block so as to increase production and reserves growth. We are also committed to continuing our workover and well intervention program to maintain base production. Future developments in the Pangkah PSC include various onshore and offshore extensions with tie-ins back to the existing central processing platform and wellhead platforms. In particular, there are plans to construct, among other things, certain wellhead platforms, wellpads, a central processing platform ("**CPP**") and pipelines for the Sidayu, Ronggolawe, West Pangkah and Tambakboyo fields. Total capital expenditure (including drilling costs) for these developments is estimated at US$280 million for the period from 2017 to 2025.

The key fiscal terms of the PSC are as follows:

- After deduction of FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares.

  — For crude oil, the PSC participants' share is: (i) 35.7% for production from marginal fields and tertiary recovery; and (ii) 17.9% to 35.7% for production from pre-tertiary rocks (with such share dropping as production increases).

  — Correspondingly, the Government's share for crude oil is: (i) 64.3% for production from marginal fields and tertiary recovery; and (ii) 64.3% to 82.1% for production from pre-tertiary rocks (with such share rising as production increases).

  — For natural gas, the PSC participants' share is 62.5% and the Government's share is 37.5%.

- A portion of the PSC participants' Profit Oil Share is subject to DMO.

- The PSC participants are required to pay to the Government certain production bonuses ranging from US$500,000 upon cumulative production reaching 10 MMboe to US$2,000,000 upon cumulative production reaching 35 MMboe.

Southeast Sumatra Block

The Southeast Sumatra block is located in the Java Sea, offshore southern Sumatra with a water depth between five and 20 meters. The two largest fields in the PSC are Cinta and Widuri. The PSC originally covered an area of 14,734 square kilometers and following successive relinquishments under the terms of the PSC, the PSC area is now 5,851 square kilometers.

We acquired, through our subsidiary PT Saka Energi Sumatera, an 8.9% participating interest in the block from the Korea National Oil Corporation on August 8, 2014. The other participating interests in the South Sumatra PSC are owned by CNOOC (the operator), Pertamina and KUFPEC in the following proportions: 65.5%, 20.6% and 5.0%. The PSC became effective as of September 6, 1998 and expires on September 5, 2018, or 20 years in duration.

We have submitted a proposal for extension of the Southeast Sumatra PSC to the Government through SKK Migas. We have been informed by the Government through SKK Migas that the Southeast Sumatra PSC will not be extended and that a new PSC will be awarded, with management of these blocks being handed over to Pertamina. We have commenced negotiations with SKK Migas and other Government Agencies to explore the possibility of our participation in the Southeast Sumatra block under the new PSC. However, we can provide no assurance that the Government will agree to our participation in the Southeast Sumatra block, or that any conditions to our participation that the Government may impose (including the terms of the new PSCs) will be acceptable to us. See "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*" and "*Risk Factors — Risks Relating to the Indonesian Oil and Gas Industry — A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests, which may result in an adverse impact on our business, financial condition and results of operations and prospects.*"

The Southeast Sumatra block first commenced production of oil in 1971 and gas in 2007. Since then, the block has produced over 1.4 billion barrels of crude oil and over 406 bcf of natural gas. In 2016, the Southeast Sumatra block had gross production volume of 21.5 MMboe, consisting of 56.8 Bscf of natural gas and 11.7 MMbbl of crude oil. On a net working interest basis, our net production for 2016 was 1.9 MMboe.

A summary of the Southeast Sumatra block's marketing and sales arrangements is set out below:

- The operator at that time signed a GSA with PLN on December 12, 2004 for its consumption at a combined cycle electric power generating plant near Cilegon, Banten, Indonesia, with such agreement expiring in September 2018. From 2006 to 2018, the DCQ ranges from 50 BBtupd to 80 BBtupd.

- The operator has also signed a separate GSA on April 30, 2012 with PT Pertamina Hulu Energi Offshore North West Java for its consumption at the Zulu flow station located in the Offshore North West Java block. SKK Migas provided approval for extension of this agreement, which would have originally expired on January 18, 2017, has been extended until September 5, 2018. The DCQ under the GSA is fixed throughout the contract duration. The price for the gas is fixed for each year, escalating annually throughout the duration of the agreement.

- We entered into a sales agreement with Itochu on behalf of PT Saka Energi Sumatera in December 2016 for all our share of crude oil production from the Southeast Sumatra block, with such agreement commencing in January 2017 and expiring in December 2017.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the shares of the PSC participants and the Government are within the ranges of (i) 19.2% to 38.5% and (ii) 61.5% to 80.8% respectively, depending on whether production is from tertiary recovery enhanced oil recovery ("**EOR**") projects, pre-tertiary reservoir rocks or other areas. For natural gas, the shares of the PSC participants and the Government are 57.7% and 42.3% respectively.

- A portion of the PSC participants' Profit Oil Share is subject to DMO.

Ketapang Block

The Ketapang block is located in the Java Sea, 35 kilometers north of the Island of Madura and 100 kilometers from the major industrial city of Surabaya. Since the PSC was signed in 1998, four discoveries have been made in tertiary carbonate reservoirs: Bukit Tua (being currently the only producing field), Bukit Tua South, Jenggolo and Payang. The Ketapang PSC originally covered an area of 4,433 square kilometers, and following successive relinquishments under the terms of the PSC, now covers an area of 885 square kilometers.

Effective February 28, 2013, we acquired, through our subsidiary PT Saka Ketapang Perdana, a 20% participating interest in the Ketapang PSC from Sierra Oil Services Limited. The remaining 80% participating interests in the Ketapang PSC are owned by Petronas (the operator), through its shareholdings in PC Ketapang II Ltd and Petronas Carigalia (Ketapang) Ltd. The PSC became effective as of June 11, 1998 and expires on June 12, 2028, or 30 years in duration.

The Ketapang block is in the production stage with Bukit Tua field as the main producing field. The field infrastructure in the Ketapang block currently comprises one well platform, five wells and one FPSO unit. Oil production is processed and stored in the FPSO unit while gas production is delivered through pipeline to onshore receiving facilities in Gresik to be sold to the buyer under our existing GSA.

The Ketapang block first commenced production of oil in May 2015 and gas in July 2016. Since production of oil and gas first commenced, the Ketapang block has produced over 8.2 MMbbls of oil and over 5.7 Bscf of gas. In 2016, the Ketapang block had gross production volume of 7.1 MMboe, consisting of 4.5 Bscf of natural gas and 6.3 MMbbl of crude oil. On a net working interest basis, our net production for 2016 was 1.4 MMboe.

A summary of the Ketapang block's marketing and sales arrangements is set out below:

- The operator of the Ketapang PSC signed a GSA on April 13, 2012 with PJU, with a duration of five years and commencing in August 2016.

- We entered into a sales agreement with Itochu on behalf of PT Saka Ketapang Perdana in December 2016 for all our share of crude oil production from the Ketapang block, with such agreement commencing in January 2017 and expiring in December 2017.

Over the next five years, the PSC participants have planned to drill an appraisal well, with a target of commencing operations in the second half of 2018. The PSC participants intend to commence production in the Bukit Tua South field by 2021. As part of a phase two development program covering the Southern area of Bukit Tua and Bukit Tua South, the PSC participants plan over 2019 and 2020 to drill seven wells and install one new platform and also construct a new pipeline to the existing FPSO.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the shares of the PSC participants and the Government are within the ranges of (i) 17.9% to 35.7% and (ii) 64.3% to 82.1% respectively, depending on whether production is from tertiary recovery EOR projects, pre-tertiary reservoir rocks or other areas. For natural gas, the shares of the PSC participants and the Government are 62.5% and 37.5% respectively.

- A portion of the PSC participants' Profit Oil Share is subject to DMO.

- The PSC participants are required to pay the Government certain production bonuses ranging from US$500,000 on cumulative production reaching 10 MMboe to US$4,000,000 upon cumulative production reaching 100 MMboe.

Muriah Block

The Muriah block is located in the Java Sea around 200 kilometers northeast of the city of Semarang in Central Java, at a water depth of 60 to 65 meters. Following the discovery of Kepodang gas field in 1971, the PSC was signed in May 1991. The Muriah PSC originally covered an area of 14,457 square kilometers, and following successive relinquishments under the terms of the PSC, now covers an area of 2,788 square kilometers.

On December 16, 2014, we acquired, through our subsidiary Saka Energi Muriah Limited, 100% of the shares of Sunny Ridge Offshore Limited which held a 20% participating interest in the Muriah PSC. The remaining 80% participating interests in the Muriah PSC are owned by Petronas (the operator), through its shareholding in PC Muriah Limited. The PSC became effective as of May 20, 1991 and expires on May 21, 2026, or 35 years in duration.

In 2014 and around the time of our acquisition of the interests in the Muriah block, PGN acquired a majority stake in PT Kalimantan Jawa Gas ("**KJG**"), which currently operates a subsea offshore gas pipeline with a length of 207 kilometers. The pipeline is connected to the Kepodang field, off the coast of Central Java, and transports the gas produced from this field to a combined cycle power plant in Tambak Lorok area, Semarang.

The Muriah block first commenced production of gas in August 2015. Since then, the Muriah block has produced 46.0 Bscf of gas. In 2016, the Muriah block had gross production volume of 34.3 Bscf of natural gas, equivalent to 5.9 MMboe. On a net working interest basis, our net production for 2016 was 1.2 MMboe. Currently the performance of the Kepodang reservoir is not as expected and production is approximately 80MMcfd against the DCQ of 116 MMcfd. The lower volume has been agreed as daily nomination fulfilment by the relevant parties.

Currently there are eight production wells in two wellhead platforms (WHP-A and WHP-B). The production facility which is located in WHP-A processes gas produced from wells prior to delivery through the subsea pipeline owned and operated by KJG as transporter to PLN Tambak Lorok in Semarang.

The PSC operator signed a GSA on June 29, 2012 with PLN, which shall be in force until the expiry date of the Muriah PSC and any extension thereof.

As part of the current plan of development, the operator plans to drill two more development wells in the Kepodang field and to build one new well platform. The PSC participants have installed a new flow line to a new development well to maintain production levels, and are also planning to carry out well intervention works.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the shares of the PSC participants and the Government are within the ranges of (i) 19.2% to 38.5% and (ii) 61.5% to 80.8% respectively, depending on whether production is from a marginal field, tertiary recovery EOR projects, pre-tertiary reservoir rocks, fields which are in water depths of more than 600 feet or other areas. For natural gas, the shares of the PSC participants and the Government are 57.7% and 42.3% respectively.

- A portion of the PSC participants' Profit Oil Share is subject to DMO.

- The PSC participants are required to pay the Government certain production bonuses ranging from US$1,000,000 to US$3,000,000 on cumulative production reaching 10MMboe to cumulative production reaching 50MMboe.

Bangkanai Block

The Bangkanai block is located in Central Kalimantan and has produced gas from the Kerendan field (being currently the only producing field). The Bangkanai PSC originally covered an area of 6,976 square kilometers, and now covers an area of 1,395 square kilometers.

Effective on June 21, 2013, we acquired, through our subsidiary PT Saka Bangkanai Klemantan, a 30% participating interest from Salamander Energy. The remaining 70% participating interests in the Bangkanai PSC are owned by Ophir (the operator) through its shareholdings in Salamander Energy (Bangkanai) Limited, Bangkanai Petroleum (L) Berhad, Salamander Energy (Central Kalimantan) Limited and Mitra Energia Bangkanai Limited. The PSC became effective as of December 30, 2003 and expires on December 31, 2033, or 30 years in duration.

The Bangkanai block commenced production of gas in August 2016. Since then, the block has produced 0.8 Bscf of gas. In 2016, the Bangkanai block had gross production volume of 0.2 MMboe, consisting of 0.8 Bscf of natural gas and 0.03 MMbbl of crude oil. On a net working interest basis, our net production for 2016 was 0.1 MMboe.

The contractors of the Bangkanai PSC signed a GSA with PLN on June 28, 2011, with a duration of 20 years and first gas delivery in August 2016. The PSC operator is carrying out geological and surveying works, as well as an ongoing onshore 3D seismic programme to further characterize the field for full development. There are plans to drill an exploratory well in 2019 in the area between West Kerendan and Central Kerendan.

The plan for the development of the first well in the West Kerendan field has been approved by SKK Migas, and gas production is planned to commence in 2019. Apart from the construction and installation of a new pipeline and development of wells, the new gas production will generally utilize existing facilities, and will be sold to PLN under a new GSA.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the shares of the PSC participants and the Government are within the ranges of (i) 17.9% to 35.7% and (ii) 64.3% to 82.1% respectively, depending on whether production is from marginal fields, tertiary recovery EOR projects, pre-tertiary reservoir rocks or other areas. For natural gas, the shares of the PSC participants and the Government are 62.5% and 37.5% respectively.

- A portion of the PSC participants' Profit Oil Share and Profit Gas Share is subject to DMO.

- The PSC participants are required to pay the Government certain production bonuses ranging from US$100,000 on cumulative production reaching 25 MMboe to US$500,000 upon cumulative production reaching 75 MMboe.

Sanga Sanga Block

Sanga Sanga block is an oil and gas producing block located onshore Kalimantan, which contains the Nilam and Badak Fields that are unitized with the neighbouring Total-operated Offshore Mahakam PSC. Currently, there are five major fields in the Sanga Sanga block, comprising Badak, Nilam, Semberah, Pamaguan and Mutiara. The PSC originally covered on area of 5,782 square kilometers and now covers an area of 1,735 square kilometers and had its first production in 1974. The original PSC was awarded in 1968, and a 20 year extension was granted in 1990, which took effect in 1998. The PSC is due to expire on August 8, 2018.

The Sanga Sanga block is one of the larger oil and gas producing assets in Indonesia with predominantly gas production.

On November 17, 2016, we completed the acquisition of 37.8% working interest in Sanga Sanga PSC. The acquisition involved the following transactions:

- we acquired from Union Texas International Corporation 100% of BP East Kalimantan Ltd. BP East Kalimantan Ltd (renamed Saka Energi Sanga Sanga Ltd), which owns a 26.3% participating interest of the Sanga Sanga PSC, and through our acquisition of the company, we acquired the participating interest.

- we acquired 50% of UnimarLLC held by from BP. UnimarLLC owns 100% of Virginia Indonesia Co., LLC ("**VICO Indonesia**") and Virginia International Co., LLC ("**VICO International**"), and which in turn owned 7.5% and 15.6% respectively of the Sanga Sanga PSC. Through our partial acquisition of UnimarLLC, we acquired a 11.6% participating interest in the Sanga Sanga PSC.

A portion of the consideration for the acquisition is contingent, based on the performance of the Brent crude price and the extension of the PSC. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Contingent Liabilities and Off-Balance Sheet Arrangements.*"

VICO Indonesia is the operator of the Sanga Sanga PSC and also the East Kalimantan Gas pipeline system, which covers over 1,000 square kilometers of pipelines. Through its 50% indirect ownership of VICO Indonesia, we control joint operatorship of the Sanga Sanga PSC, together with ENI (which also indirectly owns 50% of VICO Indonesia and VICO International).

The participating interests in the Sanga Sanga PSC are owned by Saka Energi Sanga Sanga Ltd, VICO Indonesia (the operator), VICO International, Lasmo Sanga Sanga Ltd (100% owned by Eni), Universe Gas & Oil Company, Inc. and OPICOIL Houston, Inc. in the following proportions: 26.3%, 7.5%, 15.6%, 26.3%, 4.4% and 20%.

We have submitted a proposal for extension of the Sanga Sanga PSC to the Government through SKK Migas. We have been informed by the Government through SKK Migas that the Sanga Sanga PSC will not be extended and that a new PSC will be awarded, with management of these blocks being handed over to Pertamina. We have commenced negotiations with SKK Migas and other Government Agencies to explore the possibility of our participation in, and operatorship of, the Sanga Sanga block under the new PSC. However, we can provide no assurance that the Government will agree to our participation in the Sanga Sanga block, or that any conditions to our participation that the Government may impose (including the terms of the new PSCs) will be acceptable to us. See "*Risk Factors — Risks Relating to our Business — The Sanga Sanga PSC and the Southeast Sumatra PSC are due to expire in August and September 2018 respectively and the Government through SKK Migas has informed us that they will not be extended, which will have an adverse effect on our production volumes and revenues*" and "*Risk Factors — Risks Relating to the Indonesian Oil and Gas Industry — A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests, which may result in an adverse impact on our business, financial condition and results of operations and prospects.*"

The Sanga Sanga block first commenced production of oil in 1974 and gas in 1971. In 2016, the Sanga Sanga block had gross production volume of 19.0 MMboe, consisting of 77.2 Bscf of natural gas and 5.7 MMbbl of crude oil. Our net production for November and December 2016 (the months for which revenue has been recognized in our financial statements) was 0.8 MMboe.

The majority of gas from the Sanga Sanga block is processed into LNG at the Bontang LNG facility and sold to KOGAS and CPC under long-term LNG SPAs on take-or-pay terms. Natural gas feedstock for the KOGAS and CPC LNG SPAs is also supplied from other areas outside of the Sanga Sanga block, and the participants of the Sanga Sanga block are entitled to a portion of LNG SPA revenues based on the proportion of gas supplied from the Sanga Sanga block. The MEMR, through SKK Migas has instructed the contractor of the Sanga Sanga PSC to supply gas from the Sanga Sanga block to PLN with first gas delivery commencing in October 2016 and with delivery up to April 2018. BP Singapore Pte. Limited is currently the sole offtaker for crude oil and condensate produced from the Sanga Sanga block.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares:

  — For crude oil, the shares of the PSC participants and the Government are within the ranges of (i) 19.2% to 38.5% and (ii) 61.5% to 80.8% respectively, depending on whether production is from tertiary recovery EOR projects, pre-tertiary reservoir rocks or other areas.

  — For natural gas, the shares of the PSC participants and the Government are: (i) 48.1% and 51.9% respectively for natural gas produced from the Badak and Nilam unit areas and sold under certain specified LNG contracts, or otherwise natural gas produced from other fields in place of production from such areas, and (ii) in other instances, 57.7% and 42.3% respectively.

- A portion of the PSC participants' Profit Oil Share is subject to DMO.

Fasken Block

Fasken is located in Webb County, South Texas, United States, on 8,300 acres of Eagle Ford shale play.

Effective on January 1, 2014, we acquired, through our subsidiary Saka Energi Fasken LLC, a 36% interest in the Fasken block from Swift Energy Operating LLC ("**Swift Energy Operating**"), being a 100% owned (indirect) subsidiary of Swift Energy Company ("**Swift Energy**"). The remaining 64% lease interests in Fasken block are owned by Swift Energy (the operator). As of December 31, 2016, the total lease acreage was 8,300 acres.

Swift Energy is an independent oil and gas company engaged in developing, exploring, acquiring, and operating oil and gas properties with a primary focus in the Eagle Ford shale of South Texas. Since 1989, Swift Energy has been conducting operations in the South Texas region. For reasons related to depressed oil prices and limited liquidity, Swift Energy and eight of its U.S. subsidiaries (including Swift Energy Operating) filed voluntary petitions on December 31, 2015 seeking relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware ("**Chapter 11 Proceedings**") in the United States, and following bankruptcy court confirmation of its plan of reorganization, emerged from Chapter 11 Proceedings on April 22, 2016. During the Chapter 11 Proceedings, Swift Energy Operating continued its operations in the Fasken Block, which were unaffected. Having emerged from Chapter 11 proceedings, Swift Energy has completed its restructuring process and we understand that it now has a new capital structure.

In 2016, the Fasken Block had gross production volume of 56.1 Bscf of natural gas, equivalent to 9.7 MMboe. On a net working basis, our net production for 2016 was 3.5 MMboe. On September 14, 2010, Swift Energy Operating entered into a GSA with Kinder Morgan Texas Pipeline LLC, with a duration from November 2010 to June 2017. During this period, the maximum daily contract quantity ranges from 30,000 — 100,000 MMBtud and the contract is priced by reference to the Houston Ship Channel Index.

The operation has an active well maintenance and drilling program to optimize production. With the target to complete drilling of well pad I in the first quarter of 2017, drilling of four wells in well pad I is currently being undertaken. Well pads II and III are being prepared for drilling, which is expected to be completed in the second quarter of 2017. Studies on production potential in Upper Eagleford, Austin Chalk and Olmos are still in progress.

Our leases with landowners in the Fasken block provide that they will expire if production is not commenced (unless an extension option is exercised), or once production has commenced, upon the end of such production. For further details on these leases, see "*Risk Factors — Risks Relating to our*

Business — Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II, South Sesulu and the West Bangkanai blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods or if the leases for the Fasken block terminate because production is not commenced."

Development Asset

Muara Bakau Block

The Muara Bakau block is located in the Makassar straits off East Kalimantan. Major fields in the Muara Bakau block are the Jangkrik and Jangkrik Northeast fields. The PSC originally covered an area of 1,807 square kilometers, and further to successive relinquishments under the terms of the PSC, the PSC area is now 794 square kilometers.

The 30-year PSC was signed in December 2002 between Lasmo Indonesia Limited, Unocal Muara Bakau Ltd and BPMIGAS. Effective February 4, 2015, we acquired, through our subsidiary PT Saka Energi Muara Bakau, a 11.7% participating interest in this PSC from GDF for US$70.9 million. The other participating interests in the Muara Bakau PSC are owned by ENI (the operator) and Engie in the following proportions: 55% and 33.3%, respectively.

The Muara Bakau block has not yet commenced production. First gas is expected in the second half of 2017.

In 2015, the PSC operator had signed, on behalf of the PSC participants, two seven-year LNG SPAs with Pertamina to supply in total 1.4 Mtpa of LNG, beginning in 2017 until 2024. The volumes sold under these LNG SPAs would be aggregated into a single LNG SPA. Under the LNG SPA with Pertamina, the LNG is to be sold on an oil-linked basis and on take or pay terms. The feed gas will be produced from the Jangkrik field and the North East Jangkrik field in the Muara Bakau PSC. The gas will be processed at the Bontang LNG plant in Kalimantan before being lifted as LNG by Pertamina. Negotiations of additional LNG sales are currently underway.

The PSC participants are currently in the process of constructing various production facilities in the Jangkrik and Jangkrik Northeast fields, including a floating production unit, riser, flowline/pipeline installation and subsea production system.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the PSC participants' share is 62.5% and the Government's share is 37.5%. For natural gas, the PSC participants' share is 71.4% and the Government's share is 28.6%.

- A portion of the PSC participants' Profit Oil Share and Profit Gas Share is subject to DMO.

- The PSC participants are required to pay to the Government certain production bonuses ranging from US$500,000 on cumulative production reaching 45 MMboe to US$250,000 upon cumulative production reaching 125 MMboe.

We have certain contingent commitments payable arising from our acquisition of a participating interest in the Muara Bakau block. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Commitments*" for further details.

Exploration Assets

South Sesulu Block

The South Sesulu block is located offshore in shallow water, south of the Kutei Basin, and covers 625 square kilometers at a water depth of 30 to 80 meters. The South Sesulu PSC originally covered an area of 3,133 square kilometers, and further to successive relinquishments under the terms of the PSC, the PSC area is now 625 square kilometers.

On February 6, 2014 we acquired, through our subsidiary PT Saka Indonesia Sesulu, a 100% participating interest in the South Sesulu PSC from Hess (Indonesia-South Sesulu) Limited. We are the sole participant and operator of the South Sesulu block. The PSC commenced on May 5, 2009 and it has a duration of 30 years.

The initial exploration period of the South Sesulu PSC is six years, which has been subsequently extended by another four years, with the extension period commencing in May 2015 and expiring in May 2019. See "*Risk Factors — Risks Relating to our Business — Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II, South Sesulu and the West Bangkanai blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods or if the leases for the Fasken block terminate because production is not commenced*" for a description of certain risks relating to the failure to make a commercial discovery in the South Sesulu block by the end of the exploration period.

Presently, one discovery well has been drilled in the South Sesulu block. In 2015, the drilling of SIS-A#1 well in the Barokah field was the first discovery at the South Sesulu block. The South Sesulu block is located adjacent to the South Mahakam block (which is operated by Total E&P Indonesie alongside Inpex), which produced around 250 MMscfd in December 2016 and of which the Stupa field produced around 40 MMscfd. Based on DST 3, the SIS-A#1 well flowed approximately 18 MMscfd of natural gas. Drilling has commenced at the lower part of the 4 way dip anticline structure and the test results show the natural gas to consist of methane. The reservoir rock for Barokah field is also highly porous and permeable. We plan to drill appraisal wells SIS G#1 and SIS G#2 in April and May of 2017, and to submit a POD for South Sesulu by 2018.

Seismic studies have delineated eight significant prospects in the north-western part of South Sesulu. At least six drilling prospects in the retained working area will be proposed to be drilled and developed in phases.

We are proposing a two well development concept for the South Sesulu block to deliver gas through pipeline to the Senipah receiving terminal, owned and operated by Total E&P ("**Total**"). There is also potential for us to leverage on the existing pipeline network in the area, both onshore and offshore East Kalimantan, to deliver gas to the regional domestic market, we believe there is significant potential demand from industrial users. The pipeline network has a capacity of 1,500 MMscfd. Both the Senipah receiving terminal and the pipeline network are owned and operated by Total. We have not yet started discussions with Total about delivering gas to the Senipah receiving terminal. We are also continuing to evaluate farm-out options to de-risk our development of the South Sesulu block.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the PSC participants' share is 26.8% and the Government's share is 73.2%. For natural gas, the PSC participants' share is 53.5% and the government's share is 46.4%.

- A portion of the PSC participants' Profit Oil Share and Profit Gas Share is subject to DMO.

- The PSC participants are required to pay to the Government production bonuses ranging from US$5,000,000 on cumulative production reaching 25 MMboe to US$5,000,000 upon cumulative production reaching 75 MMboe.

Wokam II Block

The Wokam II block is located offshore West Papua. The Wokam II PSC originally covered an area of 4,953 square kilometers, and now covers an area of 3,714 square kilometers. Final relinquishment has been approved such that the remaining area will cover 989.5 square kilometers.

On June 21, 2016, we acquired, through our subsidiary PT Saka Energi Wokam, the 100% interest in Wokam II PSC. The PSC became effective as of December 17, 2010 and has a 30 year duration.

We are currently carrying out geological and geophysical studies as well as 3D seismic surveys over the Wokam II block as part of our ongoing exploration efforts.

On October 26, 2016, the PSC participants received approval from SKK Migas for a four year extension of the exploration period, expiring in December 16, 2020. See "*Risk Factors — Risks Relating to our Business — Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II, South Sesulu and the West Bangkanai blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods or if the leases for the Fasken block terminate because production is not commenced*" for a description of certain risks relating to the failure to make a commercial discovery in the Wokam II block by the end of the exploration period.

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the PSC participants' share is 66.7% and the Government's share is 33.3%. For natural gas, the PSC participants' share is 66.7% and the Government's share is 33.3%.

- A portion of the PSC participants' Profit Oil Share and Profit Gas Share is subject to DMO.

- The PSC participants are required to pay the Government certain production bonuses ranging from US$1,000,000 on cumulative production reaching 25 MMboe to US$1,500,000 upon cumulative production reaching 75 MMboe.

West Bangkanai Block

The West Bangkanai block is located in the Kutei Basin, onshore central Kalimantan. The West Bangkanai PSC covers a contract area of 5,463 square kilometres. The PSC participants submitted a deferral request for first relinquishment and SKK Migas have approved a postponement of these requirements to May 15, 2017.

In November 2014, we acquired a 30% interest in West Bangkanai PSC. The remaining 70% participating interests in the West Bangkanai PSC are owned by Ophir (the operator). The PSC became effective as of May 15, 2013 and it expires in May 2043.

The initial exploration period under the West Bangkanai PSC will expire on May 16, 2019. The operator is currently undertaking 3D and 2D seismic studies to confirm whether the producing structure in the Bangkanai PSC extends to the West Bangkanai block and to confirm whether possible future exploration drilling is justified. See "*Risk Factors — Risks Relating to our Business — Our business, financial condition, results of operations and prospects would be adversely affected if the PSCs for the Wokam II, South Sesulu and the West Bangkanai blocks terminate because of a failure to discover commercial quantities of natural gas and crude oil within the exploration periods or if the leases for the Fasken block terminate because production is not commenced.*"

The key fiscal terms of the PSC are as follows:

- After deduction for the FTP and allowing for cost-recovery, the Government and the PSC participants share the remaining petroleum in accordance with the parties' Profit Oil Shares and Profit Gas Shares. For crude oil, the PSC participants' share is 41.7% and the Government's share is 58.3%. For natural gas, the PSC participants' share is 58.3% and the Government's share is 41.7%.

- A portion of the PSC participants' Profit Oil Share and Profit Gas Share is subject to DMO.

- The PSC participants are required to pay the Government certain production bonuses ranging from US$250,000 on cumulative production reaching 25 MMboe to US$750,000 upon cumulative production reaching 75 MMboe.

Indonesian PSC Terms

Except for the Fasken block, our oil and gas interests are held pursuant to Indonesian PSCs.

While the commercial terms may vary between PSCs, certain common features of the commercial terms in our Indonesian PSCs are set out below:

- Each PSC covers a fixed geographic area (the "**Contract Area**") in which exploration activities can be undertaken.

- Each PSC generally has a term of 30 years from the date of signing, but provides that if at the end of the exploration phase (typically six years with a further four-year extension available) no oil or gas is discovered in commercial quantities in the Contract Area, the PSC automatically terminates in its entirety. The Government may approve extensions of the PSC term, and if such approvals are obtained, the extended terms will each typically have a duration of 20 years.

- Portions of the Contract Area must be relinquished after specified periods. Generally a PSC will provide for relinquishment of 15% to 25% of the original Contract Area by the end of the third contract year and a further relinquishment of 20% to 25% of the original Contract Area by the end of the sixth contract year. If a commercial discovery is made, an area not greater than 20% to 25% of the original Contract Area may be retained. However, contractors are not required to relinquish areas in which commercial discoveries have been made.

- SKK Migas is responsible for the management of the operations contemplated by the PSC and has title to all original data arising from petroleum operations (such as seismic surveys and well logs). The contractor is responsible for conducting petroleum operations (exploration, development extraction, production and marketing of petroleum), furnishing materials, equipment, technical aid, personnel and finance. The contractor procures all the equipment needed for the operations, provides the finance and undertakes the exploration risk. Equipment purchased by the contractor becomes the property of the Indonesian government at the point of import. The contractor must produce regular reports on progress.

- The contractor undertakes certain minimum exploration commitments that will be undertaken annually over the initial three years of the exploration phase. Any work performed in any year that is above these levels may be carried forward to the following year. If, after the third year, the work performed is less than the work commitment for the first three years, SKK Migas consent is required to carry the obligation forward to the following year.

- If hydrocarbons are not found in commercial quantities, the PSC terminates at the end of the sixth year exploration period unless SKK Migas and the contractor agree to extend the exploration phase. If there is a discovery, which in the opinion of the contractor and SKK Migas can be produced commercially, the contractor must obtain approval from the MEMR for the first POD and with SKK Migas for any subsequent POD and any special provisions that may be required for a natural gas development. Commercial production must start within five years after the end of the date of the approval of POD.

- The contractor has the right to export its share of oil and retain abroad the proceeds obtained, provided that the DMO has been satisfied.

- Either party has the right to terminate the PSC on (generally) 90 days' written notice if the other party commits a major breach of the PSC, provided that conclusive evidence of such breach is found through arbitration or a final court decision.

If more than one oil company invests in a PSC working area, the companies appoint one of them to be the operator for the PSC. The rights and obligations of the operator and the apportionment of risks and liabilities between the companies investing in the PSC are set out in a joint operating agreement ("**JOA**") between them. The operator then conducts the petroleum operations under the PSC on behalf of the parties and under the supervision of an operating committee comprising representatives of each of the JOA parties.

While the fiscal terms may vary between PSCs, certain common features of the fiscal terms in our Indonesian PSCs are set out below:

- After commercial production of petroleum commences, a portion (typically 15% or 20%) of the total production in each year, as the First Tranche Petroleum, is shared between SKK Migas (previously BPMIGAS or Pertamina) and the contractor, in accordance with the parties' respective shares of the Profit Oil Shares and Profit Gas Shares.

- From the production remaining after the deduction of FTP, the contractor has the right to recover its operating costs (which include depreciated capital costs and exploration expenses) in each PSC. Within any one PSC, these unrecovered costs can be carried forward to future years for cost recovery purposes.

- In addition to the recovery of operating costs, the contractor may typically recover an investment credit equal to a percentage of the capital investment costs. Under our PSCs which provide for investment credit, the investment credit percentage ranges from 15.8% to 110% of the applicable capital investment costs, with the actual amount of investment credit being determined by reference to the relevant POD and applying the specified investment credit percentage.

- The value of the cost recovery is converted to a quantity of oil that the contractor is entitled to export using the ICP applicable to the relevant oil field.

- From the oil remaining after cost recovery and gas remaining after cost recovery the contractor is entitled to take its share of Profit Oil and its share of Profit Gas.

- The contractor also has a DMO that requires it to sell a portion of its Profit Oil and its share of First Tranche Petroleum to the Government at reduced prices (typically at market price during the first five years of production and then reducing to a price of US$0.20/bbl or 10% to 25% of the ICP depending upon the terms of the PSC).

- The DMO for gas only applies to PSCs signed after the enactment of Oil and Gas Law No. 22 of 2001 and the price for the DMO gas is mutually agreed between the parties.

- Our PSCs either provide that the amount of DMO oil or gas: (a) is set at 25% of the contractor's share of the Profit Oil or Profit Gas (as the case may be); or (b) varies with the total Indonesian oil production but is capped at 25% of the PSC's oil or gas production multiplied by its Profit Oil Share or Profit Gas Share (as the case may be). However, following Constitutional Court Decision 002/PUU-I/2003 in 2003 which held the maximum DMO limit to be unconstitutional and the subsequent issuance by the Government of MEMR Regulation 2 of 2008 on "*PSC Contractor DMO Implementation,*" the DMO for all our PSCs (where applicable) is currently set at a fixed percentage of 25% of our PSCs' production.

- Each PSC requires the contractor to pay Indonesian corporate tax on its revenue generated from the sale of its share of Profit Oil and FTP and assumes such oil is sold at the applicable ICP or DMO price. The applicable tax rate is the Indonesian corporate tax rate in effect at the time the PSC was executed.

- Production bonuses may also be payable after specified daily production goals for the PSC have been reached. The bonuses paid are not deductible as operating costs.

Pursuant to the Regulation of the MEMR Number 8 of 2017 issued by the Government on January 13, 2017, a new "gross split" PSC economic model for conventional oil and gas assets was adopted in Indonesia (the "**Gross Split Scheme**"). This regulation came into force on January 16, 2017. Under this new model, the cost recovery mechanism, which currently applies to our existing PSCs, has been abolished with the Government no longer reimbursing contractors for their development and operating costs, but instead offering contractors a potentially larger share of production. At this stage, it is unclear whether the gross split mechanism will impact adversely upon contractors and this may vary on a case-by-case basis depending upon a number of factors including the nature of the field development and the stage in the asset life-cycle of the PSC in question.

The Gross Split Scheme will apply to new PSCs, but will not apply to PSCs awarded prior to January 16, 2017 (the effective date of the new scheme), which will continue to operate under the cost recovery model. Any existing PSCs which expire after January 16, 2017 and are not extended but are replaced will operate under this new Gross Split Scheme. There is also a possibility that the Government requires existing PSCs be amended to reflect the Gross Split Scheme prior to expiration, or as a condition to an extension prior to expiration after January 16, 2017. Also see "*Risk Factors — Risks Relating to the Indonesian Oil and Gas Industry — A new "Gross Split" PSC for conventional and non-conventional oil and gas assets in Indonesia has been introduced and may apply to extensions or new PSCs over our existing PSC interests, which may result in an adverse impact on our business, financial condition, results of operations and prospects.*"

See also "*Regulatory Overview of Oil and Gas Activities in Indonesia*" for an overview of Indonesian oil and gas regulations.

Marketing Strategy

Producing from both our operated and non-operated assets, we currently market natural gas, LPG and crude oil to various customers. Given the various types of our products and customers, we do not use a single, overriding marketing strategy. However, some generalities do apply to each product, customer category and offtake terms. See "*Management's Discussion & Analysis of Financial Condition and Results of Operations — Financial Risk Management Objectives and Policies — Credit risk*" for a discussion of credit risks issues arising from our sale agreements.

Natural Gas

We produce and sell natural gas from the Pangkah, Southeast Sumatra, Ketapang, Muriah, Bangkanai, Sanga Sanga and Fasken blocks.

Under Indonesian regulations, the allocation and sales of our domestic gas production require the approval of the Government. Typically, the PSC participants will approach prospective gas buyers and then negotiate the terms of the gas sales (including pricing, volume and duration). Once such terms have been negotiated and agreed with the buyers, the PSC participants will seek approval from the Government for entry into the relevant GSA.

Our GSAs in Indonesia typically provide for gas sales on a fixed price (often with annual price escalation features) in U.S. Dollars and on a long-term take or pay basis. Our domestic GSAs are typically for a duration of 10 to 15 years. Our gas sales from the Fasken block are priced by reference to a regional gas price index in the United States.

In 2016, natural gas produced and sold from our assets reached 82,313 BBtu, of which 34% was sold to PLN.

LNG

We produce and sell LNG from the Sanga Sanga block. In addition, the PSC participants from the Muara Bakau block signed LNG SPAs with Pertamina with cargo deliveries expected to commence in 2017.

Typically, our sales of LNG are priced by reference to a formula, reflecting a percentage of a specified oil index (e.g. the Japanese Crude Cocktail for exports or ICP for domestic sales). Our LNG SPAs are entered into on a long-term take or pay basis, with contract durations ranging from 7 years to 25 years, and payment is in U.S. Dollars.

The terms and pricing of our LNG SPAs require the approval of the Government.

In 2016, LNG produced and sold from our assets reached 0.1 Mtpa.

LPG

We produce and sell LPG from the Pangkah block.

Our LPG entitlements are sold to Pertamina as the holder of the public service obligation (PSO) for domestic LPG distribution in Indonesia. We typically enter into LPG sale contracts with a three years' duration to supply domestic demand. In 2016, we sold to Pertamina a total volume of 51,732 MT of LPG from the Pangkah block.

Crude Oil

We produce and sell crude oil from the Pangkah, Southeast Sumatra, Ketapang and the Sanga Sanga block.

Sales of our crude oil are priced by reference to the ICP. The ICP is calculated using a formula based on crude prices quoted by Platt's Singapore, RIM Japan and Asian Petroleum Price Index (APPI).

Other than the Sanga Sanga block, crude oil production from our blocks is currently sold by way of annual tender. Presently, all our shares of crude oil production from the Pangkah, Southeast Sumatra and Ketapang blocks are sold to Itochu at a contract price equal to the ICP plus a premium.

Our share of crude oil production from the Sanga Sanga block is sold to BP Singapore Pte. Limited for a duration of five years.

Competition

Our ability to acquire, discover, develop and produce reserves in the future and enter into PSCs will depend upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

We believe that our direct competitors are the regionally active independent oil and gas companies such as Salamander, Ophir and Medco, in particular those with the financial resources, expertise and recognition that are necessary to be awarded exploration licenses. Other competitors include the major international oil and gas companies, though we believe that their focus is on larger scale opportunities in the region, typically LNG projects and deep water exploration for oil. We also face competition from regional national oil companies. Many of these competitors are larger than us and have access to substantial financial and technical resources.

Being one of the few Indonesian companies involved in the oil and gas exploration and production industry and one that is owned by one of the largest gas distribution businesses in Indonesia, we believe that we have certain advantages when seeking to expand our business in this sector, given the depth of our knowledge and experience of the exploration and production environment in Indonesia and our long-standing relationship with the Government.

Employee Matters

As of March 31, 2017, we had on a consolidated basis approximately 291 employees, of whom 172 were engaged in upstream activities, 90 were engaged in administration and 29 were engaged in finance, treasury and accounting. In addition to our full-time employees, we also rely on outsourced labor. The majority of our employees are highly educated with 78% of our employees obtaining a bachelor's or higher degree. We have a relatively young team with the average age of our employees being 38.9 years old.

Our upstream human resource management policies are subject to broad oversight by SKK Migas. SKK Migas scrutinizes our upstream personnel plans to ensure that they are consistent with the relevant PSC development plans, but otherwise permits operators significant flexibility in meeting their manpower requirements.

Historically, approximately 75% of our permanent employees were registered with the Union (Serikat Pekerja Saka Energi) of PT Saka Energi Indonesia. The new proposed arrangements are currently being reviewed by the Ministry of Employment and the Ministry of Law and Human Rights for approval of establishment. To date, we have not had material issues in procuring or renewing collective labor agreements.

We have not been subject to any material strikes or other labor disturbances that have interrupted our operations. We believe our relationship with our employees is good. However, see "*Risk Factors — Risks Relating to our Business — Labor strikes could adversely affect our business.*"

Risk Management

Our approach to risk management involves an integrated process that begins with analysis of the proposed strategic corporate action. Through the assessment of economic value and in-depth due diligence, the mitigation of risk is assessed on a cost-benefit basis and is structured according to our target priorities. Subsequently, detailed overall analysis and recommendations are submitted to our Board of Directors and Board of Commissioners for their approval. Our risks broadly include business risk, financial risks, regulatory risks, including risk from change in government policies and potential claims from stakeholders in the communities we operate in and health and safety operational risks.

Safety and Environment

Our oil and gas exploration and production operations, petroleum and petrochemical products and other activities are subject to Indonesian laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws include the New Environmental Law and other regulations relating to hazardous wastes, emissions and effluent waste water management. These laws and regulations may require the acquisition of a permit before drilling or refining commences, which may restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, require remedial measures to prevent pollution resulting from former operations, such as plugging abandoned wells, and impose substantial liabilities for pollution resulting from our oil, natural gas and petrochemical operations. We may also be required in certain situations

to complete environmental impact analyses and to enter into various environmental management undertakings prior to carrying out exploration and development operations, production and refining activities. These environmental management activities are regulated by the MEMR and State Ministry of Environmental Affairs.

For blocks that we operate, we seek to ensure that the operations emphasize the importance of our health, safety and environment commitments. Under our operatorship since 2014, operations in the Pangkah PSC have accumulated more than 5.7 million worked man hours with zero fatalities and zero lost time due to injuries.

Our management believes that we are in compliance with current applicable environmental laws and regulations in all material respects and that continued compliance with existing requirements will not have a material adverse impact on us. In addition, we are committed to continuously improve our HSE performance. We have been recognized for our strong HSE performance through various awards including the following:

- "Tata Birawa Utama" since 2015 from Gresik Regency for compliance in environmental permit reporting;
- "Water Pollution Prevention Award" from Directorate General of Oil and Gas in 2015 for Sidayu drilling;
- "Best HSSE (Health, Safety, Security and Environment) Implementation Award" in 2015 from PGN;
- "One Year Injury Free" Pangkah Drilling Campaign, 500,000 worked manhours without injury;
- "Tata Birawa Utama, pelaporan izin lingkungan"; and
- "Patra Nirbhaya Karya Pratama" from the MEMR in 2016 for more than 3 million worked man hours without Lost Time Injury.

For a description of environmental risks faced by our company, see "*Risk Factors— Risks Relating to Our Business - As an upstream oil and gas company, we face significant environmental risks.*"

Corporate Social Responsibility

We believe in the sustainable development of local communities in which we operate and we aim to ensure that local communities benefit from our presence. In connection with our corporate social responsibility vision, we are committed to various development programs in 2017, which will involve assisting with local economic development, improving access to quality education and health services and taking actions to preserve the environment, including through community awareness.

Examples of the programs we have implemented in the past include the following (i) an ecotourism program which we have developed locally based on the natural resources in Ujung Pangkah, and which includes the organization management training of 30 fishermen; (ii) a seaweed farming development program in Penajam Paser Utara; (iii) water and sanitation programs through which we aim to improve the living conditions of local communities where we operate, and involves the provision of water tanks, waste bins and in the past have included the provision of 170,000 litres of clean water to more than 1,700 households; (iv) education programs for elementary to junior high school students in the local communities we operate in through our Saka Mengajar program; (v) the development of community learning centers currently used by more than 50 children, 30 women and 20 fishermen for learning of various subjects through our Rumah Pintar program; (vi) scholarship programs, as a way

to improve access to education for children — we have through these programs provided for the school fees of more than 60 children; and (vii) various infrastructure and public facility development programs including the paving of more than 3,200 square meters of roads and the renovation of approximately 350 square meters of culverts.

Properties

Our major properties are oil and gas properties and include natural gas pipelines, machinery and equipment including processing facilities, gas separation plants and other fixed assets used for exploration and production of petroleum. As of December 31, 2016, oil and gas properties accounted for 64% of our total assets.

Insurance

We have comprehensive insurance policies that cover our assets, projects and operations, including third-party liabilities. We have a risk management policy in place for purposes of analyzing the risks we face, anticipating new risks as we grow our business in new areas and determining the appropriate insurance coverage. Our insurance policies cover, among other things, project insurance, property and liability insurance, third-party liability insurance, manpower insurance, and directors and officers liability insurance. As is customary in our industry, our insurance coverage is subject to policy limits and exclusions or limitations, including, but not limited in relation to, losses resulting from war or terrorist acts and nuclear accidents, that we believe reflect current practice in our industry and are reasonable considering insurance costs and our current operating conditions. We believe that we currently maintain insurance of the types and amounts that are generally consistent with prudent industry practice and applicable legal requirements. See "*Risk Factors — Risks Relating to our Business — Our operations are subject to operational hazards and partially insured or uninsured risks.*"

Intellectual Property

We are not dependent on patents, licenses or manufacturing processes.

Litigation

From time to time, we have been involved in legal proceedings or other disputes arising from the ordinary course of our business. We have not incurred significant legal costs and expenses in connection with these legal proceedings. We have contingent liabilities with respect to legal claims arising in the ordinary course of business.

We are currently in disputes with the Indonesian tax authorities in relation to our acquisition of a 25% working interest in the Pangkah PSC in July 2013 and a further 75% working interest in January 2014.

In connection with these acquisitions, we also acquired related party loans held by the sellers of the Pangkah block interests. We have paid all taxable amounts arising from the acquistion of the Pangkah block interests in respect of the acquisition of the related party loans. The Directorate General of Taxes is of the view that this acquisition was related to the transfer of participating interest in the Pangkah block and accordingly, required that we pay certain tax amounts pursuant to Income Tax Article 4(2) relating to the indirect transfer of participating interest. We have paid the amount demanded of US$61.2 million but have filed an appeal with the Indonesian Tax Court for a tax refund. The appeal process is ongoing. In addition, the Directorate General of Taxes has sent to us assessment letters amounting to US$35.3 million for 2013 and US$127.7 million and US$19.8 million for 2014, in respect of the proper application of Income Tax Article 26(4) relating to permanent establishment in connection with our revenues from the Pangkah block. We have filed an objection to these assessments. See "*Risk Factors — Risks Relating to our Business — We are currently in ongoing disputes with the Indonesian tax authorities, the outcome of which is uncertain*" for a description of certain risks arising from these proceedings.

Except as disclosed above, we are not aware of any other material legal proceedings (including arbitrations), claims or disputes currently existing, pending, or to the best of our knowledge, threatened against us that may have a material adverse impact, individually or taken as a whole, on our business, financial condition or results of operations.

In accordance with Indonesian law, we have a Board of Commissioners and a Board of Directors. The two boards are separate and no individual may be a member of both boards.

Board of Commissioners

Our Board of Commissioners, which has the task of supervising our Board of Directors, must have at least one member and if more than one Commissioner is appointed, then one of the Commissioners must be appointed President Commissioner. The principal functions of the Board of Commissioners are to give recommendations to and supervise the policies of our Board of Directors.

Under Indonesian company law, persons eligible to be appointed as members of the Board of Commissioners are required to be individuals who are capable of performing legal acts and who in the past five years have not: (i) been declared bankrupt, (ii) been declared guilty for having caused a company to be declared bankrupt while holding the position of member of the Board of Directors or member of the Board of Commissioners of such company, or (iii) been declared guilty of a criminal act which caused financial losses to the State within five years prior to his or her appointment. The Board of Commissioners is required to perform its duties in good faith and in our best interests.

Meetings of the Board of Commissioners may be held at any time deemed necessary by one or more of the members of the Board of Commissioners, or upon the request in writing from either the Board of Directors or one or more of the shareholders jointly representing at least one-tenth of the total voting shares issued by the Company. A meeting of the Board of Commissioners will be valid and entitled to adopt binding resolutions only if more than one-half of the members of the Board of Commissioners are present or represented at the meeting.

Where all members of the Board of Commissioners are present or represented, prior notice is not required and a meeting of the Board of Commissioners may be held at any such place and will be entitled to adopt valid and binding resolutions.

All meetings of the Board of Commissioners are chaired by the President Commissioner. In the event of the absence or disability of the President Commissioner, which impediment need not be evidenced to any third parties, a meeting of the Board of Commissioners may be chaired by another member of the Board of Commissioners specifically appointed by the members of the Board of Commissioners who are present at such meeting.

Resolutions of a meeting of the Board of Commissioners are generally adopted on the basis of a mutual consensus. In the event a mutual consensus is not reached, then a resolution may be adopted on the basis of an affirmative vote of more than one-half of votes validly cast at the meeting.

The current members of our Board of Commissioners are as follows:

Name	Age	Position
Susilo Siswoutomo	66	President Commissioner
Hendri Prio Santoso	50	Commissioner
Nusantara Suyono	53	Commissioner

Susilo Siswoutomo

Mr. Siswoutomo was appointed as Chief Commissioner of PT Saka Energi Indonesia on March 28, 2014. He graduated with degree in Mechanical Engineering-Solar Refrigeration from Bandung

Institute of Technology in 1970. He worked at ExxonMobil for 33 years, then served as an Advisor at BPMIGAS from 2006, as Head of Supervision and Control of Abadi Field, Masela Block from 2011 and as Deputy Minister of Energy and Mineral Resources of the Republic of Indonesia from 2013 to 2014. He was appointed as Commissioner of PT Pertamina (Persero) in 2014.

Hendri Prio Santoso

Mr. Santoso was appointed as Commissioner of PT Saka Energi Indonesia on March 28, 2014. He graduated with a degree in Finance and Economics from the University of Houston and in economics from the University of Texas - Austin. He began his career at Bank Niaga in 1990 and then worked at Citibank NA Indonesia beginning in 1991. In 1996 he was appointed as Vice President at PT Perdana Multi Finance, then as Director of Development of PT Perdana Inti Investama from 1996 to 1998. From 1998 to 2001 he was an Associate Director at PT Bahana Securities, before becoming a Director of PT Anugra Cipta Investa from 2001 to 2004. He was then Director of Investment Banking at PT JP Morgan Securities Indonesia from 2004 to 2007. On May 31, 2007, he was appointed as Finance Director of PGN and on June 13, 2008 was officially appointed as President Director of PGN.

Nusantara Suyono

Mr. Suyono was appointed as Commissioner of PT Saka Energi Indonesia on November 1, 2012. He graduated with degree in Computer Information System from the University of Houston in 1986. He has more than 20 years of working experience. In 2001, he was appointed as Head of Corporate Finance at PT Anugra Capital. Then from 2005 to 2011, he worked at PT Medco Energi International Tbk in several positions such as Head of Corporate Finance, Head of Corporate Planning & Performance and Head of Investor Relations. In 2011, he was appointed as Chief of Financial Officer at PT J Resources Nusantara. In May 2012, he was officially appointed as Vice President of Investor Relation at PGN, then appointed as Group Head, Executive Office for 2015-2016 and on April 8, 2016 was officially appointed as a Director of PGN.

Board of Directors

The Board of Directors manages the Company on a day-to-day basis. Under Indonesian law, the Board of Directors is must have at least one member and if more than one Director is appointed, then one Director must be appointed President Director. Under Indonesian company law, persons eligible to be appointed as members of a Board of Directors are required to be individuals who are capable of performing legal acts and who in the past five years have not: (i) been declared bankrupt, (ii) been found guilty of having caused a company to be declared bankrupt while being a member of the Board of Directors of such company, or (iii) been found guilty of a criminal act which caused financial losses to the State within five years prior to his or her appointment. The Board of Directors is required to perform its duties in good faith and in best interests.

Each Director serves a term of five years. In the event that a vacancy occurs in the Board of Directors, a general meeting of shareholders must be convened within 60 days after the vacancy occurs. So long as the position remains vacant, one of the remaining Directors will be appointed by the Board of Commissioners to assume the responsibilities of the absent Director. If for any reason we cease to have any Directors, the Board of Commissioners will perform the ongoing obligations of the Board of Directors. In such circumstances, no later than 60 days after the vacancies occur, the Board of Commissioners must convene a general meeting of shareholders.

Meetings of the Board of Directors may be held at any time deemed necessary by one or more of the members of the Board of Directors, or upon the request in writing from either the Board of Commissioners or one or more of the shareholders jointly representing at least one-tenth of our total outstanding voting shares. A meeting of the Board of Directors will be valid and entitled to adopt binding resolutions only if more than one-half of the members of the Board of Directors are present or represented at the meeting.

All meetings of the Board of Directors are chaired by the President Director. In the event of the absence or disability of the President Director, which impediment need not be evidenced to any third parties, a meeting of the Board of Directors will be chaired by such other member of the Board of Directors specifically appointed by the members of the Board of Commissioners who are present at such meeting. Resolutions of a meeting of the Board of Directors are generally adopted on the basis of a mutual consensus. In the event a mutual consensus is not reached, then a resolution may be adopted on the basis of an affirmative vote of more than one-half of votes validly cast at the meeting.

The Company's Board of Directors has the power to perform for and on behalf of the Company all transactions concerning the Company's management and administration. However, certain corporate actions require (i) written approval from the Board of Commissioners or (ii) recommendation from the Board of Commissioners and approval from the general meeting of the shareholders; or approval from the general meeting of the shareholders.

For example, the following corporate actions require written approval from the Board of Commissioners:

- receiving or granting loans which have a period of less than 1 year;
- entering agreements with a value exceeding that determined by the Board of Commissioners;
- engaging the Company as guarantor;
- releasing or selling the Company's immovable assets with a value exceeding that determined by the Board of Commissioners; and
- permitting an asset, with a value exceeding that determined by the Board of Commissioners, to be used as security.

The members of the Company's Board of Directors are as follows:

Name	Age	Position
Tumbur Haposan Parlindungan Nainggolan	48	Chief Executive Officer and President Director
Devi Pradnya Paramita	39	Chief Financial and Administration Officer

Tumbur Parlindungan

Mr. Parlindungan was appointed as Chief Executive Officer and President Director on July 1, 2016. Previously, he was Chief Operation and Commercial Officer of the Company from his appointment on August 1, 2012. He graduated with a degree in geology from Trisakti University in 1993 and Master of Business in Corporate Finance from the University of North Texas in 1997. He has more than 22 years of working experience in the oil and gas industry both in Indonesia and abroad. He began his career as a Geologist at PT Ingold Management (subsidiary of PT Inco) in 1994. He then worked as Senior Petroleum Economist and Business Development Manager at Schlumberger International beginning in 1998. He was appointed as Senior Economist and Planner at Shell International E&P, Holland. Then he continued to work as Senior Upstream Commercial/Economics Analyst at BP Asia Pacific E&P. He was appointed as Vice President Commercial of the Company on March 2012.

Devi Pradnya Paramita

Ms. Paramita was appointed as Chief Financial Officer of the Company on August 10, 2015. She graduated from Parahyangan's Catholic University, and earned her master's degree in finance with a special major in risk management from ISMA Business School in 2000. She has over 15 years of experience in corporate finance and financial management with consulting firms, multinational agencies and real sector backgrounds. She spent four years at the Financial Advisory Service of PricewaterhouseCoopers and then worked as an economist for the US government. Prior to joining Saka she spent four years in Medco Energi, then headed the Finance Department of Bakrie & Brothers. She has led various M&A, fundraising and restructuring programs.

The Audit Committee

The Audit Committee's primary purpose is to assist the Board of Commissioners in fulfilling its oversight responsibilities as a consulting, controlling and initiating body with a specific focus on, among others, the financial reporting process, the independence and objectivity of our external auditors, the system of internal control over financial reporting and accounting compliance, the audit process, and processes for identifying, evaluating and monitoring the management of our principal risks. The Audit Committee normally meets at least once per month for the time necessary to fulfill its purpose, or more frequently as circumstances dictate.

The Audit Committee is composed of Nusantara Suyono (Chairman) and Prihardy Bakri, and sits at the PGN level.

The Ethics Committee

The Ethics Committee supervises the implementation of good corporate governance in respect of the Company and its subsidiaries. The Ethics Committee's duties and responsibilities are as follows:

- periodically convene any socialization for all of our employees and our business unit;
- ensure compliance of all employees towards guidelines of good corporate governance as well as guidelines of business ethics and corporate work ethic;
- monitor the implementation of guidelines of business ethics and corporate work ethic;
- follow up any complaints on suspicion of infringement of business ethics and work ethic by carrying out investigation and determining a decision/recommendation to address infringement in accordance with company regulations and any other prevailing rules;
- provide a periodic report to our Board of Directors regarding the implementation of business ethics and work ethic;

The members of the Ethics Committee are appointed by the Board of Directors and represent various related functions of the Company, including, among other things, internal audit, legal and human resources. The Ethics Committee is composed of Irfan Anwari (Coordinator), Zulfi Hendry (Secretary), Agus Santoso, M. Ridha Saad and Tis'an Sobichah.

Compensation

Our Commissioners and Directors receive compensation determined at the annual general meeting of shareholders and are paid monthly. No fees are paid to Commissioners or Directors for attending board meetings. In 2014, 2015 and 2016, the aggregate compensation including bonuses we paid to all Commissioners and Directors for their services to the Company was US$1.0 million, US$0.7 million and US$0.6 million, respectively. In addition, our Directors are entitled to certain benefits such as housing, transportation and utility allowances, healthcare and association membership. Commissioners and Directors are entitled to reimbursement of for income tax on compensation received. We do not disclose or otherwise make available information regarding the compensation of our individual Commissioners or Directors.

Payment of bonuses to the Commissioners and the Directors is determined at the annual general meeting of shareholders. Bonuses are paid annually and are based on achievement of our performance targets set by the Directors and approved by shareholders by a resolution passed by a simple majority at the annual general meeting of shareholders.

DESCRIPTION OF THE NOTES

For purposes of this "**Description of the Notes**," the term "**Company**" refers only to PT Saka Energi Indonesia, a company established and existing with limited liability under the laws of the Republic of Indonesia, and any successor obligor on the Notes, and not to any of its Subsidiaries. The Notes are to be issued under an indenture (the "**Indenture**") to be dated as of the Original Issue Date, between the Company and Citicorp International Limited, as trustee (the "**Trustee**").

The following is a summary of certain provisions of the Indenture and the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture and the Notes. It does not restate the provisions of the Indenture or the Notes 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. Copies of the Indenture will be available for inspection on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the Notes

The Notes will:

(a) be direct, unsecured and unsubordinated obligations of the Company;

(b) be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, *provided that* the existing shareholder loans of the Company, amounting to US$838.4 million as of December 31, 2016, are not expressly subordinated to the Notes in accordance with the terms of such loans;

(c) rank at least *pari passu* in right of payment with all other unsecured and unsubordinated Debt of the Company (subject to any priority rights of such unsubordinated Debt pursuant to applicable law); and

(d) be effectively subordinated to secured obligations of the Company and the obligations of its subsidiaries.

The Company will initially issue US$625,000,000 in aggregate principal amount of the Notes, which will mature on May 5, 2024 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows the Company to issue additional Notes from time to time (the "**Additional Notes**"), subject to certain limitations described under "— *Further Issues*" and applicable law. The Notes offered hereby and any Additional Notes may be treated as a single class for all purposes under the Indenture.

Interest

The Notes will bear interest at 4.45% 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 semiannually in arrears on May 5 and November 5 of each year (each, an "**Interest Payment Date**") commencing November 5, 2017. Interest on the Notes will be paid to Holders of record at the close of business on each April 20 or October 20 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. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Payment of Notes

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not

a Business Day in the relevant place of payment, then payment of principal, premium, if any, 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 will have the same force and effect as if made on the date on which such payment is due. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "— Book-Entry; Delivery and Form." 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 in immediately available funds by the Company at the office or agency of the Company maintained for that purpose in London (which initially will be the specified office of Citibank, N.A., London Branch (the "**Paying Agent**"), currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency. However, 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 (the "**Register**"). Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, issue price and the date of first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) 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*, in order for Additional Notes to have the same CUSIP, ISIN, or other identifying number as the outstanding Notes, the Additional Notes must be fungible with the outstanding 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:

(a) the Company shall have delivered to the Trustee an Officer's Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture; and

(b) the Company shall have delivered to the Trustee one or more Opinions of Counsel, in form and substance satisfactory to the Trustee, confirming, among other things, (i) that the issuance of the Additional Notes does not conflict with applicable law and (ii) that such Additional Notes will constitute legally valid and binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions.

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 will agree in the Indenture that it will timely repay all Debt 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 these agreements, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Debt, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Debt, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, the Company 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.

Future Debt of the Company or its Subsidiaries may also (a) prohibit the Company from purchasing the Notes in the event of a Change of Control Triggering Event; (b) provide that a Change of Control Triggering Event is a default; or (c) require the repayment or 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 Debt, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company or its Subsidiaries. The ability of the Company to pay cash to Holders of the Notes following the occurrence of a Change of Control Triggering Event may be limited by the financial resources then available to the Company. 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 Ownership of the Notes — We 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 or otherwise as required by the Indenture governing the Notes.*"

Notwithstanding the above, 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.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

A Holder will have no right to require the Company to repurchase portions of Notes if it would result in the issuance of new Notes, representing the portion not purchased, in an amount of less than US$200,000.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described hereunder by virtue of its compliance with such laws and regulations.

Except as described above with respect to a Change of Control Offer, 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.

Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium, if any, and interest on the Notes 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 or the Surviving Person (as defined under the caption "Consolidation, Merger and Sale of Assets") is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) or through which payment is made on behalf of the Company or the Surviving Person (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law.

In such event, the Company or the Surviving Person, as the case may be, will make or cause to be made such deduction or withholding, make payment of the amount so deducted or withheld to the appropriate governmental authority and 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. However, no Additional Amounts will be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction including, without limitation, such Holder's or beneficial owner's being or having been a citizen or resident of such Relevant Taxing 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, other than merely holding such Note or the receipt of payments thereunder or enforcing payment under the Note;

(B) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or 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;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Company or the Surviving Person, as the case may be, addressed to the Holder, to provide information to the Company or the Surviving Person on an applicable Form DGT-1, Form DGT-2 or any other document, information or form concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the laws of a Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(D) the presentation of such Note (where presentation is required) for payment in the Relevant Taxing Jurisdiction, unless such withholding or deduction could not have been avoided by presenting the Note for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer or similar tax, assessment or other governmental charge;

(iii) any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest or any premium on the Note;

(iv) 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), any agreements described under section 1471(b) of the Code, any regulations or other official guidance thereunder, any intergovernmental agreement relating thereto, or any law, regulation or other official guidance enacted in any jurisdiction implementing any of the foregoing; or

(v) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding paragraphs (i), (ii), (iii) and (iv); or

(b) with respect to any payment of the principal of, or premium, if any, or interest on, such Note to such Holder, if the Holder is a fiduciary, corporation, limited liability company, partnership or person other than the sole beneficial owner of any payment to the extent that, under the laws of a Relevant Taxing Jurisdiction, such payment would be required to be included in income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a shareholder of that corporation, a member of that partnership or limited liability company or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, shareholder, partner, or beneficial owner been the Holder thereof; or

(c) any combination of paragraphs (a) and (b).

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.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note, such mention will be deemed to include payments 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 Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

In addition to the foregoing, the Company or the Surviving Person, as the case may be, will also pay and indemnify the Holder or beneficial owner, as applicable, for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties and interest) which are levied by any jurisdiction on the execution, delivery, issuance, registration, redemption or retirement of any of the Notes or the Indenture or any other document referred to therein (other than a transfer of the Notes after this offering) or any such taxes, charges or similar levies imposed by the United States, Indonesia, or any political subdivision thereof as a result of, or in connection with, the enforcement of any of the Notes.

Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Company or the Surviving Person, as the case may be, as a whole but not in part, by giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice will be irrevocable), 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 (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**"), if the Company or the Surviving Person, 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 taking reasonable measures (including an appointment of a new paying agent) by the Company or the Surviving Person, as the case may be, as a result of:

(a) any change in, or amendment to, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction affecting taxation; or

(b) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice),

which change or amendment is announced and becomes effective on or after the Original Issue Date with respect to any payment due or to become due under the Notes or the Indenture (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on the Original Issue Date, the date on which such jurisdiction became a Relevant Taxing Jurisdiction under the Indenture).

Notwithstanding the above, (i) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Company or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due, and (ii) if 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), the Company or the Surviving Person shall only be permitted to redeem the Notes in accordance with the provisions above if the rate of withholding or deduction in respect of which Additional Amounts are required is in excess of 20%.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee:

(a) an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and stating that such requirement cannot be avoided by the Company, taking reasonable measures available to it; and

(b) an Opinion of Counsel of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction stating that the requirement to pay such Additional Amounts, and withhold or deduct such taxes, duties, assessments or other government charges results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, and it will be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion and is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Negative Pledge

So long as any of the Notes is outstanding, the Company will not create or permit to exist, and the Company will ensure that none of its Material Subsidiaries will create or permit to exist, any Lien for

the benefit of the holders of any Securities on the whole or any part of its property or assets, present or future, to secure: (a) payment of any sum due in respect of any Securities; (b) any payment under any guarantee in respect of any Securities; or (c) any indemnity or other like obligation in respect of any Securities, without in any such case, at the same time or prior thereto, making effective provision whereby the Notes are accorded (i) the same Liens equally and ratably as are created or subsisting to secure any such Securities, guarantee or indemnity or like obligation, or (ii) such other Liens as may be consented to by the holders of a majority in aggregate principal amount of the outstanding Notes.

However, the foregoing restriction shall not apply to (a) any Lien existing on any property or assets at the time of acquisition of such property or assets by the Company; *provided that* such Lien was not created, and the principal, capital or nominal amount of the Securities secured by such Lien outstanding at the time of such acquisition was not increased, in contemplation of such acquisition or in connection therewith, and (b) any Lien arising out of the refinancing, extension, renewal or refunding of any Securities secured by any such Lien; *provided that* the principal, capital or nominal amount of such Securities is not increased and such Securities are not secured by any additional property or assets.

Use of Proceeds

The Company will use the proceeds received from the Notes as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Provision of Financial Statements and Reports

For so long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request:

(a) as soon as they are available, but in any event within 120 calendar days after the end of its fiscal year, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) 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 (a) 60 calendar days after the end of each of its first and third fiscal quarters, and (b) 90 calendar days after the end of each second fiscal quarter, copies of its financial statements (on a consolidated basis) in respect of such period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with its audited financial statements, together with a certificate signed by the Person then authorized to sign financial statements on behalf of it, to the effect that such financial statements are true in all material respects and present fairly its financial position as at the end of, and the results of its operations for, the relevant quarterly period;

provided that, in each case such financial statements shall be true and correct copies in the English language (or an English translation of any financial statements in any other language).

If the Company makes any financial or other report (or any English translation of any financial or other report in any other language) described above available on its corporate website, the Company will be deemed to have satisfied the foregoing obligation to furnish such report (or such translation) to the Holders upon request.

In addition, so long as any of the Notes remains outstanding, the Company will provide to the Trustee promptly and in any event within 30 days after it obtains actual knowledge of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes an Event of Default and an Officer's Certificate setting forth the details thereof and the action it is taking or proposes to take with respect thereto.

Further, the Company has agreed that, for so long as there are Notes which are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will 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 Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "**Events of Default**" in the Indenture:

(a) 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;

(b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(c) default in the performance of or breach of any provisions of the covenants described under "— *Consolidation, Merger and Sale of Assets*" or failure to make or consummate a Change of Control Offer in the manner described under the caption "— *Repurchase of Notes Upon a Change of Control Triggering Event*";

(d) default in the performance of or breach of any other covenant or agreement in the Indenture or under the Notes (other than a default specified in paragraph (a), (b) or (c) above) and such default or breach continues for a period of 60 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the outstanding Notes;

(e) there occurs with respect to any Debt of the Company or any of its Material Subsidiaries having an outstanding principal amount of US$30 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Debt of all such Persons, whether such Debt now exists or will hereafter be created, (A) an event of default that has caused the holder thereof to declare such Debt to be due and payable prior to its Stated Maturity or (B) the failure to make a payment of principal (subject to the applicable grace period in the relevant documents) of such Debt when the same becomes due;

(f) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Material Subsidiaries 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$30 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Company or any Material 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 Material Subsidiary or for any substantial part of the property and assets of the Company or any Material 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 Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect; or

(h) the Company or any Material Subsidiary (i) 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, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Material Subsidiary or for all or substantially all of the property and assets of the Company or any Material Subsidiary or (iii) effects any general assignment for the benefit of creditors.

If an Event of Default (other than an Event of Default specified in paragraph (g) or (h) above) occurs and is continuing under the Indenture, 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, may, and the Trustee at the written request of such Holders will (subject to being indemnified and/or secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest 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 will be immediately due and payable. If an Event of Default specified in paragraph (g) or (h) above occurs, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and the Trustee, may on behalf of all of the Holders, waive all past defaults and rescind and annul a declaration of acceleration and its consequences with respect to the Notes if:

(a) the Company pays or deposits with the Trustee a sum sufficient to pay all monies then due with respect to the Notes (other than amounts due solely because of such declaration of acceleration) and all other existing Events of Default have been cured or waived, and

(b) 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.

If an Event of Default occurs and is continuing, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

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, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability, and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not pursue or institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(a) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security and/or prefunding; and

(e) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest, and Additional Amounts, if any, on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will 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 120 calendar days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Subsidiaries and the Company's performance under the Indenture and the Notes and that the Company has fulfilled all 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 in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that an Event of Default has occurred or the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not 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 its properties and assets, computed on a consolidated basis with its Subsidiaries (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) the Company will be the continuing Person, or the Person (if other than the Company) 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 the jurisdiction in which the Company is organized 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 and the Notes, including the obligation to pay Additional Amounts, and the Indenture and the Notes will remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(c) the Company delivers to the Trustee an Officer's Certificate and 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 that the relevant supplemental indenture is enforceable.

For purposes of this covenant, the conveyance, transfer or lease of all or substantially all of the property or assets of one or more Subsidiaries of the Company, which constitutes all or substantially all of the property or assets of the Company and its Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the property or assets of the Company.

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 that may adversely affect Holders.

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 or the Notes, 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, 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 or the Notes in connection with an exchange offer, the Company and any of its Subsidiaries may exclude (a) holders or beneficial owners of the Notes that are not qualified institutional buyers as defined in Rule 144A under the Securities Act, and (b) holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such holders or beneficial owners would require the Company or any of its Subsidiaries to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

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 payments of all amounts due to the Trustee were made, 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 and to pay Additional Amounts) if, among other things:

(a) the Company has (i) deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest, premium, if any, 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 (ii) delivered to the Trustee (x) 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 the Notes and (y) an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive security in such trust;

(b) the Company has delivered to the Trustee either (x) 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 (y) a ruling directed to the Company or the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel;

(c) the Company has delivered to the Trustee an Officer's 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

(d) 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, will 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 will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Material Subsidiary is a party or by which the Company or any Material Subsidiary is bound.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture may be amended or supplemented, without the consent of any Holder of Notes, to:

(a) cure any ambiguity, defect or inconsistency in the Indenture or the Notes;

(b) comply with the provisions described under "*Certain Covenants — Consolidation, Merger and Sale of Assets*";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any guarantor or guarantee with respect to the Notes;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) effect any change 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;

(g) effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC;

(h) provide collateral to secure the Notes;

(i) make any other change that does not materially and adversely affect the rights of any Holder of Notes;

(j) comply with the rules of any applicable securities depositary; or

(k) conform the text of the Indenture or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

Amendments With Consent of Holders

Amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes, *provided that* no such modification, amendment or waiver may, without the consent of each Holder:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note;

(d) 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;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture, to waive compliance with certain provisions of the Indenture or to waive certain defaults;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) amend, change or modify (i) the obligation of the Company in respect of the due and punctual payment of the principal of, premium, if any, or interest on, any Note; (ii) the obligation of the Company to pay Additional Amounts, or (iii) the ranking of the Notes, in each case, in a manner that adversely affects the Holders; or

(h) reduce the premium payable upon the redemption or repurchase of any Note, or change the time at which any Note may be redeemed or repurchased as described above under the captions "— *Repurchase of Notes Upon a Change of Control Triggering Event*" or "— *Redemption for Taxation Reasons*."

No Personal Liability of Incorporators, Shareholders, Directors, Commissioners, Officers 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 in the Indenture, or in any of the Notes or because of the creation of any Debt represented thereby, will be had against any incorporator, shareholder, director, commissioner, officer, employee or controlling person of the Company 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. Such waiver may not be effective to waive liabilities under the applicable securities laws.

Concerning the Trustee and the Agents

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 or the Notes, as the case may be, and no implied covenants or obligations will be read into the Indenture and the agent appointment letter against the Trustee or the Agents. 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 or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. or the Notes. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of 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 Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

The Trustee shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee nor the Agents will be responsible for the calculation or verification of the Applicable Premium.

The Trustee is permitted to engage in other transactions with the Company and its Affiliates, including normal banking and trustee relationships, and shall not be obligated to account for any profits therefrom; *provided that* if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties.

The Trustee will be under no obligation to exercise and have absolute and uncontrolled discretion as to exercise or non-exercise of any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders have offered to the Trustee and, if the Trustee accepts such offer, the Trustee has received, indemnity and/or security and/or prefunding satisfactory to the Trustee against any loss, liability or expense. The Trustee will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from their exercise or non-exercise. Whenever in the Indenture, the Notes or by law, the Trustee shall have discretion or permissive power it may decline to exercise the same in the absence of approval by the Noteholders. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification submitted to it by the Company and is entitled to rely exclusively on the certification contained therein, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of its obligations under the Indenture and the Notes.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company 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

Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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 the Trustee as 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 the Trustee as 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*."

Notes transferred to institutional "accredited investors" (as defined in Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Securities Act (an "**Institutional Accredited Investor**")) who are not qualified institutional buyers ("**Non-Global Purchasers**") will be in registered form without interest coupons ("**Certificated Notes**"). Upon the transfer of Certificated Notes initially issued to a Non-Global Purchaser to a qualified institutional buyer or in accordance with Regulation S, such Certificated Notes will, unless the relevant Global Note has previously been exchanged in whole for Certificated Notes, be exchanged for an interest in a Global Note. For a description of the restrictions on the transfer of Certificated Notes, see "*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). Beneficial owners may hold their interests in a Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Euroclear and Clearstream will hold interests in the 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, premium, if any, 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, the Trustee nor the Paying 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 of, premium, if any, 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.

The Company expects that DTC will take any action permitted to be taken by a holder of Notes (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*."

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, the Trustee or the Paying 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 by the Company within 90 days, the Company will issue Certificated Notes in registered form, 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 the DTC's rules and procedures in addition to those 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 ("**indirect participants**"). 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, premium, if any, 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

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

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules. Secondary market trading between Clearstream participants and/or Euroclear 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.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the U.S. depositaries.

Because of time zone differences, credits of Notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the Business Day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such Business Day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the Business Day following settlement in DTC.

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 and the rules of the SGX-ST so require.

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) addressed to 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 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 will be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Language

The Notes and the Indenture will be executed in both English and Bahasa Indonesia to comply with Law 24 of 2009 regarding Flag, Language, National Emblem and National Anthem enacted July 9, 2009, and in the event of any inconsistency between the English and Bahasa Indonesia versions of these documents, the English version shall prevail. See "*Risk Factors — Risks Relating to Indonesia — There is uncertainty under Indonesian law as to the validity and enforceability of English language documents such as the Indenture*."

Consent to Jurisdiction; Service of Process

The Company will irrevocably (i) 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 or the Indenture or any transaction contemplated thereby and (ii) designate and appoint Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York, 10017, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

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.

"**Affiliate**" means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or (b) who is a commissioner, director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. 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.

"**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, Singapore or Indonesia or the city where the corporate trust office of the Trustee is then located are authorized by law or governmental regulation to close;

provided that, solely for purposes of determining the date of any payment to be made on any Note, "**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, Singapore, Indonesia or the 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.

"**Change of Control**" means the occurrence of any event resulting in either:

(a) a PGN Change of Control Triggering Event, or

(b) PGN (or any successor entity thereto or any entity with which it merges or into which it is merged or which acquires all or substantially all of its properties and assets) ceasing to (x) control the Company and (y) directly or indirectly own at least 51.0% of the issued and paid-up shares of the Company.

For purposes of this definition, "**control**," as used with respect to the Company, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the Company, whether through the ownership of voting securities, by agreement or otherwise.

"**Change of Control Triggering Event**" means a Change of Control; *provided, however, that*, in relation solely to prong (b) of the definition of "Change of Control," in the event that the Notes are, on the Rating Date, rated Investment Grade by two (2) or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"**Clearstream**" means Clearstream Banking, société anonyme or any successor thereof.

"**Commission**" means the U.S. Securities and Exchange Commission, as from time to time constituted under the Exchange Act, or if at any time after the execution of this instrument such Commission is not existing, then the body performing such duties on such date.

"**Debt**" means, with respect to any Person as of any date of determination, without duplication, (a) all obligations, contingent or otherwise, of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, notes or other similar instruments, (c) all obligations of such Person in respect of letters of credit or other similar instruments, (d) all obligations of such Person to pay the unpaid purchase price of any property or service, (e) all obligations secured by a Lien on any property or asset of such Person, whether or not such obligations are assumed by such Person and (f) all obligations of others guaranteed by such Person to the extent of such guarantees and, for clauses (a), (b), (c) and (e), which has a final maturity of one year or more. The amount of Debt of any Person as of any date of determination shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such Person for any such contingent obligations at such date and, in the case of clause (d), the lesser of the fair market value (as determined in good faith by the board of directors of such Person) at such date of the property or asset of such Person subject to a Lien securing the obligations of others and the amount of such obligations secured.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**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.

"**DTC**" means The Depository Trust Company and its successors.

"**Euroclear**" means Euroclear Bank S.A./N.V. or any successor thereof.

"**GAAP**" means generally accepted accounting principles in Indonesia as in effect from time to time.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt 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 Debt 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 Debt 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**" will not include endorsements for collection or deposit in the ordinary course of business. The term "**guarantee**" used as a verb has a corresponding meaning.

"**Holder**" means the Person in whose name a Note is registered in the Register.

"**Investment Grade**" means 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 S&P or any of its successors or assigns; 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; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings 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 S&P, Moody's, or Fitch or any combination thereof, as the case may be.

"**Lien**" means any mortgage, pledge, fiduciary, 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 but excluding liens arising by operation of law).

"**Material Subsidiary**" means at any time a Subsidiary of the Company:

(a) whose total revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, are equal to) not less than 10.0% of the consolidated total revenues, or, as the case may be, consolidated total assets, of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries, *provided that*, in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Company; or

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Company which immediately prior to such transfer is a Material

Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Company and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, generate total revenues equal to) not less than 10.0% of the consolidated total revenues of the Company, or represent (or, in the case aforesaid, are equal to) not less than 10.0% of the consolidated total assets of the Company and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate total revenues equal to) not less than 10.0% of the consolidated total revenues of the Company, or its assets represent (or, in the case aforesaid, are equal to) not less than 10.0% of the consolidated total assets of the Company and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Company and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

"**Note Documents**" means the Indenture and the Notes.

"**Offer to Purchase**" means an offer to purchase the Notes by the Company from the Holders commenced by the Company mailing a notice by prepaid courier or first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Register stating:

(a) that the offer is being made pursuant to the provisions of the Indenture described under the caption "*Repurchase of Notes Upon a Change of Control Triggering Event*" and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(b) the purchase price and the date of purchase (which will 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**");

(c) that any Note not tendered will continue to accrue interest pursuant to its terms;

(d) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase will cease to accrue interest on and after the Offer to Purchase Payment Date;

(e) 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;

(f) 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;

(g) 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 will be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof; and

(h) the CUSIP number(s) of the Notes.

One (1) Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company will (a) accept for payment on a pro rata basis 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 Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Paying Agent will as soon as reasonably practicable mail to the Holders the accepted payment in an amount equal to the purchase price, and the Trustee will as soon as reasonably practicable 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 will be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

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.

"**Officer**" means one of the executive officers or directors of the Company.

"**Officer's Certificate**" means a certificate signed by one Officer.

"**Opinion of Counsel**" means a written opinion from legal counsel which opinion is reasonably acceptable to the Trustee that meets the requirements of the Indenture; *provided that* legal counsel shall be entitled to rely on a certificate of the Company as to matters of fact.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indenture.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**PGN**" means PT Perusahaan Gas Negara (Persero) Tbk., an entity incorporated with limited liability in the Republic of Indonesia.

"**PGN Notes**" means any outstanding foreign currency denominated notes issued by PGN from time to time.

"**PGN Change of Control**" means the occurrence of any event resulting in the government of the Republic of Indonesia ceasing to directly own and control at least 51.0% of the issued and paid-up shares of PGN.

"**PGN Change of Control Triggering Event**" means a PGN Change of Control; *provided, however, that*, in the event that any of the PGN Notes are, on the PGN Rating Date, rated Investment Grade by two or more Rating Agencies, a PGN Change of Control Triggering Event shall mean the occurrence of both a PGN Change of Control and a PGN Rating Decline in respect of such PGN Notes. No PGN Change of Control Triggering Event will be deemed to have occurred in connection with any particular PGN Change of Control unless and until such PGN Change of Control has actually been consummated.

"**PGN Rating Date**" means, in connection with a PGN Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a PGN Change of Control and (ii) a public notice of the occurrence of a PGN Change of Control.

"**PGN Rating Decline**" means, in connection with a PGN Change of Control Triggering Event, the occurrence on, or within 90 days after, the date of, or public notice of the occurrence of, a PGN Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the PGN Change of Control) so long as the rating of the applicable PGN Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of the following event: the applicable PGN Notes (a) are on the PGN Rating Date rated Investment Grade by at least two Rating Agencies and (b) cease to be rated Investment Grade by at least two of such Rating Agencies.

"**Rating Agencies**" means (a) Standard & Poor 's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**"); (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (c) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("**Fitch**"); and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, a United States nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be.

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control.

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within 90 days after, the date of, or public notice of the occurrence of, a Change of Control (which period shall be extended (by no more than an additional three (3) months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of the following event: such Notes are (a) on the Rating Date rated Investment Grade by at least two Rating Agencies and (b) cease to be rated Investment Grade by at least two of such Rating Agencies.

"**Securities**" means bonds, debentures, notes or other similar securities having an original maturity of more than one (1) year from its date of issue which (a) are, or are issued with the intention on the part of the issuer thereof that they should be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market, and (b) either (i) are by their terms payable, or confer a right to receive payment, in any currency other than Rupiah or (ii) are denominated in Rupiah and more than 50% of the aggregate principal amount of the offering of such securities is initially distributed outside Indonesia by or with the Company's consent.

"**Stated Maturity**" means, (a) with respect to any Debt, the date specified in such debt security as the fixed date on which the final installment of principal of such Debt is due and payable as set forth in the documentation governing such Debt and (b) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt.

"**Subsidiary**" means (a) any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company or (b) any subsidiary subject to consolidation with the Company's financial statements under GAAP.

"**U.S. Government Obligations**" means securities that are (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (b) 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 will 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.

The following discussion is a summary of certain Indonesian and United States federal income tax consequences under present law of the purchase, ownership and disposition of the Notes. It addresses only purchasers who will hold Notes as capital assets and, in the case of the discussion of U.S. federal income taxation, use the U.S. Dollar as their functional currency; it does not address the tax treatment of investors subject to special rules including banks, dealers, insurance companies, tax-exempt entities, and persons holding Notes as part of a hedge, straddle, conversion or constructive sale transaction. It does not address state, local and foreign tax consequences of ownership and disposition of Notes.

INDONESIAN TAXATION

The following is a summary with respect to taxes imposed by the Government of Indonesia relevant to the prospective Noteholders who are not tax resident of Indonesia and have no permanent establishment in Indonesia. It addresses only to purchasers who will hold Notes as capital assets. The summary does not address any laws other than the tax laws of Indonesia as of the date of this Offering Memorandum.

The summary represents a general guide only. The summary does not constitute tax advice for particular individual or corporate Noteholders. Prospective investors in all jurisdictions are advised to consult their own tax advisors as to other tax consequences of the acquisition, ownership and disposition of the Notes relevant to their facts and circumstances.

General

In general, an individual is considered to be a non-resident taxpayer of Indonesia if the individual does not reside in Indonesia or does not stay (or intended to stay) in Indonesia for more than 183 days within a twelve month period. An entity will be considered a non-resident taxpayer of Indonesia if the entity is not established or domiciled in Indonesia. In determining the tax residency and tax status of an individual or corporation, consideration will also be given to the provision of any applicable double tax treaty which Indonesia has concluded with other countries ("**Tax Treaty**"). In this section, both a non-resident individual and a non-resident company will be referred to as "**Non-resident Taxpayers**."

Non-resident Taxpayers who derive Indonesian sourced income, including interest, are generally subject to a final withholding tax on that income at a rate of 20%, as long as the income is not effectively connected with a permanent establishment of the Non-resident Taxpayers in Indonesia. This withholding tax may be reduced or eliminated under the provisions of any applicable Tax Treaty. If the income is effectively connected with a permanent establishment in Indonesia, such income shall be regarded as income earned by the permanent establishment, and is taxable in the same manner as for resident taxpayers.

Taxation on interest and other payments related to the Notes

Payment of principal under the Notes is subject to withholding tax in Indonesia. A final withholding tax of 20% applies to interest and other payments related to the Notes paid or due to be paid by the Company to the Non-resident Taxpayers with no permanent establishment in Indonesia. However, the withholding tax rate could be reduced or exempt under an applicable Tax Treaty between Indonesia and countries where the Noteholders become tax residents. Application of the reduced rate or exemption of withholding tax is subject to requirements under the applicable Tax Treaty and the Indonesian tax regulations including the requirement that the interest recipient be the beneficial owner of the income (see "*— Anti-Avoidance Rule on the Tax Treaty and Certificate of Domicile ("CoD") Requirements"* below).

Taxation on sale or disposal of Notes

Income derived by a Non-resident Taxpayers, without a permanent establishment in Indonesia, from the disposal of Notes to another Non-resident Taxpayers, may not be subject to Indonesian income tax. However under Government Regulation No. 16/2009 effective 1 January 2009 ("**Tax Regulation No. 16**") and amended by Government Regulation No. 100/2013 which took effect on 31 December 2013 ("**Tax Regulation No. 100**"), 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 taxpayer. Under Tax Regulation No. 16 and the amendment, Tax Regulation No. 100, 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 Taxpayers are tax resident of a country that has a tax treaty with Indonesia in which there is specific capital gain exemption provision for the disposal of the Notes, relief from the imposition of such withholding tax shall be available. The reduced rate of withholding tax applicable to Non-resident Taxpayers who resides in a treaty country is also subject to the satisfaction of eligibility and reporting requirements under the relevant tax treaty and domestic tax regulations (see "*— Anti-avoidance rule on the Tax Treaty and CoD requirements"* below).

Anti-avoidance rule on the Tax Treaty and CoD requirements

Indonesia has concluded tax treaties with a number of countries, including the United States, the United Kingdom, the Netherlands, Australia, Belgium, Canada, France, Germany, Japan, Singapore, Sweden and Switzerland. The relevant Tax Treaty may affect the definition of Non-resident Taxpayers and level of withholding tax applied to payments on the Notes.

Where a Tax Treaty exists and the eligibility requirements of that treaty are satisfied, a reduced rate of withholding tax may be applicable on interest (or payments in the nature of interest, such as premium or discount).

Indonesia has specific rules regarding the application of benefits under the various Tax Treaties. The requirements include absence of misuse of the Tax Treaty, as well as administrative requirements under Indonesian tax regulations that are applicable to Non-resident Taxpayers and the Non-resident Taxpayers must be the beneficial owners of the income received from Indonesia, if relevant. Some Tax Treaties also provide an exemption from Indonesian tax on any capital gains of Non-resident Taxpayers arising from alienation of certain properties in Indonesia.

On November 5, 2009, the DGT issued two regulations which are designed to prevent Tax Treaty abuse, i.e. PER-61/PJ./2009 ("**DGT-61**") regarding the administrative procedures to apply a Tax Treaty, including the template of Form-DGT 1 and Form DGT-2 (as amended on December 15, 2009) and PER-62/PJ./2009 ("**DGT-62**") regarding the avoidance of tax treaty misuse. Further, on April 30, 2010, those tax regulations were amended, respectively, by DGT Regulation No. PER-24/PJ/2010 and No. PER-25/PJ/2010. These new regulations set out stringent anti-tax treaty misuse tests (please see below the misuse tests) and administrative requirements to be satisfied.

Failure to comply with the conditions means that Indonesian withholding tax will apply at 20%. Under DGT-61 and DGT-62, in order for Non-resident Taxpayers or recipient of the payment from Indonesia to be eligible for Tax Treaty benefit, they must:

(a) not be an Indonesian tax resident;

(b) not commit any Tax Treaty misuse; and

(c) fulfill administrative requirements necessary to implement the Tax Treaty provisions.

DGT-62 stipulates that misuse of a Tax Treaty may occur in the case that:

(d) a transaction does not have economic substance and is structured with the sole purpose of enjoying Tax Treaty benefits;

(e) a transaction is structured such that the legal form is at variance with the economic substance for the sole purpose of enjoying Tax Treaty benefits; or

(f) an income recipient is not the beneficial owner of the income (e.g., the income recipient is merely an agent or a nominee or a conduit company).

The beneficial owner criteria shall be applied only to income for which the article in the relevant Tax Treaty contains the beneficial owner requirement. Usually this is relevant for interest income.

DGT-62 defines that the beneficial owner of income is the Non-resident Taxpayers income recipient, provided such person is not acting as an agent, a nominee, or a conduit company. Agent is defined as a person or an entity that acts as an intermediary and conducts action for and/or on behalf of another party. A nominee is defined as a person or an entity that legally owns an asset and/or income (i.e., a legal owner) for the interests of or based on instruction/mandate from a party who is the actual owner of the asset and/or the party who actually enjoys the benefit of the income. A conduit company is defined as a company which enjoys Tax Treaty benefits in relation to income sourced from another country, while the economic benefits of said income is owned by persons in that other country who would not be able to enjoy Tax Treaty benefits if such income were directly received by them. However, in practice the DGT does not apply a look through to the ultimate owner of the economic benefit of the income and therefore immediately denies the application of any Tax Treaty provision if the Indonesian income is paid to a conduit company.

DGT-62 further states that the following Non-resident Taxpayers, residing in a treaty partner country, shall not be deemed to commit Tax Treaty misuse:

(a) an individual who is not acting as an agent or a nominee;

(b) an institution whose name is clearly stated in the Tax Treaty or one that has been jointly agreed by the competent authorities in Indonesia and the treaty partner country;

(c) a Non-resident Taxpayer that receives or earns income through a custodian in relation to income from transaction on the transfer of shares or bonds that are traded or reported in a capital market in Indonesia, other than interest and dividends, in the case that the Non-resident Taxpayer is not acting as an agent or a nominee;

(d) a company whose shares are listed in the stock exchange and are regularly traded;

(e) a pension fund that is established under the laws of the Tax Treaty partner country and is a tax subject of the Tax Treaty partner country;

(f) a bank; or

(g) a company that satisfies the following conditions:

    (i) the establishment of the company in the Tax Treaty partner country or the arrangement of the transaction structure/scheme is not aimed solely at utilizing Tax Treaty benefits;

    (ii) the company has its own management to conduct business and the management has independent discretion;

(iii) the company has sufficient qualified employees;

(iv) the company engages in active business activities;

(v) the income derived from Indonesia is subject to tax in the country of the recipient; and

(vi) the company does not use more than 50% of its total income (non-consolidated) to fulfill obligations to other parties in the form of interest, royalty, or other fees (excluding reasonable remuneration to employees, other expenses normally incurred by the company in running the business, or dividends distribution to shareholders).

Those conditions are reflected in Part V, point 7-12 of Form DGT-1. According to DGT-61 and DGT-62, Tax Treaty relief can only be applied if the answer to all of those questions under point (g) above would be yes. If any of the answers is no, withholding tax of 20% is due.

When a company receives income for which the provision in the relevant Tax Treaty does not stipulate a beneficial owner requirement, the company will not be deemed to commit misuse of Tax Treaty if the establishment of the company or the arrangement of the transaction structure/scheme is not aimed solely at utilizing the relevant Tax Treaty benefits.

In addition, in the event that it is found that the legal form of a structure of a particular transaction is different from its economic substance, the DGT will apply the "substance over form" principle in imposing taxes in accordance with the economic substance of the transaction.

Under DGT-61, the administrative requirements to be fulfilled by the Non-resident Taxpayers in order to apply the Tax Treaty benefit are in the specific CoD form, which must be:

(a) in the form prescribed by the DGT (i.e., Form DGT-1 or Form DGT-2, where applicable);

(b) filled in completely by the Non-resident Taxpayers;

(c) signed by the Non-resident Taxpayers or marked in a way that is similar to a signature and which marking is considered a common practice in that treaty country;

(d) certified by the competent tax authority, the legal representative or the tax office official of the treaty country of the Non-resident Taxpayers in the form of signature or marked in a way that is similar to a signature and which marking is considered a common practice in that treaty country; and

(e) submitted prior to the filing of the relevant monthly tax return for the tax period of the tax payable.

The sign-off of foreign residency by the foreign tax authority in page 1 of Form DGT-1 or Form DGT-2 can be substituted with a standard CoD issued by the foreign tax authority, subject to it meeting certain conditions. The CoD is to confirm that the Non-resident Taxpayers income recipient is a tax resident of the foreign country. The page one and two of Form DGT-1 or Form DGT-2 must still be completed in other respects. The second page of Form DGT-1 does not require any sign-off by a competent tax authority. The second page of Form DGT-1 requires the Non-resident Taxpayers income recipient to confirm that it satisfies the relevant test(s).

The original and valid Form DGT-1 or Form DGT-2 shall be obtained before the tax withholding is due and shall be made available to the tax withholder before the monthly withholding tax return filing deadline, i.e. the 20th day of the following month, to be submitted along with the monthly withholding tax returns. If there is any late filing or the signature of the competent authority in the respective

jurisdiction is received after the date when withholding tax is due, the withholding tax of 20% is due. The first page of Form DGT-1 or Form DGT-2 is valid for 12 months since the date of validation and must be renewed subsequently. However, the second page of Form DGT-1 shall be produced by the Non-resident Taxpayers income recipient in respect of each payment of income.

Stamp duty

In Indonesia, nominal stamp duty applies per document basis, and is not computed based on the value of the transaction. Stamp duty applies on 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 Rp1,000,000 is Rp6,000. Smaller or exempted stamp duty applies for value of Rp1,000,000 or lower. Generally, the stamp duty is due at the time the document is executed. Stamp duty is payable by the party who benefits from the executed document unless all parties involved decided otherwise.

Other Indonesian taxes

There are no Indonesian estate, inheritance, succession or gift taxes generally applicable to the acquisition, ownership or disposition of the Notes. There are no Indonesian registrations or similar taxes payable by the Noteholders.

Singapore Taxation

The statements made herein regarding Singapore taxation are general in nature and based on certain aspects of the current tax laws of Singapore, administrative guidelines and circulars issued by the Monetary Authority of Singapore ("**MAS**") in force as of the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or in the interpretation of these laws, guidelines or circulars, occurring after such date, which changes could be made on a retrospective basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes ("**Noteholders**") or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Noteholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposition of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject to. It is emphasized that none of the Company, the Joint Bookrunners and any other persons involved in the issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and other payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent

establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after January 1, 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after February 15, 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the issue of the Notes is jointly lead-managed by the Joint Bookrunners and on the basis that more than half of them are Financial Sector Incentive (Bond Market) ("**FSI-BM**"), Financial Sector Incentive (Capital Market) ("**FSI-CM**") or Financial Sector Incentive (Standard Tier) ("**FSI-ST**") Companies (as defined in the ITA) at such time and more than half of the Notes issued are distributed by FSI-BM, FSI-CM or FSI-ST Companies, and the Notes are issued as debt securities prior to December 31, 2018, the Notes would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the submission by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require and subject to the Company including in all offering documents relating to the Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Notes by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Notes paid by the Company and derived by a holder who is not resident in Singapore and who (aa) does

not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore income tax;

(b) subject to certain conditions having been fulfilled (including the submission by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes that the MAS may require), Qualifying Income from the Notes paid by the Company and derived by any company or a body of persons (as defined in the ITA) in Singapore is subject to Singapore income tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

(i) the Company including in all offering documents relating to the Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(ii) the submission by the Company, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes that the MAS may require,

payments of Qualifying Income derived from the Notes are not subject to withholding of Singapore tax (if any) by the Company.

Notwithstanding the foregoing:

(a) if during the primary launch of the Notes, the Notes are issued to fewer than four persons and 50% or more of the issue of the Notes are beneficially held or funded, directly or indirectly, by related parties of the Company, the Notes would not qualify as QDS; and

(b) even though the Notes are QDS, if, at any time during the tenure of the Notes, 50% or more of the Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Company, Qualifying Income derived from the Notes held by:

(i) any related party of the Company; or

(ii) any other person where the funds used by such person to acquire the Notes are obtained, directly or indirectly from any related party of the Company,

shall not be eligible for the tax exemption or concessionary rate of tax described above.

The term "**related party**," in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person directly or indirectly are under the control of a common person.

The terms "**break cost**," "**prepayment fee**" and "**redemption premium**" are defined in the ITA as follows:

"break cost," in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"prepayment fee," in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"redemption premium," in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost," "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above and if applicable) shall not apply if such person acquires such Notes using funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) derived from the Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

Gains on disposal of the Notes

Any gains considered to be in the nature of capital made from the disposal of the Notes will not be taxable in Singapore. However, any gains derived by any person from the disposal of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Noteholders who apply or are required to apply Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement ("**FRS 39**"), may for Singapore income tax purposes be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "*Adoption of FRS 39 Treatment for Singapore Income Tax Purposes.*"

Adoption of FRS 39 treatment for Singapore income tax purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition and Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Noteholders who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after February 15, 2008.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of Notes. This discussion addresses only U.S. Holders (as defined below) that purchase Notes in the original Offering at the original issue price, hold Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is a general summary only; it is not a complete description of all U.S. tax considerations relating to the purchase, ownership and disposition of Notes. It does not address the tax treatment of U.S. Holders that will hold Notes in connection with a permanent establishment outside of the United States. It also does not address the tax treatment of U.S. Holders subject to special rules, such as banks and certain other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities, securities traders that elect to mark-to-market, U.S. expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt entities, persons that will hold Notes as part of a hedge, straddle, conversion or other integrated financial transaction. This summary does not address U.S. federal taxes other than the income tax (such as estate or gift taxes or alternative minimum tax), state, local, non-US or other tax laws or matters. This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE NOTES UNDER THE LAWS OF INDONESIA, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of Notes that is, for purposes of U.S. federal income taxation, a (i) citizen or resident of the United States, (ii) corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia, (iii) trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that acquires, holds and disposes of Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of the Notes.

Interest

It is anticipated, and this discussion assumes, that the Notes will be issued with no more than a de minimis amount of original issue discount ("**OID**"). Interest on the Notes, including the amount of Indonesian tax withheld therefrom and any Additional Amounts paid in respect of such withholding, will generally be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest on the Notes will generally be ordinary income from sources outside the United States. A U.S. Holder of Notes eligible for benefits under the income tax treaty between the United States and Indonesia (the "**Treaty**") will generally be entitled to a reduced 10% rate of Indonesian withholding taxes on interest. Each U.S. Holder should consult its own tax advisor about its eligibility for, and the procedures for claiming, a reduced rate of Indonesian withholding tax under the Treaty and should read the discussion above in *Taxation — Indonesian Taxation — Wthholding Tax on Interest* and in *Taxation — Indonesian Taxation — Anti-Avoidance Rule on the Tax Treaty and Certificate of Domicile ("CoD") Requirements*. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

Interest will be included in net investment income for purposes of the Medicare tax applicable to certain non-corporate U.S. Holders.

Disposition

A U.S. Holder will generally recognize gain or loss on the sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized, including any amounts withheld in respect of Indonesian withholding tax, (but less any accrued but unpaid interest, which will be taxable as ordinary interest income as discussed above to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will generally be its purchase price.

Gain or loss on disposition of a Note will generally be capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

As described in *Taxation — Indonesian Taxation — Withholding Tax on Sale or Disposal of Notes*, sales or other dispositions of a Note may be subject to Indonesian withholding tax. Because capital gains realized by U.S. Holders will generally be treated as arising from U.S. sources, a U.S. Holder may be restricted in their ability to claim a foreign tax credit in respect of any Indonesian tax arising on the sale or other disposition of Notes. A U.S. Holder that is eligible for the benefits of the Treaty may be able to claim an exemption from Indonesian withholding tax on a sale or other disposition of a Note. U.S. Holders should consult their own tax advisers regarding their eligibility for the benefits of the Treaty, procedure for claiming any applicable exemption from withholding, and whether they would be able to credit any Indonesian taxes withheld on a sale or disposition of their Notes against their U.S. federal income tax liabilities in their particular circumstances.

Gain will be included in net investment income for purposes of the Medicare tax applicable to certain non-corporate U.S. Holders.

Information reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the U.S. Internal Revenue Service ("**IRS")** unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for an exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of these reporting requirements on their investment in Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") among us and PT Saka Energi Indonesia, its subsidiaries, BNP Paribas, Citigroup Global Markets Singapore Pte. Ltd., UBS AG, Singapore Branch (in alphabetical order), The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, Mandiri Securities Pte Ltd. and Mizuho Securities USA LLC (the "**Initial Purchasers**"), we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of the Notes set forth opposite its name below.

Initial Purchasers	Principal Amount of Notes
BNP Paribas	US$151,515,000
Citigroup Global Markets Singapore Pte. Ltd.	US$151,515,000
UBS AG, Singapore Branch	US$151,515,000
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	US$75,758,000
Mizuho Securities USA LLC	US$75,758,000
Mandiri Securities Pte Ltd	US$18,939,000
Total	US$625,000,000

Subject to the terms and conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the Purchase Agreement if any of these Notes are purchased. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated. The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The issue of the Notes may be cancelled by the Initial Purchasers in certain circumstances at any time up to the time when the proceeds of the issue have been received and the Notes issued. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. The Initial Purchasers may offer and sell the Notes in various jurisdictions through certain of their affiliates.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Company, its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes). The Initial Purchasers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

To the extent the Initial Purchasers intend to make any offers or sales of the Notes in the United States, or to nationals or residents of the United States, they will do so only through one or more registered broker-dealers in compliance with applicable securities laws and regulations, and the rules of the Financial Industry Regulatory Authority, as well as with applicable laws of the various states.

Commissions and Discounts

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales that occur outside of the United States within the meaning of Regulation S. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. We have been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about the closing date specified on the cover page of this Offering Memorandum, which will be the sixth business day following the date of this Offering Memorandum (such settlement being referred to as "**T+6**"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+6, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 40 days after the date of the Purchase Agreement, without first obtaining the prior written consent of the Joint Bookrunners, on behalf of the Initial Purchasers (which consent shall not be unreasonably withheld), directly or indirectly offer, sell, contract to sell or otherwise dispose of any debt securities (except for the Notes sold to the Initial Purchasers pursuant to the Purchase Agreement) or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of any debt securities or securities exchangeable for or convertible into debt securities issued or guaranteed by the Company or any of its Subsidiaries and having a tenor of more than one year.

Short Positions and Stabilizing Transactions

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 involve the sale of a greater amount of Notes than the Initial Purchasers are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Notes while this offering is in progress. These activities, to the extent permitted by law, may stabilize, maintain or otherwise affect the market price of the Notes. These activities may be conducted in the over-the-counter market or otherwise. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time and must in any event be brought to an end after a limited time. These activities will be undertaken solely for the account of the stabilizing manager and not for and on behalf of the Company.

Other Relationships

Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, certain commercial banking, investment banking and advisory and other banking services for us, and/or our affiliates for which they have received or will receive customary fees and expenses. In particular, the Initial Purchasers and/or their affiliates act as arrangers and lenders under our syndicated loan facility and will receive a portion of the proceeds of the Offering in connection with the repayment thereof. See "*Use of Proceeds.*" The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company.

Selling Restrictions

General

We and the Initial Purchasers have not taken any action, nor will we and the Initial Purchasers take any action, in any jurisdiction 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, the Notes in any jurisdiction where action for that purpose is required. Accordingly, an investor may not offer or sell, directly or indirectly, any Note and may not distribute or publish either this Offering Memorandum or any other offering material or advertisements in connection with the Notes, 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 to qualified institutional buyers in accordance with Rule 144A and outside the United States in offshore transactions in accordance with 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 Initial Purchaser has severally represented and agreed that:

(a) 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 Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) 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

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means 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 or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Hong Kong

Each Initial Purchaser has severally represented and agreed that (i) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Notes other than (x) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (y) 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) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, 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 securities 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 Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser 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 (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) 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 Securities and Futures Act by a relevant person which is:

(a) 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

(b) 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) the transfer is by operation of law;

(iv) pursuant to Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

Indonesia

This offering does not and will not constitute a public offering in Indonesia under Law Number 8 of 1995 regarding Capital Market. This Offering Memorandum may not be distributed in Indonesia and the Notes may not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offering under the laws and regulations of Indonesia.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Each Initial Purchaser has severally represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any of the Notes in Japan or to, or for the account or benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Because the following restrictions will apply to the Notes, investors should consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and 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. Accordingly, the Notes are being offered and sold only:

- to "qualified institutional buyers" in compliance with Rule 144A, and
- outside the United States in offshore transactions, in reliance upon Regulation S under the Securities Act.

Rule 144A Notes

Each purchaser of the Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A (a "**QIB**"), (b) acquiring such notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such notes has been advised, that the sale of such notes to it is being made in reliance on Rule 144A.

2. It understands that such notes have not been and will not be registered under the Securities Act and (a) may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States; (b) the purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of such notes from it of the resale restrictions referred to in (a) above; and (c) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of the Notes.

3. If it is a person other than a person outside the United States, it agrees that if it should resell or otherwise transfer the Notes, it will do so only:

    - to the Company or any of our respective affiliates;
    - inside the United States to a qualified institutional buyer in compliance with Rule 144A;
    - outside the United States in compliance with Rules 903 or 904 under the Securities Act;
    - pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or
    - pursuant to an effective registration statement under the Securities Act.

4. It understands that such notes, unless otherwise agreed between the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

    "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF

THE UNITED STATES AND, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THESE NOTES FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE."

5. The Company, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

6. It understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Notes. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, it will be required to provide the Registrar with a written certification (in the form provided in the Indentures) as to compliance with applicable securities laws.

PROSPECTIVE PURCHASERS 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.

Regulation S Notes

Each purchaser of the Notes outside the United States pursuant to Regulation S, by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time such Notes are purchased will be, the beneficial owner of such notes and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

2. It understands that such Notes have not been and will not be registered under the Securities Act.

3. The Company, the Registrar, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it agrees to promptly notify us.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Freshfields Bruckhaus Deringer as to certain matters of U.S. law and by Soemadipradja & Taher as to certain matters of Indonesian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Allen & Overy LLP as to certain matters of U.S. law and by Ginting & Reksodiputro as to certain matters of Indonesian law.

INDEPENDENT PUBLIC ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2014 and 2015 were audited by Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited), independent public accountants, and as of and for the year ended December 31, 2016 were audited by KAP Tanudiredja, Wibisana, Rintis & Rekan (a member of the PricewaterhouseCoopers network of firms), independent public accountants, based on Standards on Auditing established by the IICPA, as stated in their reports included elsewhere in this Offering Memorandum.

ENERGY INDUSTRY CONSULTANT

The information contained in the section "Description of the Indonesian Oil and Gas Industry" in this Offering Memorandum, including all statistics and data therein, was prepared by Wood Mackenzie, independent energy industry consultants and experts in the energy industry, in a report dated April 13, 2017. Wood Mackenzie has given and not withdrawn its written consent to the issue of the Offering Memorandum with the inclusion herein of their name and all references thereto and to the inclusion of the "Description of the Indonesian Oil and Gas Industry" section of this Offering Memorandum, in the form and context in which it appears, and to act in such capacity in relation thereto. The "Description of the Indonesian Oil and Gas Industry" section does not include all of the information that may be important for an investment decision.

Our consolidated financial information included in this Offering Memorandum has been prepared and presented in conformity with IFAS. Certain differences exist between IFAS and U.S. GAAP which might be material to the financial information herein. The matters described below summarizes certain differences between IFAS and U.S. GAAP that may be material. We are responsible for preparing the summary below. We have not prepared a complete reconciliation of our consolidated financial statements and related footnote disclosures between IFAS and U.S. GAAP and have not quantified such differences. Accordingly, no assurance is provided that the following summary of differences between IFAS and U.S. GAAP is complete. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFAS and U.S. GAAP, and how those differences might affect the financial information herein.

Consolidation and Equity-Method Investment

Under both IFAS and U.S. GAAP, the determination of whether a subsidiary is consolidated by the parent is based on control. However there are differences in how control is defined.

Under IFAS, when an entity owns, directly or indirectly through one or more subsidiaries, more than 50% of the voting rights of another entity, it should present consolidated financial statements. An entity that owns 50% or less of the voting rights of a company is required to prepare consolidated financial statements if it can prove that control exists. Control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than 50% of the voting rights of an entity. When an entity owns 50% or less of the voting rights of another entity, control exists when one of the following conditions is met: (i) having more than 50% of the voting rights by virtue of an agreement with other investors; (ii) having the right to govern the financial and operating policies of the entity under the articles of association or an agreement; (iii) having the ability to appoint or remove the majority of the members of management; and (iv) having the ability to control the majority of votes at meetings of management.

Under IFAS, a special-purpose entity ("**SPE**") will be consolidated if the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity. Control may exist through the predetermination of the activities of the SPE or otherwise. The application of the control concept requires consideration of all relevant factors.

Under IFAS, generally the equity-method of accounting shall be used by investors (other than venture capital organizations, mutual funds, unit trusts, and similar entities) to account for their investments in associates in consolidated financial statements. Prior to the issuance of the Indonesian Statement of Financial Accounting Standards ("**SFAS**") No. 4 (Revised 2009), "Consolidated and Separate Financial Statements" ("**SFAS No. 4(R)**"), which applies to consolidated financial statements relating to periods beginning on or after January 1, 2011, presentation of separate consolidated financial statements (that is, those presented by a parent or investor) (parent-only financial statements) was not permitted. After the issuance of SFAS No. 4(R), if separate consolidated financial statements are presented by a parent or investor (parent-only financial statements), which shall be presented as supplementary information and presented as an appendix to the basic financial statements, subsidiaries and associates shall be accounted for either at cost or in accordance with SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement." Further, uniform accounting policies between investors and investees are required.

Under U.S. GAAP, consolidation generally is required when one of the companies in a group directly or indirectly has a controlling financial interest in the other companies. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a

general rule, ownership by one entity, directly or indirectly, of over 50% of the outstanding voting shares of another entity is a condition pointing towards consolidation. Consolidation of majority-owned subsidiaries is required in the preparation of consolidated financial statements, unless control does not rest with the majority owner.

Under U.S. GAAP, an entity is also to be considered for consolidation if the entity is a variable-interest entity ("**VIE**"). An entity shall consolidate a VIE if that entity has a variable interest that will absorb a majority of the VIE's expected losses, receive a majority of the entity's expected residual returns, or both. An entity shall consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of the VIE's expected losses, receive the majority of the VIE's expected residual returns, or both. If one entity will absorb a majority of a VIE's expected losses and another entity will receive a majority of that VIE's expected residual returns, the entity absorbing a majority of the losses shall consolidate the VIE. The entity that consolidates a VIE is called the primary beneficiary of that VIE. A primary beneficiary of a VIE is an entity that has both of the following: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Under U.S. GAAP, entities are provided with the option to account for equity-method investments at their fair value or equity-method of accounting. Further, uniform accounting policies between investor and investee are not required if the investee follows an acceptable alternative U.S. GAAP treatment.

Inventories

Under IFAS, inventories are measured at the lower of: (i) book value (cost less amortization) (for program material inventories), or (ii) cost (for inventories other than program material inventories), or their net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Under IFAS, the use of the LIFO method in determining the cost of inventory is not permitted.

Under IFAS, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

Under U.S. GAAP, inventories are carried at the lower of cost or market value. Market value is defined as the current replacement cost (by purchase or by reproduction), provided that it meets both of the following conditions: (i) market value shall not exceed net realizable value, and (ii) market value shall not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

Under U.S. GAAP, the use of the LIFO method in determining the cost of inventory is permitted. Under U.S. GAAP, inventories that were previously written-down below cost cannot be reversed.

Borrowing Costs

Under IFAS, eligible borrowing costs to be capitalized as part of qualifying assets include exchange rate differences from foreign currency borrowings. For borrowings associated with a specific qualifying asset, actual borrowing costs are capitalized and offset by investment income earned on those borrowings.

Under U.S. GAAP, eligible borrowing costs to be capitalized as part of qualifying assets do not include exchange rate differences. Interest earned on the investment of borrowed funds generally cannot offset interest costs incurred during the period. For borrowings associated with a specific qualifying asset, borrowing costs equal to the weighted-average accumulated expenditures times the borrowing rate are capitalized.

Rehabilitation Costs and Asset Retirement Obligation ("ARO")

IFAS requires that management's best estimate of the costs of dismantling and removing the item or restoring the site on which it is located be recorded when an obligation exist. The estimate is to be based on a present obligation (legal or constructive) that arises as a result of the acquisition, construction or development of a long-lived asset.

If it is not clear whether a present obligation exists, the entity may evaluate the evidence of a more-likely-than-not threshold. This threshold is evaluated in relation to the likelihood of settling the obligation. The measurement of the liability is based on the present value of the expenditure expected to be required to settle the obligation.

The anticipated cash flows are discounted using a pre-tax discount rate (or rates) that reflect(s) current market assessment 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. The estimated liability shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimates.

The carrying amount of the liability increases in each period to reflect the passage of time with said increase recognized as a borrowing cost in profit or loss. According to ISAK9, Change in Existing Decommissioning, Restoration and Similar Liabilities, changes to the amount of retirement obligation that was initially capitalized in the related asset are due to: (a) changes in the estimated timing or amount of the cash outflows; (b) changes to the discount rate; or (c) and increase that reflects the passage of time (also referred to as the unwinding of the discount), which shall be adjusted to the carrying value of the related assets.

Adjustments may result in an increase in the carrying amount of an asset beyond its recoverable amount. An impairment loss would result in such circumstances. Adjustments may not reduce the carrying amount of and asset to a negative value. Once the carrying value reaches zero, further reductions are recorded in profit or loss.

Under U.S. GAAP, ARO are recorded at fair value and are based upon the legal obligation that arises as a result of an acquisition, construction, or development of a long-lived asset. The use of a credit-adjusted, risk-free rate is required for the discounting purposes when an expected present-value technique is used for estimating the fair value of the liability. The guidance also requires an entity to measure changes in the liability for an ARO due to (a) passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period; and (b) revisions to either the timing or the amount of the original estimate of undiscounted cash flow.

The interest rate used for measuring that change would be the credit-adjusted, risk-free rate that existed when the liability, or portion thereof, was initially measured. In addition, changes to the undiscounted cash flows are recognized as an increase or a decrease in both the liability for an ARO and the related asset retirement cost.

Upward revisions are discounted by using the current credit-adjusted, risk-free rate. Downward revisions are discounted by using the credit-adjusted, risk-free rate that existed when the original liability was recognized. If an entity cannot identify the prior period to which the downward revision relates, it may use a weighted average, credit-adjusted, risk-free rate to discount the downward revision to estimated future cash flows.

Oil and Gas Reserves and Resources

Based on IFAS, there is no prescribed oil and gas reserve classification and there is no restriction on categories use for financial reporting purposes. Also there is no specific requirement to disclose reserves and resources.

Under U.S. GAAP, entities must use the definitions of "reserves" and "resources" approved by the SEC. Only proved reserves can be disclosed for financial reporting purposes. Proved and proved developed are used for depletion depending on the nature of the costs. Detailed disclosures required by FASB ASC 932 and SEC Regulation S-X.

Depreciation, Depletion and Amortization ("DD&A")

Under IFAS, the aggregation of assets for the purposes of DD&A is that significant parts or components of an item of PPE (Property, Plant and Equipment) are depreciated separately if they have different useful lives. The DD&A method requires that each part of an item that has a cost that is significant when compared to the total cost of the item, should be depreciated separately.

Consistent with the compensation model, IFAS requires that the carrying amount of parts or components that are replaced be derecognized. The reserve and resource classifications used for the depletion calculation are not specified. An entity should develop an appropriate accounting policy for depletion and apply the policy consistently, e.g. unit of production method.

There is no specific guidance on future development cost but generally is not allowed and there is no specific guidance on exclusion of cost.

U.S. GAAP rules the aggregation of assets in cost categories follow major types of assets as required by FASB ASC 932-360 which individual items are not separated. Generally, it does not require the component approach for depreciation. Capitalized acquisition costs should be depleted on the unit-of-production method using total proved (both developed and undeveloped) reserves. Capitalized exploration and development costs should be amortized on the unit-of-production method using proved developed reserves.

Future development costs and ARO that are not currently included in the recorded asset value are not considered in computing the DD&A rate. If significant development costs (such as the cost of an off-shore production platform) are incurred in connection with a planned group of development wells before all of the planned group of development wells before all of the planned wells have been drilled, it will be necessary to exclude a portion of those development costs in determining the unit-of-production amortisation rate until the additional development wells are drilled. Similarly, it will be necessary to exclude, in computing the amortisation rate, those proved developed reserves that will be produced only after significant additional development costs are incurred, such as for improved recovery system.

Impairment of Long-Lived Assets

Under IFAS, if indicators of impairment exist with respect to an asset, a determination should be made as to whether the asset's recoverable amount is less than its carrying amount. An asset's recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtained from the sale of an asset in an arm's length transaction, after deducting the related costs.

Under IFAS, prior service costs from plan amendments are recognized immediately in net income for vested and unvested benefits.

Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from its disposal at the end of its useful life. Where an asset's recoverable amount is less than its carrying amount, an impairment loss should be recognized in an amount equal to the excess of the carrying amount over its recoverable amount. Carrying values are increased for subsequent recoveries of fair value, provided that such increase does not exceed the original carrying value adjusted for depreciation.

Under U.S. GAAP, if indicators of impairment are present, a determination should be made as to whether the sum of the estimated undiscounted future cash flows attributable to the long-lived asset in question is less than its carrying amount. Where the sum of estimated undiscounted future cash flows is less than the asset's carrying amount, an impairment loss, equal to the excess of the carrying amount over its fair value, should be recognized. Reversal of impairment loss is not permitted.

Deferred Exploration and Development Costs

Under IFAS, exploration costs of a potentially significant area of interest that is associated with a mineral deposit and valid mining right and, where either: (i) exploration and development costs are expected to be recovered through exploitation or sale of proved reserves, or (ii) activities have not yet reached a stage permitting a reasonable assessment of the existence or lack of economically recoverable reserves, and active and significant exploration of the area of interest is continuing, are deferred and amortized upon commencement of commercial production using the units-of-production method or based on the estimated useful life of the mining area. These costs are expensed in the period during which the entity determines that no future value is expected from the area of interest.

Under U.S. GAAP, exploration costs are capitalized when it has been determined that oil and gas reserves can be economically developed, which requires the completion of a feasibility study. The time between initial acquisition and full evaluation of a property's potential is variable and is determined by several factors, including the location relative to existing infrastructure, the property's stage of development, geological controls, and oil and gas prices. If oil and gas resources are determined to be economically exploitable, exploration and development costs are amortized when production begins using the units-of-production method based on proved and probable reserves.

Business Combinations

Under IFAS, non-controlling interest is measured either at fair value (including goodwill) or at its proportionate share of the fair value of the identifiable net assets (exclusive of goodwill) of the acquiree.

Under U.S. GAAP, non-controlling interest is measured at fair value, which includes the non-controlling interest's share of goodwill.

Employee Benefits other than Share-Based Payments

Under IFAS, the projected unit credit method is required in all cases for actuarial method used for defined benefit plans.

Under IFAS, in calculating the expected return on plan assets, the calculation is limited to the "net interest" on the net defined benefit liability/asset calculated using the benefit obligation's discount rate.

Under IFAS, the actuarial gains and losses in net income must be recognized immediately in other comprehensive income. Gains and losses are not subsequently recognized in net income.

Under IFAS, gains or losses from settlement are recognized when they occur. Change in the defined benefit obligation from a curtailment is recognized at the earlier of when it occurs or when related restructuring costs or termination benefits are recognized.

Under U.S. GAAP, different methods are required for actuarial method used for defined benefit plans, depending on the characteristics of the plan's benefit formula.

Under U.S. GAAP, in calculating the expected return on plan assets, the calculation is based on either the fair value of plan assets or a "calculated value" recognizes changes in fair value over a period of not more than five years.

Under U.S. GAAP, the actuarial gains and losses in net income may be recognized in net income as they occur or deferred through a corridor approach.

Under U.S. GAAP, prior service costs from plan amendments are initially deferred in other comprehensive income and subsequently recognized in net income over the average remaining service period of active employees or, when all or almost all participants are inactive, over the average remaining life expectancy of those participants.

Under U.S. GAAP, settlement gains or losses are recognized when the obligation is settled. Curtailment losses are recognized when the curtailment is probable of occurring, while curtailment gains are recognized when the curtailment occurs.

Income Taxes

Under IFAS, there is no specific accounting standard which prescribes the accounting for uncertainty in income taxes, such as the likelihood of amendments to taxation obligations. The general practice for amendments to taxation obligations is that they are recorded when an assessment is received from the tax authorities or, for assessment amounts appealed against by the entity when: (i) the result of the appeal is determined, unless if there is significant uncertainty as to the outcome of such appeal, in which event the impact of the amendment to taxation obligations based on an assessment is recognized at the time of making such appeal, or (ii) the positive outcome of the entity's appeal is adjudged to be significantly uncertain (based on knowledge of developments in similar cases involving matters appealed by the entity, which is based on rulings by the tax authorities), in which event the impact of the amendment of taxation obligations based on the assessment of the amounts appealed is recognized.

Under U.S. GAAP, an entity is required to recognize and measure its uncertain tax positions, which requires a two-step process, separating recognition from measurement. A benefit is recognized when it is "more likely than not" to be sustained based on the technical merits of the position. The amount of benefit to be recognized is based on the largest amount of tax benefit that is more than 50% likely of being realized upon ultimate settlement.

Revenue Recognition

Under IFAS, revenue from the sale of goods or services should be recognized when all the following conditions have been satisfied: (i) the seller has transferred to the buyer the significant risks and rewards of ownership of the goods or services, (ii) the seller retains neither continuing managerial involvement (to the degree usually associated with ownership) nor effective control over the goods or services sold, (iii) the amount of revenue can be measured reliably, (iv) it is probable that the economic benefits associated with the transaction will flow to the seller, and (v) the costs incurred or to be incurred with respect to the transaction can be measured reliably.

Under U.S. GAAP, revenue is generally measured by the exchange values of the assets (goods or services) or liabilities involved, and recognition involves consideration of two factors: (a) whether revenue has been realized or is realizable, and (b) whether revenue has been earned. Revenue generally is realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement (i.e. a final understanding between the parties as to the specific nature and terms of the agreed-upon transaction) exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

Joint Arrangement

Prior to January 1, 2015 IFAS defined joint venture as a contractual arrangement whereby two or more parties undertake an economic activities that is subject to joint control. There are three types of joint ventures: (i) jointly-controlled operations, (ii) jointly-controlled assets and (iii) jointly controlled entities.

Under U.S. GAAP, the term joint venture refers only to jointly controlled entities, where the arrangement is carried on through a separate vehicle. Another form is the corporate joint venture which is a corporation owned and operated by a small group of business as a separate and specific business or project for the mutual benefit of the members of the group.

Since January 1, 2015 IFAS and U.S. GAAP have the same definition of joint venture. A party in the joint venture accounts for its interest as an investment and shall account for that investment using the equity method; whereas a party in a joint operation accounts the assets, liabilities, revenues and expenses relating to its interests in accordance with the relevant IFAS. Furthermore, proportionate consolidation is no longer permitted.

Under U.S. GAAP, if the joint venture is not a VIE, the venture applies the equity method to recognize the investment in a jointly controlled entity. Proportionate consolidation is generally not permitted. If the joint venture is within the scope of a VIE model, careful consideration is required to assess whether consolidation is required.

Deferred Taxes

Under IFAS, deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current enacted or substantially enacted tax rates are used to determine deferred income tax. Deferred tax assets relating to future tax benefits and the carry forward of unused tax losses are recognized to the extent that is probable that future taxable profit will be available against which the future tax benefits and unused tax losses can be utilized.

When an entity presents current and non-current classifications in its statements of financial position, it should not classify deferred tax assets (liabilities) as current assets (liabilities). Deferred taxes should be recognized for the difference between the carrying amount determined by using the historical exchange rate and the relevant tax base, which may have been affected by exchange rate changes or tax indexing.

Under U.S. GAAP, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets ("**DTA**") and liabilities ("**DTL**") are determined based upon temporary differences between the financial statement and tax bases of assets and liabilities and tax credit available for income tax purposes using enacted tax rates (as compared to using rates that have been substantially enacted under IFAS) in effect for the period in which the differences are expected to reverse.

DTA are recognized in the statements of financial position at full value, but are reduced by a valuation allowance if based on the weight of available evidence it is "more likely than not" that some portion, or all, of the deferred tax assets will not be realized. In determining whether a valuation allowance is necessary, an entity may not generally consider future anticipated income in measuring the valuation allowance if that entity has a history of losses.

When the functional currency of an entity differs from the local currency (usually the tax currency), recording deferred taxes on temporary differences in non-monetary assets and liabilities that result from either (1) exchange rate changes on re-measurement or (2) adjustments to the tax base from indexing, is prohibited.

Effective after December 15, 2016, U.S. GAAP requires deferred tax liabilities and assets be classified as non-current in the statement of financial position.

Loan to (from) Related Parties and Shareholders and Imputed Interest

IFAS requires loan made to (from) shareholders to be recognized initially at fair value, estimated by discounting the future loan repayments using a rate based on the rate the borrower would pay to an unrelated lender for a loan with similar conditions. The difference between the loan amount and the fair value (discount or premium) should be recorded as investment in the parent's financial statement (as a component of the overall investment in the subsidiary) and a component of equity in the subsidiary's financial statements.

Subsequently, the loan should be measure at amortized cost, using the effective interest method. This involves "unwinding' the discount such that, at repayment, the carrying value of the loan equals the amount to be repaid. The unwinding of the discount should be reported as interest income or expense.

Under U.S. GAAP, loans made to (from) shareholders or ultimate parent companies for which repayment is effected by dividends declared by the lender to the same shareholders or for which there is no intention to repay in cash are accounted for as capital transactions of the lender and the borrowing entity.

Accordingly, the reported amount of loans to (from) related parties would reduce the amount reported for net shareholders' equity, similar to a divided, by the lender and be recorded as a capital contribution by the borrowing entity. No interest income or expense would be recognized.

Under U.S. GAAP, imputing interest is generally required when an entity is party to a note that bears other than market rate of interest. When the fair value of the note is established (based on a market transaction with similar terms), the difference between the fair value and the face amount constitutes an adjustment of the stated interest rate, if any, The difference should be treated as a premium or discount and amortized as interest over the life of the note using the effective interest rate.

Non-controlling interests

Under IFAS, an entity has an option, on a transaction-by-transaction basis, to measure non-controlling interests at their proportion of the fair value of the identifiable assets or at full fair value. The use of the full fair value option results in full goodwill being recorded on both the controlling and non-controlling interest. In addition, no gains or losses will be recognized in earnings for transactions between the parent company and the non-controlling interest-unless control is lost.

Under U.S. GAAP, non-controlling interests are measured at fair value. In addition, no gains and losses are recognized in earnings for transactions between parent company and the non-controlling interest unless control is lost.

Cash flow Statements

Under IFAS, 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. Furthermore, cash flows from interest received and paid are disclosed in a consistent manner from period to period as operating or financing activities. Cash and cash equivalent may include bank overdrafts repayable on demand.

Under U.S. GAAP, companies which present their cash flows using the direct method are required to present, in a separate schedule, a reconciliation of net income to cash flows from operating activities. Such reconciliation shows; (1) the effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables; and (2) the effects of all items which cash effects are investing or financing cash flows, such as depreciation, amortisation of goodwill, gains or losses on sales of property, plant and equipment and discontinued operations and gains or losses on extinguishment of debt.

Also, cash flows from interest received and paid are classified in the statement of cash flows as operating activities only, while dividend paid are classified as financing activities. Bank overdrafts are not included in cash and cash equivalent and the changes are classified as financing cash flows.

Consents

We have obtained all necessary consents, approvals and authorizations in Indonesia in connection with the issue and performance of the Notes. Our issue of the Notes has been authorized by a resolution of the Board of Directors dated March 15, 2017, a resolution of the Board of Commissioners dated March 27, 2017, a resolution of the Board of PGN dated April 10, 2017 and a resolution of the shareholders of PGN dated April 13, 2017.

Litigation

Save as disclosed in this Offering Memorandum, neither we nor any of our subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Notes, nor are we aware that any such proceedings are pending or threatened.

No Material Adverse Change

Other than as disclosed in this Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or general affairs since December 31, 2016 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected during normal business hours on any weekday (except public holidays) at the Specified Office of the Trustee.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear, Clearstream and DTC. Certain trading information with respect to the Notes is set forth below:

	CUSIP	ISIN	Common Code
Rule 144A Notes	69371EAA3	US69371EAA38	160060018
Regulation S Notes	Y7140VAA8	USY7140VAA80	160060107

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear, Clearstream and DTC and only such Notes may trade on the SGX-ST.

Listing of the Notes

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Memorandum. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, our subsidiaries, our associated companies or the Notes.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company 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 Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Ratings

The Notes are expected to be rated "Ba1" by Moody's, "BB" by Standard & Poor's and "BB+" by 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.

Bbl	Barrel of oil
Bopd	Barrels of oil per day
Bcf	Billion cubic feet
Bcm	Billion cubic meters
Bscf	Billion standard cubic feet of gas
Boe	Barrels of oil equivalent
Boepd	Barrels of oil equivalent per day
BPMIGAS	Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi, the predecessor upstream regulatory body to SKK Migas
Btu	British thermal unit, a standard unit of measurement for volume of natural gas, taking into account the energy value of the natural gas
BBtu	Billion British thermal units
Cf	Cubic feet volume measurement. One cubic foot = 0.028 cubic meter
CGU	Cash-generating unit
Chapter 11 Proceedings	Proceedings under Chapter 11 of Title 11 of the U.S. Bankruptcy Code
Contract area	A specified geographic area that is the subject of a production sharing arrangement pursuant to which an operator and its partners provide financing and technical expertise to conduct exploration, development and production operations
CPP	Central processing platform
DCQ	Daily contract quantity
DMO	Domestic market obligations in Indonesia
EOR	Enhanced oil recovery
FOB	Has the meaning ascribed to FOB in Incoterms (2000 Edition)
FPSO unit	Floating, production, storage and offloading unit
FTP	First tranche petroleum
Government	Government of Indonesia
GSA	Gas sales agreement
Henry Hub Natural Gas Spot Price	Final settlement price (in US$ per MMBtu) for the New York Mercantile Exchange's Henry Hub natural gas futures contract for the relevant month

Houston Ship Channel Natural Gas Index	An index of natural gas prices published by Platts IFERC which comprises of transactions within the Houston Pipe Line Pool and based on the settlement price for HSC natural gas futures contracts traded on the New York Mercantile Exchange
ICP	Indonesia Crude Price, a reference price calculated using a formula determined by the Government
JOA	Joint operating agreement
KOGAS	Korea Gas Corporation
LNG	Liquefied natural gas
LNG SPA	An agreement for the sale and purchase of LNG
LPG	Liquefied petroleum gas (a mixture of propane and butane)
MMbbl	Million barrels of oil
Mbopd	Thousand barrels of oil per day
Mbps	Megabits per second, a measurement of speed for digital signal transmission expressed in millions of bits per second
MMboe	Million barrels of oil equivalent
MMboe/d	Million barrels of oil equivalent per day
MMBtu	Million British thermal unit
MMBtud	Million British thermal units per day
MEMR	The Minister of Energy and Mineral Resources
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
Mscf	Thousand standard cubic feet
MSOE	Indonesian Ministry of State-Owned Enterprises
MT	Million tons
Mtpa	Million tons per annum
Natural gas	Hydrocarbon gas
Net proved plus probable reserves	Represents proved plus probable reserves after deducting all estimated royalties attributable to other owners or the Government
Pertamina	PT Pertamina (Persero), a state-owned company established with limited liability under the laws of the Republic of Indonesia

PGN	PT Perusahaan Gas Negara (Persero) Tbk, a state-owned company established with limited liability under the laws of the Republic of Indonesia and our controlling shareholder as to 99.994% equity interest
PLN	PT Perusahaan Listrik Negara (Persero), a state-owned company established with limited liability under the laws of the Republic of Indonesia
POD	Plan of development
SPE-PRMS	The Petroleum Resources Management System for reserve reporting as adopted by the Society of Petroleum Engineers
Probable reserves	Represents additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves
Profit Gas	The gas remaining after cost recovery
Profit Gas Share	The share of Profit Gas that a contractor is entitled to take
Profit Oil	The oil remaining after cost recovery
Profit Oil Share	The share of Profit Oil that a contractor is entitled to take
Proved reserves	Represents quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations
Proved plus probable reserves	Represent proved reserves plus probable reserves
PSC	Oil and gas production sharing contract
SEC	The U.S. Securities and Exchange Commission
SKK Migas	The Special Working Unit for the Implementation of Upstream Natural Oil and Gas Business Activity and the executive agency of the Government for upstream oil and gas activities
Tcf	Trillion cubic feet
Tscf	Trillion standard cubic feet
Throughput	The volume of natural gas carried by a network in a particular period
Ton	Imperial tons, equal to 2,000 pounds
Working interest	A percentage of ownership in an oil or gas asset which grants such owner the right to explore, develop and produce oil or gas from such asset along with an obligation to pay a corresponding percentage of the ongoing costs of operation

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PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAK/*AND SUBSIDIARIES*

LAPORAN KEUANGAN KONSOLIDASIAN/
CONSOLIDATED FINANCIAL STATEMENTS

31 DESEMBER 2016/
31 DECEMBER 2016

Surat pernyataan direksi tentang tanggung jawab atas laporan keuangan konsolidasian tanggal 31 Desember 2016 dan 2015 PT Saka Energi Indonesia dan Entitas Anak

Directors statement letter relating to the responsibility on the consolidated financial statements as of December 31, 2016 and 2015 PT Saka Energi Indonesia and Subsidiaries

Kami yang bertanda tangan dibawah ini: / *We the undersigned:*

1.	Nama	: Tumbur H. Parlindungan	:	*Name 1.*
	Alamat	: The Energi 11th – 12th Floor Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav 52-53, Jakarta Selatan	:	*Address*
	Nomor Telepon	: +6221 29951000	:	*Telephone*
	Jabatan	: Direktur Utama / *President Director*	:	*Position*
2.	Nama	: Devi Pradnya Paramita	:	*Name 2.*
	Alamat	: The Energi 11th – 12th Floor Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav 52-53, Jakarta Selatan	:	*Address*
	Nomor Telepon	: +6221 29951000	:	*Telephone*
	Jabatan	: Direktur Keuangan / Finance *Director*	:	*Position*

Menyatakan bahwa: / *Declare that:*

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan konsolidasian;

2. Laporan keuangan konsolidasian telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; dan

   a. Semua informasi dalam laporan keuangan konsolidasian Perusahaan telah dimuat secara lengkap dan benar;
   b. Laporan keuangan konsolidasian Perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material.

3. Bertanggung jawab atas sistem pengendalian intern Perusahaan dan Entitas Anak.

1. *We are responsible for the preparation and the presentation of the consolidated financial statements;*

2. *The consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards; and*

   a. *All information has been fully and correctly disclosed in the Company's consolidated financial statements;*
   b. *The Company's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts.*

3. *We are responsible for the Company's and Subsidiaries' internal control system.*

Demikian pernyataan ini dibuat dengan sebenarnya. / *This is our declaration, which has been made truthfully.*

Jakarta, 31 Maret/March 2017

Direktur Utama/*President Director*



Tumbur H. Parlindungan

Direktur Keuangan / *Finance Director*

Devi Pradnya Paramita

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LAPORAN AUDITOR INDEPENDEN KEPADA PARA PEMEGANG SAHAM

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Kami telah mengaudit laporan keuangan konsolidasian PT Saka Energi Indonesia dan entitas anak terlampir, yang terdiri dari laporan posisi keuangan konsolidasian tanggal 31 Desember 2016, serta laporan laba rugi dan rugi komprehensif lain, laporan perubahan ekuitas dan laporan arus kas konsolidasian untuk tahun yang berakhir pada tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

We have audited the accompanying consolidated financial statements of PT Saka Energi Indonesia and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Tanggung jawab manajemen atas laporan keuangan konsolidasian

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian ini sesuai dengan Standar Akuntansi Keuangan di Indonesia, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan konsolidasian yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan konsolidasian ini berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan konsolidasian bebas dari kesalahan penyajian material.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

Kantor Akuntan Publik Tanudiredja, Wibisana, Rintis & Rekan
Plaza 89, Jl. H.R. Rasuna Said Kav. X-7 No.6 Jakarta 12940 - INDONESIA, P.O. Box 2473 JKP 10001
T: +62 21 5212901, F:+ 62 21 52905555 / 52905050, www.pwc.com/id

Nomor Izin Usaha: KEP-241/KM.1/2015.

pwc

Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan konsolidasian. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan konsolidasian, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan konsolidasian entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektivitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas ketepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan konsolidasian secara keseluruhan.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opini

Menurut opini kami, laporan keuangan konsolidasian terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Saka Energi Indonesia dan entitas anaknya tanggal 31 Desember 2016, serta kinerja keuangan dan arus kas konsolidasiannya untuk tahun yang berakhir pada tanggal tersebut sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Saka Energi Indonesia and its subsidiaries as at 31 December 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with Indonesian Financial Accounting Standards.

JAKARTA
31 Maret/*March* 2017

Daniel Kohar

Daniel Kohar, S.E., CPA
Surat Izin Akuntan Publik/*License of Public Accountant* No. AP.1130

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Lampiran 1/1 *Schedule*

LAPORAN POSISI KEUANGAN KONSOLIDASIAN
31 DESEMBER 2016
(Disajikan dalam Dolar AS, kecuali nilai nominal dan data saham)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016
(Expressed in US Dollars, except for par value and share data)

	Catatan/ *Notes*	2016	2015	
ASET				***ASSETS***
ASET LANCAR				***CURRENT ASSETS***
Kas dan setara kas	5	162,649,260	194,064,799	*Cash and cash equivalents*
Piutang usaha	6	59,952,329	31,052,054	*Trade receivables*
Piutang lain-lain	7	166,796,853	19,910,527	*Other receivables*
Persediaan	8	55,994,810	36,769,888	*Inventories*
Uang muka	9	37,077,897	16,051,094	*Advances*
Beban dibayar dimuka	10	32,040,701	11,957,515	*Prepaid expenses*
Uang muka *cash call*	11	28,243,137	10,965,881	*Cash call advances*
Jumlah Aset Lancar		**542,754,987**	**320,771,758**	***Total Current Assets***
ASET TIDAK LANCAR				***NON-CURRENT ASSETS***
Piutang lain-lain jangka panjang	12	231,617,686	275,839,353	*Other long-term receivables*
Aset tetap	13	20	10,987	*Fixed assets*
Aset eksplorasi dan evaluasi	14a	52,594,652	49,947,246	*Exploration and evaluation assets*
Properti minyak dan gas	14b	1,708,665,674	1,614,420,251	*Oil and gas properties*
Investasi pada ventura bersama	16	45,069,506	-	*Investment in joint venture*
Taksiran tagihan pajak	18a,18e	61,230,518	59,637,060	*Estimated claims for tax refund*
Aset pajak tangguhan	18e	27,719,969	21,178,402	*Deferred tax assets*
Jumlah Aset Tidak Lancar		**2,126,898,025**	**2,021,033,299**	***Total Non-Current Assets***
JUMLAH ASET		**2,669,653,012**	**2,341,805,057**	***TOTAL ASSETS***
LIABILITAS				***LIABILITIES***
LIABILITAS JANGKA PENDEK				***CURRENT LIABILITIES***
Utang usaha	17	31,408,481	20,009,307	*Trade payables*
Utang pajak	18b			*Taxes payables*
- Pajak penghasilan badan		21,847,799	-	*Corporate income taxes -*
- Pajak lain-lain		2,644,510	3,058,839	*Other taxes -*
Utang lain-lain	19	38,236,413	27,873,995	*Other payables*
Liabilitas yang masih harus dibayar	20	138,598,569	140,224,415	*Accrued liabilities*
Liabilitas imbalan kerja jangka pendek		1,828,378	1,024,870	*Short-term employee benefit liabilities*
Pinjaman bank jangka pendek	23	100,000,000	-	*Short-term bank loans*
Jumlah Liabilitas Jangka Pendek		**334,564,150**	**192,191,426**	***Total Current Liabilities***
LIABILITAS JANGKA PANJANG				***NON-CURRENT LIABILITES***
Liabilitas pajak tangguhan	18e	84,100,186	81,847,924	*Deferred tax liabilities*
Liabilitas imbalan kerja jangka panjang	21	5,286,423	3,686,633	*Long-term employee benefit liabilities*
Pinjaman kepada pemegang saham	22	838,350,000	838,350,000	*Loans to shareholder*
Pinjaman bank jangka panjang	24	494,813,048	294,891,529	*Long-term bank loans*
Liabilitas pembongkaran aset dan restorasi area	25	20,474,058	17,148,904	*Asset abandonment and site restoration obligations*
Jumlah Liabilitas Jangka Panjang		**1,443,023,715**	**1,235,924,990**	***Total Non-Current Liabilities***
JUMLAH LIABILITAS		**1,777,587,865**	**1,428,116,416**	***TOTAL LIABILITIES***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of the consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Lampiran 1/2 *Schedule*

LAPORAN POSISI KEUANGAN KONSOLIDASIAN
31 DESEMBER 2016
(Disajikan dalam Dolar AS, kecuali nilai nominal dan data saham)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016
(Expressed in US Dollars, except for par value and share data)

	Catatan/ *Notes*	2016	2015	
EKUITAS				***EQUITY***
Ekuitas yang dapat diatribusikan kepada pemilik entitas induk				*Equity attributable to owners of the parent*
Modal dasar - 11.800.000.000 saham; ditempatkan dan disetor penuh 11.777.994.980 saham dengan nilai nominal Rp1.000 per lembar saham	26	1,062,537,411	1,062,537,411	*Authorised - 11,800,000,000 shares; issued and fully paid 11,777,994,980 shares at par value of Rp1,000 per share*
Saldo laba/ (akumulasi kerugian)				*Retained earnings/ (accumulated losses)*
- Dicadangkan	28	17,308	17,308	*Appropriated*
- Tidak dicadangkan		(172,327,677)	(148,984,526)	*Unappropriated*
Komponen ekuitas lainnya		1,822,393	96,279	*Other components of equity*
Jumlah ekuitas yang dapat diatribusikan kepada pemilik entitas induk		892,049,435	913,666,472	*Total equity attributable to owners of the parent entity*
Kepentingan nonpengendali	27	15,712	22,169	*Non-controlling interest*
JUMLAH EKUITAS		**892,065,147**	**913,688,641**	***TOTAL EQUITY***
JUMLAH LIABILITAS DAN EKUITAS		**2,669,653,012**	**2,341,805,057**	***TOTAL LIABILITIES AND EQUITY***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of the consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Lampiran 2 *Schedule*

LAPORAN LABA RUGI DAN RUGI KOMPREHENSIF LAIN KONSOLIDASIAN UNTUK TAHUN YANG BERAKHIR 31 DESEMBER 2016
(Disajikan dalam Dolar AS, kecuali dinyatakan lain)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in US Dollars, unless otherwise stated)

	Catatan/ *Notes*	2016	2015	
PENDAPATAN NETO	29	314,114,961	263,697,492	***NET REVENUES***
BEBAN POKOK PENDAPATAN	30	(302,703,854)	(251,847,597)	***COST OF REVENUES***
LABA BRUTO		**11,411,107**	**11,849,895**	***GROSS PROFIT***
Beban umum dan administrasi	31	(10,817,124)	(6,804,548)	*General and administrative expenses*
Beban keuangan	32	(42,806,888)	(30,465,995)	*Finance cost*
Rugi penurunan nilai properti minyak dan gas	14c	(15,289,669)	(119,560,956)	*Impairment losses of oil and gas properties*
Rugi penurunan nilai *goodwill*	15	-	(47,235,825)	*Impairment losses of goodwill*
Pendapatan keuangan	33	7,372,904	3,708,988	*Finance income*
Keuntungan/(kerugian) selisih kurs, neto	34	753,253	(10,708,675)	*Gain/(loss) on foreign exchange, net*
Bagian atas rugi bersih ventura bersama	16	(1,728,793)	-	*Share of net loss of joint venture*
Pendapatan/(beban) lain-lain	35	19,480,174	9,659,103	*Others income/(expenses)*
RUGI SEBELUM MANFAAT PAJAK PENGHASILAN		**(31,625,036)**	**(189,558,013)**	***LOSS BEFORE INCOME TAX BENEFIT***
MANFAAT PAJAK PENGHASILAN	18c			***INCOME TAX BENEFIT***
Kini		(6,417,418)	(5,072,124)	*Current*
Tangguhan		14,692,846	81,458,597	*Deferred*
Manfaat pajak penghasilan		8,275,428	76,386,473	*Income tax benefit*
RUGI TAHUN BERJALAN		**(23,349,608)**	**(113,171,540)**	***LOSS FOR THE YEAR***
PENGHASILAN KOMPREHENSIF LAIN				***OTHER COMPREHENSIVE INCOME***
Pos yang tidak akan direklasifikasi ke laba rugi				***Item not to be reclassified to profit or loss***
Pengukuran kembali program imbalan pasti	21	1,726,114	371,468	*Remeasurement of defined benefit program*
JUMLAH RUGI KOMPREHENSIF TAHUN BERJALAN		**(21,623,494)**	**(112,800,072)**	***TOTAL COMPREHENSIVE LOSS FOR THE YEAR***
RUGI TAHUN BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA:				***LOSS FOR THE YEAR ATTRIBUTABLE TO:***
Pemilik entitas induk		(23,343,151)	(113,186,602)	*Owners of the parent entity*
Kepentingan nonpengendali	27	(6,457)	15,062	*Non-controlling interest*
		(23,349,608)	**(113,171,540)**	
JUMLAH RUGI KOMPREHENSIF TAHUN BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA:				***TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:***
Pemilik entitas induk		(21,617,037)	(112,815,134)	*Owners of the parent entity*
Kepentingan nonpengendali	27	(6,457)	15,062	*Non-controlling interest*
		(21,623,494)	**(112,800,072)**	

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of the consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Lampiran 3 *Schedule*

LAPORAN PERUBAHAN EKUITAS KONSOLIDASIAN
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2016
(Disajikan dalam Dolar AS, kecuali dinyatakan lain)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
31 DECEMBER 2016
(Expressed in US Dollars, unless otherwise stated)

	Ekuitas yang dapat diatribusikan kepada pemilik entitas induk/ *Equity attributable to owners of the entity*								
	Modal saham ditempatkan dan disetor penuh/ *Issued and fully paid capital stock*	Uang muka setoran modal/ *Deposit for future stock subscriptions*	Saldo laba/(Akumulasi kerugian)/ *Retained earnings/(Accumulated losses)*		Komponen ekuitas lainnya/*Other components of equity*	Jumlah/ *Total*	Kepentingan nonpengendali/ *Non-controlling interest*	Jumlah ekuitas/ *Total equity*	
			Dicadangkan/ *Appropriated*	Tidak dicadangkan/ *Unappropriated*					
Saldo 1 Januari 2015	**614,187,411**	**448,350,000**	**17,308**	**(35,797,924)**	**(275,189)**	**1,026,481,606**	**7,107**	**1,026,488,713**	***Balance at 1 January 2015***
Setoran modal saham	448,350,000	(448,350,000)	-	-	-	-	-	-	*Capital contribution*
Jumlah rugi komprehensif tahun berjalan	-	-	-	(113,186,602)	371,468	(112,815,134)	15,062	(112,800,072)	*Total comprehensive loss for the year*
Saldo 31 Desember 2015	**1,062,537,411**	**-**	**17,308**	**(148,984,526)**	**96,279**	**913,666,472**	**22,169**	**913,688,641**	***Balance at 31 Desember 2015***
Jumlah rugi komprehensif tahun berjalan	-	-	-	(23,343,151)	1,726,114	(21,617,037)	(6,457)	(21,623,494)	*Total comprehensive loss for the year*
Saldo 31 Desember 2016	**1,062,537,411**	**-**	**17,308**	**(172,327,677)**	**1,822,393**	**892,049,435**	**15,712**	**892,065,147**	***Balance at 31 December 2016***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA DAN ENTITAS ANAK/*AND SUBSIDIARIES*

Lampiran 4 *Schedule*

LAPORAN ARUS KAS KONSOLIDASIAN
UNTUK TAHUN YANG BERAKHIR
31 DESEMBER 2016
(Disajikan dalam Dolar AS, kecuali dinyatakan lain)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
31 DECEMBER 2016
(Expressed in US Dollars, unless otherwise stated)

	2016	2015	
ARUS KAS DARI AKTIVITAS OPERASI			***CASH FLOWS FROM OPERATING ACTIVITIES***
Penerimaan dari pelanggan	315,172,979	262,867,562	*Receipts from customers*
Penerimaan dari penghasilan bunga	949,857	880,326	*Receipts from interest income*
Penerimaan piutang *underlifting*	1,343,404	3,025,124	*Receipts from underlifting receivables*
Pembayaran kepada pemasok dan aktivitas operasi lainnya	(164,824,969)	(138,123,725)	*Payments to suppliers and other operating activities*
Pembayaran pajak penghasilan	(5,675,371)	(5,070,547)	*Payments for income taxes*
Pembayaran bunga	(29,126,424)	(27,557,574)	*Payments of interests*
Penerimaan pengembalian Pajak Pertambahan Nilai ("PPN")	-	1,343,390	*Receipts from Value Added Tax ("VAT") reimbursements*
Pembayaran pajak lainnya	(38,451,416)	(53,004,585)	*Other tax payments*
Kas neto yang diperoleh dari aktivitas operasi	**79,388,060**	**44,359,971**	***Net cash provided by operating activities***
ARUS KAS DARI AKTIVITASI INVESTASI			***CASH FLOWS FROM INVESTING ACTIVITIES***
Penambahan piutang *carry*	(68,018,323)	(178,451,512)	*Additions to carry receivables*
Akuisisi *participating interest* dalam kerjasama operasi minyak dan gas bumi	(23,796,271)	(70,890,494)	*Acquisition of participating interest in oil and gas joint operations*
Penambahan investasi pada ventura bersama	(53,724,197)	-	*Addition of investment in joint venture*
Penerimaan dividen dari ventura bersama	18,000,000	-	*Dividends received from joint ventures*
Penambahan aset minyak dan gas	(250,543,696)	(438,047,121)	*Additions to oil and gas properties*
Penambahan aset eksplorasi dan evaluasi	(2,647,406)	(45,651,253)	*Additions to exploration and evaluation assets*
Pembayaran uang muka yang dapat ditarik kembali	(30,000,000)	-	*Payment for refundable contingent deposit*
Kas neto yang digunakan untuk aktivitas investasi	**(410,729,893)**	**(733,040,380)**	***Net cash used in investing activities***
ARUS KAS DARI AKTIVITAS PENDANAAN			***CASH FLOWS FROM FINANCING ACTIVITIES***
Penerimaan pinjaman pemegang saham	-	390,000,000	*Proceeds from loans to shareholder*
Penerimaan pinjaman bank	300,000,000	300,000,000	*Proceeds from bank loans*
Kas bersih yang diperoleh dari aktivitas pendanaan	**300,000,000**	**690,000,000**	***Net cash provided by financing activities***
Pengaruh perubahan neto atas selisih kurs mata uang asing neto dari kas dan setara kas	(73,706)	(618,015)	*Net effects of foreign exchange differences from cash and cash equivalents*
(PENURUNAN)/KENAIKAN KAS DAN SETARA KAS	**(31,415,539)**	**701,576**	***(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS***
KAS DAN SETARA KAS AWAL TAHUN	**194,064,799**	**193,363,223**	***CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR***
KAS DAN SETARA KAS AKHIR TAHUN	**162,649,260**	**194,064,799**	***CASH AND CASH EQUIVALENTS AT END OF YEAR***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

1. UMUM

a. Pendirian Perusahaan

PT Saka Energi Indonesia ("Perusahaan"), didirikan berdasarkan Akta No. 124, tanggal 27 Juni 2011 oleh Notaris Fathiah Helmi, S.H. yang mendapatkan pengesahan dari Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-42488.AH.01.01 tahun 2011 tanggal 22 Agustus 2011 dan diumumkan dalam Lembaran Berita Negara No. 89 tanggal 6 November 2012.

Anggaran Dasar Perusahaan telah mengalami beberapa kali perubahan, yang terakhir dengan Akta Notaris Tengku Sandra Fauzia, S.H., M.Kn. No. 05 tanggal 27 Januari 2015, yang mengatur, antara lain, peningkatan jumlah modal dasar dan modal disetor Perusahaan (Catatan 26). Perubahan tersebut telah disetujui oleh Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-0001573.AH.01.02 tahun 2015 tanggal 30 Januari 2015.

Berdasarkan Pasal 3 Anggaran Dasar Perusahaan, Perusahaan bertujuan untuk melaksanakan usaha dan investasi di bidang hulu, yang meliputi kegiatan eksplorasi, eksploitasi, pengembangan usaha-usaha di bidang minyak dan gas bumi, panas bumi, gas metana batubara (*coal bed methane* ("CBM")) dan energi lainnya. Pada saat ini Perusahaan dan entitas anak (bersama-sama disebut "Grup") bergerak dalam bidang eksplorasi dan produksi minyak dan gas bumi.

Perusahaan memulai operasi komersialnya pada tahun 2013. Kantor pusat Perusahaan beralamat di The Energy, Lantai 11-12, Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav. 52-53, Jakarta Selatan, 12190.

Entitas induk langsung Perusahaan adalah PT Perusahaan Gas Negara (Persero) Tbk ("PT PGN") sebuah entitas yang dimiliki oleh Pemerintah Republik Indonesia sebagai pemegang saham mayoritas.

b. Penyelesaian laporan keuangan konsolidasian

Laporan keuangan konsolidasian ini telah disusun dan disetujui untuk diterbitkan oleh Direksi Perusahaan pada tanggal 31 Maret 2017.

1. GENERAL

a. The Company's establishment

PT Saka Energi Indonesia (the "Company"), was established based on Deed No. 124, dated 27 June 2011 by Notary Fathiah Helmi, S.H. which was approved by the Minister of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-42488.AH.01.01 year 2011 dated 22 August 2011 and was published in State of Gazette of the Republic of Indonesia No. 89 dated 6 November 2012.

The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 05 dated 27 January 2015 by Tengku Sandra Fauzia, S.H., M.Kn. concerning, among others, the increase in the authorised and issued and paid-up capital of the Company (Note 26). The amendments were approved by the Minister of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0001573.AH.01.02 year 2015 dated 30 January 2015.

Based on Article 3 of the Company's Articles of Association, the Company's purpose is to invest in natural gas upstream business which includes exploration and exploitation, development in oil and gas business, geothermal, coal bed methane ("CBM") and other energy. Currently, the Company and its subsidiaries (together referred to as the "Group") are engaged in the exploration and production of oil and gas.

The Company started its commercial operations in 2013. The Company's head office is at The Energy, 11th-12th floor, Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav. 52-53, Jakarta Selatan, 12190.

The immediate parent entity is PT Perusahaan Gas Negara (Persero) Tbk ("PT PGN"), an entity owned by the Government of the Republic of Indonesia as the majority shareholder.

b. Completion of the consolidated financial statements

The accompanying consolidated financial statements were prepared and authorised for issuance by the Company's Board of Directors on 31 March 2017.

1. UMUM (lanjutan)

c. Entitas anak

Pada tanggal 31 Desember 2016 dan 31 Desember 2015, persentase kepemilikan Perusahaan, baik secara langsung maupun tidak langsung dan jumlah aset entitas anak adalah sebagai berikut

***1. GENERAL** (continued)*

c. Subsidiaries

As at 31 December 2016 and 31 December 2015, the percentage of ownership of the Company, either directly or indirectly, and the total assets of the subsidiaries are as follows:

Entitas anak, kegiatan usaha, kedudukan dan tanggal pendirian/ *Subsidiary, business activities, domicile and date of establishment*	**Persentase kepemilikan/ *Percentage of ownership***		**Tahun usaha komersial dimulai/*Year commercial operations started***	**Jumlah aset dalam jutaan Dolar AS sebelum jurnal eliminasi/*Total assets in millions of US Dollars before elimination entries***	
	2016	**2015**		**2016**	**2015**
Dimiliki langsung oleh Perusahaan/ *Held directly by the Company*					
PT Saka Energi Sumatera ("SES") Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Indonesia, 24 September/*September* 2012	99.95%	99.95%	2014	33	54
PT Saka Ketapang Perdana ("SKP") Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Indonesia, 17 Oktober/*October* 2012	99.98%	99.98%	2015	255	276
PT Saka Bangkanai Klemantan ("SBK") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 11 Maret/*March* 2013	100.00%	100.00%	2016	144	132
PT Saka Energi Internasional ("SI") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 20 Februari/*February* 2014	100.00%	100.00%	2014	3)	3)
PT Saka Indonesia Sesulu ("SIS") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 7 Maret/*March* 2013	100.00%	100.00%	1)	61	61
Saka Indonesia Pangkah B.V. ("SIPBV") 2) Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Belanda/*Netherlands*, 3 Agustus/*August* 2007	100.00%	100.00%	2007	917	988
PT Saka Energi Bangkanai Barat ("SEBB") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 12 Mei/*May* 2014	100.00%	100.00%	1)	6	3
PT Saka Energi Investasi Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 18 Juli/*July* 2014	99.99%	100.00%	7)	3)	3)
PT Saka Energi Muara Bakau ("SEMB") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 10 Februari/*February* 2014	100.00%	100.00%	1)	778	530
Saka Energi Overseas Holding BV ("SEOH") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Belanda/*Netherlands*, 24 Desember/*December* 2013	100.00%	100.00%	7)	162	165

1. UMUM (lanjutan) / ***1. GENERAL*** *(continued)*

c. Entitas anak (lanjutan) / ***c. Subsidiaries*** *(continued)*

Entitas anak, kegiatan usaha, kedudukan dan tanggal pendirian/ *Subsidiary, business activities, domicile and date of establishment*	Persentase kepemilikan/ *Percentage of ownership* 2016	2015	Tahun usaha komersial dimulai/*Year of commercial operations started*	Jumlah aset dalam jutaan Dolar AS sebelum jurnal eliminasi/*Total asset in US Dollars million before elimination entries* 2016	2015
Dimiliki langsung oleh Perusahaan (lanjutan)/***Held directly by the Company*** *(continued)*					
PT Saka Energi Wokam ("SEW") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 14 September/*September* 2015	100.00%	100.00%	[7]	[3]	-
Dimiliki melalui SIPBV/ ***Held through SIPBV***					
Saka Indonesia Pangkah Limited ("SIPL") [4] Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Inggris/*England,* 5 Juli/*July* 1995	100.00%	100.00%	2007	655	695
Saka Pangkah LLC ("SPLLC") [5] Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Kepulauan Cayman/*Cayman Islands,* 12 Juli/*July* 1995	100.00%	100.00%	2007	101	109
Dimiliki melalui SI/ ***Held through SI***					
Saka Energi Asia Pte. Ltd. ("SEA") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Singapura/*Singapore* 15 Juni/*June* 2016	100.00%	-	[7]	208	-
Saka Energy Fasken LLC ("Fasken") Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Texas 25 April/*April* 2014	100.00%	100.00%	2014	229	233
PT Saka Energi Sepinggan ("SEP") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 1 April/*April* 2015	100.00%	100.00%	[7]	1	1
PT Saka Eksplorasi Ventura ("SEV") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 15 Desember/*December* 2016	100.00%	-	[7]	-	-
PT Saka Eksplorasi Baru ("SEB") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 30 Agustus/*August* 2016	100.00%	-	[7]	[3]	-
PT Saka Eksplorasi Timur ("SET") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 15 September/*September* 2016	100.00%	-	[7]	1.5	-
Dimiliki melalui SEOH/ ***Held through SEOH***					
Saka Energi Exploration Production, B.V. ("SEEPBV") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Belanda/*Netherlands*, 24 Desember/*December* 2013	100.00%	100.00%	[7]	41	41

1. UMUM (lanjutan) / ***1. GENERAL*** *(continued)*

c. Entitas anak (lanjutan) / ***c. Subsidiaries*** *(continued)*

Entitas anak, kegiatan usaha, kedudukan dan tanggal pendirian/ *Subsidiary, business activities, domicile and date of establishment*	Persentase kepemilikan/ *Percentage of ownership* 2016	2015	Tahun usaha komersial dimulai/*Year commercial operations started*	Jumlah aset dalam jutaan Dolar AS sebelum jurnal eliminasi/*Total assets in millions of US Dollars before elimination entries* 2016	2015
Dimiliki melalui SEEPBV/ *Held through SEEPBV*					
Saka Energi Muriah Limited ("SEML") Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Kepulauan Virgin Britania Raya/ *British Virgin Islands*, 15 Juli/*July* 2009	100.00%	100.00%	2015	121	125
Dimiliki melalui SEA/ *Held through SEA*					
Saka Energi East Kalimantan Pte. Ltd. ("SEEK") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Singapura/*Singapore*, 15 Juni/*June* 2016	100.00%	-	[7]	113	-
Saka Energi Sanga Star Pte. Ltd. ("SESS") [6] Eksplorasi minyak dan gas/ *Exploration of oil and gas* Singapura/*Singapore*, 15 Juni/*June* 2016	100.00%	-	2016	65	-
Dimiliki melalui SEEK/ *Held through SEEK*					
Saka Energi Sanga-Sanga Limited ("SESSL") [6] Eksplorasi minyak dan gas/ *Exploration of oil and gas* Persemakmuran Bahama/ *Commonwealth of The Bahamas* 18 November/*November* 1983	100.00%	-	1983	108	-

Ventura bersama, kedudukan dan tanggal pendirian/ *Joint venture domicile and date of establishment*	Persentase kepemilikan/ *Percentage of ownership* 2016	2015	Tahun usaha komersial dimulai/*Year commercial operations started*	Aktivitas usaha/ *Business activities*
Dimiliki melalui SESS/*Held through SESS*				
UNIMAR LLC ("UNIMAR") Eksplorasi minyak dan gas/ *Exploration of oil and gas* Delaware, AS/*Delaware, USA*, 21 Desember/*December* 2001	50.00%	-	2001	Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas*

1) Dalam tahap eksplorasi atau pengembangan/*In exploration or in development stages*
2) Dahulu/*formerly* Kufpec Indonesia (Pangkah) B.V.
3) Jumlah aset di bawah AS$1.000.000/*Total assets below US$1,000,000*
4) Dahulu/*formerly* Hess (Indonesia Pangkah) Limited
5) Dahulu/*formerly* Hess Pangkah LLC
6) Dahulu/*formerly* BP East Kalimantan Limited
7) Belum beroperasi komersial/*Not yet started commercial production*

1. UMUM (lanjutan)

c. Entitas anak (lanjutan)

Grup mempunyai kerjasama operasi minyak dan gas atau kontrak jasa/perjanjian partisipasi dan pembagian ekonomi pada tanggal 31 Desember 2016 dan 31 Desember 2015 sebagai berikut:

***1. GENERAL** (continued)*

***c. Subsidiaries** (continued)*

The Group has interests in the following oil and gas joint venture operations or service contracts/participation and economic sharing agreements as at 31 December 2016 and 31 December 2015:

Kerjasama operasi/*Joint operations*	Negara/*Country*	Hak kepemilikan (%)/*Participating Interest (%)* 2016	2015
Blok/*Block* Bangkanai	Indonesia	30%	30%
Blok/*Block* Ujung Pangkah	Indonesia	100%	100%
Blok/*Block* Ketapang	Indonesia	20%	20%
Blok/*Block* Lematang-Petar	Indonesia	5%	5%
Blok/*Block* South East Sumatera	Indonesia	8.91%	8.91%
Blok/*Block* South Sesulu	Indonesia	100%	100%
Blok/*Block* Fasken	Texas, USA	36%	36%
Blok/*Block* Muriah	Indonesia	20%	20%
Blok/*Block* Bangkanai Barat	Indonesia	30%	30%
Blok/*Block* Muara Bakau	Indonesia	11.67%	11.67%
Blok/*Block* Sanga Sanga	Indonesia	37.81%	-
Blok/*Block* Wokam	Indonesia	100%	-

d. Dewan Komisaris, Direksi, Komite Audit dan karyawan

Susunan Dewan Komisaris dan Direksi Perusahaan pada tanggal 31 Desember 2016 adalah sebagai berikut:

d. Board of Commissioners, Directors, Audit Committee and employees

The Company's Board of Commissioners and Directors as of 31 December 2016 are as follows:

Dewan Komisaris		***Board of Commissioners***
Komisaris Utama	Susilo Siswoutomo	*President Commissioner*
Komisaris	Hendi Priyo Santoso	*Commissioner*
Komisaris	Nusantara Suyono	*Commissioner*
Direksi		***Board of Directors***
Direktur Utama	Tumbur H. Parlindungan	*President Director*
Direktur	Devi Pradnya Paramita	*Director*

Susunan Dewan Komisaris dan Direksi Perusahaan pada tanggal 31 Desember 2015 adalah sebagai berikut:

The Company's Board of Commissioners and Directors as of 31 December 2015 are as follows:

Dewan Komisaris		***Board of Commissioners***
Komisaris Utama	Susilo Siswoutomo	*President Commissioner*
Komisaris	Hendi Priyo Santoso	*Commissioner*
Komisaris	Nusantara Suyono	*Commissioner*
Direksi		***Board of Directors***
Direktur Utama	Firman Ardini Yaman	*President of Director*
Direktur	Tumbur H Parlindungan	*Director*
Direktur	Devi Pradnya Paramita	*Director*

Pada tanggal 31 Desember 2016 dan 31 Desember 2015, susunan Komite Audit Perusahaan adalah sebagai berikut:

As of 31 December 2016 and 31 December 2015, the members of the Company's Audit Committee are as follows:

Komite Audit		***Audit Committee***
Ketua	Nusantara Suyono	*Chairman*
Anggota	Prihardy Bakri	*Member*

Pada tanggal 31 Desember 2016 dan 31 Desember 2015, jumlah karyawan tetap Grup masing-masing adalah 285 dan 280 orang dan jumlah karyawan PT PGN yang diperbantukan kepada Grup adalah masing-masing 3 dan 4 orang (tidak diaudit).

As of 31 December 2016 and 31 December 2015 the number of permanent employees of the Group are 285 and 280, respectively, and the number of employees of PT PGN who are seconded to the Group are three and four, respectively (unaudited).

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN

a. Dasar penyajian laporan keuangan konsolidasian

Laporan keuangan konsolidasian ini telah disusun sesuai dengan Standar Akuntansi Keuangan di Indonesia ("SAK"), yang mencakup Pernyataan Standar Akuntansi Keuangan ("PSAK") dan Interpretasi Standar Akuntansi Keuangan ("ISAK").

Laporan keuangan konsolidasian ini disusun berdasarkan konsep harga perolehan, yang dimodifikasi oleh revaluasi aset dan liabilitas keuangan yang diukur pada nilai wajar melalui laporan laba rugi, serta menggunakan dasar akrual kecuali untuk laporan arus kas konsolidasian.

Laporan arus kas konsolidasian disusun menggunakan metode langsung dan arus kas dikelompokkan atas dasar aktivitas operasi, investasi dan pendanaan. Untuk tujuan laporan arus kas konsolidasian, kas dan setara kas mencakup kas, bank dan deposito.

Penyusunan laporan keuangan yang sesuai dengan SAK di Indonesia memerlukan penggunaan estimasi akuntansi penting tertentu. Penyusunan laporan keuangan juga mengharuskan manajemen untuk menggunakan pertimbangannya dalam proses penerapan kebijakan akuntansi Grup. Area-area yang memerlukan tingkat pertimbangan atau kompleksitas yang tinggi, atau area dimana asumsi dan estimasi merupakan hal yang signifikan dalam laporan keuangan konsolidasian, diungkapkan dalam Catatan 3.

Akun-akun yang disertakan dalam laporan keuangan setiap entitas anggota Grup diukur menggunakan mata uang dari lingkungan ekonomi utama dimana entitas tersebut beroperasi (mata uang fungsional). Laporan keuangan konsolidasian disajikan dalam Dolar Amerika Serikat ("AS$" atau "Dolar AS"), yang merupakan mata uang fungsional Perusahaan dan penyajian Grup.

Kecuali dinyatakan di bawah ini, kebijakan akuntansi telah diterapkan secara konsisten dengan laporan keuangan tahunan untuk tahun yang berakhir 31 Desember 2015 yang telah sesuai dengan SAK di Indonesia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements of Financial Accounting Standards ("SFAS") and Interpretations of Financial Accounting Standards ("IFAS").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss, and using the accrual basis except for the consolidated statement of cash flows.

The consolidated statement of cash flows has been prepared using the direct method, by classifying cash flows on the basis of operating, investing and financing activities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, cash in banks and deposits.

The preparation of financial statements in conformity with Indonesian SAK requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in Note 3.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the relevant entity operates (the functional currency). The consolidated financial statements are presented in United States Dollars ("US$" or "US Dollars"), which is the Company's functional currency and the Group's presentation currency.

Except as described below, the accounting policies applied are consistent with the annual financial statements for the year ended 31 December 2015, which conform to the Indonesian SAK.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

a. Dasar penyajian laporan keuangan konsolidasian (lanjutan)

Perubahan pada PSAK dan ISAK

Penerapan standar dan interpretasi baru atau revisi yang berlaku efektif 1 Januari 2016 berikut ini, tidak memberikan dampak material pada laporan keuangan konsolidasian:

- PSAK No. 4 (Revisi 2015): Laporan Keuangan Tersendiri
- PSAK No. 7 (Revisi 2015): Pengungkapan Pihak-Pihak Berelasi
- PSAK No. 15 (Revisi 2015): Investasi Pada Entitas Asosiasi dan Ventura Bersama
- PSAK No. 16 (Revisi 2015): Aset Tetap
- PSAK No. 19 (Revisi 2015): Aset Tak Berwujud
- PSAK No. 22 (Revisi 2015): Kombinasi Bisnis
- PSAK No. 24 (Revisi 2015): Imbalan Kerja
- PSAK No. 25 (Revisi 2015): Kebijakan Akuntansi, Perubahan Estimasi Akuntansi dan Kesalahan
- PSAK No. 65 (Revisi 2015): Laporan Keuangan Konsolidasian
- PSAK No. 66 (Revisi 2015): Pengaturan Bersama
- PSAK No. 67 (Revisi 2015): Pengungkapan Kepentingan dalam Entitas Lain
- PSAK No. 68 (Revisi 2015): Pengukuran Nilai Wajar
- ISAK No. 30: Pungutan

Standar baru, revisi dan interpretasi yang telah diterbitkan namun belum berlaku efektif pada saat ini adalah sebagai berikut:

- PSAK No. 1 (Revisi 2015): Penyajian Laporan Keuangan
- PSAK No. 2 (Revisi 2016): Laporan Arus Kas
- PSAK No. 3 (Revisi 2016): Laporan Keuangan Interim
- PSAK No. 16 (Revisi 2015): Aset Tetap, untuk paragraf yang terkait dengan aset agrikultur
- PSAK No. 24 (Revisi 2016): Imbalan Kerja
- PSAK No. 46 (Revisi 2016): Pajak Penghasilan
- PSAK No. 60 (Revisi 2016): Instrumen Keuangan: Pengungkapan

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

***a. Basis of consolidated financial statements** (continued)*

Changes to the SFAS and IFAS

The adoption of the following new and revised standards and interpretations effective from 1 January 2016, resulted in an immaterial impact on the consolidated financial statements:

- *SFAS No. 4 (Revised 2015): Separate Financial Statements*
- *SFAS No. 7 (Revised 2015): Related Party Disclosures*
- *SFAS No. 15 (Revised 2015): Investments in Associates and Joint Ventures*
- *SFAS No. 16 (Revisi 2015): Fixed Assets*
- *SFAS No. 19 (Revised 2015): Intangible Assets*
- *SFAS No. 22 (Revised 2015): Business Combinations*
- *SFAS No. 24 (Revised 2015): Employee Benefits*
- *SFAS No. 25 (Revised 2015): Accounting Policy, Changes of Accounting Estimates and Error*
- *SFAS No. 65 (Revised 2015): Consolidated Financial Statements*
- *SFAS No. 66 (Revised): Joint Arrangements*
- *SFAS No. 67 (Revised 2015): Disclosures of Interests in Other Entities*
- *SFAS No. 68 (Revised 2015): Fair Value Measurement*
- *IFAS No. 30 (Revised 2015): Levies*

New standards, amendments and interpretations issued but not yet effective for the period are as follows:

- *SFAS No. 1 (Revised 2015): Presentation of Financial Statements*
- *SFAS No. 2 (Revised 2016): Statements of Cash Flows*
- *SFAS No. 3 (Revised 2016): Interim Financial Statements*
- *SFAS No. 16 (Revised 2015): Fixed Assets, for the paragraph which relates to agriculture assets*
- *SFAS No. 24 (Revised 2016): Employee Benefits*
- *SFAS No. 46 (Revised 2016): Income Taxes*
- *SFAS No. 60 (Revised 2016): Financial Instrument: Disclosures*

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

a. Dasar penyajian laporan keuangan konsolidasian (lanjutan)

Perubahan pada PSAK dan ISAK (lanjutan)

Standar-standar tersebut diatas baru berlaku efektif pada tahun buku yang dimulai pada atau setelah tanggal 1 Januari 2017 atau 2018.

Pada saat tanggal penerbitan laporan keuangan konsolidasian ini, manajemen sedang mempelajari dampak yang mungkin timbul dari penerapan standar baru dan PSAK revisi tersebut serta pengaruhnya pada laporan keuangan Grup.

b. Prinsip-prinsip konsolidasi

i. Entitas anak

Entitas anak adalah seluruh entitas (termasuk entitas terstruktur) dimana Grup memiliki pengendalian. Grup mengendalikan entitas lain ketika Grup terekspos atas, atau memiliki hak untuk, pengembalian yang bervariasi dari keterlibatannya dengan entitas dan memiliki kemampuan untuk mempengaruhi pengembalian tersebut melalui kekuasaannya atas entitas tersebut. Entitas anak dikonsolidasikan secara penuh sejak tanggal dimana pengendalian dialihkan kepada Grup. Entitas anak tidak dikonsolidasikan lagi sejak tanggal dimana Grup kehilangan pengendalian.

Grup menerapkan metode akuisisi untuk mencatat kombinasi bisnis. Imbalan yang dialihkan untuk akuisisi suatu entitas anak adalah sebesar nilai wajar aset yang dialihkan, liabilitas yang diakui terhadap pemilik pihak yang diakusisi sebelumnya dan kepentingan ekuitas yang diterbitkan oleh Grup. Imbalan yang dialihkan termasuk nilai wajar aset atau liabilitas yang timbul dari kesepakatan imbalan kontinjensi. Aset teridentifikasi yang diperoleh dan liabilitas serta liabilitas kontinjensi yang diambil alih dalam suatu kombinasi bisnis diukur pada awalnya sebesar nilai wajar pada tanggal akuisisi.

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

a. Basis of consolidated financial statements *(continued)*

Changes to the SFAS and IFAS *(continued)*

The above standards are effective for financial years beginning on or after 1 January 2017 or 2018.

As at the authorisation date of the consolidated financial statements, management was still evaluating the potential impact of these new and revised SFAS on the financial statements of the Group.

b. Principles of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

b. Prinsip-prinsip konsolidasi (lanjutan)

i. Entitas anak (lanjutan)

Grup mengakui kepentingan nonpengendali pada pihak yang diakuisisi baik sebesar nilai wajar atau sebesar bagian proporsional kepentingan nonpengendali atas aset neto pihak yang diakuisisi. Kepentingan nonpengendali disajikan di ekuitas dalam laporan posisi keuangan konsolidasian, terpisah dari ekuitas pemilik entitas induk.

Biaya yang terkait dengan akuisisi dibebankan pada saat terjadinya.

Jika kombinasi bisnis diperoleh secara bertahap, nilai wajar pada tanggal akuisisi dari kepentingan ekuitas yang sebelumnya dimiliki oleh pihak pengakuisisi pada pihak yang diakuisisi diukur kembali ke nilai wajar tanggal akuisisi melalui laporan laba rugi.

Imbalan kontinjensi yang masih harus dialihkan oleh Grup diakui sebesar nilai wajar pada tanggal akuisisi. Perubahan selanjutnya atas nilai wajar imbalan kontinjensi yang diakui sebagai aset atau liabilitas dan dicatat sesuai dengan PSAK 55 (Revisi 2014) "Instrumen Keuangan: Pengakuan dan Pengukuran", dalam laporan laba rugi. Imbalan kontinjensi yang diklasifikasikan sebagai ekuitas tidak diukur kembali dan penyelesaian selanjutnya diperhitungkan dalam ekuitas.

Selisih lebih imbalan yang dialihkan, jumlah setiap kepentingan nonpengendali pada pihak diakuisisi dan nilai wajar pada tanggal akuisisi kepentingan ekuitas sebelumnya dimiliki oleh pihak pengakuisisi pada pihak diakuisisi atas nilai wajar aset bersih teridentifikasi yang diperoleh dicatat sebagai *goodwill*. Jika jumlah imbalan yang dialihkan, kepentingan non-pengendali yang diakui, dan kepentingan yang sebelumnya dimiliki pengakuisisi lebih rendah dari nilai wajar aset bersih entitas anak yang diakuisisi dalam kasus pembelian dengan diskon, selisihnya diakui dalam laporan laba rugi.

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

b. Principles of consolidation *(continued)*

i. Subsidiaries *(continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. A non-controlling interest is reported as equity in the consolidated statement of financial position, separate from the equity of the parent entitiy.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, at the acquisition date the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFAS 55 (Revised 2014) "Financial Instruments: Recognition and Measurement" in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held interest in the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

b. Prinsip-prinsip konsolidasi (lanjutan)

i. Entitas anak (lanjutan)

Transaksi, saldo dan keuntungan antar entitas Grup yang belum direalisasi telah dieliminasi. Kerugian yang belum direalisasi juga dieliminasi. Jika diperlukan, nilai yang dilaporkan oleh entitas anak telah diubah untuk menyesuaikan dengan kebijakan akuntansi yang diadopsi oleh Grup.

Untuk tujuan konsolidasi entitas anak yang memiliki mata uang fungsional selain Dolar AS, aset dan liabilitas entitas anak ditranslasikan dengan kurs tengah Bank Indonesia pada akhir periode pelaporan. Sementara itu, pendapatan dan beban ditranslasikan dengan kurs rata-rata dari kurs tengah Bank Indonesia selama periode laporan laba rugi.

Selisih yang timbul dari penjabaran laporan keuangan entitas anak tersebut ke dalam Dolar AS disajikan dalam akun "Penghasilan komprehensif lain - Selisih kurs karena penjabaran laporan keuangan entitas anak" sebagai bagian dari komponen ekuitas lainnya pada ekuitas dalam laporan posisi keuangan konsolidasian.

ii. Perubahan kepemilikan tanpa kehilangan pengendalian

Transaksi dengan kepentingan nonpengendali yang tidak mengakibatkan hilangnya pengendalian merupakan transaksi ekuitas. Selisih antara nilai wajar imbalan yang dibayar dan bagian yang diakuisisi atas nilai tercatat aset neto entitas anak dicatat pada ekuitas. Keuntungan atau kerugian pelepasan kepentingan nonpengendali juga dicatat pada ekuitas.

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

b. Principles of consolidation *(continued)*

i. Subsidiaries *(continued)*

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

For the consolidation purposes of subsidiaries using currency other than US Dollars as functional currency, assets and liabilities are translated using the Bank of Indonesia middle rate at the end of the reporting period. Besides this, revenue and expenses are translated using the average Bank of Indonesia middle rate during the profit or loss period.

The difference arising from the translation of those subsidiaries' financial statements into US Dollars is presented as "Other comprehensive income - difference in foreign currency translation of subsidiaries financial statements" account as part of other components of equity in the equity section of the consolidated statement of financial position.

ii. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

b. Prinsip-prinsip konsolidasi (lanjutan)

iii. Pelepasan entitas anak

Ketika Grup tidak lagi memiliki pengendalian atau, kepentingan yang masih tersisa atas entitas diukur kembali berdasarkan nilai wajarnya, dan perubahan nilai tercatat diakui dalam laporan laba rugi. Nilai tercatat awal adalah sebesar nilai wajar untuk kepentingan pengukuran kembali kepentingan yang tersisa sebagai entitas asosiasi, ventura bersama atau aset keuangan. Di samping itu, jumlah yang sebelumnya diakui pada pendapatan komprehensif lain sehubungan dengan entitas tersebut dicatat seolah-olah Grup telah melepas aset atau liabilitas terkait. Hal ini dapat berarti bahwa jumlah yang sebelumnya diakui pada penghasilan komprehensif lain direklasifikasi ke laporan laba rugi.

iv. Pengaturan bersama

Menurut PSAK 66, pengaturan bersama diklasifikasikan sebagai operasi bersama atau ventura bersama bergantung pada hak dan kewajiban kontraktual para investor. Pada tanggal pelaporan, Grup memiliki operasi bersama dan ventura bersama.

(1) Operasi bersama

Operasi bersama adalah salah satu jenis pengaturan bersama dimana para pihak yang memiliki pengendalian bersama atas pengaturan memiliki hak atas aset, kewajiban atas liabilitas, terkait dengan pengaturan tersebut.

Grup memiliki kepemilikan dalam operasi bersama dimana Grup termasuk salah satu pihak yang memiliki pengendalian bersama (operator bersama), atau pihak yang berpartisipasi tidak memiliki pengendalian bersama atas operasi bersama tersebut.

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

b. Principles of consolidation *(continued)*

iii. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when the control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv. Joint arrangements

Under SFAS, 66 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. At the reporting date, the Group had joint operations and joint ventures.

(1) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group has interests in several joint operations whereby the Group is included as a party which has joint control of a joint operation (joint operator), or as a party that participates in, but does not have joint control of, a joint operation.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

b. Prinsip-prinsip konsolidasi (lanjutan)

iv. Pengaturan bersama (lanjutan)

(1) Operasi bersama (lanjutan)

Sehubungan dengan kepentingannya dalam operasi bersama bagian kepemilikan dalam operasi bersama, Grup mengakui:

1) Aset, mencakup bagiannya atas setiap aset uang dimiliki bersama;
2) Liabilitas, mencakup bagiannya atas liabilitas yang terjadi bersama;
3) Pendapatan dari penjualan bagiannya atas *output* yang dihasilkan dari operasi bersama;
4) Bagiannya atas pendapatan dari penjualan *output* oleh operasi bersama; dan
5) Beban, mencakup bagiannya atas setiap beban yang terjadi secara bersama-sama.

Ketika Grup melakukan transaksi dengan operasi bersama, dimana Grup merupakan salah satu operator bersama, maka Grup mengakui keuntungan dan kerugian yang dihasilkan dari transaksi tersebut hanya sebatas kepentingan para pihak lain dalam operasi bersama tersebut.

(2) Ventura bersama

Ventura bersama dicatat menggunakan metode ekuitas. Dalam akuntansi metode ekuitas, kepentingan dalam ventura bersama diakui pada biaya perolehan dan disesuaikan selanjutnya untuk mengakui bagian Grup atas laba rugi dan penghasilan komprehensif lain pasca perolehan. Ketika bagian grup atas rugi dalam ventura bersama sama dengan atau melebihi kepentingannya dalam ventura bersama (dimana termasuk kepentingan jangka panjang, dalam substansinya membentuk bagian dari investasi bersih Grup dalam ventura bersama), Grup tidak mengakui kerugian selanjutnya, kecuali telah menjadi kewajiban atau telah melakukan pembayaran atas nama ventura bersama.

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

b. Principles of consolidation *(continued)*

iv. Joint arrangements *(continued)*

(1) Joint operations (continued)

In relation to its interests in joint operations, the Group recognises its:

1) Assets, including its share of any assets held jointly;
2) Liabilities, including its share of any liabilities incurred jointly;
3) Revenue from the sale of its share of the output arising from the joint operation;
4) Share of the revenue from the sale of the output by the joint operation; and
5) Expenses, including its share of any expenses incurred jointly.

When the Group enters into a transaction with a joint operation in which it is a joint operator, the Group shall recognise gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

(2) Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

b. Prinsip-prinsip konsolidasi (lanjutan)

iv. Pengaturan bersama (lanjutan)

(2) Ventura bersama (lanjutan)

Keuntungan yang belum terealisasi atas transaksi antara Grup dan ventura bersama dieliminasi sebesar kepentingan Grup dalam ventura bersama. Kerugian yang belum terealisasi juga dieliminasi kecuali transaksi tersebut memberikan bukti adanya penurunan nilai aset yang dialihkan. Kebijakan akuntansi ventura bersama telah diubah jika diperlukan untuk memastikan konsistensi dari kebijakan yang diterapkan oleh Grup.

c. Transaksi dan saldo dalam mata uang asing

Masing-masing entitas dalam Grup mempertimbangkan indikator utama dan indikator lainnya dalam menentukan mata uang fungsionalnya. Perusahaan menentukan mata uang fungsionalnya dan mata uang Grup adalah Dolar AS dan memutuskan mata uang penyajian laporan keuangan konsolidasian menggunakan Dolar AS.

Transaksi dalam mata uang asing dicatat dalam mata uang fungsional berdasarkan nilai tukar yang berlaku pada saat transaksi dilakukan. Pada tanggal laporan posisi keuangan konsolidasian, aset dan liabilitas moneter dalam mata uang asing disesuaikan untuk mencerminkan kurs yang berlaku pada tanggal tersebut dan laba atau rugi kurs yang timbul dikreditkan atau dibebankan pada usaha periode berjalan, kecuali untuk selisih kurs yang dapat diatribusikan ke aset tertentu dikapitalisasi ke aset dalam pembangunan dan pemasangan.

Nilai tukar yang digunakan adalah sebagai berikut:

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

***b. Principles of consolidation** (continued)*

***iv. Joint arrangements** (continued)*

(2) Joint ventures (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Foreign currency transactions and balances

Each entity in the Group considers the primary indicators and other indicators in determining its functional currency. The Company has determined that its functional currency is the US Dollar and decided that the presentation currency for the consolidated financial statements is the US Dollar.

Transactions involving foreign currencies are recorded in the functional currency at the rates of exchange prevailing at the time the transactions are made. At the consolidated statement of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing exchange rates at such date and the resulting gains or losses are credited or charged to current operations, except for foreign exchange differentials that can be attributed to qualifying assets which are capitalised to properties under construction and installation.

The exchange rates used were as follows:

	2016	2015	
1 Dolar AS/Rupiah	13,436.00	13,795.00	*1 US Dollars/Rupiah*
1 Dolar AS/Dolar Singapura	1.44	1.41	*1 US Dollars/Singapore Dollars*
1 Dolar AS/Yen Jepang	116.42	120.46	*1 US Dollars/Japanese Yen*

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

d. Aset keuangan

1.1 Klasifikasi

Grup mengklasifikasikan aset keuangan dalam kategori sebagai berikut: (i) diukur pada nilai wajar melalui laporan laba rugi, (ii) pinjaman yang diberikan dan piutang, (iii) tersedia untuk dijual dan (iv) dimiliki hingga jatuh tempo. Klasifikasi ini tergantung pada tujuan saat aset keuangan tersebut diperoleh. Grup menentukan klasifikasi aset keuangan tersebut pada saat pengakuan awal. Pada tanggal 31 Desember 2016 dan 31 Desember 2015, Grup hanya mempunyai aset keuangan yang dikategorikan sebagai pinjaman yang diberikan dan piutang.

Pinjaman yang diberikan dan piutang adalah aset keuangan nonderivatif dengan pembayaran yang tetap atau dapat ditentukan dan tidak mempunyai kuotasi harga di pasar aktif. Pinjaman yang diberikan dan piutang dimasukkan sebagai aset lancar, kecuali jika jatuh temponya melebihi 12 bulan setelah akhir periode pelaporan. Pinjaman yang diberikan dan piutang ini dimasukkan sebagai aset tidak lancar.

Aset keuangan Grup yang dikategorikan sebagai pinjaman yang diberikan dan piutang Grup terdiri dari kas dan setara kas, piutang usaha, piutang lain-lain jangka pendek, piutang lain-lain, dan aset tidak lancar lainnya pada laporan posisi keuangan.

1.2 Pengakuan dan pengukuran

Pembelian dan penjualan aset keuangan yang lazim (reguler) diakui pada tanggal perdagangan - tanggal dimana Grup berkomitmen untuk membeli atau menjual aset. Investasi pada awalnya diakui sebesar nilai wajarnya ditambah biaya transaksi untuk seluruh aset keuangan yang tidak diukur pada nilai wajar melalui laporan laba rugi. Aset keuangan yang diukur pada nilai wajar melalui laporan laba rugi pada awalnya dicatat sebesar nilai wajar dan biaya transaksinya dibebankan pada laporan laba rugi.

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

d. Financial assets

1.1 Classification

The Group classifies its financial assets into the categories of (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets and (iv) held to maturity. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition. As at 31 December 2016 and 31 December 2015, Group only had financial assets classified as loan and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's financial assets categorised as loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, short-term other receivables and other non-current assets in the statement of financial position.

1.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

d. Aset keuangan (lanjutan)

1.2 Pengakuan dan pengukuran (lanjutan)

Aset keuangan dihentikan pengakuannya ketika hak untuk menerima arus kas dari investasi tersebut telah jatuh tempo atau telah ditransfer dan Grup telah mentransfer secara substansial seluruh risiko dan manfaat atas kepemilikan aset.

Aset keuangan tersedia untuk dijual dan aset keuangan yang diukur pada nilai wajar melalui laporan laba rugi selanjutnya dicatat sebesar nilai wajar.

Pinjaman yang diberikan dan piutang dicatat sebesar biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.

Perubahan nilai wajar efek moneter dan non-moneter yang diklasifikasikan sebagai tersedia untuk dijual diakui pada penghasilan komprehensif lain. Ketika efek diklasifikasikan sebagai tersedia untuk dijual telah dijual, akumulasi penyesuaian nilai wajar yang diakui pada ekuitas dimasukkan ke dalam laporan laba rugi sebagai "Pendapatan/(beban) lain-lain".

Ketika efek diklasifikasikan sebagai tersedia untuk dijual mengalami penurunan nilai, akumulasi penyesuaian nilai wajar yang diakui pada ekuitas dimasukkan ke dalam laporan laba rugi sebagai bagian dari "Pendapatan/(beban) lain-lain".

Bunga atas efek yang tersedia untuk dijual dihitung dengan menggunakan metode bunga efektif yang diakui pada laporan laba rugi sebagai "Pendapatan keuangan". Dividen dari instrumen ekuitas yang tersedia untuk dijual diakui pada laporan laba rugi sebagai bagian dari "Pendapatan/(beban) lain-lain" ketika hak Grup untuk menerima pembayaran sudah ditetapkan. Pada tanggal 31 Desember 2016 dan 31 Desember 2015, Grup tidak memiliki investasi pada ekuitas yang diklasifikasikan sebagai tersedia untuk dijual.

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

d. Financial assets *(continued)*

1.2 Recognition and measurement *(continued)*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in profit or loss as "Other income/(expense)".

When securities classified as available-for-sale are impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as part of "Other income/(expense)".

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of "Finance income". Dividends on available-for sale equity instruments are recognised in profit or loss as part of "Other income/(expense)" when the Group's right to receive payments is established. As at 31 December 2016 and 31 December 2015, Group had no investment in equity classified as available-for-sale.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

e. Instrumen keuangan disalinghapus

Aset keuangan dan liabilitas keuangan disalinghapuskan dan jumlah netonya dilaporkan pada laporan posisi keuangan ketika terdapat hak yang berkekuatan hukum untuk melakukan salinghapus atas jumlah yang telah diakui tersebut dan adanya niat untuk menyelesaikan secara neto, atau untuk merealisasikan aset dan menyelesaikan liabilitas secara bersamaan.

f. Penurunan nilai aset keuangan

Pada setiap akhir periode pelaporan, Grup menilai apakah terdapat bukti objektif bahwa aset keuangan atau kelompok aset keuangan telah mengalami penurunan nilai. Aset keuangan atau kelompok aset keuangan diturunkan nilainya dan kerugian penurunan nilai terjadi hanya jika terdapat bukti objektif bahwa penurunan nilai merupakan akibat dari satu atau lebih peristiwa yang terjadi setelah pengakuan awal aset ("peristiwa kerugian") dan peristiwa kerugian (atau peristiwa) tersebut memiliki dampak pada estimasi arus kas masa datang atas aset keuangan atau kelompok aset keuangan yang dapat diestimasi secara andal.

Aset dicatat sebesar harga perolehan diamortisasi. Untuk kategori pinjaman yang diberikan dan piutang, jumlah kerugian diukur sebesar selisih antara nilai tercatat aset dan nilai kini dari estimasi arus kas masa datang diestimasi (tidak termasuk kerugian kredit masa depan yang belum terjadi) yang didiskonto menggunakan suku bunga efektif awal dari aset tersebut. Nilai tercatat aset dikurangi dan jumlah kerugian diakui pada laporan laba rugi. Jika pinjaman yang diberikan memiliki tingkat bunga mengambang, tingkat diskonto yang digunakan untuk mengukur kerugian penurunan nilai adalah tingkat bunga efektif saat ini yang ditentukan dalam kontrak. Untuk alasan praktis, Grup dapat mengukur penurunan nilai berdasarkan nilai wajar instrumen dengan menggunakan harga pasar yang dapat diobservasi.

Jika, pada periode selanjutnya, jumlah penurunan nilai berkurang dan penurunan tersebut dapat dihubungkan secara objektif dengan peristiwa yang terjadi setelah penurunan nilai diakui (misalnya meningkatnya peringkat kredit debitur), pemulihan atas jumlah penurunan nilai yang telah diakui sebelumnya diakui pada laporan laba rugi.

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

e. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f. Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that the loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost. For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a floating interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

g. Kas dan setara kas

Pada laporan arus kas konsolidasian, kas dan setara kas mencakup kas, simpanan yang sewaktu-waktu bisa dicairkan dan investasi jangka pendek lainnya dengan yang jatuh tempo dalam waktu 3 bulan atau kurang.

h. Transaksi dengan pihak berelasi

Grup mempunyai transaksi dengan pihak berelasi sebagaimana didefinisikan pada PSAK No. 7 (Revisi 2010).

Karena entitas induk Perusahaan adalah PT PGN, sebuah entitas yang mayoritas sahamnya dimiliki oleh Pemerintah Republik Indonesia maka, saldo dan transaksi yang material antara Grup dengan Pemerintah Negara Republik Indonesia dan entitas berelasi dengan Pemerintah diungkapkan dalam catatan atas laporan keuangan konsolidasian yang relevan. Grup memilih untuk mengungkapkan transaksi dengan entitas berelasi dengan Pemerintah dengan menggunakan pengecualian dari persyaratan pengungkapan pihak berelasi.

Transaksi dengan pihak berelasi dilakukan berdasarkan persyaratan yang disetujui oleh kedua belah pihak, yang mungkin tidak sama dengan transaksi lain yang dilakukan dengan pihak-pihak yang tidak berelasi.

i. Piutang usaha dan piutang lain-lain

Piutang usaha adalah jumlah tagihan dari pelanggan untuk barang atau jasa yang dijual atau diberikan dalam transaksi bisnis pada umumnya. Jika pembayaran piutang diharapkan selesai dalam satu tahun atau kurang (atau dalam siklus normal operasi dari bisnis jika lebih lama), piutang tersebut dikelompokkan sebagai aset lancar. Jika tidak, piutang tersebut disajikan sebagai aset tidak lancar.

Piutang nonusaha dari pihak berelasi merupakan saldo piutang terkait dengan pinjaman yang diberikan kepada pihak berelasi Grup.

Piutang usaha dan piutang nonusaha pada awalnya diakui sebesar nilai wajar dan selanjutnya diukur pada biaya perolehan diamortisasi dengan menggunakan metode bunga efektif, apabila dampak pendiskontoan signifikan, dan dikurangi provisi atas penurunan nilai.

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

g. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

h. Transactions with related parties

The Group has transactions with related parties as defined in SFAS No. 7 (Revised 2010).

Because the Company's parent entity is PT PGN, an entity which majority of shares owned by the Government of Republic of Indonesia, as such significant transactions and balances of the Group with the Government of the Republic of Indonesia and Government-related entities are disclosed in the relevant notes to the consolidated financial statements. The Group elected to disclose the transactions with Government-related entities, using the exemption from general related party disclosure requirements.

Transactions with related parties are based on terms agreed by the parties, which may not be the same as those of the transactions between unrelated parties.

i. Trade and other receivables

Trade receivables are amounts due from customers for goods and services sold or provided 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.

Non-trade receivables from related parties are receivables balance reflecting loan given to related parties of the Group.

Trade and non-trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the impact of discounting is significant, and less any provision for impairment.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

i. Piutang usaha dan piutang lain-lain (lanjutan)

Kolektibilitas piutang usaha dan piutang nonusaha ditinjau secara berkala. Piutang yang diketahui tidak tertagih, dihapuskan dengan secara langsung mengurangi nilai tercatatnya. Akun penyisihan digunakan ketika terdapat bukti yang objektif bahwa Grup tidak dapat menagih seluruh nilai terutang sesuai dengan persyaratan awal piutang. Kesulitan keuangan signifikan yang dialami debitur, kemungkinan debitur dinyatakan pailit atau melakukan reorganisasi keuangan dan gagal bayar atau menunggak pembayaran merupakan indikator yang dianggap dapat menunjukkan adanya penurunan nilai piutang. Jumlah penurunan nilai piutang adalah sebesar selisih antara nilai tercatat aset dan nilai kini dari estimasi arus kas masa depan pada tingkat suku bunga efektif awal. Arus kas terkait dengan piutang jangka pendek tidak didiskontokan apabila efek diskonto tidak material.

Jumlah kerugian penurunan nilai dibebankan pada laba rugi dan disajikan dalam cadangan kerugian penurunan nilai. Ketika piutang usaha dan piutang nonusaha, yang rugi penurunan nilainya telah diakui, tidak dapat ditagih pada periode selanjutnya, maka piutang tersebut dihapusbukukan dengan mengurangi akun penyisihan. Jumlah yang selanjutnya dapat ditagih kembali atas piutang yang sebelumnya telah dihapusbukukan, diakui pada "Pendapatan lain-lain" pada laporan laba rugi.

j. Persediaan

Persediaan dinyatakan sebesar nilai yang lebih rendah antara biaya perolehan dan nilai realisasi neto. Biaya bahan baku dan perlengkapan termasuk suku cadang, pemeliharaan dan alat pengeboran yang digunakan untuk operasi dinilai dengan biaya rata-rata tertimbang. Minyak mentah dan gas bumi yang diproduksi dan tidak dijual tidak dicatat sebagai persediaan karena hak atas minyak tidak berpindah ke Kontraktor sampai minyak diangkat atau dimuat ke kapal. Penyisihan persediaan usang dilakukan atas dasar hasil penelaahan secara periodik terhadap kondisi persediaan.

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

i. Trade and other receivables *(continued)*

The collectibility of trade and non-trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Cash flow relating to short-term receivables is not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is charged to profit or loss within the allowance for impairment losses. When a trade and non-trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off agains the allowance account. Subsequent recoveries of amounts previously written off are recognised on "Other income" in profit or loss.

j. Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of materials and supplies, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, is valued at the weighted average. Crude oil and natural gas produced and not sold is not recorded as inventory because title does not pass to the Contractor until the oil is lifted or off-loaded into the crude tankers. Allowance for inventory obsolescence is provided based on the periodic review of the condition of the inventories.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

k. Aset tetap

Aset tetap, dinyatakan sebesar biaya perolehan dikurangi akumulasi penyusutan dan rugi penurunan nilai. Biaya perolehan termasuk biaya penggantian bagian aset tetap saat biaya tersebut terjadi, jika memenuhi kriteria pengakuan. Selanjutnya, pada saat inspeksi yang signifikan dilakukan, biaya inspeksi itu diakui ke dalam jumlah nilai tercatat aset tetap sebagai suatu penggantian jika memenuhi kriteria pengakuan. Semua biaya pemeliharaan dan perbaikan yang tidak memenuhi kriteria pengakuan diakui dalam laporan laba rugi pada saat terjadinya.

Penyusutan dihitung dengan menggunakan metode garis lurus selama umur manfaat aset tetap yang diestimasi sebagai berikut:

	Tahun/*Years*	Tarif/*Rates*	
Peralatan kantor	4 - 8	25% - 50%	*Office equipment*

Jumlah tercatat aset tetap dihentikan pengakuannya pada saat dilepaskan atau saat tidak ada manfaat ekonomis masa depan yang diharapkan dari penggunaan atau pelepasannya. Laba atau rugi yang timbul dari penghentian pengakuan aset (dihitung sebagai perbedaan antara jumlah neto hasil pelepasan dan jumlah tercatat dari aset) dimasukkan dalam laporan laba rugi pada periode aset tersebut dihentikan pengakuannya.

Pada setiap akhir tahun buku, nilai residu, umur manfaat dan metode penyusutan direviu, dan jika sesuai dengan keadaan, disesuaikan secara prospektif.

l. Aset eksplorasi dan evaluasi

Grup menerapkan PSAK No. 64 “Aktivitas Ekplorasi dan Evaluasi pada Pertambangan Sumber Daya Mineral”, yang menetapkan bahwa beban eksplorasi dan evaluasi termasuk biaya geologi dan geofisika, biaya pengeboran sumur eksplorasi termasuk biaya pengeboran sumur tes stratigrafi tahap eksplorasi dan biaya lainnya yang terkait untuk mengevaluasi kelayakan teknis dan komersialitas dari minyak dan gas yang diekstraksi dikapitalisasi dan disajikan terpisah sebagai akun “Aset Eksplorasi dan Evaluasi” di laporan posisi keuangan konsolidasian.

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

k. Fixed assets

Fixed assets, are stated at cost less accumulated depreciation and impairment losses. If the recognition criteria are met, the acquisition cost will include the cost of replacing part of the fixed assets when that cost is incurred. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognised in profit or loss as incurred.

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

An item of fixed assets is derecognised 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

At each financial year end, the asset’s residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively if appropriate.

l. Exploration and evaluation assets

The Group has adopted SFAS No. 64 "Activity of Exploration and Evaluation of Mineral Resources", which prescribes that the exploration and evaluation expenses, including geological and geophysical costs, costs of drilling exploratory wells, including stratigraphic test well drilling costs of the exploration stage and other costs related to evaluating the technical feasibility and commerciality of oil and gas are extracted separately and capitalised and presented as part of "Exploration and Evaluation Assets” in the consolidated statement of financial position.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

I. Aset eksplorasi dan evaluasi (lanjutan)

Biaya eksplorasi dan evaluasi pada suatu *area of interest* dibebankan pada saat terjadinya, kecuali biaya tersebut dapat ditangguhkan pembebanannya apabila izin untuk melakukan eksplorasi di *area of interest* tersebut masih berlaku dan memenuhi salah satu ketentuan berikut ini:

- Kegiatan eksplorasi dan evaluasi pada tanggal laporan keuangan belum mencapai tahap yang dapat menentukan apakah kegiatan tersebut akan dapat dibuktikan dan dapat diperoleh kembali *(recoverable),* serta kegiatan yang aktif dan signifikan dalam *area of interest* terkait masih berlangsung; atau

- Biaya-biaya tersebut diharapkan dapat diperoleh kembali melalui keberhasilan pengembangan dan eksploitasi *area of interest* atau melalui penjualan *area of interest*.

Aset eksplorasi dan evaluasi yang ditangguhkan terdiri dari biaya-biaya yang terjadi setelah ijin ekplorasi diperoleh dan sebelum dimulainya pengembangan *area of interest* antara lain mencakup akumulasi biaya yang terkait dengan penyelidikan umum, administrasi dan perizinan, geologi dan geofisika.

Aset eksplorasi dan evaluasi dinilai untuk penurunannya pada saat terdapat bukti dan keadaan yang menunjukkan bahwa nilai tercatat aset tersebut mungkin melebihi jumlah yang dapat dipulihkan (Catatan 2o).

Pemulihan aset eksplorasi dan evaluasi tergantung pada keberhasilan pengembangan dan eksploitasi komersial daerah pengembangan (*area of interest*) tersebut. Aset eksplorasi dan evaluasi diuji untuk penurunan nilai bila fakta dan kondisi mengindikasikan bahwa jumlah tercatatnya mungkin melebihi jumlah terpulihkannya. Dalam keadaan tersebut, maka entitas harus mengukur, menyajikan dan mengungkapkan rugi penurunan nilai terkait sesuai dengan PSAK No. 48 (Revisi 2014), "Penurunan Nilai Aset".

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

I. Exploration and evaluation assets *(continued)*

Costs of exploration and evaluation in an area of interest are charged as incurred, unless these costs can be deferred if the permission to carry out exploration activities in the area of interest is current and meets one of the following conditions:

- *Exploration and evaluation activities on the financial statements date have not reached a stage which can determine whether they will be proven and recoverable, and also active and significant activities in the related area of interest are ongoing; or*

- *These costs are expected to be recouped through successful development and exploitation of the area of interest or through a sale of the area of interest.*

Exploration and evaluation assets include costs incurred after obtaining the exploration licence and prior to commencement of development of the area of interest and includes accumulated deferred costs associated with general investigation, administration and licensing, and geological and geophysical.

Exploration and evaluation assets are assessed to decline when there is evidence and circumstances indicate that the carrying amount of the asset may exceed its recoverable amount (Note 2o).

The recoverability of exploration and evaluation assets depends on the successful development and commercial exploitation in such area (area of interest). Exploration and evaluation assets are tested for impairment if certain facts and circumstances indicate that the carrying amount of the assets may exceed the recoverable value. In such conditions, the entity must measure, present and disclose the impairment loss as required under SFAS No. 48 (Revised 2014), "Impairment of Assets".

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

l. Aset eksplorasi dan evaluasi (lanjutan)

Aset eksplorasi dan evaluasi direklasifikasi ke properti minyak dan gas bumi pada saat kelayakan teknis dan komersialitas dari minyak dan gas yang diekstraksi tersebut dapat dibuktikan.

m. Properti minyak dan gas bumi

Biaya pengeboran sumur pengembangan dan sumur tes stratigrafi tahap pengembangan, *platform*, perlengkapan sumur dan fasilitas produksi terkait, dikapitalisasi sebagai aset sumur, perlengkapan dan fasilitas dalam pengerjaan. Biaya tersebut dipindahkan ke aset sumur, perlengkapan dan fasilitas terkait pada saat pengeboran atau konstruksi selesai. Pada saat pengembangan sumur telah selesai pada lapangan tertentu, maka sumur tersebut akan ditransfer sebagai sumur produksi.

Penyusutan, deplesi dan amortisasi atas aset minyak dan gas bumi, kecuali untuk aset sumur, perlengkapan dan fasilitas dalam pengerjaan, dihitung dengan menggunakan metode unit produksi, berdasarkan cadangan terbukti (*proved*) dan *probable*, bila relevan.

n. *Goodwill*

Goodwill yang muncul atas akuisisi entitas anak disertakan dalam aset tak berwujud.

Untuk pengujian penurunan nilai, *goodwill* yang diperoleh dalam kombinasi bisnis dialokasikan pada setiap unit penghasil kas, atau kelompok unit penghasil kas ("UPK"), yang diharapkan dapat memberikan manfaat dari sinergi kombinasi bisnis tersebut. Setiap unit atau kelompok unit yang memperoleh alokasi *goodwill* menunjukkan tingkat terendah dalam entitas yang *goodwill*-nya dipantau untuk tujuan internal manajemen. *Goodwill* dipantau pada level segmen operasi.

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

l. Exploration and evaluation assets *(continued)*

Exploration and evaluation assets are reclassified to oil and gas properties when the technical feasibility and commerciality of oil and gas extracted can be determined.

m. Oil and gas properties

Costs of drilling development wells and development-type stratigraphic test wells, platforms, well equipment and attendant production facilities, are capitalised as uncompleted wells, equipment and facilities. Such costs are transferred to wells and related equipment and facilities upon completion. When the development well is completed on a specific field, it is transferred to the production wells.

Depreciation, depletion and amortisation of oil and gas properties, except uncompleted wells, equipment and facilities under construction, is calculated using the units of production method, on the basis of proved and probable reserves, where relevant.

n. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

o. Penurunan nilai aset nonkeuangan

Aset yang memiliki masa manfaat yang tidak terbatas – misalnya *goodwill* atau aset tak berwujud yang belum siap untuk digunakan – tidak diamortisasi namun diuji penurunan nilainya setiap tahun, atau lebih sering apabila terdapat peristiwa atau perubahan pada kondisi yang mengindikasikan kemungkinan penurunan nilai. Aset yang diamortisasi diuji ketika terdapat indikasi bahwa nilai tercatatnya mungkin tidak dapat dipulihkan. Penurunan nilai diakui jika nilai tercatat aset melebihi jumlah terpulihkan.

Jumlah terpulihkan adalah yang lebih tinggi antara nilai wajar aset dikurangi biaya untuk menjual dan nilai pakai aset. Dalam menentukan penurunan nilai, aset dikelompokkan pada tingkat yang paling rendah di mana terdapat arus kas yang dapat diidentifikasi (unit penghasil kas). Aset nonkeuangan selain *goodwill* yang mengalami penurunan nilai diuji setiap tanggal pelaporan untuk menentukan apakah terdapat kemungkinan pemulihan penurunan nilai.

Pemulihan rugi penurunan nilai, untuk aset selain *goodwill*, diakui jika, dan hanya jika, terdapat perubahan estimasi yang digunakan dalam menentukan jumlah terpulihkan aset sejak pengujian penurunan nilai terakhir kali. Pembalikan rugi penurunan nilai tersebut diakui segera dalam laba rugi, kecuali aset yang disajikan pada jumlah revaluasian sesuai dengan PSAK lain. Rugi penurunan nilai yang diakui atas *goodwill* tidak dapat dibalik kembali.

p. Utang usaha dan utang lain-lain

Utang usaha adalah kewajiban untuk membayar barang atau jasa yang diperoleh dari pemasok dalam kegiatan usaha normal. Utang lain-lain adalah kewajiban untuk membayar atas barang dan jasa yang dilakukan dalam transaksi bisnis pada umumnya. Utang usaha dan utang lain-lain diklasifikasikan sebagai liabilitas jangka pendek apabila pembayaran jatuh tempo dalam waktu satu tahun atau kurang. Jika tidak, utang usaha dan utang lain-lain tersebut disajikan sebagai liabilitas jangka panjang.

Utang usaha dan utang lain-lain pada awalnya diakui pada nilai wajar dan kemudian diukur pada biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.

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

o. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (cash generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Reversal on impairment loss for assets other than goodwill would be recognised if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. Reversal of impairment losses will be immediately recognised in profit or loss, except for assets measured using the revalution model as required by other SFAS. Impairment losses relating to goodwill will not be reversed.

p. Trade payables and other payables

Trade payables are obligations to pay for goods or services from a supplier. Other payables are obligations for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as short-term liabilities if payment is due within one year or less. If not, they are presented as long-term liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

q. Pinjaman

Pada saat pengakuan awal, pinjaman diakui sebesar nilai wajar, dikurangi dengan biaya-biaya transaksi yang terjadi. Selanjutnya, pinjaman diukur sebesar biaya perolehan diamortisasi; selisih antara penerimaan (dikurangi biaya transaksi) dan nilai pelunasan dicatat pada laporan laba rugi selama periode pinjaman dengan menggunakan metode bunga efektif.

Biaya yang dibayar untuk memperoleh fasilitas pinjaman diakui sebagai biaya transaksi pinjaman sepanjang besar kemungkinan sebagian atau seluruh fasilitas akan ditarik. Dalam hal ini, biaya memperoleh pinjaman ditangguhkan sampai penarikan pinjaman terjadi. Sepanjang tidak terdapat bukti bahwa besar kemungkinan sebagian atau seluruh fasilitas akan ditarik, biaya memperoleh pinjaman dikapitalisasi sebagai pembayaran di muka untuk jasa likuiditas dan di amortisasi selama periode fasilitas yang terkait.

Biaya pinjaman yang terjadi untuk konstruksi aset kualifikasian, dikapitalisasi selama periode waktu yang dibutuhkan untuk menyelesaikan konstruksi aset dan mempersiapkannya sampai dapat digunakan sesuai tujuan yang dimaksudkan atau untuk dijual. Biaya pinjaman lainnya dibebankan pada laporan laba rugi.

Pinjaman diklasifikasikan sebagai liabilitas jangka pendek kecuali Grup memiliki hak tanpa syarat untuk menunda pembayaran liabilitas selama paling tidak 12 bulan setelah tanggal pelaporan.

r. Provisi

Provisi diakui jika Grup memiliki kewajiban kini (baik bersifat hukum maupun bersifat konstruktif) akibat peristiwa masa lalu, besar kemungkinannya penyelesaian kewajiban tersebut mengakibatkan arus keluar sumber daya yang mengandung manfaat ekonomi dan estimasi yang andal mengenai jumlah kewajiban tersebut dapat dibuat.

Provisi ditelaah pada setiap tanggal pelaporan dan disesuaikan untuk mencerminkan estimasi terbaik yang paling kini. Jika arus keluar sumber daya untuk menyelesaikan kewajiban kemungkinan besar tidak terjadi, maka provisi dibatalkan.

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

q. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawndown. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

r. Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) 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.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

r. Provisi (lanjutan)

Penyelesaian program terjadi ketika entitas melakukan transaksi yang menghapuskan semua kewajiban hukum atau konstruktif untuk sebagian atau seluruh imbalan dalam program imbalan pasti.

s. Imbalan kerja

i. Imbalan kerja jangka pendek

Imbalan kerja jangka pendek diakui pada saat terutang kepada karyawan.

ii. Imbalan pensiun dan imbalan pascakerja lainnya

Grup memberikan imbalan manfaat pasti sesuai dengan Perjanjian Kerja Bersama ("PKB"), yang jumlahnya lebih besar dibanding dengan imbalan berdasarkan dan Undang-Undang Ketenagakerjaan No. 13/2003 (UU No. 13/2003). Karena UU Ketenagakerjaan atau PKB menentukan rumus tertentu untuk menghitung jumlah minimal imbalan pensiun, pada dasarnya program pensiun berdasarkan UU Ketenagakerjaan atau PKB adalah program pensiun imbalan pasti.

Liabilitas imbalan pensiun merupakan nilai kini kewajiban imbalan pasti pada tanggal neraca dikurangi dengan nilai wajar aset program. Kewajiban imbalan pasti dihitung sekali setahun oleh aktuaris independen dengan menggunakan metode *projected unit credit*. Nilai kini kewajiban imbalan pasti ditentukan dengan mendiskontokan estimasi arus kas keluar masa depan dengan menggunakan tingkat bunga obligasi pemerintah (dengan pertimbangan saat ini tidak ada pasar aktif untuk obligasi korporat berkualitas tinggi) dalam mata uang Rupiah sesuai dengan mata uang di mana imbalan tersebut akan dibayarkan dan yang memiliki jangka waktu yang kurang lebih sama dengan waktu jatuh tempo liabilitas imbalan pensiun yang bersangkutan.

Keuntungan dan kerugian aktuarial yang timbul dari penyesuaian dan perubahan dalam asumsi-asumsi aktuarial dibebankan atau dikreditkan ke ekuitas pada pos pendapatan komprehensif lain pada periode terjadinya.

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

***r. Provisions** (continued)*

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

s. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are recognised when they accrue to the employees.

ii. Pension benefits and other postemployment benefits

The Group provides defined benefits in accordance with the Collective Labor Agreement ("CLA"), which benefits are higher compared with benefits under Labour Law No. 13/2003 (Law No. 13/2003). Since the Labour Law and the CLA set the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law or the CLA represent defined benefit plans.

The pension benefit obligation is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering currently there is no deep market for high quality corporate bonds) that are denominated in Rupiah in which the benefits will be paid and that have terms to maturity approximating the terms to the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

s. Imbalan kerja (lanjutan)

ii. Imbalan pensiun dan imbalan pascakerja lainnya (lanjutan)

Biaya jasa lalu diakui secara langsung di laba rugi. Keuntungan dan kerugian dari kurtailmen atau penyelesaian program manfaat pasti diakui di laba rugi ketika kurtailmen atau penyelesaian tersebut terjadi.

Grup memberikan imbalan pascakerja lainnya, seperti uang penghargaan, penghargaan pengabdian, dan masa persiapan pensiun. Imbalan ini dihitung dengan menggunakan metodologi yang sama dengan metodologi yang digunakan dalam perhitungan program pensiun imbalan pasti, namun pengukuran kembali atas kewajiban imbalan kerja diakui langsung sebagai beban/pendapatan pada laporan laba rugi.

iii. Program imbalan iuran pasti

Grup mempunyai program asuransi pensiun untuk seluruh karyawan tetap yang memenuhi syarat. Pembayaran premi awal sekaligus dan premi periodik ditentukan berdasarkan perhitungan secara periodik yang disetujui oleh Perusahaan dan Dana Pensiun Lembaga Keuangan. Selisih antara premi pertanggungan dengan kontribusi karyawan ditanggung oleh Perusahaan.

t. Liabilitas pembongkaran aset dan restorasi area

Grup mengakui liabilitas pembongkaran dan pemindahan aset dan restorasi area atas fasilitas produksi minyak dan gas bumi, sumur, pipa dan aset-aset yang terkait sesuai dengan persyaratan dalam *production sharing contract* ("PSC") atau sesuai dengan peraturan yang berlaku.

Estimasi awal biaya pembongkaran dan pemindahan aset minyak dan gas bumi dan restorasi area aset diakui sebagai komponen biaya perolehan, yang disusutkan/dideplesikan dengan menggunakan metode satuan unit produksi yang sejalan dengan tarif deplesi aset yang dipilih.

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

s. Employee benefits *(continued)*

ii. Pension benefits and other post-employment benefits *(continued)*

Past service costs are recognised immediately in profit or loss. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the curtailment or settlement occurs.

The Group also provides other post-employment benefits, such as long service reward, jubilee rewards and prepension reward. These benefits have been accounted for using the same methodology as for the defined benefit pension plan, however, remeasurement of the employee benefit obligation is direcly recognised as expenses/income in profit or loss.

iii. Defined contribution benefit program

The Group has a retirement insurance plan covering all of its qualified permanent employees. One-time initial retirement premium and periodic premium payments are based on periodic calculations agreed between the Company and Financial Institution Pension Fund. The remaining balance of the premium is borne by the Company.

t. Asset abandonment and site restoration obligation

The Group recognises its obligations for future dismantlement and transfer of assets and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the production sharing contracts ("PSC") or in line with applicable regulations.

The initial estimated costs for dismantlement and site restoration of oil and gas properties are recognised as part of the acquisition costs of the assets and are subsequently depreciated/depleted using the unit-of-production method in line with the depletion rate of the selected assets.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

t. Liabilitas pembongkaran aset dan restorasi area (lanjutan)

Dalam banyak kasus, aktivitas pembongkaran dan pemindahan aset dan restorasi area fasilitas produksi minyak dan gas, sumur, pipa saluran dan aset terkait terjadi pada beberapa tahun di masa yang akan datang. Provisi atas liabilitas pembongkaran dan pemindahan aset, dan restorasi area ("ARO") di masa yang akan datang adalah berupa estimasi terbaik pada tanggal pelaporan keuangan atas nilai kini dari pengeluaran di masa yang akan datang untuk melaksanakan liabilitas pembongkaran dan pemindahan aset dan restorasi area tersebut, sesuai dengan ketentuan hukum yang berlaku pada tanggal pelaporan. Perkiraan liabilitas pembongkaran dan pemindahan aset dan restorasi area di masa yang akan datang tersebut melibatkan estimasi manajemen mengenai saat aktivitas tersebut akan dilakukan, sejauh mana aktivitas tersebut harus dilakukan, dan juga teknologi yang akan digunakan di masa depan.

Estimasi tersebut direviu setiap periode/tahun dan disesuaikan bila diperlukan. Penyesuaian dicerminkan dalam nilai kini atas provisi liabilitas pembongkaran dan pemindahan aset dan restorasi area pada tanggal laporan posisi keuangan konsolidasian, dimana juga dilakukan penyesuaian dengan jumlah yang sama atas nilai buku aset yang bersangkutan.

Pembalikan dari efek diskonto dalam penghitungan provisi diakui sebagai beban keuangan.

u. Perpajakan

Beban pajak terdiri dari pajak kini dan pajak tangguhan. Pajak diakui dalam laporan laba rugi, kecuali jika pajak tersebut terkait dengan transaksi atau kejadian yang diakui di pendapatan komprehensif lain atau langsung diakui ke ekuitas. Dalam hal ini, pajak tersebut masing-masing diakui dalam pendapatan komprehensif lain atau ekuitas.

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

t. Asset abandonment and site restoration obligation *(continued)*

In most instances, the dismantlement and transfer of assets and site restoration activities of oil and gas production facilities, wells, pipelines and related assets will occur many years in the future. The provision for future dismantlement and transfer of assets and asset restoration obligation ("ARO") is the best estimate of the present value of the future expenditure required to undertake the dismantlement and transfer of assets and site restoration obligation at the reporting date, based on current legal requirements. The estimated future dismantlement and transfer of assets and site restoration obligation, therefore, requires management to make judgements regarding the timing of removal and transfer, the extent of restoration activities required and future removal and restoration technologies.

Such estimates are reviewed on a periodical/annual basis and adjusted each period/year as required. Adjustments are reflected in the present value of the dismantlement and transfer of assets and site restoration obligation provision at the consolidated statement of financial position date with a corresponding change in the book value of the associated asset.

The unwinding of the effect of discounting the provision is recognised as a finance cost.

u. Taxation

The tax expenses comprise current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

u. Perpajakan (lanjutan)

Beban pajak kini dihitung berdasarkan peraturan perpajakan yang berlaku pada tanggal pelaporan keuangan, di negara di mana Perusahaan dan entitas anak beroperasi dan menghasilkan pendapatan kena pajak. Manajemen secara periodik mengevaluasi posisi yang dilaporkan di Surat Pemberitahuan Tahunan sehubungan dengan situasi di mana aturan pajak yang berlaku membutuhkan interpretasi. Jika perlu, manajemen menentukan provisi berdasarkan jumlah yang diharapkan akan dibayar kepada otoritas pajak.

Pajak penghasilan tangguhan diakui, dengan menggunakan metode *balance sheet liability* untuk semua perbedaan temporer antara dasar pengenaan pajak atas aset dan liabilitas dengan nilai tercatatnya pada laporan keuangan konsolidasian. Namun, liabilitas pajak penghasilan tangguhan tidak diakui jika berasal dari pengakuan awal *goodwill* atau pada saat pengakuan awal aset dan liabilitas yang timbul dari transaksi selain kombinasi bisnis yang pada saat transaksi tersebut tidak mempengaruhi laba rugi akuntansi dan laba rugi kena pajak. Pajak penghasilan tangguhan ditentukan dengan menggunakan tarif pajak yang telah berlaku atau secara substantif telah berlaku pada akhir periode pelaporan dan diharapkan diterapkan ketika aset pajak penghasilan tangguhan direalisasi atau liabilitas pajak penghasilan tangguhan diselesaikan.

Aset pajak penghasilan tangguhan diakui hanya jika besar kemungkinan jumlah penghasilan kena pajak di masa depan akan memadai untuk dikompensasi dengan perbedaan temporer yang masih dapat dimanfaatkan.

Atas perbedaan temporer dalam investasi pada entitas anak dibentuk pajak penghasilan tangguhan, kecuali untuk liabilitas pajak penghasilan tangguhan dimana saat pembalikan perbedaan sementara dikendalikan oleh Grup dan sangat mungkin perbedaan temporer tersebut tidak akan dibalik di masa mendatang.

Aset dan liabilitas pajak penghasilan tangguhan dapat saling hapus apabila terdapat hak yang berkekuatan hukum untuk melakukan saling hapus antara aset pajak kini dengan liabilitas pajak kini dan apabila aset dan liabilitas pajak penghasilan tangguhan dikenakan oleh otoritas perpajakan yang sama, baik atas entitas kena pajak yang sama ataupun berbeda dan adanya niat untuk melakukan penyelesaian saldo-saldo tersebut secara neto.

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

u. Taxation *(continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in annual tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted as at the reporting period and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there are legally-enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entities where there is an intention to settle the balances on a net basis.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

u. Perpajakan (lanjutan)

Kekurangan/kelebihan pembayaran pajak penghasilan disajikan sebagai bagian dari "Beban Pajak Kini" dalam laporan laba rugi. Grup juga menyajikan bunga/denda, jika ada, sebagai bagian dari "Beban Pajak Kini".

Entitas anak yang terlibat dalam kegiatan eksplorasi dan produksi minyak dan gas bumi di Indonesia dikenai tarif pajak penghasilan badan sebesar 44% sampai 48% dan di luar Indonesia dikenai tarif pajak penghasilan badan sebesar 35%.

v. Pendapatan dan beban

Pendapatan Grup berasal dari penjualan minyak mentah, gas bumi, *Liquid Petroleum Gas* ("LPG"), dan *Liquefied natural gas* ("LNG").

Pendapatan dari produksi minyak mentah dan gas bumi diakui berdasarkan metode *provisional entitlements* pada saat *lifting*. Perbedaan *lifting* aktual minyak mentah dan gas bumi menghasilkan piutang ketika *entitlements* final melebihi *lifting* minyak mentah dan gas bumi (posisi *underlifting*) dan menghasilkan hutang ketika *lifting* minyak mentah dan gas bumi melebihi *entitlements* final (posisi *overlifting*). Volume *underlifting* dan *overlifting* dinilai berdasarkan harga rata-rata tertimbang tahunan Minyak Mentah Indonesia (untuk minyak mentah) dan harga yang ditetapkan dalam Perjanjian Jual Beli Gas yang bersangkutan (untuk gas bumi).

Beban diakui pada saat terjadinya dengan menggunakan metode akrual.

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

***u. Taxation** (continued)*

The underpayment/overpayment of income tax is presented as part of "Current Tax Expenses" in profit or loss. The Group also presented interest/penalty, if any, as part of "Current Tax Expenses".

The subsidiaries involved in oil and gas exploration and production in Indonesia are subject to income tax at rates of 44% to 48% and outside Indonesia are subject to income tax at a rate of 35%.

v. Revenue and expense

Revenues of the Group are earned from the sale of crude oil, natural gas, Liquid Petroleum Gas ("LPG"), and Liquefied natural gas ("LNG").

Revenues from the production of crude oil and natural gas are recognised on the basis of the provisional entitlement method at the point of lifting. Differences between the Company's actual liftings of crude oil and natural gas result in a receivable when final entitlements exceed liftings of oil and gas (underlifting position) and in a payable when lifting of oil and gas exceed final entitlements (overlifting position). Underlifting and overlifting volumes are valued based on the annual weighted average Indonesia Crude Price (for crude oil) and price as determined in the respective Sale and Purchase Contract (for gas).

Expenses are recognised as incurred on an accrual basis.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN

Penyusunan laporan keuangan konsolidasian Grup mengharuskan manajemen untuk membuat pertimbangan, estimasi dan asumsi yang mempengaruhi jumlah yang dilaporkan dari pendapatan, beban, aset dan liabilitas, dan pengungkapan atas liabilitas kontijensi, pada akhir periode pelaporan. Ketidakpastian mengenai asumsi dan estimasi tersebut dapat mengakibatkan penyesuaian material terhadap nilai tercatat pada aset dan liabilitas dalam periode pelaporan berikutnya.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Pertimbangan

Pertimbangan berikut ini dibuat oleh manajemen dalam rangka penerapan kebijakan akuntansi Grup yang memiliki pengaruh paling signifikan atas jumlah yang diakui dalam laporan keuangan konsolidasian:

a. Penentuan mata uang fungsional

Mata uang fungsional adalah mata uang dari lingkungan ekonomi primer dimana Grup beroperasi. Manajemen mempertimbangkan mata uang yang paling mempengaruhi pendapatan dan beban dari jasa yang diberikan serta mempertimbangkan indikator lainnya dalam menentukan mata uang yang paling tepat menggambarkan pengaruh ekonomi dari transaksi, kejadian dan kondisi yang mendasari.

b. Klasifikasi aset dan liabilitas keuangan

Grup menetapkan klasifikasi atas aset dan liabilitas tertentu sebagai aset keuangan dan liabilitas keuangan dengan mempertimbangkan bila definisi yang ditetapkan PSAK 55 (Revisi 2014) dipenuhi. Dengan demikian, aset keuangan dan liabilitas keuangan diakui sesuai dengan kebijakan akuntansi Grup seperti diungkapkan pada Catatan 2d.

c. Pengaturan bersama

Pertimbangan diperlukan untuk menentukan kapan Grup memiliki pengendalian bersama terhadap sebuah pengaturan, yang memerlukan penilaian dari aktivitas yang relevan dan apabila keputusan sehubungan dengan aktivitas tersebut mengharuskan persetujuan dengan suara bulat.

Grup memenetapkan bahwa aktivitas relevan bagi Grup untuk pengaturan bersama adalah aktivitas yang berhubungan dengan keputusan keuangan, operasional dan modal dari pengaturan tersebut. Pertimbangan-pertimbangan yang dibuat dalam menentukan pengendalian bersama adalah sama dengan penentuan pengendalian atas entitas anak, sebagaimana yang dijelaskan dalam Catatan 2b.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Judgements

The following judgements are made by management in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements:

a. Determination of functional currency

The functional currency is the currency of the primary economic environment in which the Group operates. The management has considered the currency that mainly influences the revenue and cost of gas sales and rendering services and other indicators in determining the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions.

b. Classification of financial assets and liabilities

The Group determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in SFAS 55 (Revised 2014). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies disclosed in Note 2d.

c. Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

The Group has determined that the relevant activities for its joint arrangements are those relating to the financial, operating and capital decisions of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 2b.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Pertimbangan (lanjutan)

c. Pengaturan bersama (lanjutan)

Pertimbangan juga diperlukan untuk menentukan klasifikasi suatu pengaturan bersama. Pengklasifikasian tersebut mengharuskan Grup menilai hak dan kewajibannya yang timbul dari pengaturan bersama. Secara khusus, Grup mempertimbangkan:

- Apakah pengaturan bersama dibentuk melalui entitas terpisah.
- Ketika pengaturan bersama dibentuk melalui kendaran terpisah, Grup juga mempertimbangkan hak dan kewajiban para pihak yang timbul dari:
  - Bentuk hukum dari entitas terpisah
  - Persyaratan pengaturan kontraktual
  - Fakta dan keadaan lainnya, jika relevan.

Penilaian tersebut sering memerlukan pertimbangan yang signifikan. Kesimpulan yang berbeda baik atas kesimpulan mengenai pengendalian bersama dan apakah suatu pengaturan adalah sebuah operasi bersama atau ventura bersama, dapat secara material mempengaruhi perlakuan akuntansinya.

d. Ketidakpastian eksposur perpajakan

Berdasarkan peraturan perpajakan yang berlaku saat ini, manajemen mempertimbangkan apakah jumlah yang tercatat pada akun tagihan pajak dapat dipulihkan dan direstitusi oleh Kantor Pajak. Manajemen mempertimbangkan liabilitas yang mungkin timbul dari hasil pemeriksaan pajak yang masih diajukan keberatannya.

Pertimbangan signifikan dilakukan dalam menentukan provisi atas pajak penghasilan badan maupun pajak lainnya atas transaksi tertentu. Ketidakpastian timbul terkait dengan interpretasi dari peraturan perpajakan yang kompleks dan jumlah dan waktu dari penghasilan kena pajak di masa depan. Grup membuat analisa untuk semua posisi pajak terkait dengan pajak penghasilan untuk menentukan jika liabilitas pajak untuk manfaat pajak yang belum diakui harus diakui.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Judgements *(continued)*

c. Joint arrangements *(continued)*

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group considers:

- *Whether the joint arrangement is structured through a separate entity.*
- *When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:*
  - *The legal form of the separate entity*
  - *The terms of the contractual arrangement*
  - *Other relevant facts and circumstances.*

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

d. Uncertain tax exposure

Based on the tax regulations currently enacted, management judges if the amounts recorded under claim for tax refund are recoverable and refundable by the Tax Office. Management also judges on possible liability that might arise from the tax assessment under objection.

Significant judgement is involved in determining the provision for corporate income tax and other taxes on certain transactions. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognised tax benefit should be recognised.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting

Grup membuat estimasi dan asumsi mengenai masa depan. Estimasi akuntansi yang dihasilkan, menurut definisi, akan jarang sekali sama dengan hasil aktualnya. Estimasi dan asumsi yang secara signifikan berisiko menyebabkan penyesuaian material terhadap jumlah tercatat aset dan liabilitas selama 12 bulan ke depan dipaparkan di bawah ini.

Asumsi utama masa depan dan sumber utama estimasi ketidakpastian lain pada tanggal pelaporan yang memiliki risiko signifikan bagi penyesuaian yang material terhadap nilai tercatat aset dan liabilitas untuk tahun berikutnya diungkapkan di bawah ini. Grup mendasarkan asumsi dan estimasi pada parameter yang tersedia pada saat laporan keuangan konsolidasian disusun. Asumsi dan situasi mengenai perkembangan masa depan mungkin berubah akibat perubahan pasar atau situasi di luar kendali Grup. Perubahan tersebut dicerminkan dalam asumsi terkait pada saat terjadinya.

a. Aset eksplorasi dan evaluasi

Kebijakan akuntansi Grup untuk biaya eksplorasi dan evaluasi mengakibatkan biaya tertentu dikapitalisasi untuk sebuah *area of interest* yang dianggap dapat dipulihkan oleh eksploitasi di masa depan atau penjualan atau dimana kegiatan tersebut belum mencapai tahap tertentu yang memungkinkan dilakukan penilaian yang wajar atas keberadaan cadangan. Kebijakan ini mengharuskan manajemen untuk membuat estimasi dan asumsi tertentu atas peristiwa dan keadaan di masa depan, khususnya apakah operasi eksploitasi dapat dilaksanakan secara ekonomis.

Setiap perkiraan dan asumsi tersebut dapat berubah seiring tersedianya informasi baru. Jika, setelah dilakukan kapitalisasi atas biaya berdasarkan kebijakan ini, suatu pertimbangan dibuat bahwa pemulihan biaya dianggap tidak dimungkinkan, biaya yang telah dikapitalisasi tersebut akan dibebankan ke dalam laporan laba rugi dan penghasilan komprehensif lainnya konsolidasian.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are addressed below.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

a. Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be a recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the consolidated statement of income and other comprehensive income.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting (lanjutan)

a. Aset eksplorasi dan evaluasi (lanjutan)

Kegiatan pengembangan dimulai setelah dilakukan pengesahan proyek oleh tingkat manajemen yang berwenang. Pertimbangan diterapkan oleh manajemen dalam menentukan kelayakan suatu proyek secara ekonomis. Dalam melakukan pertimbangan ini, manajemen perlu membuat estimasi dan asumsi tertentu yang serupa dengan kapitalisasi biaya eksplorasi dan evaluasi yang dijelaskan di atas.

b. Penurunan nilai aset keuangan

Pada setiap tanggal laporan posisi keuangan, Grup mengevaluasi apakah terdapat bukti yang objektif bahwa aset keuangan atau kelompok aset keuangan mengalami penurunan nilai. Aset keuangan atau kelompok aset keuangan diturunkan nilainya dan kerugian penurunan nilai telah terjadi, jika dan hanya jika, terdapat bukti yang objektif mengenai penurunan nilai tersebut sebagai akibat dari satu atau lebih peristiwa yang terjadi setelah pengakuan awal aset tersebut (peristiwa yang merugikan), dan peristiwa yang merugikan tersebut berdampak pada estimasi arus kas masa depan atas aset keuangan atau kelompok aset keuangan yang dapat diestimasi secara andal.

Kriteria yang Grup gunakan untuk menentukan bahwa ada bukti objektif dari suatu penurunan nilai meliputi:

- Kesulitan keuangan signifikan yang dialami penerbit atau pihak peminjam;
- Pelanggaran kontrak, seperti terjadinya wanprestasi atau tunggakan pembayaran pokok;
- Terdapat kemungkinan bahwa debitur akan dinyatakan pailit atau melakukan reorganisasi keuangan lainnya; dan
- Data yang dapat diobservasi mengindikasikan adanya penurunan yang dapat diukur atas estimasi arus kas masa depan, seperti perubahan dalam tunggakan atau kondisi ekonomi yang berkorelasi dengan wanprestasi.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions *(continued)*

a. Exploration and evaluation assets *(continued)*

Development activities commence after a project is sanctioned by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure.

b. Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Criteria that the Group uses to assess whether there is an objective evidence from an impairment, are as follows:

- *Indications that the debtor is experiencing significant financial difficulty;*
- *Breach of contract such as default or delinquency in interest or principal payments;*
- *The probability that the debtor will enter bankruptcy or other financial reorganisation; and*
- *Observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.*

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting (lanjutan)

c. Pajak penghasilan

Pertimbangan dan asumsi dibutuhkan dalam menentukan penyisihan modal dan pengurangan beban tertentu selama estimasi provisi pajak penghasilan untuk setiap perusahaan dalam Grup. Banyaknya transaksi dan perhitungan yang dapat menyebabkan ketidakpastian di dalam penentuan kewajiban pajak. Apabila terdapat perbedaan perhitungan pajak dengan jumlah yang telah dicatat, perbedaan tersebut akan berdampak pada pajak penghasilan dan pajak tangguhan dalam periode di mana penentuan pajak tersebut dibuat.

Aset pajak tangguhan, termasuk yang timbul dari rugi fiskal, provisi, dan perbedaan temporer, diakui hanya apabila dianggap lebih mungkin daripada tidak bahwa mereka dapat diterima kembali, dimana hal ini tergantung pada kecukupan pembentukan laba kena pajak di masa depan. Asumsi pembentukan laba kena pajak di masa depan bergantung pada estimasi manajemen untuk arus kas di masa depan. Hal ini bergantung pada estimasi volume penjualan barang atau jasa, harga, biaya operasi, belanja modal, dan transaksi manajemen lainnya di masa depan.

d. Liabilitas pembongkaran aset dan restorasi area

Grup mengakui provisi untuk liabilitas pembongkaran aset dan restorasi area terkait dengan sumur minyak dan gas, fasilitas dan infrastruktur. Dalam menentukan nilai provisi, asumsi dan estimasi yang diperlukan adalah tingkat diskonto dan biaya yang diharapkan untuk membongkar dan memindahkan semua peralatan dari daerah pengeboran dan restorasi area.

e. Estimasi cadangan minyak dan gas bumi

Nilai tercatat untuk deplesi, penyusutan dan untuk amortisasi beserta pemulihan nilai tercatat properti minyak dan gas, yang digunakan untuk memproduksi minyak dan gas tergantung pada estimasi cadangan minyak dan gas. Faktor utama yang mempengaruhi estimasi tersebut adalah penilaian teknis atas kuantitas produksi cadangan minyak dan gas yang ada dan kendala ekonomis seperti ketersediaan pasar komersial atas produksi minyak dan gas bumi maupun asumsi yang terkait dengan antisipasi harga komoditas dan biaya pengembangan dan produksi cadangan tersebut.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions *(continued)*

c. Income taxes

Judgements and assumptions are required in determining capital allowances and the deductibility of certain expenses during the estimation of the provision for income taxes for the Group. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences will have an impact on the income tax and deferred income tax provision in the period in which the determination is made.

Deferred tax assets, including those arising from unrecouped tax losses, provision and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes or sales of service, prices, operating costs, capital expenditure, and other future transactions.

d. Asset abandonment and site restoration obligations

The Group has recognised provision for asset abandonment and site restoration obligations associated with its oil and gas wells, facilities and infrastructures. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all the structures from the site and restore the site.

e. Oil and gas reserve estimates

The amounts recorded for depletion, depreciation and amortisation as well as the recovery of the carrying value of oil and gas properties involving production of oil and gas reserves depends on estimated reserves of oil and gas. The primary factors affecting these estimates are technical engineering assessments of producible quantities of oil and gas reserves in place and economic constraints such as the availability of commercial markets for oil and gas production as well as assumptions related to anticipated commodity prices and the costs of development and production of the reserves.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting (lanjutan)

e. Estimasi cadangan minyak dan gas bumi (lanjutan)

Asumsi ekonomi yang digunakan untuk memperkirakan cadangan berubah dari waktu ke waktu dan data geologi bertambah selama masa operasi, oleh karena itu perkiraan cadangan dapat berubah dari waktu ke waktu. Perubahan cadangan yang dilaporkan dapat mempengaruhi hasil dan posisi keuangan Grup dalam berbagai cara diantaranya:

1. Nilai tercatat aset dapat terpengaruh akibat perubahan estimasi arus kas masa depan.

2. Penyusutan dan amortisasi yang dibebankan ke dalam laporan laba rugi dapat berubah apabila beban-beban tersebut ditentukan berdasarkan unit produksi, atau jika masa manfaat ekonomi umur aset berubah.

3. Penyisihan untuk aktivitas purna-operasi, restorasi lokasi aset, dan hal-hal yang berkaitan dengan lingkungan dapat berubah apabila terjadi perubahan dalam perkiraan cadangan yang mempengaruhi ekspektasi tentang waktu atau biaya kegiatan ini.

4. Nilai tercatat aset/liabilitas pajak tangguhan dapat berubah karena perubahan estimasi pemulihan manfaat pajak.

f. Penurunan nilai aset nonkeuangan

Sesuai dengan kebijakan akuntansi Grup, setiap aset atau UPK dievaluasi pada setiap periode pelaporan untuk menentukan ada tidaknya indikasi penurunan nilai aset. Jika terdapat indikasi tersebut, akan dilakukan perkiraan atas nilai aset yang dapat kembali dan kerugian akibat penurunan nilai akan diakui sebesar selisih antara nilai tercatat aset dengan nilai yang dapat dipulihkan kembali dari aset tersebut. Jumlah nilai yang dapat dipulihkan kembali dari sebuah aset atau kelompok aset penghasil kas diukur berdasarkan nilai yang lebih tinggi antara nilai wajar dikurangi biaya untuk menjual dan nilai pakai aset.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions *(continued)*

e. Oil and gas reserves estimate *(continued)*

The economic assumptions used to estimate reserves change from period to period, and additional geological data is generated during the course of operations, and therefore estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

1. Asset carrying values may be affected due to changes in estimated future cash flows.

2. Depreciation and amortisation charged to profit or loss may change where such charges are determined on the basis of units of production, or where the useful economic lives of assets change.

3. Decommissioning, site restoration and environmental provision may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

4. The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.

f. Impairment of non-financial assets

In accordance with the Group's accounting policy, each asset or CGU is evaluated every reporting period to determine whether there are any indications of impairment. If any such indications exists, a formal estimate of the recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount of an asset or cash generating unit of a group of assets is measurred at the higher of fair value less costs to sell and value in use.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting (lanjutan)

f. Penurunan nilai aset nonkeuangan (lanjutan)

Aset yang memiliki masa manfaat yang terbatas, seperti *goodwill* atau aset tak berwujud yang belum siap untuk digunakan, tidak diamortisasi dan diuji setiap tahun untuk penurunan nilai.

Aset minyak dan gas bumi yang telah menemukan cadangan terbukti, ditelaah untuk penurunan nilai ketika kejadian dan perubahan keadaan mengindikasikan bahwa nilai tercatat aset tidak dapat dipulihkan. Jika terdapat indikasi tersebut, nilai terpulihkan aset akan diestimasi. Nilai terpulihkan aset ditentukan berdasarkan nilai yang lebih besar antara nilai wajar aset dikurangi biaya untuk menjual dan nilai pakainya.

Penentuan nilai wajar dan nilai pakai membutuhkan manajemen untuk membuat estimasi dan asumsi atas produksi yang diharapkan dan volume penjualan, harga komoditas (mempertimbangkan harga saat ini dan masa lalu, tren harga dan faktorfaktor terkait), cadangan (lihat "Estimasi cadangan minyak dan gas bumi" di atas), biaya operasi, biaya pembongkaran dan restorasi serta belanja modal di masa depan. Estimasi dan asumsi ini terpapar risiko dan ketidakpastian; sehingga ada kemungkinan perubahan situasi dapat mengubah proyeksi ini, yang dapat mempengaruhi nilai aset yang dapat dipulihkan kembali. Dalam keadaan seperti itu, sebagian atau seluruh nilai tecatat aset mungkin akan mengalami penurunan nilai lebih lanjut atau terjadi pengurangan rugi penurunan nilai yang dampaknya akan dicatat dalam laporan laba rugi.

g. Imbalan kerja

Nilai kini kewajiban pensiun dan imbalan jangka panjang lainnya tergantung pada sejumlah faktor yang ditentukan berdasarkan basis dari aktuaria dengan menggunakan sejumlah asumsi. Asumsi yang digunakan dalam menentukan beban/(pendapatan) bersih untuk pensiun termasuk tingkat diskonto, kenaikan gaji di masa depan, perubahan remunerasi masa depan, tingkat pengurangan karyawan, tingkat harapan hidup dan periode sisa yang diharapkan dari masa aktif karyawan. Setiap perubahan dalam asumsi-asumsi ini akan berdampak pada nilai tercatat atas kewajiban pensiun dan imbalan jangka panjang lainnya.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions *(continued)*

f. Impairment of non-financial assets *(continued)*

Assets that have an indefinite useful-life for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment.

Proven oil and gas properties are reviewed for impairment losses whenever events or changes in circumtances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is determined as the greater of an asset's fair value less cost to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity *prices (considering current and historical prices, price trends and related factors), reserves (see "Oil and gas reserve estimates" above), operating costs, decommissioning and site restoration cost, and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may have an impact on the recoverable amount of the assets. In such circumtances, some or all of the carrying value of the assets may be further impaired, or the impairment charge reduced, with the impact recorded in profit or loss.*

g. Employee benefits

The present value of the pension and other long-term benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate, future salary increase, future remuneration changes, employee attrition rates, life expectancy and expected remaining periods of service of employees. Any changes in these assumptions will have an impact on the carrying amount of the pension obligation.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan asumsi akuntansi yang penting (lanjutan)

g. Imbalan kerja (lanjutan)

Grup menentukan tingkat diskonto yang sesuai pada setiap akhir tahun. Tingkat suku bunga inilah yang digunakan untuk menentukan nilai kini dari estimasi arus kas keluar masa depan yang akan dibutuhkan untuk memenuhi kewajiban pension dan imbalan jangka panjang lainnya. Dalam menentukan tingkat diskonto yang sesuai, Grup mengggunakan tingkat suku bunga obligasi pemerintah, dengan pertimbangan saat ini tidak ada pasar aktif untuk obligasi korporat berkualitas tinggi) dalam mata uang yang sama dengan mata uang imbalan yang akan dibayarkan dan memiliki waktu jatuh tempo yang kurang lebih sama dengan waktu jatuh tempo kewajiban pensiun dan imbalan jangka panjang lainnya yang bersangkutan.

Untuk kenaikan gaji masa depan, Grup mengumpulkan data historis mengenai perubahan gaji dasar pekerja dan menyesuaikannya dengan perencanaan bisnis masa depan.

Asumsi kunci lainnya untuk kewajiban pensiun dan imbalan jangka panjang lainnya didasarkan sebagian pada kondisi pasar saat ini.

h. Nilai wajar atas aset bersih terindentifikasi yang diperoleh dari akuisisi bisnis dan imbalan kontijensi

Nilai wajar atas aset bersih teridentifikasi yang diperoleh dari akuisisi bisnis ditentukan dengan menggunakan teknik penilaian. Grup menggunakan pertimbangan tertentu dalam memilih suatu metode dan membuat asumsi-asumsi yang didasarkan pada kondisi pasar pada tanggal akuisi. Berdasarkan standar akuntansi yang relevan, nilai wajar tersebut mungkin disesuaikan dalam waktu 12 bulan sejak tanggal akuisisi (lihat Catatan 4).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Critical accounting estimates and assumptions *(continued)*

g. Employee benefits *(continued)*

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds (considering there is no deep market for high quality corporate bonds) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

For the rate of future salary increases, the Group collects all historical data relating to changes in base salaries and adjusts it for future business plans.

Other key assumptions for pension obligations and other long-term benefits are based in part on current market conditions.

h. Fair value of identifiable net assets acquired from business combination and contingent liability

The fair value of identifiable net assets acquired from the business acquisition is determined using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the acquisition date. In accordance with the relevant accounting standard, the fair value may be adjusted within 12 months of the acquisition date (see Note 4).

4. AKUISISI

Akuisisi SESSL (dahulu British Petroleum East Kalimantan Pte. Ltd, ("BPEK"))

Pada tanggal 17 November 2016, Grup, melalui SEEK, telah melakukan akuisisi atas 100% kepemilikan saham pada BPEK dari British Petroleum Plc. Pada tanggal 17 November 2016, BPEK telah berganti nama menjadi SESSL.

BPEK adalah entitas non-publik yang memiliki sebesar 26,25% bagian partisipasi atas Sanga-sanga PSC.

4. ACQUISITION

Acquisition of SESSL (formerly British Petroleum East Kalimantan Pte. Ltd., ("BPEK"))

On 17 November 2016, the Group, through SEEK, acquired 100% ownership share in BPEK from British Petroleum Plc. On 17 November 2016, BPEK's name was changed to SESSL.

BPEK is a non-listed company which owns 26.25% of the participating interest of Sanga-sanga PSC.

4. AKUISISI (lanjutan)

Akuisisi SESSL (dahulu British Petroleum East Kalimantan Pte. Ltd, ("BPEK")) (lanjutan)

Kesepakatan imbalan kontinjensi memungkinkan Grup membayar secara kas kepada pemilik lama BPEK dan Unimar maksimum sebesar AS$30.000.000, apabila harga aktual minyak melebihi proyeksi harga minyak per Brent selama periode tiga tahun dari 2016-2019 dan Grup mendapatkan perpanjangan PSC Sanga-Sanga di tahun 2018. Nilai wajar kesepakatan imbalan kontinjensi pada tanggal akuisisi adalah sebesar AS$1.874.918. Grup telah menempatkan jaminan bank sebesar AS$12.000.000 melalui PT Bank Sumitomo Mitsui Indonesia dan membayarkan *Refundable Security Deposit* sebesar AS$30.000.000 kepada pemilik lama BPEK dan Unimar (Catatan 9).

Berdasarkan standar akuntansi keuangan yang berlaku, nilai wajar dari aset yang diperoleh dan liabilitas yang diambil dapat disesuaikan dalam waktu dua belas bulan setelah tanggal akuisisi.

Tabel berikut merangkum harga perolehan akuisisi SESSL, serta jumlah aset yang diperoleh dan liabilitas yang diambil alih pada tanggal akuisisi.

4. ACQUISITION *(continued)*

Acquisition of SESSL (formerly British Petroleum East Kalimantan Pte. Ltd., ("BPEK")) *(continued)*

The contingent consideration arrangement may require the Group to pay US$30,000,000 in cash to the former owners of BPEK and Unimar of when the actual oil price exceeds the Brent forward price for three years from 2016-2019 and the Group obtains an extension of Sanga-Sanga PSC in 2018. The fair value as the contingent consideration arrangement as at the acquisition date was amounting to US$1,874,918. The Group has placed a bank guarantee in the amount of US$12,000,000 at PT Bank Sumitomo Mitsui Indonesia and has paid Refundable Security Deposits of US$30,000,000 to the former owners of BPEK and Unimar (Note 9).

In accordance with the relevant accounting standard, the fair value of assets acquired and liabilities assumed, may be adjusted within 12 months after the acquisition date.

The following table summarises the consideration paid for the acquisition of SESSL and the amounts of the assets acquired and liabilities recognised at the acquisition date.

	17 November/ *November* 2016	
Imbalan pembelian yang dialihkan		*Purchase consideration transferred*
- Kas yang dibayar	35,725,082	*Cash paid -*
- Imbalan kontinjensi	1,874,918	*Contingent consideration -*
Jumlah imbalan yang dialihkan	37,600,000	*Total consideration transferred*
Jumlah aset dan liabilitas yang diakui:		*Recognised amount of assets and liabilities:*
Kas dan setara kas	11,928,811	*Cash and cash equivalents*
Piutang usaha	31,763,666	*Trade receivables*
Piutang lain-lain	553,477	*Other receivables*
Persediaan	17,497,393	*Inventories*
Beban dibayar dimuka	21,320,848	*Prepaid expenses*
Properti minyak dan gas	35,100,000	*Oil and gas properties*
Utang usaha	(16,495,093)	*Trade payables*
Liabilitas yang masih harus dibayar	(14,574,150)	*Accrued expenses*
Utang pajak	(21,105,752)	*Taxes payable*
Liabilitas imbalan kerja	(2,479,761)	*Employee benefit liabilities*
Liabilitas pajak tangguhan	(10,396,070)	*Deferred tax liabilities*
Provisi lain-lain	(8,270,000)	*Other provisions*
Nilai wajar aset neto teridentifikasi	44,843,369	*Total identifiable net assets at fair value*
Keuntungan pembelian dengan diskon	(7,243,369)	*Gain on bargain purchase*

4. AKUISISI (lanjutan)

Akuisisi SESSL (dahulu British Petroleum East Kalimantan Pte. Ltd, ("BPEK")) (lanjutan)

Tabel berikut ini merupakan rekonsiliasi arus kas yang dibayarkan dan diperoleh atas akuisisi SESSL.

	17 November/ *November* 2016
Imbalan kas yang dibayar	35,725,082
Dikurangi saldo kas yang diperoleh:	
- Kas dan setara kas	(11,928,811)
Arus kas keluar untuk kombinasi bisnis	23,796,271

Biaya yang terkait dengan akuisisi sebesar AS$1.272.679 telah dibebankan pada beban administrasi pada laporan laba rugi untuk tahun yang berakhir pada 31 Desember 2016.

Seluruh saldo nilai piutang usaha dan piutang lain-lain senilai AS$32.317.143 telah dinilai oleh manajemen sebagai piutang tertagih.

Pendapatan dan rugi SESSL yang masuk dalam laporan laba rugi sejak tanggal 17 November 2016 masing-masing adalah sebesar AS$9.770.067 dan AS$4.868.995.

Jika SESSL dikonsolidasi sejak 1 Januari 2016, maka laba-rugi akan menunjukkan pendapatan proforma senilai AS$92.517.999 dan rugi proforma AS$22.740.456.

Harga pembelian SESSL lebih rendah daripada nilai wajar aset neto yang dibeli, menghasilkan keuntungan sebesar AS$7.243.369 yang dicatat sebagai bagian dari akun "Pendapatan/(beban) lain-lain" dalam laba rugi tahun berjalan (Catatan 35). Grup menelaah kembali pengakuan dan pengukuran aset neto teridentifikasi yang diakuisisi dan liabilitas yang diambil alih, dan menyimpulkan bahwa seluruh aset neto yang diakuisisi telah diakui dan bahwa prosedur penilaian dan pengukuran hasilnya sudah wajar.

***4. ACQUISITION** (continued)*

***Acquisition of SESSL (formerly British Petroleum East Kalimantan Pte. Ltd., ("BPEK"))** (continued)*

The following table is the reconciliation of cash paid and acquired from the acquisition of SESSL.

Cash consideration paid	
Less balance of cash acquired:	
Cash and cash equivalents -	
Cash outflow used for business combination	

Acquisition-related costs of US$1,272,679 have been charged to administrative expenses in profit or loss for the year ended 31 December 2016.

All of the trade and other receivables balance amounting to US$32,317,143 is considered by management as collectible receivables.

The revenue and loss included in the profit or loss contributed by SESSL since 17 November 2016 amounts to US$9,770,067 and US$4,868,995, respectively.

Had SESSL been consolidated from 1 January 2016, the profit or loss would have shown proforma revenue of US$92,517,999 and proforma loss of US$22,740,456.

SESSL's purchase price was lower than the fair value of net assets purchased, resulting in a gain of US$7,243,369 recorded as part of the "Other income/(expenses)" account in the current year profit or loss (Note 35). The Group reassessed the recognition and measurement of identifiable net assets acquired and liabilities assumed, and concluded that all acquired net assets have been properly recognised and that the valuation procedures and resulting measures were appropriate.

5. KAS DAN SETARA KAS / *5. CASH AND CASH EQUIVALENTS*

	2016	2015	
Kas kecil	744	-	*Cash on hand*
Kas pada bank			*Cash in banks*
Rekening Rupiah:			*Rupiah accounts:*
Entitas berelasi dengan pemerintah			***Government-related entities***
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	1,368,256	181,593	*PT Bank Negara Indonesia (Persero) Tbk ("BNI")*
PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")	504,264	633,166	*PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")*
Rekening Dolar AS:			*US Dollar accounts:*
Entitas berelasi dengan pemerintah			***Government-related entities***
Bank Mandiri	33,737,942	28,274,615	*Bank Mandiri*
BNI	14,979,785	9,636,491	*BNI*
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	723,657	28,290,046	*PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")*
Pihak ketiga			***Third parties***
PT Bank Sumitomo Mitsui Corporation Indonesia ("SMBC")	41,164,350	1,903,234	*PT Bank Sumitomo Mitsui Corporation Indonesia ("SMBC")*
JP Morgan Chase, Texas	3,367,425	-	*JP Morgan Chase, Texas*
Citibank N.A.	24,149,232	28,807	*Citibank N.A.*
PT Bank DBS Indonesia ("DBSI")	2,014,777	-	*PT Bank DBS Indonesia ("DBSI")*
	122,009,688	68,947,952	
Setara kas - Deposito berjangka yang tidak dibatasi penggunaannya			*Cash equivalents - Unrestricted time deposits*
Rekening Rupiah:			*Rupiah accounts:*
Entitas berelasi dengan pemerintah			***Government-related entities***
BNI	1,638,828	-	*BNI*
BRI	-	1,116,847	*BRI*
Rekening Dolar AS:			*US Dollars accounts:*
Entitas berelasi dengan pemerintah			***Government-related entities***
BNI	38,000,000	-	*BNI*
BRI	-	123,000,000	*BRI*
Bank Mandiri	1,000,000	1,000,000	*Bank Mandiri*
	40,638,828	125,116,847	
Jumlah	**162,649,260**	**194,064,799**	***Total***

Tingkat bunga deposito berjangka adalah sebagai berikut:

The interest rate of time deposits are as follows:

	2016	2015	
Rekening Rupiah	6.75% - 8.00%	6.00% - 9.50%	*Rupiah accounts*
Rekening Dolar AS	0.50% - 1.05%	0.11% - 2.50%	*US Dollars accounts*

6. PIUTANG USAHA / *6. TRADE RECEIVABLES*

	2016	2015	
Gas bumi	42,114,111	15,007,669	*Natural Gas*
Minyak mentah	14,026,536	14,591,899	*Crude oil*
Liquid Petroleum Gas ("LPG")	1,552,482	1,452,486	*LPG*
LNG	2,259,200	-	*LNG*
Jumlah	**59,952,329**	**31,052,054**	***Total***

Piutang usaha tidak dikenakan bunga dan pada umumnya berjangka waktu 7-30 hari.

Trade receivables are non-interest bearing and generally due for collection in 7-30 days.

Manajemen Grup berpendapat bahwa seluruh saldo piutang dapat ditagih, sehingga tidak diperlukan cadangan kerugian penurunan nilai.

The Group's management is of the opinion that all of the receivables are collectible, and hence no allowance for impairment loss has been provided.

6. PIUTANG USAHA (lanjutan) / *6. TRADE RECEIVABLES (continued)*

Analisis umur piutang usaha adalah sebagai berikut: / *The aging analysis of these trade receivables is as follows:*

	2016	2015	
Belum jatuh tempo	59,952,329	31,052,054	*Not yet due*

7. PIUTANG LAIN-LAIN / *7. OTHER RECEIVABLES*

	2016	2015	
Bagian lancar piutang lain-lain jangka panjang (Catatan 12)	147,372,235	-	*Short-term portion of other long-term receivables (Note 12)*
Piutang dari aktivitas minyak	19,424,618	18,462,180	*Receivables from oil and gas activities*
Lain-lain	-	1,448,347	*Others*
Jumlah	**166,796,853**	**19,910,527**	***Total***

Piutang dari aktivitas minyak dan gas merupakan bagian Grup pada piutang lain-lain yang timbul dari kerjasama operasi untuk kegiatan eksplorasi dan produksi minyak dan gas bumi.

Receivables from oil and gas activities represent the Group's share in other receivables arising from joint operations of oil and gas exploration and production activities.

8. PERSEDIAAN / *8. INVENTORIES*

	2016	2015	
Suku cadang, perlengkapan sumur dan lainnya	56,667,779	37,807,835	*Spare parts, well supplies and others*
Penyisihan persediaan usang	(672,969)	(1,037,947)	*Allowance for inventory obsolescence*
Jumlah	**55,994,810**	**36,769,888**	***Total***

Perubahan penyisihan persediaan usang adalah sebagai berikut: / *The changes in the allowance for inventory obsolescence are as follows:*

	2016	2015	
Saldo awal	(1,037,947)	(1,037,947)	*Beginning balance*
Mutasi tahun berjalan	364,978	-	*Movement for the year*
Saldo akhir	**(672,969)**	**(1,037,947)**	***Ending balance***

Suku cadang, perlengkapan sumur dan lainnya terdiri dari persediaan yang berhubungan dengan eksplorasi dan produksi minyak dan gas, dan suku cadang lainnya.

The technical spare parts, well supplies and others represent inventories that are related to gas exploration and the production of oil and gas, and other spare parts.

Berdasarkan hasil penelaahan pada tanggal pelaporan, manajemen berkeyakinan bahwa penyisihan tersebut di atas cukup untuk menutupi kemungkinan kerugian dari penurunan nilai pasar persediaan.

Based on a review at the reporting dates, management believes that the above allowance is adequate to cover possible losses from decline in the market values of inventories.

9. UANG MUKA / *9. ADVANCES*

	2016	2015	
Refundable security deposits (Catatan 4)	30,000,000	-	*Refundable security deposits (Note 4)*
Uang muka dari aktivitas minyak dan gas	6,813,776	14,857,711	*Advances from oil and gas activities*
Jetty Pangkah	-	716,416	*Jetty Pangkah*
Lain-lain	264,121	476,967	*Others*
Jumlah	**37,077,897**	**16,051,094**	***Total***

Uang muka dari aktivitas minyak dan gas merupakan bagian Grup pada uang muka yang timbul dari kerjasama operasi untuk kegiatan eksplorasi dan produksi minyak dan gas bumi.

Advances from oil and gas activities represent the Group's share in advances arising from joint operations in oil and gas exploration and production activities.

10. BEBAN DIBAYAR DIMUKA / *10. PREPAID EXPENSES*

	2016	2015	
Beban dibayar dimuka dari aktivitas minyak dan gas	28,254,806	6,766,515	*Prepaid expenses from oil and gas activities*
Biaya transaksi pinjaman sindikasi	3,785,895	5,191,000	*Transaction costs of the syndication loan*
Jumlah	**32,040,701**	**11,957,515**	***Total***

Beban dibayar dimuka dari aktivitas minyak dan gas merupakan bagian Grup pada beban dibayar dimuka yang timbul dari kerjasama operasi untuk kegiatan eksplorasi dan produksi minyak dan gas bumi.

Prepaid expenses from oil and gas activities represent the Group's share in prepaid expenses arising from joint operations of oil and gas exploration and production activities.

11. UANG MUKA *CASH CALL* / *11. CASH CALL ADVANCES*

	2016	2015	
ENI Muara Bakau	18,923,090	5,549,160	*ENI Muara Bakau*
Ophir Indonesia (West Bangkanai) Ltd	3,839,437	2,149,390	*Ophir Indonesia (West Bangkanai) Ltd*
CNOOC SES Ltd	2,997,614	1,025,409	*CNOOC SES Ltd*
Petronas Ketapang PSC	1,571,340	-	*Petronas Ketapang PSC*
Ophir Indonesia (Bangkanai) Ltd	911,656	2,241,922	*Ophir Indonesia (Bangkanai) Ltd*
Jumlah	**28,243,137**	**10,965,881**	***Total***

Uang muka *cash call* merupakan pembayaran *cash call* yang berkaitan dengan kontrak kerjasama operasi minyak dan gas bumi.

Cash call advance is a payment of cash call related to oil and natural gas joint operations.

12. PIUTANG LAIN-LAIN JANGKA PANJANG / *12. OTHER LONG-TERM RECEIVABLES*

	2016	2015	
Piutang *carry* dari GDF Suez Exploration Indonesia B.V.	250,000,000	178,451,512	*Carry receivables from GDF Suez Exploration Indonesia B.V.*
Pajak Pertambahan Nilai yang dapat ditagihkan	92,584,504	63,094,744	*Reimbursable VAT*
Piutang *carry* dari Salamander Energy (Bangkanai) Ltd.	35,600,000	35,600,000	*Carry receivables Salamander Energy (Bangkanai) Ltd.*
Piutang dari KUFPEC	7,771,788	7,771,789	*Receivable from KUFPEC*
	385,956,292	284,918,045	
Penyesuaian nilai wajar	(6,966,371)	(9,078,692)	*Fair value adjustment*
Saldo akhir	378,989,921	275,839,353	*Ending balance*
Dikurangi:			*Less:*
Bagian lancar piutang lain-lain jangka panjang	(147,372,235)	-	*Short-term portion of other long term receivables*
Bagian jangka panjang piutang lain-lain jangka panjang	231,617,686	275,839,353	*Long-term portion of other long term receivables*

Pada tanggal 12 Februari 2014, SEMB, entitas anak, melakukan perjanjian jual beli 11,67% bagian partisipasi di Muara Bakau PSC dengan GDF SUEZ Exploration Indonesia B.V. Berdasarkan *Carry Agreement*, Muara Bakau PSC tanggal 12 Februari 2014, SEMB akan melakukan pembayaran *carry cost* kepada GDF Suez Exploration Indonesia B.V. atas biaya pengembangan sumur Jangkrik.

On 12 February 2014, SEMB, a subsidiary, entered into a sale and purchase agreement of 11.67% participating interest in Muara Bakau PSC with GDF SUEZ Exploration Indonesia B.V. Based on the Carry Agreement of Muara Bakau PSC dated 12 February 2014, SEMB should make payments of carry cost to GDF Suez Exploration Indonesia B.V. for the Jangkrik field development.

Berdasarkan Perjanjian *Farm-out* Bangkanai *PSC* tanggal 11 Maret 2013, SBK akan melakukan pembayaran *carry* kepada Salamander Energy (Bangkanai) Limited atas biaya pengembangan sebesar AS$30.000.000, biaya pengeboran di sumur West Kerendan-1 sebesar AS$5.600.000, dan biaya pengeboran sumur eksplorasi berikutnya sebesar AS$1.500.000 di blok tersebut. SBK dapat memulihkan biaya pengembangan dan pengeboran tersebut pada saat aktivitas produksi, dengan nilai maksimum sebesar jumlah tersebut di atas. Pada tanggal 31 Desember 2016, biaya pengembangan dan pengeboran yang akan dipulihkan pada saat produksi adalah sejumlah AS$35.600.000.

Based on the Farm-out Agreement of Bangkanai PSC dated 11 March 2013, SBK will pay carry to Salamander Energy (Bangkanai) Limited amounting to US$30,000,000 for development costs, US$5,600,000 for drilling costs in West Kerendan-1 Well and US$1,500,000 for the subsequent exploration drilling cost in such block. SBK can recover the development and drilling costs during the production activities, to a maximum of the above amounts. As at 31 December 2016, the development and drilling cost which will be recovered during the production activities amounted to US$35,600,000.

Piutang dari *Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed)* (KUFPEC) merupakan piutang sehubungan dengan beban pajak yang terutang di SIPBV yang ditanggung oleh KUFPEC sesuai dengan Perjanjian Jual Beli Kufpec Indonesia Pangkah B.V. antara SEI dengan KUFPEC tanggal 24 April 2013.

Receivables from Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed) (KUFPEC) represent tax expense incurred in SIPBV which will be borne by KUFPEC based on Sales Purchase Agreement of Kufpec Indonesia Pangkah B.V. between SEI with KUFPEC dated 24 April 2013.

Nilai wajar piutang lain-lain jangka panjang dihitung dengan menggunakan metode arus kas terdiskonto. Perhitungan nilai wajar ini diklasifikasikan sebagai tingkat tiga dalam hirarki nilai wajar.

The fair value of other long-term receivables are calculated using the discounted cash flow method. This fair value measurement is within level three of the fair value hierarchy.

Manajemen Grup berpendapat bahwa saldo seluruh piutang tersebut dapat ditagih sehingga tidak diperlukan cadangan kerugian penurunan nilai.

The management of the Group believes that all of the receivables are collectible. Hence, no allowance for impairment losses has been provided.

13. ASET TETAP / *13. FIXED ASSETS*

	31 Desember/*December* 2016				
	Saldo awal/ *Beginning balance*	Penambahan/ *Additions*	Pengurangan/ *Deductions*	Saldo akhir/ *Ending balance*	
Nilai tercatat					***Carrying value***
Peralatan kantor	82,621	-	-	82,621	*Office equipment*
Jumlah nilai tercatat	82,621	-	-	82,621	*Total carrying value*
Akumulasi penyusutan					***Accumulated depreciation***
Peralatan kantor	71,634	10,967	-	82,601	*Office equipment*
Jumlah akumulasi penyusutan	71,634	10,967	-	82,601	*Total accumulated depreciation*
Nilai buku	**10,987**			**20**	***Book value***

	31 Desember/*December* 2015				
	Saldo awal/ *Beginning balance*	Penambahan/ *Additions*	Pengurangan/ *Deductions*	Saldo akhir/ *Ending balance*	
Nilai tercatat					***Carrying value***
Peralatan kantor	82,621	-	-	82,621	*Office equipment*
Jumlah nilai tercatat	82,621	-	-	82,621	*Total carrying value*
Akumulasi penyusutan					***Accumulated depreciation***
Peralatan kantor	59,066	12,568	-	71,634	*Office equipment*
Jumlah akumulasi penyusutan	59,066	12,568	-	71,634	*Total accumulated depreciation*
Nilai buku	**23,555**			**10,987**	***Book value***

Penyusutan yang dibebankan pada usaha masing-masing sebesar AS$10.967 dan AS$12.568 pada tanggal 31 Desember 2016 dan 2015.

Depreciation charged to operations amounted to US$10,967 and US$12,568 for the years ended 31 December 2016 and 2015.

14. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS / *14. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES*

a. Aset eksplorasi dan evaluasi / *a. Exploration and evaluation assets*

Pergerakan aset eksplorasi dan evaluasi adalah sebagai berikut:

Movements of exploration and evaluation assets are as follows:

	31 Desember/*December* 2016					
	Saldo awal/ *Beginning balance*	Akuisisi/ *Acquisition*	Penambahan/ *Additions*	Pengurangan/ *Deduction*	Saldo akhir/ *Ending balance*	
Blok/Lokasi						***Block/Location***
- CBM Lematang, Sulawesi Selatan	53,057	-	-	(53,057)	-	*CBM Lematang, - South Sulawesi*
- Sesulu, Kalimantan Timur	48,726,997	-	1,748,167	-	50,475,164	*Sesulu, - East Kalimantan*
- Bangkanai Barat, Kalimantan Tengah	1,167,192	-	619,751	-	1,786,943	*West Bengkanai, - Central Kalimantan*
- Wokam II Papua Barat	-	262,500	70,045	-	332,545	*Wokam II, - West Papua*
	49,947,246	**262,500**	**2,437,963**	**(53,057)**	**52,594,652**	

	31 Desember/*December* 2015					
	Saldo awal/ *Beginning balance*	Akuisisi/ *Acquisition*	Penambahan/ *Additions*	Pengurangan/ *Deduction*	Saldo akhir/ *Ending balance*	
Blok/Lokasi						***Block/Location***
- CBM Lematang, Sulawesi Selatan	53,057	-	-	-	53,057	*CBM Lematang, - South Sulawesi*
- Sesulu, Kalimantan Timur	12,010,865	-	36,716,132	-	48,726,997	*Sesulu, - East Kalimantan*
- Bangkanai Barat, Kalimantan Tengah	680,175	-	487,017	-	1,167,192	*West Bengkanai, - Central Kalimantan*
	12,744,097	**-**	**37,203,149**	**-**	**49,947,246**	

14. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

14. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

b. Properti minyak dan gas

b. Oil and gas properties

Pergerakan properti minyak dan gas adalah sebagai berikut:

The movements in oil and gas properties are as follows:

	31 Desember/*December* 2016					
	Saldo awal/ *Beginning balance*	Penambahan/ *Additions*	Akuisisi/ *Acquisitions*	Pengurangan/ *Deductions*	Saldo akhir/ *Ending balance*	
Harga perolehan						***Cost***
- Ketapang, Jawa Timur	239,079,200	17,619,807	-	-	256,699,007	*Ketapang, East Java* -
- Bangkanai, Kalimantan Tengah	85,940,287	950,058	-	-	86,890,345	*Bangkanai, Central Kalimantan* -
- Pangkah, Jawa Timur	964,796,489	56,046,803	-	-	1,020,843,292	*Pangkah, East Java* -
- Fasken, Texas	249,972,832	27,453,877	-	-	277,426,709	*Fasken, Texas* -
- Muriah, Jawa Tengah	112,514,596	5,891,853	-	-	118,406,449	*Muriah, Central Java* -
- Southeast Sumatra, Sumatera	58,759,645	-	-	(817,020)	57,942,625	*Southeast Sumatera, Sumatera* -
- Sanga-sanga, Kalimantan Timur	-	-	35,100,000	(583,036)	34,516,964	*Sanga-sanga, East Kalimantan* -
- Muara Bakau, Kalimantan	312,673,293	149,959,599	-	-	462,632,892	*Muara Bakau, Kalimantan* -
	2,023,736,342	257,921,997	35,100,000	(1,400,056)	2,315,358,283	
Akumulasi penyusutan, deplesi dan amortisasi						***Accumulated depreciation, depletion and amortisation***
- Ketapang, Jawa Timur	(10,010,458)	(41,200,009)	-	-	(51,210,467)	*Ketapang, East Java* -
- Bangkanai, Kalimantan Tengah	-	(88,930)	-	-	(88,930)	*Bangkanai, Central Kalimantan* -
- Pangkah, Jawa Timur	(206,514,895)	(94,167,484)	-	-	(300,682,379)	*Pangkah, East Java* -
- Fasken, Texas	(22,151,413)	(24,569,527)	-	-	(46,720,940)	*Fasken, Texas* -
- Muriah, Jawa Tengah	(3,149,526)	(9,429,352)	-	-	(12,578,878)	*Muriah, Central Java* -
- Southeast Sumatra, Sumatera	(11,386,200)	(8,548,492)	-	-	(19,934,692)	*Southeast Sumatera, Sumatera* -
- Sanga-sanga, Kalimantan Timur	-	(4,083,055)	-	-	(4,083,055)	*Sanga-sanga, East Kalimantan* -
	(253,212,492)	(182,086,849)	-	-	(435,299,341)	
Akumulasi penurunan nilai						***Acumulated impairment***
- Ketapang, Jawa Timur	(12,681,022)	(2,319,456)	-	-	(15,000,478)	*Ketapang, East Java* -
- Pangkah, Jawa Timur	(112,728,333)	(7,089,965)	-		(119,818,298)	*Pangkah, East Java* -
- Fasken, Texas	(11,068,096)	-	-	-	(11,068,096)	*Fasken, Texas* -
- Southeast Sumatra, Sumatera	(19,626,148)	(5,880,248)	-	-	(25,506,396)	*Southeast Sumatera, Sumatera* -
	(156,103,599)	(15,289,669)	-	-	(171,393,268)	
Nilai buku bersih	**1,614,420,251**				**1,708,665,674**	***Net book value***

14. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

14. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES *(continued)*

b. Properti minyak dan gas (lanjutan)

b. Oil and gas properties *(continued)*

	31 Desember/*December* 2015					
	Saldo awal/ *Beginning balance*	**Penambahan/ *Additions***	**Akuisisi/ *Acquisitions***	**Pengurangan/ *Deductions***	**Saldo akhir/ *Ending balance***	
Harga perolehan						***Cost***
- Ketapang, Jawa Timur	204,181,022	34,898,178	-	-	239,079,200	*Ketapang, East Java* -
- Bangkanai, Kalimantan Tengah	78,584,352	7,355,935	-	-	85,940,287	*Bangkanai, - Central Kalimantan*
- Pangkah, Jawa Timur	941,387,478	65,710,431	-	(42,301,419)	964,796,490	*Pangkah, East Java* -
- Fasken, Texas	177,737,477	72,235,358	-	-	249,972,835	*Fasken, Texas* -
- Muriah, Jawa Tengah	101,051,000	11,463,596	-	-	112,514,596	*Muriah, Central Java* -
- Southeast Sumatra, Sumatera	53,042,816	5,716,825	-	-	58,759,641	*Southeast Sumatera, - Sumatera*
- Muara Bakau, Kalimantan	-	241,782,799	70,890,494	-	312,673,293	*Muara Bakau, - Kalimantan*
	1,555,984,145	439,163,122	70,890,494	(42,301,419)	2,023,736,342	
Akumulasi penyusutan, deplesi dan amortisasi						***Accumulated depreciation, depletion and amortisation***
- Ketapang, Jawa Timur	-	(10,010,458)	-	-	(10,010,458)	*Ketapang, East Java* -
- Pangkah, Jawa Timur	(99,053,407)	(107,461,488)	-	-	(206,514,895)	*Pangkah, East Java* -
- Fasken, Texas	(3,169,381)	(18,982,032)	-	-	(22,151,413)	*Fasken, Texas* -
- Muriah, Jawa Tengah	-	(3,149,526)	-	-	(3,149,526)	*Muriah, Central Java* -
- Southeast Sumatra, Sumatera	(630,388)	(10,755,812)	-	-	(11,386,200)	*Southeast Sumatera, - Sumatera*
	(102,853,176)	(150,359,316)	-	-	(253,212,492)	
Akumulasi penurunan nilai						***Accumulated impairment***
- Ketapang, Jawa Timur	(12,681,022)	-	-	-	(12,681,022)	*Ketapang, East Java* -
- Pangkah, Jawa Timur	(1,881,100)	(110,847,233)	-	-	(112,728,333)	*Pangkah, East Java* -
- Fasken, Texas	(11,068,096)	-	-	-	(11,068,096)	*Fasken, Texas* -
- Southeast Sumatra, Sumatera	(10,912,425)	(8,713,723)	-	-	(19,626,148)	*Southeast Sumatera, - Sumatera*
	(36,542,643)	(119,560,956)	-	-	(156,103,599)	
Nilai buku bersih	**1,416,588,326**				**1,614,420,251**	***Net book value***

Akuisisi properti minyak dan gas dilakukan dengan cara pembelian *participating interest* blok atau melalui kombinasi bisnis (Catatan 4).

Acquisitions of oil and gas properties were conducted through purchase of participating interests in the blocks or through business combination (Note 4).

Informasi mengenai akuisisi property minyak dan gas melalui pembelian *participating interest* blok adalah sebagai berikut:

Information pertaining to the acquisition of oil and gas properties through purchase of participating interests on the following blocks, is as follows:

Tahun akuisisi/ *Acquisition year*	**Blok/ *Block***	**Hak kepemilikan/ *Participating interest***	**Pemilik lama/ *Former owner***	**Nilai pembelian (AS$)/ *Purchase price (US$)***
April/*April* 2015	Muara Bakau	11.666%	GDF Suez Exploration Ind. BV	70,890,494
Mei/*May* 2014	Fasken	36%	Swift Energy Operating LLC	134,878,816
			KNOC Sumatera Limited	49,901,448
Agustus/*August* 2014	South East Sumatera	8.91%		
Juli/*July* 2016	Wokam	100%	Murphy Wokam Co. Ltd	250,000
November/ *November* 2016	Sanga-Sanga (Catatan/*Note* 4)	26.25%	BP East Kalimantan Ltd	37,600,000

14. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

b. Properti minyak dan gas (lanjutan)

Pada tahun 2016 dan 2015 terdapat penyesuaian biaya pembongkaran masing-masing sebesar AS$5.978.245 dan AS($42.200.838) akibat perubahan estimasi proyeksi biaya yang dicatat sebagai penambahan biaya perolehan (Catatan 25).

Pada tanggal 31 Desember 2016, seluruh sumur, perlengkapan dan fasilitas terkait diasuransikan dengan nilai pertanggungan sebesar AS$993.766.842.

c. Uji penurunan nilai atas properti minyak dan gas

Penurunan nilai properti minyak dan gas secara umum disebabkan oleh penurunan prediksi harga minyak masa depan selama masa PSC pada masing-masing blok minyak dan gas.

Mutasi cadangan kerugian penurunan nilai properti minyak dan gas adalah sebagai berikut:

14. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES *(continued)*

b. Oil and gas properties *(continued)*

In 2016 and 2015, there were adjustments to dismantling costs amounting to US$5,978,245 and US$(42,200,838), respectively, due to the change in estimation of projected cost which were included as additions to cost (Note 25).

As of 31 December 2016, all wells and related equipment and facilities were insured amounting to US$993,766,842.

c. Impairment test on oil and gas properties

Impairment in oil and gas properties is triggered primarily by the decrease in the oil price forecasts, during the period of PSC for each oil and gas block.

Movements in the allowance for impairment losses on oil and gas properties are as follows:

	2016	2015	
Saldo awal	156,103,599	36,542,643	*Beginning balance*
Penambahan tahun berjalan	15,289,669	119,560,956	*Additions during the year*
Saldo akhir	**171,393,268**	**156,103,599**	***Ending balance***

Berdasarkan hasil pengujian penurunan nilai pada tanggal 31 Desember 2016 dan 2015, Grup mengakui rugi penurunan nilai properti minyak dan gas masing-masing sebesar AS$15.289.669 dan AS$119.560.956.

Based on the result of the impairment assessment as at 31 December 2016 and 2015, the Group recognised impairment losses on oil and gas properties amounting to US$15,289,669 and US$119,560,956, respectively.

Pengujian penurunan nilai atas properti minyak dan gas dilakukan ketika terdapat suatu indikasi bahwa nilai tercatat properti minyak dan gas tersebut mengalami penurunan. Dalam hal ini, manajemen Grup menentukan hak kepemilikan pada masing-masing blok sebagai satu UPK.

Impairment testing on oil and gas properties is performed when there is an indication that oil and gas properties carrying value may have become impaired. In this matter, the management of the Group determined the participating interests in the respective blocks as a CGU.

Jumlah terpulihkan UPK dinilai dengan menggunakan proyeksi arus kas berdasarkan pendapatan yang akan diterima dari kegiatan produksi minyak dan gas dengan periode proyeksi hingga akhir masa PSC. Rencana produksi pada proyeksi arus kas ini tidak melampaui cadangan minyak dan gas atau akhir masa PSC.

The recoverable amount of the CGUs is determined using cash flow projections based on revenue generated from oil and gas production with projection periods up to the PSC expiration date. The production plan used in the cash flow projection also does not exceed oil and gas reserves or the end of the PSC period.

Perhitungan arus kas diskontoan yang digunakan meliputi proyeksi arus kas di masa depan dan mendiskontokannya menjadi nilai kini. Proses pendiskontoan menggunakan tingkat pengembalian yang sesuai dengan risiko terkait dengan bisnis atau aset dan nilai waktu uang.

The discounted cash flow calculation involves projecting cash flows and discounting them back to present value. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money.

14. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

c. Uji penurunan nilai atas properti minyak dan gas (lanjutan)

Manajemen menentukan asumsi utama berdasarkan kombinasi pengalaman masa lalu dan sumber eksternal.

Asumsi utama yang digunakan dan nilai terpulihkan pada 31 Desember 2016 dan 2015 adalah sebagai berikut:

14. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES *(continued)*

c. Impairment test on oil and gas properties *(continued)*

Management determined the key assumptions based on a combination of past experience and external sources.

The key assumptions used and recoverable amounts as at 31 December 2016 and 2015 were as follows:

	2016	2015	
Harga minyak:			*Oil prices*
Periode 1-3 tahun	US$59.46 – US$74.29	US$53.8 – US$64.00	*1-3 years period*
Diatas 3 tahun	US$76.92	US$66.00 – US$75.15	*Above 3 years*
Harga gas	Sesuai kontrak penjualan/ *Based on sales agreement*	Sesuai kontrak penjualan/ *Based on sales agreement*	*Gas prices*
Tingkat diskonto			*Discount rate*
Blok Pangkah	7.0%	6.9%	*Pangkah Block*
Blok Ketapang	7.0%	[1]	*Ketapang Block*
Blok South East Sumatera	6.58%	6.0%	*South East Sumatra Block*
Periode arus kas			*Cashflows period*
Blok Pangkah	sampai/*until 2026*	sampai/*until 2026*	*Pangkah Block*
Blok Ketapang	sampai/*until 2028*	[1]	*Ketapang Block*
Blok South East Sumatera	sampai/*until 2018*	sampai/*until 2018*	*South East Sumatra Block*
Nilai terpulihkan			*Recoverable amount*
Blok Pangkah	US$599,574,566	US$645,553,261	*Pangkah Block*
Blok Ketapang	US$190,488,063	[1]	*Ketapang Block*
Blok South East Sumatera	US$12,501,532	US$27,747,297	*South East Sumatra Block*

Keterangan:
1) Pada tanggal 31 Desember 2015, tidak ada indikasi penurunan nilai untuk Blok Ketapang.

Remarks:
1) As at 31 December 2015, there was no impairment indicator for Ketapang Block.

Asumsi lain yang digunakan oleh manajemen adalah *lifting*, beban operasi, dan belanja modal. *Lifting* tahunan dan beban operasi dan modal diproyeksikan berdasarkan rencana bisnis manajemen yang telah disetujui secara formal dengan mempertimbangkan kondisi saat ini dan ekspektasi masa depan.

Other assumptions used by management are lifting, operating expenditures, and capital expenditures. The projected annual lifting and operating and capital expenditures are based on a formally approved management business plan and considered the current conditions and future expectations.

Sensitivitas nilai terpulihkan terhadap perubahan asumsi utama adalah sebagai berikut:

Sensitivity of the recoverable amount to changes in the key assumptions, is as follows:

	Perubahan asumsi/ *Change in assumptions*	Dampak terhadap nilai terpulihkan/ *Impact on recoverable amount*	
31 Desember 2016			***31 December 2016***
Tingkat diskonto	kenaikan/*increase by* 1%	turun/*decrease by* US$41 juta/*million*	*Discount rate*
Harga minyak	penurunan/*decrease by* 10%	turun/*decrease by* US$47 juta/*million*	*Oil prices*
	kenaikan/*increase by* 1%	turun/*decrease by* US$43 juta/*million*	
31 Desember 2015			***31 December 2015***
Tingkat diskonto	kenaikan/*increase by* 1%	turun/*decrease by* US$50 juta/*million*	*Discount rate*
Harga minyak	kenaikan/*increase by* 10%	naik/*increase by* US$46 juta/*million*	*Oil prices*

15. *GOODWILL*

Goodwill dari akuisisi blok Pangkah

Goodwill merupakan saldo yang timbul karena akuisisi kepemilikan atas SIPBV, SIPL, dan SPLLC sebagai akibat dari pengukuran nilai wajar aset dan liabilitas milik SIPBV, SIPL, dan SPLLC pada tanggal akuisisi.

Perubahan *goodwill* per tanggal 31 Desember 2015 adalah sebagai berikut:

15. GOODWILL

Goodwill from Pangkah block acquisition

Goodwill represents the balance arising from the acquisition of ownership in SIPBV, SIPL and SPLLC, as a result of the fair value measurement of assets and liabilities owned by SIPBV, SIPL and SPLLC at the acquisition date.

The movement of goodwill as at 31 December 2015 are as follows:

	2015	
Saldo awal	88,003,026	*Beginning balance*
Penyisihan untuk penurunan nilai	(88,003,026)	*Impairment charge*
Saldo akhir	-	*Ending balance*

Pengujian penurunan nilai *goodwill* dilakukan bersama dengan pengujian penurunan nilai properti minyak dan gas karena berasal dari UPK yang sama, yaitu Blok Pangkah. Lihat Catatan 14c untuk metode dan asumsi yang digunakan dalam pengujian penurunan nilai.

Pada tanggal 31 Desember 2016, saldo *goodwill* dari akuisisi blok Pangkah adalah nihil.

The impairment test on goodwill was performed together with the impairment test on oil and gas properties, since they belong in the same CGU, Pangkah Block. See Note 14c for the method and assumptions used in the impairment test.

As at 31 December 2016, goodwill from the Pangkah block acquisition was nil.

16. INVESTASI PADA VENTURA BERSAMA

16. INVESTMENT IN JOINT VENTURES

	2016	
Pada awal tahun	-	*At beginning of the year*
Akuisisi saham	53,724,197	*Acquisition of shares*
Penerimaan dividen	(18,000,000)	*Dividend received*
Keuntungan/(rugi) yang diserap pada tahun berjalan		*Profit/(loss) absorbed during the current year*
- Keuntungan dari akuisisi	11,074,102	*Gain from acquisition -*
- Rugi pada tahun berjalan	(1,728,793)	*Loss during the year -*
Pada akhir tahun	**45,069,506**	***At the end of the year***

Investasi pada ventura bersama yang dimiliki Grup adalah sebagai berikut:

Investments in joint ventures owned by the Group are as follows:

Nama entitas/ *Name of entity*	Kedudukan usaha/ *Domiciles*	Persentase kepemilikan/ *Percentage of ownership*	Sifat hubungan/ *Nature of relationship*	Metode pengukuran/ *Measurement method*
Unimar	Delaware, AS/ *Delaware, USA*	50.00%	[1]	Ekuitasi/*Equity*

Catatan:
[1] Unimar bergerak dibidang eksplorasi dan produksi minyak dan gas. Unimar memiliki 11,5625% kepemilikan efektif dari Blok Sanga-sanga yang berlokasi di Kalimantan Timur.

Note:
1) Unimar engaged in exploration and production of oil and gas. Unimar effectively owns 11.5625% interest in the Sanga-sanga Block which is located in East Kalimantan.

Berikut ini merupakan ringkasan informasi keuangan dari Unimar yang dicatat dengan menggunakan metode ekuitas.

Set out below is the summarised financial information for Unimar which is accounted for using the equity method.

16. INVESTASI PADA VENTURA BERSAMA (lanjutan) / *16. INVESTMENT IN JOINT VENTURE (continued)*

	31 Desember/ *December* 2016	
Laporan posisi keuangan		***Statement of financial position***
Kas dan setara kas	31,287,435	*Cash and cash equivalents*
Aset lancar lainnya	49,951,310	*Other current assets*
Aset tidak lancar lainnya	28,493,885	*Other non-current assets*
Liabilitas keuangan jangka pendek	(22,644,190)	*Short-term financial liabilities*
Liabilitas jangka pendek lainnya	(270,616)	*Other short-term liabilities*
Liabilitias jangka panjang lainnya	(4,355,024)	*Other long-term liabilities*
Aset bersih	82,462,800	*Net assets*
Laporan laba rugi periode 17 November - 31 Desember 2016		***Statement of profit or loss for period 17 November - 31 December 2016***
Pendapatan	14,435,351	*Revenue*
Beban pokok pendapatan	(20,988,186)	*Cost of revenues*
Beban umum dan administrasi	(53,650)	*General and administrative expense*
Pendapatan keuangan	227	*Finance income*
Rugi sebelum pajak penghasilan	(6,606,258)	*Loss before income taxes*
Beban pajak penghasilan	3,148,672	*Income tax expense*
Rugi tahun berjalan	(3,457,586)	*Loss for the year*
Dividen yang dibayarkan	36,000,000	*Dividends paid*

Informasi diatas menunjukkan jumlah yang disajikan dalam laporan keuangan ventura bersama (dan bukan bagian kepemilikan Grup).

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

Rekonsiliasi aset bersih atas nilai tercatat investasi Grup di Unimar adalah sebagai berikut:

Net asset reconciliation for the Group's investment in Unimar is as follows:

	31 Desember/ *December* 2016	
Kepentingan pada ventura bersama (50%)	41,231,400	*Interest in joint venture (50%)*
Kenaikan nilai wajar	3,838,106	*Fair value uplift*
Pada akhir tahun	45,069,506	*At the end of the year*

17. UTANG USAHA / *17. TRADE PAYABLES*

	2016	2015	
Utang usaha	31,408,481	20,009,307	*Trade payables*

Akun ini merupakan bagian Grup pada utang usaha yang timbul dari kerjasama operasi untuk kegiatan eksplorasi dan produksi minyak dan gas bumi.

This account represents the Group's share in trade payables arising from joint operations of oil and gas exploration and production activities.

18. PERPAJAKAN / *18. TAXATION*

a. Taksiran tagihan pajak / *a. Estimated claims for tax refund*

	2016	2015	
Pajak penghasilan pasal 4(2)			*Income tax Article 4(2)*
Tahun 2013	15,119,376	14,725,911	*Year 2013*
Tahun 2014	46,111,142	44,911,149	*Year 2014*
Jumlah	**61,230,518**	**59,637,060**	***Total***

18. PERPAJAKAN (lanjutan) / ***18. TAXATION*** *(continued)*

b. Utang pajak / ***b. Taxes payable***

	2016	2015	
Pajak penghasilan badan	21,847,799	-	*Corporate income taxes*
Pajak lain-lain			*Other taxes*
Pasal 21	356,585	341,937	*Article 21*
Pasal 23	752,641	1,367,085	*Article 23*
PPN	1,535,284	1,349,817	*VAT*
Jumlah	**24,492,309**	**3,058,839**	***Total***

c. Manfaat pajak penghasilan / ***c. Income tax benefit***

Detil atas manfaat/(beban) pajak penghasilan Grup terdiri dari:

Details of the income tax benefit/(expenses) of the Group are as follows:

	2016	2015	
Kini			*Current*
Perusahaan	-	-	*The Company*
Entitas anak	(6,417,418)	(5,072,124)	*Subsidiaries*
	(6,417,418)	(5,072,124)	
Tangguhan			*Deferred*
Perusahaan	-	-	*The Company*
Entitas anak	14,692,846	81,458,597	*Subsidiaries*
	14,692,846	81,458,597	
Jumlah manfaat pajak penghasilan	**8,275,428**	**76,386,473**	***Total income tax benefit***

Pajak atas laba Grup sebelum pajak berbeda dari nilai teoritis yang mungkin muncul apabila menggunakan rata-rata tertimbang tarif pajak terhadap laba pada entitas konsolidasian dalam jumlah sebagai berikut:

The tax on Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the consolidated entities as follows:

	2016	2015	
Rugi konsolidasian sebelum manfaat/ (beban) pajak	(31,625,037)	(189,558,013)	*Consolidated loss before tax benefit/ (expense)*
Pajak dihitung dengan tarif pajak yang berlaku	(13,282,516)	(77,086,926)	*Tax calculated at applicable tax rate*
Dampak pajak penghasilan pada:			*Income tax effect from:*
- Penghasilan tidak kena pajak	(8,818,371)	(2,218,017)	*Income not subject to tax -*
- Beban yang tidak dapat dikurangkan	15,111,280	7,638,341	*Non-deductible expenses -*
- Penyesuaian lain	(1,285,821)	(4,719,871)	*Other adjustments -*
Manfaat pajak penghasilan konsolidasian	**8,275,428**	**76,386,473**	***Consolidated income tax benefit***

Jumlah teoritis beban pajak penghasilan dihitung menggunakan rata-rata tertimbang tarif pajak yang berlaku atas masing-masing entitas yang dikonsolidasi ke dalam Grup. Rata-rata tertimbang tarif pajak yang digunakan adalah 42,00% (2015: 40,67%). Kenaikan disebabkan oleh perubahan komposisi dan kontribusi laba sebelum pajak entitas anak.

The theoretical amount of income tax expense is calculated using the weighted average tax rate applicable to entities consolidated to the Group. The weighted average tax rate was 42.00% (2015: 40.67%). The increase is due to change in the composition of subsidiaries' taxable income contribution.

18. PERPAJAKAN (lanjutan)

c. Manfaat pajak penghasilan (lanjutan)

Rekonsiliasi antara laba sebelum manfaat/ (beban) pajak penghasilan, dan estimasi laba kena pajak adalah sebagai berikut:

***18. TAXATION** (continued)*

***c. Income tax benefit** (continued)*

The reconciliation between profit before income tax benefit/(expenses), and estimated taxable income is as follows:

	2016	2015	
Rugi konsolidasian sebelum manfaat/ (beban) pajak	(31,625,036)	(189,558,013)	*Consolidated loss before tax benefit/ (expense)*
Dikurangi:			*Deducted by:*
Rugi sebelum pajak entitas anak	(26,521,661)	(12,585,190)	*Loss before tax benefit of subsidiaries*
Penyesuaian konsolidasian dan penurunan nilai	28,529,159	185,563,552	*Consolidation adjustments and impairment*
Rugi sebelum manfaat pajak penghasilan perusahaan	(29,617,538)	(16,579,651)	*Loss before income tax benefit of the Company*
Beda temporer			***Temporary differences***
Bonus karyawan	406,036	330,683	*Employee bonuses*
	406,036	330,683	
Beda tetap			***Permanent differences***
Gaji dan kesejahteraan karyawan	227,888	121,541	*Salaries and other employee benefits*
Representasi dan jamuan	216,088	65,524	*Representation and entertainment*
Biaya konsultan dan jasa lain	390,766	791,743	*Expense for consultant and other services*
Beban dan denda pajak	417,224	595,102	*Tax expenses and penalties*
Penghasilan bunga yang telah dikenakan pajak final	(502,276)	(77,236)	*Interest income subject to final income tax*
	749,690	1,496,674	
Estimasi rugi fiskal perusahaan	(28,461,812)	(14,752,294)	*Estimated tax loss of the company*

d. Pajak kini

SIPBV, SIPL, SPLLC, SKP, SEML dan SBK atas kegiatan eksplorasi dan produksi minyak dan gas bumi di Blok Pangkah, Ketapang, Muriah dan Bangkanai, Indonesia dikenakan tarif pajak penghasilan badan sebesar 44%. PSC Pangkah dimulai tahun 1996, 1998, 1991 dan 2005.

SES, SESS, dan SESSL terlibat kegiatan eksplorasi dan produksi minyak dan gas bumi di blok South East Sumatera dan Sanga-Sanga, Indonesia, dikenakan tarif pajak penghasilan badan sebesar 48%. PSC South East Sumatera dan Sanga-Sanga sama-sama dimulai tahun 1968.

Fasken terlibat kegiatan eksplorasi dan produksi *shale gas* di Fasken Property, Texas, dikenakan tarif pajak penghasilan badan sebesar 35%.

d. Current tax

SIPBV, SIPL, SPLLC, SKP, SEML dan SBK are involved in the Pangkah, Ketapang, Muriah and Bangkanai Block for oil and gas exploration and production in Indonesia, which are subject to income tax at a rate of 44%. Pangkah PSC started in 1996, 1998, 1991 and 2005.

SES, SESS and SESSL are involved in oil and gas production in the South East Sumatera and Sanga-Sanga blocks, Indonesia, which are subject to income tax at a rate of 48%. Both South East Sumatera and Sanga-Sanga PSCs were started in 1968.

Fasken is involved in Fasken Property shale gas exploration and production in Texas, which is subject to income tax at a rate of 35%.

18. PERPAJAKAN (lanjutan)

***18. TAXATION** (continued)*

e. Pajak tangguhan

Pengaruh pajak atas beda temporer yang signifikan antara pelaporan komersial dan pajak adalah sebagai berikut:

e. Deferred tax

The tax effects of significant temporary differences between commercial and tax reporting are as follows:

	1 Januari/ *January* 2016	Dibebankan/ (dikreditkan) pada laporan laba-rugi konsolidasian/ *Charged/ (credited) to consolidated statements of profit or loss*	Dibebankan/ (dikreditkan) pada aset pajak tangguhan/ *Charged/ (credited) to deferred tax asset*	Akuisisi/ *Acquisition*	31 Desember/ *December* 2016	
SEI dan entitas anak						*SEI and subsidiaries*
Aset pajak tangguhan						*Deferred tax assets*
ARO dan provisi lain-lain	4,993,612	214,280	(2,729,956)	-	2,477,936	*ARO and other provisions*
Unrecovered cost	71,111,264	25,789,060	(26,572,704)	-	70,327,620	*Unrecovered cost*
Properti minyak dan gas	(54,926,474)	(15,412,853)	25,253,740	-	(45,085,587)	*Oil and gas properties*
Aset pajak tangguhan	**21,178,402**	**10,590,487**	**(4,048,920)**	**-**	**27,719,969**	***Deferred tax assets***
Liabilitas pajak tangguhan						*Deferred tax liabilities*
Imbalan kerja dan jangka panjang lainnya	1,837,536	(624,436)	-	-	1,213,100	*Employee benefit liabilities and other long-term benefits*
ARO dan provisi lain-lain	2,041,742	496,599	2,729,956	-	5,268,297	*ARO and other provisions*
Unrecovered cost	130,576,457	10,598,761	(25,253,740)	(10,403,541)	105,517,937	*Unrecovered cost*
Cadangan kerugian penurunan persediaan	456,697	(391,068)	-	-	65,629	*Allowance for inventory obsolence*
Properti minyak dan gas	(216,760,356)	(5,977,497)	26,572,704	-	(196,165,149)	*Oil and gas properties*
Liabilitas pajak tangguhan	**(81,847,924)**	**4,102,359**	**4,048,920**	**(10,403,541)**	**(84,100,186)**	***Deferred tax liabilities***

	1 Januari/ *January* 2015	Dibebankan/ (dikreditkan) pada laporan laba rugi konsolidasian/ *Charged/ (credited) to consolidated statement of profit or loss*	31 Desember/ *December 2015*	
SEI dan entitas anak				*SEI and subsidiaries*
Aset pajak tangguhan				*Deferred tax asset*
ARO dan provisi lain-lain	-	4,993,612	4,993,612	*ARO and other provisions*
Unrecovered cost	-	71,111,264	71,111,264	*Unrecovered cost*
Properti minyak dan gas	-	(54,926,474)	(54,926,474)	*Oil and gas properties*
Aset pajak tangguhan	**-**	**21,178,402**	**21,178,402**	***Deferred tax assets***
Liabilitas pajak tangguhan				*Deferred tax liabilities*
Liabilitas imbalan kerja dan jangka panjang lainnya	2,332,903	(495,367)	1,837,536	*Employee benefit liabilities and other long-term benefits*
ARO dan provisi lain-lain	21,104,197	(19,062,455)	2,041,742	*ARO and other provisions*
Unrecovered cost	84,644,874	45,931,583	130,576,457	*Unrecovered costs*
Cadangan kerugian penurunan persediaan	456,697	-	456,697	*Allowance for inventory obsolescence*
Properti minyak dan gas	(250,666,790)	33,906,434	(216,760,356)	*Oil and gas properties*
Liabilitas pajak tangguhan	**(142,128,119)**	**60,280,195**	**(81,847,924)**	***Deferred tax liabilities***

f. Surat ketetapan pajak

Selama periode pelaporan, Grup melalui entitas anaknya menerima beberapa Surat Ketetapan Pajak Kurang Bayar ("SKPKB") dari Kementerian Keuangan Republik Indonesia - Direktorat Jenderal Pajak ("DJP") sebagai berikut:

f. Tax assesment letters

During the reporting period, the Group through the subsidiaries has received several Tax assessments for underpayment ("SKPKB") from the Ministry of Finance of the Republic of Indonesia - Directorate General of Taxation ("DGT"), as follows:

18. PERPAJAKAN (lanjutan)

f. Surat ketetapan pajak (lanjutan)

18. TAXATION *(continued)*

f. Tax assesment letters *(continued)*

Perusahaan/ *Company*	Beban pajak terkait/ *Related tax expense*	Tahun pajak/ *Fiscal year*	Surat yang diterima/ *Letter received*	Periode surat diterima/ *Period of letter received*	Jumlah kurang bayar termasuk sanksi (dalam AS$)/ *Amount of underpayment including penalty (in US$)*	Status/ *Status*
SIP BV	PPh Pasal 26 (4)/ *Income tax Article 26 (4)*	2013	SKPKB	18 Nov/Nov 2015	35,282,679	Keberatan/ *Objection*
SIP BV	PPh Pasal 4(2)/ *Income tax Article 4(2)*	2013	SKPKB	27 Agt/*Aug* 2014	15,119,376*)	Banding/ *Appeal*
SIPL	PPh Pasal 26 (4)/*Income tax Article 26 (4)*	2014	SKPKB	18 Nov/Nov2015	127,720,367	Keberatan/ *Objection*
SIPL	PPh Pasal 4(2)/ *Income tax Article 4(2)*	2014	SKPKB	3 Des/*Dec* 2014	41,448,092*)	Banding/ *Appeal*
SP LLC	PPh Pasal 26 (4)/*Income tax Article 26 (4)*	2014	SKPKB	18 Nov/Nov 2015	19,842,169	Keberatan/ *Objection*
SP LLC	PPh Pasal 4(2)/ *Income tax Article 4(2)*	2014	SKPKB	3 Des/*Dec* 2014	4,663,050*)	Banding/ *Appeal*

*) Mata uang asli dalam Rupiah

*) *Original currency in Rupiah*

Sampai dengan tanggal diterbitkannya laporan keuangan konsolidasian ini, manajemen masih dalam proses keberatan dan banding atas SKPKB tersebut. Managemen berkeyakinan bahwa hal ini tidak akan memberikan dampak yang signifikan terhadap posisi keuangan dan arus kas Grup.

As at the date of these consolidated financial statements, management is still in appeal and objection processes for these SKPKBs. Management is of the opinion that these matters will not have a material adverse impact on the Group's operations and cash flows.

19. UTANG LAIN-LAIN

19. OTHER PAYABLES

	2016	2015	
Pihak ketiga			*Third parties*
Utang dari aktivitas minyak dan gas bumi	22,819,692	11,537,221	*Payable arising from oil and gas activities*
Utang *cash call*	14,990,967	15,718,529	*Cash call payables*
Lain-lain	425,754	618,245	*Other payable*
Jumlah	**38,236,413**	**27,873,995**	***Total***

Utang lain-lain dari kegiatan minyak dan gas bumi merupakan liabilitas yang berkaitan dengan aktivitas eksplorasi dan produksi minyak dan gas.

Other payables from oil and gas activities represents liabilities relating to oil and gas exploration and production activities.

Utang *cash call* merupakan utang kepada operator yang berkaitan dengan kegiatan operasional di blok Fasken, Muriah dan Sanga-Sanga.

Cash call payables represent payables to operators related to operational activities in the Fasken, Muriah and Sanga-Sanga blocks.

20. LIABILITAS YANG MASIH HARUS DIBAYAR / *20. ACCRUED LIABILITIES*

	2016	2015	
Akrual dari aktivitas minyak dan gas	88,688,908	95,912,764	*Accrual from oil and gas activities*
Provisi	41,818,655	41,818,655	*Provisions*
Bunga pinjaman kepada pemegang saham	6,029,824	2,030,596	*Interest of shareholder loan*
Bunga pinjaman bank	1,708,316	462,400	*Interest of bank loans*
Lain-lain	352,866	-	*Others*
Jumlah	**138,598,569**	**140,224,415**	***Total***

Akrual dari aktivitas minyak dan gas merupakan liabilitas yang berkaitan dengan aktivitas eksplorasi dan produksi minyak dan gas.

Accrual from oil and gas activities represents liabilities relating to oil and gas exploration and production activities.

21. IMBALAN KERJA JANGKA PANJANG / *21. LONG-TERM EMPLOYEE BENEFITS*

Grup mencatat liabilitas imbalan kerja jangka panjang kepada karyawan sesuai dengan Perjanjian Kerja Bersama atau Undang-undang Ketenagakerjaan No. 13/2003 (UU No. 13/2003), mana yang lebih tinggi. Imbalan tersebut tidak didanai.

The Group recorded long-term employee benefit liabilities to its employees in accordance with the Collective Labor Agreement or the Labour Law, whichever is higher. The benefits are unfunded.

Perhitungan atas estimasi imbalan kerja pada tanggal 31 Desember 2016 dihitung oleh Mercer, aktuaris independen.

The estimated liabilities for employee benefits at 31 December 2016 were calculated by Mercer, an independent actuary.

Perhitungan aktuaris menggunakan metode "*Projected Unit Credit*" dengan asumsi-asumsi sebagai berikut:

The actuarial calculation used the "Projected Unit Credit" method which utilised the following assumptions:

	2016	2015	
Tingkat bunga aktuaria	8.50% per tahun/ *per annum*	8.70% per tahun/ *per annum*	*Actuarial discount rate*
Tingkat mortalitas	TMI 2011	TMI 2011	*Mortality rate*
Kenaikan gaji dan upah	5.00% per tahun/ *per annum*	7.00% per tahun/ *per annum*	*Wages and salaries increase*
Umur pensiun	58 tahun/*years*	58 tahun/*years*	*Retirement age*
Tingkat cacat	10% dari tingkat kematian/*mortality rate*	10% dari tingkat kematian/*mortality rate*	*Disability rate*

Saldo kewajiban imbalan kerja yang diakui pada laporan posisi keuangan adalah sebagai berikut:

Balance of employee benefits obligation recognised in the statements of financial position are as follows:

	31 Desember/ *December* 2016	31 Desember/ *December* 2015	
Liabilitas imbalan kerja jangka panjang	5,286,423	3,686,633	*Long-term employment liabilities*
	5,286,423	3,686,633	

Pengukuran kembali kewajiban imbalan kerja yang diakui sebagai beban/penghasilan komprehensif lainnya adalah sebagai berikut:

Remeasurement of employee benefit obligation recognised as other comprehensive income/loss are as follows:

	31 Desember/ *December* 2016	31 Desember/ *December* 2015	
Imbalan pascakerja	1,726,114	371,468	*Post-employment benefit*

22. PINJAMAN KEPADA PEMEGANG SAHAM / *22. LOAN TO SHAREHOLDER*

	2016	2015	
PT PGN			*PT PGN*
Bagian jangka panjang	838,350,000	838,350,000	*Long-term portion*

Pada tanggal 3 Januari 2014, Perusahaan menandatangani perjanjian pinjaman kepada pemegang saham dengan PT PGN sebesar AS$896.700.000. Penarikan disesuaikan dengan kebutuhan investasi Perusahaan. Pinjaman ini memiliki tingkat bunga *London Interbank Offered Rate* ("LIBOR") tiga bulan + 2% per tahun. Jangka waktu pinjaman ini adalah selama 12 (dua belas) bulan terhitung sejak tanggal dilakukannya penarikan pertama pinjaman oleh Perusahaan. Pada tanggal 30 Desember 2014, sebagian dari pinjaman tersebut dikonversi menjadi tambahan modal saham oleh PT PGN sebesar AS$448.350.000.

On 3 January 2014, the Company entered into a shareholder loan agreement with PT PGN amounting to US$896,700,000. Withdrawal is determined based on the Company's investment requirements. This loan bears interest at a rate of three months London Interbank Offered Rate ("LIBOR") + 2% per annum. This loan will be due in 12 months after the initial draw down by the Company. On 30 December 2014, the loan was partially converted to capital stock by PT PGN amounting to US$448,350,000.

Berdasarkan surat No.003400.S/PR.06.02/ PBPP/2015 tanggal 5 Februari 2015 perihal Perjanjian Pinjaman, PT PGN telah menyetujui pinjaman sebesar AS$355.228.816 akan menjadi pinjaman jangka panjang dengan jangka waktu perjanjian selama lima tahun terhitung sejak tanggal 6 Januari 2015, dan pinjaman sebesar AS$93.121.184 akan menjadi pinjaman jangka pendek dengan jangka waktu pinjaman selama satu tahun terhitung sejak tanggal 6 Januari 2015.

Based on letter No.003400.S/PR.06.02/ PBPP/2015 dated 5 February 2015 regarding the Loan Agreement, PT PGN has approved that the loan amounting to US$355,228,816 will be a long-term loan with a loan period of five years commencing from 6 January 2015, and a loan amounting to US$93,121,184 will be a short-term loan with a loan period of one year commencing from 6 January 2015.

Pada 23 Februari 2015, Perusahaan menandatangani perjanjian pinjaman jangka pendek kepada pemegang saham dengan PT PGN sebesar AS$390.000.000.

On 23 February 2015, the Company signed a short-term shareholder loan agreement with PT PGN amounting to US$390,000,000.

Pada tanggal 31 Desember 2015, Perusahaan dan PT PGN menandatangani perubahan perjanjian terkait utang jangka pendek sebesar AS$93.122.184 dan AS$390.000.000 yang diperpanjang menjadi jangka waktu lima tahun terhitung sejak 1 Januari 2016.

On 31 December 2015, the Company and PT PGN signed an amendment agreement that the short-term loans amounting to US$93,121,184 and US$390,000,000 were extended to a period of five years commencing from 1 January 2016.

23. PINJAMAN BANK JANGKA PENDEK / *23. SHORT-TERM BANK LOANS*

	2016	2015	
SMBC	50,000,000	-	*SMBC*
DBSI	50,000,000	-	*DBSI*
	100,000,000	-	

SMBC / ***SMBC***

Pada tanggal 27 Juli 2016, Perusahaan memperoleh fasilitas pinjaman dalam bentuk "*uncommitted revolving*" sebesar AS$100.000.000 dan fasilitas bank garansi sebesar AS$54.000.000 dari SMBC.

On 27 July 2016, the Company obtained an uncommitted revolving loan facility amounting to US$100,000,000 and bank guarantee facility amounting to US$54,000,000 from SMBC.

23. PINJAMAN BANK JANGKA PENDEK (lanjutan)

SMBC (lanjutan)

Pinjaman ini memiliki jangka waktu satu tahun. Pinjaman ini dikenakan tingkat bunga sebesar 1,65% per tahun diatas LIBOR. Selama pinjaman masih terutang, Perusahaan diwajibkan memenuhi rasio keuangan, sebagai berikut:

a. Maksimum rasio utang terhadap ekuitas adalah sebesar 65:35;
b. Minimum *interest coverage ratio* adalah sebesar 4,0:1;
c. Maksimum rasio utang terhadap *Earnings Before Interest, Tax, Depreciation and Amortization* ("EBITDA") adalah sebesar 4,5:1.

Pada tanggal 31 Desember 2016, fasilitas pinjaman yang belum digunakan sebesar AS$50.000.000.

Pada bulan November 2016, Perusahaan menggunakan fasilitas bank garansi sebesar AS$12.000.000 sehubungan dengan akuisisi SESSL (lihat Catatan 4).

Grup telah memenuhi batasan-batasan yang diwajibkan dalam perjanjian pinjaman tersebut.

DBSI

Pada tanggal 14 Juni 2016, Perusahaan memperoleh fasilitas pinjaman dalam bentuk "*Uncommitted revolving*" sebesar AS$50.000.000 dari DBSI. Pinjaman ini memiliki jangka waktu satu tahun. Pinjaman ini dikenakan tingkat bunga sebesar LIBOR ditambah 1,6% per tahun.

Selama pinjaman masih terutang, Perusahaan diwajibkan memenuhi beberapa persyaratan sebagai berikut:

a. Menjaga dan mempertahankan secara langsung dan tidak langsung kepemilikan saham oleh PGN sekurang-kurangnya sebesar 51% pada Perusahaan dan Perusahaan wajib menjaga dan mempertahankan secara langsung dan tidak langsung kepemilikan saham Perusahaan pada anak-anak perusahaan sekurang-kurangnya sebesar 51%.
b. Maksimal *total debt to total tangible networth* adalah tiga di setiap triwulan.

Grup telah memenuhi batasan-batasan yang diwajibkan dalam perjanjian pinjaman tersebut.

23. SHORT-TERM BANK LOANS *(continued)*

SMBC *(continued)*

This loan has a term period of one year. The loan bears interest at LIBOR plus 1.65% per annum. As long as the loan is still outstanding, the Company is required to meet certain financial ratios, as follows:

a. Maximum gross debt to equity ratio is 65:35;
b. Minimum interest coverage ratio is 4.0:1;
c. Maximum Debt to Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") ratio is 4.5:1.

At 31 December 2016, the unused loan facility was US$50,000,000.

In November 2016, the Company utilized the bank guarantee facility amounting to US$12,000,000 with regards to the SESSL acquisition (refer to Note 4).

The Group has complied with the covenants on the loan agreement.

DBSI

On 14 June 2016, the Company obtained an uncommitted revolving credit facility amounting to US$50,000,000 from DBSI. This loan has a term period of one year. The loan bears interest at LIBOR plus 1.6% per annum.

As long as the loan is still outstanding, the Company is required to meet several covenants, as follows:

a. To keep and maintain both direct and indirect ownership of PGN shares of at least 51% in the Company and the Company shall keep and maintain both its direct and indirect ownership in its subsidiaries of at least 51%.
b. Maximum total debt to total tangible net worth ratio is three in each quarter.

The Group has complied with the covenants on the loan agreement.

24. PINJAMAN BANK JANGKA PANJANG / *24. LONG-TERM BANK LOANS*

Jumlah tersebut merupakan saldo pinjaman jangka panjang, dengan rincian sebagai berikut:

This amount represents long-term loans with the following details:

	2016	2015	
Pihak ketiga			***Third parties***
Pinjaman sindikasi	500,000,000	300,000,000	*Syndication loan*
Dikurangi biaya transaksi yang belum diamortisasi			*Less unamortised cost of transaction*
Biaya transaksi pinjaman sindikasi	(10,538,037)	(10,382,000)	*Transaction cost for syndication loan*
Amortisasi biaya	1,565,190	82,529	*Amortisation cost*
Biaya transaksi ditangguhkan	3,785,895	5,191,000	*Transaction cost - deferred*
Pinjaman bank jangka panjang	**494,813,048**	**294,891,529**	***Long-term bank loans***

Pinjaman sindikasi / *Syndication loan*

Pada tanggal 2 Desember 2015, Perusahaan memperoleh fasilitas pinjaman sindikasi sebesar AS$600.000.000 dengan jumlah porsi *onshore* adalah sebesar AS$321.375.000 dan porsi *offshore* sebesar AS$278.625.000 dan diberikan oleh beberapa bank sebagai berikut:

On 2 December 2015, the Company obtained a syndicated loan facility amounting to US$600,000,000 with an Onshore portion US$321,375,000 and an Offshore portion of US$278,625,000, from banks as follows:

- BNP Paribas
- The Hongkong and Shanghai Banking Corporation ("HSBC") Limited, cabang Singapura
- Mizuho Bank
- PT BNP Paribas Indonesia
- PT Bank Mizuho Indonesia
- SMBC, cabang Indonesia
- PT HSBC Securities Indonesia
- SMBC, cabang Singapura (bertindak sebagai agen)

- *BNP Paribas*
- *The Hongkong and Shanghai Banking Corporation ("HSBC") Limited, Singapore branch*
- *Mizuho Bank*
- *PT BNP Paribas Indonesia*
- *PT Bank Mizuho Indonesia*
- *SMBC, Indonesia branch*
- *PT HSBC Securities Indonesia*
- *SMBC, Singapura branch (also acting as Agent)*

Sampai dengan 31 Desember 2016, Perusahaan telah melakukan penarikan terhadap fasilitas pinjaman sebesar AS$500.000.000. Pinjaman ini jatuh tempo dalam jangka waktu 5 tahun sejak 2016. Pinjaman ini dikenakan tingkat bunga sebesar LIBOR plus 1,85% untuk porsi *onshore* dan LIBOR plus 1,60% untuk porsi *offshore*. Selama pinjaman masih terutang, Perusahaan diwajibkan memenuhi rasio keuangan tertentu, sebagai berikut:

Up to 31 December 2016 the Company had drawn down the loan facility amounting to US$500,000,000. This loan will be due in 5 years from 2016. The loan bears interest at LIBOR plus 1.85% for the onshore portion and LIBOR plus 1.60% for the offshore portion. As long as the loan is still outstanding, the Company is required to meet certain financial ratios, as follows:

a. Maksimum rasio utang terhadap ekuitas adalah 65:35;
b. *Interest coverage ratio* setiap saat minimal 4,0:1
c. *Debt to EBITDA ratio* setiap saat maksimal 4,5:1 untuk dua tahun setelah tanggal efektif dan untuk setiap periode yang relevan setelahnya 3,5:1

a. *Maximum debt to equity ratio is 65:35;*
b. *Debt service coverage ratio minimum 4.0:1*
c. *Debt to EBITDA ratio maximum 4.5:1 for two years after the effective date and for each periode relevant thereafter 3.5:1*

Pada tanggal 31 Desember 2016, fasilitas yang belum digunakan adalah sebesar AS$100.000.000.

At 31 December 2016, the unused facility amounted to US$100,000,000.

Grup telah memenuhi batasan-batasan yang diwajibkan dalam perjanjian pinjaman tersebut.

The Group has complied with the covenants on the loan agreement.

25. LIABILITAS PEMBONGKARAN ASET DAN RESTORASI AREA / *25. ASSET ABANDONMENT AND SITE RESTORATION OBLIGATIONS*

Mutasi liabilitas restorasi dan pembongkaran aset adalah sebagai berikut:

The movements in site restoration and asset abandonment obligations are as follows:

	2016	2015	
Saldo awal	50,973,869	90,646,128	*Beginning balance*
Penambahan tahun berjalan	5,978,243	100,582	*Addition during the year*
Revisi estimasi arus kas	-	(42,301,420)	*Revision in estimated cash flows*
Pembalikan dari efek diskonto	2,442,815	2,528,579	*Unwinding effect of discounting*
Saldo akhir	59,394,927	50,973,869	*Ending balance*
Rekening bersama dengan SKK Migas untuk dana *abandonment and site restoration* ("ASR")	(38,920,869)	(33,824,965)	*Joint accounts with SKK Migas for abandonment and site restoration ("ASR") funding*
Saldo akhir, neto	**20,474,058**	**17,148,904**	***Ending balance, net***

Estimasi terkini untuk kewajiban pembongkaran aset dan restorasi area dilakukan oleh pihak manajemen. Manajemen berkeyakinan bahwa akumulasi penyisihan telah cukup untuk menutup semua liabilitas yang timbul dari kegiatan restorasi area dan pembongkaran aset.

The current estimates for asset abandonment and site restoration obligations were calculated by management. Management believes that the accumulated provision is sufficient to meet the environmental obligations resulting from site restoration and asset abandonment.

Rekening bersama dengan SKK Migas diatas ditempatkan di bank milik pemerintah untuk mendanai liabilitas ASR sehubungan dengan operasi minyak dan gas.

The above joint accounts with SKK Migas are placed in state-owned banks for the funding of ASR obligations relating to oil and gas operations.

26. EKUITAS / *26. EQUITY*

Pemegang saham Perusahaan pada tanggal 31 Desember 2016 dan 2015 adalah sebagai berikut:

The Company's shareholders's as at 31 December 2016 and 2015, were as follows:

	Lembar saham/ *Numbers of shares*	AS$/ *US$*	%	
PT PGN	11,777,614,980	1,062,492,921	99.99	*PT PGN*
PT PGAS Solution	380,000	44,490	0.01	*PT PGAS Solution*
	11,777,994,980	1,062,537,411	100	

27. KEPENTINGAN NONPENGENDALI / *27. NON-CONTROLLING INTEREST*

Mutasi kepentingan nonpengendali pada tanggal 31 Desember 2016 adalah sebagai berikut:

The movements of non-controlling interest as at 31 December 2016 were as follows:

	Saldo awal/ *Beginning balance* 1 Januari/ *January* 2016	Bagian atas laba/(rugi) neto/ *Share in net profit/(loss)*	Saldo akhir/ *Ending balance* 31 Desember/ *December* 2016	
SES	6,167	(8,595)	(2,428)	*SES*
SKP	15,994	2,138	18,132	*SKP*
SI	8	-	8	*SI*
	22,169	(6,457)	15,712	

27. KEPENTINGAN NONPENGENDALI (lanjutan)

Mutasi kepentingan non pengendali pada tanggal 31 Desember 2015 adalah sebagai berikut:

***27. NON-CONTROLLING INTEREST** (continued)*

The movements of non-controlling interest as of 31 December 2015, are as follows:

	Saldo awal/ *Beginning balance* 1 Januari/ *January* 2015	Bagian atas laba neto/ *Share in net profit*	Saldo akhir/ *Ending balance* 31 Desember/ *December* 2015	
SES	1,933	4,234	6,167	*SES*
SKP	5,166	10,828	15,994	*SKP*
SI	8	-	8	*SI*
	7,107	15,062	22,169	

28. PENCADANGAN SALDO LABA DAN PEMBAGIAN LABA

Berdasarkan Risalah Rapat Umum Pemegang Saham Tahunan Perusahaan tanggal 30 April 2012, para pemegang saham menyetujui laba neto Grup tahun 2011 sebesar Rp167.369.247 (setara dengan AS$17.308) dijadikan cadangan umum Grup.

Pencadangan laba tersebut dibuat untuk memenuhi ketentuan yang diatur dalam Undang-Undang No. 40 Tahun 2007 tentang Perseroan Terbatas.

28. APPROPRIATIONS OF RETAINED EARNINGS AND DISTRIBUTIONS OF INCOME

Based on the Minutes of the Company's Annual General Shareholders' Meeting held on 30 April 2012, the shareholders approved that net income of Group for the year 2011 amounting to Rp167,369,247 (equivalent to US$17,308) would be set aside as a general reserve of the Group.

The appropriation of retained earnings was made to comply with the provisions of Law No. 40 Year 2007 on Limited Liability Companies.

29. PENDAPATAN NETO

Jumlah tersebut merupakan hasil penjualan minyak bumi, gas alam dan LPG dengan rincian sebagai berikut :

29. NET REVENUES

This amount represents revenue from crude oil, natural gas and LPG with the following details:

	2016	2015	
Minyak Mentah	132,099,203	125,552,296	*Crude Oil*
Gas Bumi	156,603,987	119,779,209	*Natural Gas*
LPG	17,400,985	18,365,987	*LPG*
LNG	8,010,786	-	*LNG*
Jumlah	**314,114,961**	**263,697,492**	***Total***

30. BEBAN POKOK PENDAPATAN

Akun ini terdiri dari:

30. COST OF REVENUES

This account consists of:

	2016	2015	
Beban penyusutan, deplesi dan amortisasi (Catatan 14b)	182,086,849	150,359,313	*Depreciation, depletion and amortisation (Note 14b)*
Beban produksi dan *lifting*	120,617,005	101,488,284	*Production and lifting costs*
Jumlah	**302,703,854**	**251,847,597**	***Total***

31. BEBAN ADMINISTRASI DAN UMUM / *31. GENERAL AND ADMINISTRATIVE EXPENSES*

Akun ini terdiri dari: / *This account consists of:*

	2016	2015	
Jasa profesional	8,093,743	3,932,064	*Professional fees*
Gaji dan kesejahteraan karyawan	2,106,518	2,449,386	*Salaries and employee benefits*
Penyusutan (Catatan 13)	10,967	12,568	*Depreciation (Note 13)*
Lain-lain	605,896	410,530	*Others*
Jumlah	**10,817,124**	**6,804,548**	***Total***

32. BEBAN KEUANGAN / *32. FINANCE COSTS*

Akun ini terdiri dari: / *This account consists of:*

	2016	2015	
Bunga pinjaman kepada pemegang saham	22,787,778	18,782,807	*Interest expenses on shareholder's loan*
Beban bunga pinjaman bank	13,191,451	82,528	*Interest expenses on bank loan*
Beban bunga piutang *carry*	4,384,844	9,072,081	*Interest expenses on carry receivables*
Pembalikan dari efek diskonto	2,442,815	2,528,579	*Unwinding effect of discount*
Jumlah	**42,806,888**	**30,465,995**	***Total***

33. PENDAPATAN KEUANGAN / *33. FINANCE INCOME*

Akun ini terdiri dari: / *This account consists of:*

	2016	2015	
Bunga piutang *carry*	6,423,047	2,828,662	*Interest from carry receivables*
Bunga bank	949,857	880,326	*Bank interest*
Jumlah	**7,372,904**	**3,708,988**	***Total***

34. KEUNTUNGAN/(KERUGIAN) SELISIH KURS, NETO / *34. GAIN/(LOSS) ON FOREIGN EXCHANGE, NET*

Keuntungan/(kerugian) selisih kurs terutama berasal dari penyesuaian aset dan liabilitas moneter dalam mata uang selain Dolar AS dan perbedaan nilai tukar transaksi dari kegiatan usaha Perusahaan dalam mata uang selain Dolar AS.

Gain/(loss) on foreign exchange mainly results from translations of monetary assets and liabilities not denominated in US Dollars and differences in exchange rates on the Company's operational transactions denominated in currencies other than US Dollars.

	2016	2015	
Keuntungan/(kerugian) selisih kurs, neto	753,253	(10,708,675)	*Gain/(loss) on exchange rate,net*

35. PENDAPATAN/(BEBAN) LAIN LAIN / *35. OTHERS INCOME/(EXPENSES)*

Akun ini terdiri dari: / *This account consists of:*

	2016	2015	
Keuntungan dari akuisisi BPEK	7,243,369	-	*Gain from acquisition of BPEK*
Keuntungan dari akuisisi UNIMAR	11,074,102	-	*Gain from acquisition of UNIMAR*
Pendapatan lainnya	4,410,416	10,025,367	*Other income*
Beban lain-lain	(3,247,713)	(366,264)	*Other expenses*
Jumlah	**19,480,174**	**9,659,103**	***Total***

36. SALDO DAN TRANSAKSI SIGNIFIKAN DENGAN PIHAK-PIHAK BERELASI

Dalam kegiatan usaha normal, Grup melakukan transaksi usaha dan keuangan dengan pihak-pihak berelasi. Entitas yang bersangkutan diakui sebagai pihak berelasi dari Grup berkaitan dengan persamaan kepemilikan dan manajemen.

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak-pihak berelasi adalah sebagai berikut:

36. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Group enters into trade and financial transactions with related parties. The concerned entities are considered related parties of the Group in view of their common ownership and management.

The details of the nature of relationships and types of significant transactions with related parties are as follows:

Pihak-pihak yang berelasi/ *Related party*	Sifat hubungan dengan pihak berelasi/ *Relationship with the related party*	Transaksi/ *Transactions*
PT PGN	Entitas Induk/*Parent entity*	Pinjaman pemegang saham/*Loan from shareholders*
PT PGAS Solution	Entitas sepengendali/*Entity under common control*	Pemegang saham minoritas/*Minority shareholders*
PT Gagas Energi Indonesia	Entitas sepengendali/*Entities under common control*	Pemegang saham minoritas/*Minority shareholders*
Bank Mandiri	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Penempatan giro dan deposito/ *Placement of current accounts and placement of time deposits*
BNI	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Penempatan giro dan deposito/ *Placement of current accounts and placement of time deposits*
BRI	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Penempatan giro dan deposito/ *Placement of current accounts and placement of time deposits*
PT Perusahaan Listrik Negara (Persero) (PLN)	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*
PT Pertamina (Persero), PT Pertamina Hulu Energi Onshore North West Java (ONWJ)	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*
PT Petrogas Jatim	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*
PT Pupuk Kalimantan Timur, PT Kaltim Daya Mandiri, PT Kaltim Metanol Industri, PT Kaltim Parna Industri Mandiri	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*

Saldo-saldo signifikan dengan pihak-pihak berelasi adalah sebagai berikut:

Significant balances with related parties are as follows:

Kas dan setara kas (Catatan 5)

Pada tanggal 31 Desember 2016 dan 2015, saldo bank yang ditempatkan pada entitas yang berelasi dengan Pemerintah masing-masing sebesar 3,44% dan 8,20% dari jumlah aset konsolidasian.

Cash and cash equivalents (Note 5)

As at 31 December 2016 and 2015, the balances of cash in banks placed in Government-related entities comprise 3.44% and 8.20%, respectively, of total consolidated assets.

36. SALDO DAN TRANSAKSI SIGNIFIKAN DENGAN PIHAK-PIHAK BERELASI (lanjutan)

36. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES *(continued)*

Piutang usaha (Catatan 6) / ***Trade receivables (Note 6)***

	2016	2015	
PT PLN (Persero)	19,792,265	8,538,629	*PT PLN (Persero)*
PT Pertamina (Persero)	1,767,754	1,452,486	*PT Pertamina (Persero)*
Lain-lain	1,241,284	-	*Others*
	22,801,303	9,991,115	
Persentase dari jumlah aset konsolidasian	0.85%	0.43%	*Percentage to total consolidated assets*

Liabilitas yang masih harus dibayar (Catatan 20) / ***Accrued liabilities (Note 20)***

	2016	2015	
PT PGN	6,029,824	2,030,596	*PT PGN*
Persentase dari jumlah liabilitas konsolidasian	0.34%	0.14%	*Percentage to total consolidated liabilities*

Penjualan neto (Catatan 29) / ***Net revenues (Note 29)***

	2016	2015	
PT PLN (Persero)	121,612,906	85,197,059	*PT PLN (Persero)*
PT Pertamina (Persero)	17,400,985	18,365,987	*PT Pertamina (Persero)*
PT Petro Jatim	2,360,275	-	*PT Petro Jatim*
Lain-lain	1,593,317	-	*Others*
	142,967,483	103,563,046	
Persentase dari jumlah pendapatan neto konsolidasian	45.51%	39.27%	*Percentage to total consolidated net revenues*

Pinjaman kepada pemegang saham (Catatan 22)

Pada tanggal 31 Desember 2016 dan 2015, saldo pinjaman kepada PT PGN sebesar 47,16% dan 58,70% dari jumlah liabilitas konsolidasian.

Loans to shareholder (Note 22)

As at 31 December 2016 and 2015, the balances of loan from PT PGN comprise to 47.16% and 58.70%, respectively, of total consolidated liabilities.

Kompensasi manajemen kunci

Grup memberikan imbalan jangka pendek kepada Dewan Komisaris dan Direksi adalah sebesar Rp7.817.199.160 atau setara dengan AS$581.810 untuk tahun yang berakhir pada 31 Desember 2016 dan Rp9.179.524.739 atau setara dengan AS$685.704 untuk tahun yang berakhir pada tanggal 31 Desember 2015. Tidak terdapat imbalan lainnya selain yang disebutkan di atas.

Key management compensation

The Group granted short-term benefits to the Board of Commisioners and Directors amounting to Rp7,817,199,160 or equivalent to US$581,810 for the year ended 31 December 2016 and Rp9,179,524,739 or equivalent to US$685,704 for the year ended 31 December 2015. There are no other benefits aside from what is stated above.

37. PERJANJIAN-PERJANJIAN PENTING

a. *Participating interest* di blok Lematang

Pada tanggal 22 Juli 2011, telah ditandatangani Nota Kesepakatan antara PT Medco E&P Indonesia ("MEPI"), PT Sugico Pendragon Energi ("SUGICO") dan Perusahaan mengenai kerjasama pengembangan CBM. Perusahaan sepakat untuk menjadi mitra MEPI dan SUGICO pada pengembangan CBM di Blok Lematang - Petar dengan kepemilikan *participating interest* sebesar MEPI: 55%, SUGICO: 40%, dan Perusahaan: 5%.

Sehubungan dengan penandatanganan *PSC* untuk pengusahaan *Methane Coal Gas* Area Lematang - Petar Sumatera Selatan, Perusahaan pada tanggal 22 Juli 2011 dengan surat No. 021200.S/HK.02/UT/2011 telah menunjuk SEI untuk menandatangani PSC dengan Pemerintah dan untuk selanjutnya mewakili Perusahaan dalam hal kerjasama pengembangan CBM di Blok Lematang - Petar. Pada tanggal 1 Agustus 2011, BP Migas, PT Medco CBM Lematang, PT Methanindo Energy Resources ("MER") dan SEI telah mendandatangani PSC.

Pada tanggal 1 Januari 2013, SEI dan MER menandatangani *Deed of Assigment* untuk pengalihan *participating interest* SEI sebesar 5% kepada MER, yang akan berlaku efektif apabila mendapat persetujuan tertulis dari Pemerintah Republik Indonesia dan Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK MIGAS").

Pada tanggal 1 April 2016, Perusahaan mendapatkan surat persetujuan tertulis dari Pemerintah Republik Indonesia dan SKK Migas atas pengalihan 5% *participating interest* SEI kepada MER.

b. *Participating interest* di blok Wokam

PT Saka Energi Wokam didirikan berdasarkan Akta No. 11, tanggal 14 September 2015 oleh Notaris Pratiwi Handayani, S.H.

Pada tanggal 16 November 2015, SEI, melalui entitas anaknya, PT Saka Energi Wokam, melakukan perjanjian jual beli 100% *participating interest* di Wokam II PSC dengan Murphy Wokam Oil Company Ltd. senilai AS$250.000.

Pada tanggal 21 Juni 2016, SKK MIGAS memberikan persetujuan atas transaksi ini melalui surat No. SRT-0351/SKKO0000/2016/SO.

Pada tanggal 13 Juli 2016, Perusahaan melakukan pembayaran sebesar AS$250.000 ke Murphy Wokam Co. Ltd. sehubungan dengan pengalihan *participating interest* di wilayah kerja Wokam II ke PT Saka Energi Wokam.

37. *SIGNIFICANT AGREEMENTS*

a. Participating interest in Lematang block

On 22 July 2011, PT Medco E&P Indonesia ("MEPI"), PT Sugico Pendragon Energi ("SUGICO") and the Company entered into Minutes of Understanding regarding CBM development. The Company agreed to became a partner of Mitra MEPI & SUGICO to develop CBM in the Lematang - Petar Block with ownership participating interest of MEPI: 55%, SUGICO: 40%, and the Company: 5%.

In relation with the PSC signing for Methane Coal Gas production, Lematang - Petar Area, South Sumatera, the Company delegated SEI on 22 July 2011 with letter No. 021200.S/HK.02/UT/2011 to sign a PSC with the Government and act on behalf of the Company for CBM development cooperation in the Lematang - Petar Block. On 1 August 2011, BP Migas, PT Medco CBM Lematang, PT Methanindo Energy Resources ("MER") and SEI signed the PSC.

On 1 January 2013, SEI and MER entered into a Deed of Assignment for transferring of 5% participating interest to MER, that will be effective after obtaining written approval from the Government of the Republic of Indonesia and Special Task Force for Upstream Oil and Gas Business Activities ("SKK MIGAS").

On 1 April 2016, the Company received written approval from the Government of the Republic of Indonesia and SKK Migas related to transfer of 5% of SEI's participating interest to MER.

b. Participating interest at Wokam block

PT Saka Energi Wokam was established based on Deed No.11, dated 14 September 2015 by Notary Pratiwi Handayani, S.H.

On 16 November 2015, SEI, through its subsidiary, PT Saka Energi Wokam, signed a sale and purchase agreement of 100% participating interest in Wokam II PSC with Murphy Wokam Oil Company Ltd. amounting to US$250,000.

On 21 June 2016, SKK MIGAS issued an approval of this transaction with letter No. SRT-0351/SKKO0000/2016/SO.

On 13 July 2016, the Company made a payment of US$250,000 to Murphy Wokam Co. Ltd. in connection with the transfer of participating interest in Wokam II working area to PT Saka Energi Wokam.

37. PERJANJIAN-PERJANJIAN PENTING (lanjutan)

c. Perjanjian Jual Beli Gas

PSC, dimana Grup memiliki *participating interest,* memiliki komitmen untuk menyerahkan gas bumi sebesar 522.964.066 MMBTU (pada level PSC) antara tahun 2017 sampai 2035 dengan kisaran harga, sesuai dengan kontrak, antara AS$2,38 - AS$5,50/MMBTU dengan harga antara eskalasi 3,0% - 8,6% per tahun/MMBTU.

37. SIGNIFICANT AGREEMENTS *(continued)*

c. Gas Sales and Purchase Agreement

The PSCs, where the Group owns participating interests, have commitments to deliver natural gas of 522,964,066 MMBTU (at PSC level) between 2017 to 2035 with contract price ranging between US$2.38 - US$5.50/MMBTU and escalation price ranging between 3.0% - 8.6% annum/MMBTU.

38. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN

MANAJEMEN RISIKO

Liabilitas keuangan utama Grup adalah berupa utang dan pinjaman. Tujuan utama dari utang dan pinjaman ini adalah untuk membiayai perolehan dan pengembangan portofolio aset Grup. Grup tidak melakukan transaksi derivatif. Grup memiliki kas dan setara kas, piutang usaha, piutang lain-lain, piutang lain-lain jangka panjang, utang usaha, utang lain-lain dan liabilitas yang masih harus dibayar yang timbul dari kegiatan usahanya, pinjaman bank dan pinjaman kepada pemegang saham.

a. Risiko kredit

Risiko kredit adalah risiko kerugian keuangan yang timbul jika pelanggan Grup gagal memenuhi kewajiban kontraktualnya kepada Grup. Risiko kredit terutama berasal dari piutang usaha yang diberikan kepada pelanggan dari penjualan minyak dan gas bumi.

Risiko kredit pelanggan dikelola sesuai dengan kebijakan, prosedur dan pengendalian dari Grup yang berhubungan dengan pengelolaan risiko kredit pelanggan. Manajemen risiko kredit antara lain dilakukan dengan penerapan prinsip kehati-hatian dalam proses pemilihan pelanggan baru dan jumlah piutang dipantau secara terus menerus untuk mengurangi risiko piutang yang tidak tertagih.

Grup mempunyai konsentrasi risiko kredit atas seluruh penjualan minyak dan gas bumi kepada pembeli tunggal. Penjualan minyak pada umumnya dijual berdasarkan kontrak jangka pendek dan tidak membutuhkan jaminan dari pembeli yang mencerminkan kurang lebih sebesar 23,4% dari jumlah piutang usaha. Gas dijual berdasarkan perjanjian penjualan gas antara PSC kepada pembeli tunggal, dimana mencerminkan kurang lebih 70,25% dari jumlah piutang usaha. LPG dijual berdasarkan perjanjian jual beli LPG kepada pembeli tunggal, yang mencerminkan kurang lebih sebesar 2,59% dari piutang usaha. LNG dijual berdasarkan perjanjian jual beli LNG kepada pembeli tunggal, yang mencerminkan kurang lebih sebesar 3,76% dari piutang usaha.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisitions and developments of the Group's property portfolio. It does not enter into derivative transactions. The Group has cash and cash equivalents, trade and other receivables, other long-term receivables, trade and other payables and accrued liabilities that arise directly from its operations, bank loans and loan to a shareholder.

a. Credit risk

Credit risk is the risk of suffering financial loss, when the Group's customers fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from trade receivables from the sale of oil and gas to customers.

Customer credit risk is managed based on the Group's established policy, procedures and control relating to customer credit risk management. Credit risk management, among others, is done by exercising due care in new customer selection and receivables balances are monitored on an on-going basis to reduce the exposure to bad debts.

The Group is subject to a concentration of credit risk as all of its crude oil and gas sales are to a single counter party. Crude oil sales are generally sold under short-term contracts and generally do not require collateral from the counter party, which represents approximately 23.4% of total trade receivables. Gas sales are sold under a Gas Sales Agreement between the PSC and single counter party, which represent approximately 70.25% of trade receivables. LPG sales are sold under the LPG sales and purchase agreement between the PSC and single counter party, which represent approximately 2.59% of trade receivables. LNG sales are sold under a LNG sales and purchase agreement between the PSC to and single counter party, which represents approximately 3.76% of trade receivables.

38. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

MANAJEMEN RISIKO (lanjutan)

RISK MANAGEMENT *(continued)*

a. Risiko kredit (lanjutan)

Sehubungan dengan risiko kredit yang timbul dari aset keuangan lainnya yang mencakup kas dan setara kas, piutang lain-lain, dan piutang lain-lain jangka panjang, risiko kredit yang dihadapi timbul karena wanprestasi dari *counterparty*. Grup memiliki risiko kredit terpusat dari penempatan kas dan setara kas di mana pada tanggal 31 Desember 2016 sebesar 25,31% ditempatkan pada satu bank. Grup memiliki kebijakan untuk tidak menempatkan investasi pada instrumen yang memiliki risiko kredit tinggi dan hanya menempatkan investasinya pada bank-bank dan *counterparties* dengan peringkat kredit yang tinggi. Nilai maksimal eksposur adalah sebesar nilai tercatat sebagaimana ditunjukkan pada Catatan 5 dan 6.

a. Credit risk *(continued)*

With respect to credit risk arising from other financial assets, which comprise cash and cash equivalents, other receivables, and other long-term receivables the Company's exposure to credit risk arises from default of the counterparty. The Group has a concentration of credit risk from the placement of cash and cash equivalents of which 25.31% of the balance as at 31 December 2016 was placed at one bank. The Group has a policy not to place investments in instruments that have a high credit risk and only puts the investments in banks and counterparties with high credit rating. The maximum exposure equal to the carrying amount is disclosed in Note 5 and 6.

b. Risiko likuiditas

Risiko likuiditas adalah risiko dimana Grup tidak bisa memenuhi kewajiban pada saat jatuh tempo. Grup melakukan evaluasi dan pengawasan yang ketat atas arus kas masuk (*cash-in*) dan kas keluar (*cash-out*) untuk memastikan tersedianya dana untuk memenuhi kebutuhan pembayaran kewajiban yang jatuh tempo. Secara umum, kebutuhan dana untuk pelunasan kewajiban jangka pendek maupun jangka panjang yang jatuh tempo diperoleh dari pelunasan piutang dari pelanggan yang memiliki jangka waktu kredit satu bulan.

b. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due. The group evaluates and monitors cash-in flow and cash-out flow to ensure the availability of funds to settle the due obligation. In general, funds needed to settle the current and long-term liabilities are obtained from settlement of trade receivables from the customer with one month credit term.

Tabel dibawah merupakan profil liabilitas keuangan Perusahaan berdasarkan arus kas kontraktual yang tidak terdiskonto:

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	31 Desember/*December* 2016				
	Sewaktu-waktu dan *dalam Waktu 1 Tahun/ On demand and within 1 Year*	**Dalam waktu 1 tahun sampai dengan 5 tahun/ *Within 1 to 5 years***	**Lebih dari 5 tahun/ *More than 5 years***	**Jumlah/ *Total***	
Liabilitas Keuangan					***Financial Liabilities***
Utang usaha	31,408,481	-	-	31,408,481	*Trade payables*
Utang lain-lain	38,236,413	-	-	38,236,413	*Other payables*
Liabilitas yang masih harus dibayar	138,598,569	-	-	138,598,569	*Accrued liabilities*
Pinjaman jangka pendek	101,162,708	-	-	101,162,708	*Short term loan*
Pinjaman jangka panjang	12,629,992	537,889,975	-	550,519,967	*Long-term loan*
Pinjaman kepada pemegang saham	24,655,214	912,489,506	-	937,144,720	*Loan to shareholders*

38. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

MANAJEMEN RISIKO (lanjutan)

RISK MANAGEMENT *(continued)*

b. Risiko likuiditas (lanjutan)

b. Liquidity risk *(continued)*

	31 Desember/*December 2015*				
	Sewaktu-waktu dan *dalam waktu 1 tahun/ On demand and within 1 Year*	**Dalam waktu 1 tahun sampai dengan 5 tahun/ *Within 1 to 5 years***	**Lebih dari 5 tahun/ *More than 5 years***	**Jumlah/ *Total***	
Liabilitas Keuangan					***Financial Liabilities***
Utang usaha	20,009,307	-	-	20,009,307	*Trade payables*
Utang lain-lain	27,873,995	-	-	27,873,995	*Other payables*
Liabilitas yang masih harus dibayar	140,224,415	-	-	140,224,415	*Accrued liabilities*
Pinjaman jangka panjang	6,936,000	320,981,000	-	327,917,000	*Long-term loan*
Pinjaman kepada pemegang saham	19,509,238	430,454,893	489,321,276	939,285,407	*Loan to shareholders*

c. Risiko pasar

Grup memiliki eksposur terhadap risiko pasar, yaitu risiko suku bunga dan risiko mata uang asing.

Risiko tingkat bunga arus kas adalah risiko dimana arus kas masa depan dari suatu instrumen keuangan berfluktuasi karena perubahan suku bunga pasar.

Grup memiliki pinjaman jangka pendek dan jangka panjang dengan bunga mengambang. Grup akan memonitor secara ketat pergerakan suku bunga di pasar dan apabila suku bunga mengalami kenaikan yang signifikan maka Perusahaan akan menegosiasikan suku bunga tersebut dengan para lender/kreditur.

(i) Risiko tingkat bunga

Grup memiliki eksposur terhadap fluktuasi tingkat suku bunga pasar yang berlaku baik atas risiko nilai wajar maupun arus kas. Pada tanggal 31 Desember 2016 dan 31 December 2015, seluruh pinjaman menggunakan tingkat suku bunga mengambang.

Analisis sensitivitas untuk risiko suku bunga

Pada tanggal 31 Desember 2016, jika tingkat suku bunga pinjaman meningkat/menurun sebesar 50 basis poin dengan semua variabel konstan, rugi sebelum manfaat pajak untuk periode yang berakhir pada tanggal tersebut lebih rendah/tinggi sebesar AS$6.691.750 terutama sebagai akibat kenaikan/penurunan biaya bunga atas pinjaman dengan tingkat bunga mengambang.

c. Market risk

The Group is exposed to market risk, in particular interest rate risk and foreign currency risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's short-term and long-term debt is charged with floating interest rates. The Group will strictly monitor the market interest rate fluctuation and if the interest rate significantly increases, they will renegotiate the interest rate with the lenders.

(i) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. As of 31 December 2016 and 31 December 2015, all loans use floating interest rate.

Sensitivity analysis for interest rate risk

As of 31 December 2016, had the interest rate of the loan from a shareholder been 50 basis points higher/lower with all other variables held constant, loss before income tax benefit for the period then ended would have been US$6,691,750 lower/higher mainly as a result of higher/lower interest expense on loans with floating interest rates.

38. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

c. Risiko pasar (lanjutan)

(ii) Risiko mata uang asing

Risiko nilai tukar mata uang asing adalah risiko dimana nilai wajar atau arus kas masa datang dari suatu instrumen keuangan akan berfluktuasi akibat perubahan nilai tukar mata uang asing. Eksposur Grup terhadap fluktuasi nilai tukar terutama berasal dari kas dan setara kas, piutang lain-lain, dan utang usaha dalam mata uang Rupiah.

Apabila terjadi penurunan/penguatan nilai tukar mata uang AS$ terhadap nilai tukar mata uang asing, maka utang dalam mata uang asing akan meningkat/berkurang dalam mata uang AS$. Manajemen tidak melakukan lindung nilai atas risiko mata uang asing ini.

Berikut ini adalah analisis sensitivitas efek 10% perubahan kurs mata uang asing terhadap kerugian sebelum pajak dengan semua variabel lain dianggap tetap:

	31 Desember/ *December 2016*	
Kenaikan 10%	6,803,391	*Increase 10%*
Penurunan 10%	(5,566,411)	*Decrease 10%*

(iii) Risiko harga

Per tanggal 31 Desember 2016, Grup tidak memiliki aset keuangan atau liabilitas keuangan yang rentan terhadap risiko harga.

Komoditi seperti minyak bumi, kondensat dan gas alam memiliki eksposur terhadap risiko harga. Grup dapat menggunakan kontrak *forward* untuk mengurangi keseluruhan eksposur yang mungkin timbul terhadap produksi di masa depan yang berkaitan dengan fluktuasi harga komoditi. Tidak terdapat perjanjian seperti ini yang ditandatangani selama tahun berjalan.

d. Manajemen modal

Grup bertujuan mencapai struktur modal yang optimal untuk memenuhi tujuan usaha, diantaranya dengan mempertahankan rasio modal yang sehat dan maksimilasi nilai pemegang saham.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

RISK MANAGEMENT *(continued)*

c. Market risk *(continued)*

(ii) Foreign exchange risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to exchange rate fluctuations results primarily from cash and cash equivalent and trade payables which are denominated in Rupiah.

If there is a weakening/strengthening of the US$ exchange rate, payables in foreign exchange rate will increase/decrease in US$ terms. Management did not hedge this foreign exchange rate.

Sensitivity analysis of the reasonably possible fluctuation of 10% the foreign exchange rates to loss before tax with all other variables held constant is as follows:

(iii) Price risk

As at 31 December 2016, the Group does not have any financial assets or financial liabilities that are exposed to price risks.

Commodities such as crude oil, condensate and natural gas are exposed to price risk. The Group may use forward contracts to mitigate its overall exposure in relation to fluctuations in commodity prices for production in the future. No such contracts have yet been entered into during the year.

d. Capital management

The Group aims to achieve an optimal capital structure in pursuit of their business objectives, which include maintaining healthy capital ratios and maximising shareholder value.

38. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

d. Manajemen modal (lanjutan)

Grup mengelola struktur permodalan dan melakukan penyesuaian, berdasarkan perubahan kondisi ekonomi. Untuk memelihara dan menyesuaikan struktur permodalan, Grup dapat menyesuaikan pembayaran dividen kepada pemegang saham, imbalan modal kepada pemegang saham atau menerbitkan saham baru. Tidak ada perubahan atas tujuan, kebijakan maupun proses untuk tahun yang berakhir pada tanggal 31 Desember 2016.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

RISK MANAGEMENT *(continued)*

d. Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

39. INSTRUMEN KEUANGAN

Aset keuangan Grup meliputi kas dan setara kas, piutang usaha, piutang lain-lain, dan piutang lain-lain jangka panjang yang timbul dari kegiatan usahanya. Liabilitas keuangan Grup meliputi utang usaha, utang lain-lain, liabilitas yang masih harus dibayar, pinjaman dari pemegang saham, pinjaman jangka panjang jatuh tempo dalam waktu satu tahun dan pinjaman jangka panjang setelah dikurangi bagian jatuh tempo dalam waktu satu tahun yang tujuan utamanya untuk pembiayaan kegiatan usaha.

Seluruh nilai tercatat instrumen keuangan mendekati nilai wajar dari instrumen keuangan tersebut.

Berikut ini adalah metode dan asumsi yang digunakan manajemen dalam mengestimasi nilai wajar dari setiap golongan instrumen keuangan Grup:

39. FINANCIAL INSTRUMENTS

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables, and other long-term receivables which arise from their business operations. Their financial liabilities include trade payables, other payables, accrued liabilities, loan from shareholder, current maturities of long-term loans and long-term loans – net of current maturities the main purpose of which is to finance the business operations.

The carrying values of all financial instruments approximate their respective fair values.

The following are the methods and assumptions used by management to estimate the fair value of each class of the Group's financial instruments:

	Jumlah/ *Total*	Pinjaman dan piutang/ *Loans and receivables*	Aset dan liabilitas keuangan lainnya/ *Other financial assets and liabilities*
31 Desember/*December* 2016			
Aset keuangan/*Financial assets*			
Kas dan setara kas/*Cash and cash equivalents*	162,649,260	162,649,260	-
Piutang usaha/*Trade receivables*	59,952,329	59,952,329	-
Piutang lain-lain/*Other receivables*	166,796,853	166,796,853	-
Piutang lain-lain jangka panjang/*Other long-term receivables*	231,617,686	231,617,686	-
Total aset keuangan/*Total financial assets*	**621,016,128**	**621,016,128**	**-**

39. INSTRUMEN KEUANGAN (lanjutan)

39. FINANCIAL INSTRUMENTS *(continued)*

	Jumlah/ *Total*	Pinjaman dan piutang/ *Loans and receivables*	Aset dan liabilitas keuangan lainnya/ *Other financial assets and liabilities*
Liabilitas keuangan/*Financial liabilities*			
Utang usaha/*Trade payables*	31,408,481	-	31,408,481
Utang lain-lain/*Other payables*	38,236,413	-	38,236,413
Liabilitas yang masih harus dibayar/*Accrued liabilities*	138,598,569	-	138,598,569
Pinjaman kepada pemegang saham/*Loans to shareholder*	838,350,000	-	838,350,000
Pinjaman bank jangka pendek/*Short-term bank borrowings*	100,000,000	-	100,000,000
Pinjaman bank jangka panjang/*Long-term bank borrowings*	494,813,048	-	494,813,048
Total liabilitas keuangan/*Total financial liabilities*	**1,641,406,511**	-	**1,641,406,511**
31 Desember/*December* 2015			
Aset keuangan/*Financial assets*			
Kas dan setara kas/*Cash and cash equivalents*	194,064,799	194,064,799	-
Piutang usaha/*Trade receivables*	31,052,054	31,052,054	-
Piutang lain-lain/*Other receivables*	19,910,527	19,910,527	-
Piutang lain-lain jangka panjang/*Other long-term receivables*	275,839,353	275,839,353	-
Total aset keuangan/*Total financial assets*	**520,866,733**	**520,866,733**	-
Liabilitas keuangan/*Financial liabilities*			
Utang usaha/*Trade payables*	20,009,307	-	20,009,307
Utang lain-lain/*Other payables*	27,873,995	-	27,873,995
Liabilitas yang masih harus dibayar/*Accrued liabilities*	140,224,415	-	140,224,415
Pinjaman kepada pemegang saham/*Loans to shareholder*	838,350,000	-	838,350,000
Pinjaman bank jangka panjang/*Long-term bank borrowings*	294,891,529	-	294,891,529
Total liabilitas keuangan/*Total financial liabilities*	**1,321,349,246**	-	**1,321,349,246**

a. **Kas dan setara kas, piutang usaha dan piutang lain-lain**

Seluruh aset keuangan di atas merupakan aset keuangan jangka pendek yang akan jatuh tempo dalam waktu 12 bulan sehingga nilai tercatat aset keuangan tersebut telah mencerminkan nilai wajar dari aset keuangan tersebut.

a. Cash and cash equivalents, trade receivables and other receivables

All of the above financial assets are due within 12 months, and thus the carrying values of the financial assets approximate the fair value of the financial assets.

b. Piutang lain-lain jangka panjang

Piutang lain-lain jangka panjang diestimasi dengan mendiskonkan arus kas masa depan menggunakan suku bunga yang berlaku untuk instrument dengan persyaratan, risiko dan jatuh tempo yang serupa.

b. Other long-term receivables

Other long-term receivables are estimated by discounting future cash flows using rates currently available for instrument on similar terms, credit risks and remaining maturities.

39. INSTRUMEN KEUANGAN (lanjutan)

c. Utang usaha, utang lain-lain dan liabilitas yang masih harus dibayar

Seluruh liabilitas keuangan di atas merupakan liabilitas jangka pendek yang akan jatuh tempo dalam waktu 12 bulan sehingga nilai tercatat liabilitas keuangan tersebut telah mencerminkan nilai wajar.

d. Pinjaman dari pemegang saham

Pinjaman kepada pemegang saham merupakan utang yang dikenakan suku bunga pasar mengambang sehingga nilai tercatat liabilitas keuangan tersebut kurang lebih telah mencerminkan nilai wajarnya.

e. Pinjaman jangka panjang

Seluruh liabilitas keuangan diatas merupakan pinjaman yang memiliki suku bunga variable dan tetap yang disesuaikan dengan pergerakan suku bunga pasar sehingga jumlah terurang liabilitas keuangan tersebut mendekati nilai wajar.

f. Hirarki nilai wajar

Nilai wajar aset dan liabilitas keuangan diestimasi untuk keperluan pengakuan dan pengukuran atau untuk keperluan pengungkapan.

Nilai wajar adalah suatu jumlah dimana suatu aset dapat dipertukarkan atau suatu liabilitas diselesaikan antara pihak yang memahami dan berkeinginan untuk melakukan transaksi wajar.

Grup menganalisa aset keuangan yang dimiliki yang diukur pada nilai wajar. Perbedaan pada setiap tingkatan metode penilaian dijelaskan sebagai berikut:
- Harga dikutip (tidak disesuaikan) dari pasar yang aktif untuk aset dan liabilitas yang identik (Tingkat 1);
- Input selain harga yang dikutip dari pasar yang disertakan pada Tingkat 1 yang dapat diobservasi untuk aset dan liabilitas, baik secara langsung (yaitu sebagai sebuah harga) atau secara tidak langsung (yaitu sebagai turunan dari harga) (Tingkat 2); dan
- Input untuk aset atau liabilitas yang tidak didasarkan pada data pasar yang dapat diobservasi (informasi yang tidak dapat diobservasi) (Tingkat 3).

Piutang lain-lain jangka panjang senilai AS$278.633.629 yang dimiliki Grup diestimasi dengan mendiskonkan arus kas masa depan dengan menggunakan suku bunga yang berlaku. Pengungkapan nilai wajar piutang lain-lain jangka panjang dihitung dengan menggunakan tingkat 2.

***39. FINANCIAL INSTRUMENTS** (continued)*

c. Trade payables, other payables and accrued liabilities

All of the above financial liabilities are due within 12 months, and thus the carrying values of the financial liabilities approximate their fair value.

d. Loan from shareholder

Loans to shareholder are a liability with floating market interest rates, and thus the carrying values of the financial liabilities approximate their fair value.

e. Long-term loans

All of the above financial liabilities are liabilities with floating and fixed interest rates which are adjusted in the movements of market interest rates, and thus the carrying value of the financial liabilities approximate their fair values.

f. Fair value hierarchy

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

The Group analyses its financial assets which are measured at fair value. The different levels of valuation methods have been defined as follows:
- *Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);*
- *Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and*
- *Inputs for the assets or liability that are not based on observable market data (that is, unobservable input) (Level 3).*

The Group's other long-term receivables of US$278,633,629 are estimated by discounting future cash flows using rates currently available. The fair value disclosure of other long-term receivables is calculated using level 2 inputs.

PT Saka Energi Indonesia
dan entitas anaknya/*and its subsidiaries*

Laporan keuangan konsolidasian
tanggal 31 Desember 2015 dan 2014 dan untuk tahun yang berakhir pada tanggal-tanggal tersebut beserta laporan auditor independen/
Consolidated financial statements
as of December 31, 2015 and 2014 and for the years then ended with independent auditors' report

The original consolidated financial statements included herein are in the Indonesian language.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN KEUANGAN KONSOLIDASIAN
PADA TANGGAL 31 DESEMBER 2015 DAN 2014
DAN TAHUN YANG BERAKHIR
PADA TANGGAL-TANGGAL TERSEBUT
BESERTA LAPORAN AUDITOR INDEPENDEN

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

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The original report included herein is in the Indonesian language.

Laporan Auditor Independen

Laporan No. RPC-3632/PSS/2017

Pemegang Saham, Dewan Komisaris, dan Direksi
PT Saka Energi Indonesia

Kami telah mengaudit laporan keuangan konsolidasian PT Saka Energi Indonesia ("Perusahaan") dan entitas anaknya terlampir, yang terdiri dari laporan posisi keuangan konsolidasian tanggal 31 Desember 2015 dan 2014, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas, dan laporan arus kas konsolidasian untuk tahun yang berakhir pada tanggal-tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

Tanggung jawab manajemen atas laporan keuangan

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian tersebut sesuai dengan Standar Akuntansi Keuangan di Indonesia, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan konsolidasian yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan konsolidasian tersebut berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan konsolidasian tersebut bebas dari kesalahan penyajian material.

Independent Auditors' Report

Report No. RPC-3632/PSS/2017

The Shareholders and the Boards of Commissioners and Directors
PT Saka Energi Indonesia

We have audited the accompanying consolidated financial statements of PT Saka Energi Indonesia (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years 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 consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audits. We conducted our audits 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 such consolidated financial statements are free from material misstatement.

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Laporan Auditor Independen (lanjutan)

Laporan No. RPC-3632/PSS/2017 (lanjutan)

Tanggung jawab auditor (lanjutan)

Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektivitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas ketepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan secara keseluruhan.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

Opini

Menurut opini kami, laporan keuangan konsolidasian terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Saka Energi Indonesia dan entitas anaknya tanggal 31 Desember 2015 dan 2014, serta kinerja keuangan dan arus kas konsolidasiannya untuk tahun yang berakhir pada tanggal-tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

Independent Auditors' Report (continued)

Report No. RPC-3632 /PSS/2017 (continued)

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Saka Energi Indonesia and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and cash flows for the years then ended, in accordance with Indonesian Financial Accounting Standards.

The original report included herein is in the Indonesian language.

Laporan Auditor Independen (lanjutan)

Laporan No. RPC-3632/PSS/2017 (lanjutan)

Hal lain

Laporan ini diterbitkan dengan tujuan untuk dicantumkan dalam dokumen penawaran sehubungan dengan rencana penawaran efek hutang Perusahaan di Amerika Serikat dan di luar Amerika Serikat masing-masing berdasarkan *Rule 144A* dan *Regulation S* dari *United States Securities Act of 1933*, serta tidak ditujukan dan tidak diperkenankan untuk digunakan untuk tujuan lain.

Independent Auditors' Report (continued)

Report No. RPC-3632/PSS/2017 (continued)

Other matter

This report has been prepared solely for inclusion in the offering document in connection with the proposed offering of the debt securities of the Company in the United States of America and outside of the United States of America in reliance on Rule 144A and Regulation S, respectively, under the United States Securities Act of 1933, and is not intended to be, and should not be, used for any other purposes.

Purwantono, Sungkoro & Surja

Indrajuwana Komala Widjaja
Registrasi Akuntan Publik No. AP. 0696/*Public Accountant Registration No. AP. 0696*

11 Maret 2016/*March 11, 2016*

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN
KONSOLIDASIAN
Tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	31 Des. 2015/ *Dec. 31, 2015*	Catatan/ *Notes*	31 Des. 2014/ *Dec. 31, 2014*	
ASET				***ASSETS***
ASET LANCAR				***CURRENT ASSETS***
Kas dan setara kas	194.064.799	2,4,30,32,33	193.363.223	*Cash and cash equivalents*
Piutang usaha	31.052.054	2,3,5,32,33	30.222.124	*Trade receivables*
Piutang lain-lain	19.910.527	2,6,32,33	20.092.945	*Other receivables*
Persediaan	36.769.888	2,7	33.368.022	*Inventories*
Uang muka dan jaminan	16.051.094	8	2.711.742	*Advance and deposit*
Beban dibayar dimuka	11.957.515	9	4.239.094	*Prepaid expenses*
Uang muka *cash call*	10.965.881	10	4.880.151	*Cash call advances*
Total Aset Lancar	**320.771.758**		**288.877.301**	***Total Current Assets***
ASET TIDAK LANCAR				***NON-CURRENT ASSETS***
Piutang lain-lain jangka panjang	275.839.353	11,32,33	61.790.787	*Other long-term receivables*
Aset tetap, neto	10.987	2,12	23.555	*Fixed assets,net*
Aset eksplorasi dan evaluasi	49.947.246	2,3,13	12.744.097	*Exploration and evaluation assets*
Properti minyak dan gas	1.614.420.251	2,13,14	1.416.588.326	*Oil and gas properties*
Estimasi tagihan pajak	59.637.060	2,3	66.806.760	*Estimated claims for tax refund*
Aset pajak tangguhan	21.178.402	2,16	-	*Deferred tax assets*
Goodwill	-	2,3,14	47.235.825	*Goodwill*
Total Aset Tidak Lancar	**2.021.033.299**		**1.605.189.350**	***Total Non-Current Assets***
TOTAL ASET	**2.341.805.057**		**1.894.066.651**	***TOTAL ASSETS***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN
KONSOLIDASIAN (lanjutan)
Tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	31 Des. 2015/ ***Dec. 31, 2015***	**Catatan/** ***Notes***	**31 Des. 2014/** ***Dec. 31, 2014***	
LIABILITAS DAN EKUITAS				***LIABILITIES AND EQUITY***
LIABILITAS JANGKA PENDEK				***CURRENT LIABILITIES***
Utang usaha	20.009.307	2,15,32,33	9.506.021	*Trade payables*
Utang pajak	3.058.839	2,3,16	11.699.570	*Taxes payables*
Utang lain-lain	27.873.995	17,32,33,34	71.997.550	*Other payables*
Liabilitas yang masih harus dibayar	140.224.415	2,18,30,32,33,34	115.630.142	*Accrued liabilities*
Liabilitas imbalan kerja jangka pendek	1.024.870	2,19	2.974.505	*Short-term employee's benefits liabilities*
Pinjaman dari pemegang saham	-	21,28,30,32,33	448.350.000	*Loan from shareholder*
Total Liabilitas Jangka Pendek	192.191.426		660.157.788	*Total Current Liabilities*
LIABILITAS JANGKA PANJANG				***NON-CURRENT LIABILITIES***
Liabilitas imbalan kerja jangka panjang	3.686.633	2,3,19	5.432.717	*Long-term liabilities for employee's benefits*
Pinjaman bank	294.891.529	20,32,33	-	*Bank Loan*
Pinjaman dari pemegang saham	838.350.000	21,28,32,33	-	*Loan from shareholder*
Liabilitas pajak tangguhan	81.847.924	2,16	142.128.119	*Deferred tax liabilities*
Liabilitas pembongkaran aset dan restorasi area	17.148.904	2,3,22	59.859.314	*Asset abandonment and site restoration obligations*
Total Liabilitas Jangka Panjang	1.235.924.990		207.420.150	*Total Non-Current Liabilities*
TOTAL LIABILITAS	**1.428.116.416**		**867.577.938**	***TOTAL LIABILITIES***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN KONSOLIDASIAN (lanjutan)
Tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	31 Des. 2015/ *Dec. 31, 2015*	Catatan/ *Notes*	31 Des. 2014/ *Dec. 31, 2014*	
LIABILITAS DAN EKUITAS (lanjutan)				***LIABILITIES AND EQUITY (continued)***
EKUITAS				***EQUITY***
Modal saham - nilai nominal Rp1.000 (angka penuh) per saham Modal dasar - 11.800.000.000 saham pada tanggal 31 Desember 2015 dan 6.316.315.000 saham pada tanggal 31 Desember 2014 Ditempatkan dan disetor - 11.777.994.980 saham pada tanggal 31 Desember 2015 dan 6.202.314.380 saham pada 31 Desember 2014	1.062.537.411	23	614.187.411	*Capital stock - par value Rp1,000 (full amount) per share Authorized - 11,800,000,000 shares as of December 31, 2015 and 6,316,315,000 shares as of December 31, 2014 Issued and paid - 11,777,994,980 shares as of December 31, 2015 and 6,202,314,380 shares as of December 31, 2014*
Uang muka setoran modal	-	23	448.350.000	*Deposit for future stock subscription*
Saldo laba (defisit)				*Retained earnings (deficit)*
Dicadangkan	17.308	29	17.308	*Appropriated*
Tidak dicadangkan	(148.984.526)		(35.797.924)	*Unappropriated*
Komponen ekuitas lainnya	96.279		(275.189)	*Other components of equity*
Total Ekuitas yang dapat diatribusikan kepada pemilik entitas induk	913.666.472		1.026.481.606	*Total equity attributable to owners of the parent entity*
Kepentingan non-pengendali	22.169	2,24	7.107	*Non-controlling interests*
TOTAL EKUITAS	**913.688.641**		**1.026.488.713**	***TOTAL EQUITY***
TOTAL LIABILITAS DAN EKUITAS	**2.341.805.057**		**1.894.066.651**	***TOTAL LIABILITIES AND EQUITY***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN LABA RUGI DAN
PENGHASILAN KOMPREHENSIF LAIN
KONSOLIDASIAN
Tahun Yang Berakhir Pada
Tanggal-tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
Years Ended December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	Tahun yang berakhir pada tanggal 31 Desember/ *Year ended December 31*			
	2015	**Catatan/ *Notes***	**2014**	
PENDAPATAN NETO	**263.697.492**	2,25	**297.797.565**	***NET REVENUES***
BEBAN POKOK PENDAPATAN	**(251.847.597)**	2, 26	**(172.397.776)**	***COST OF REVENUES***
LABA BRUTO	**11.849.895**		**125.399.789**	***GROSS PROFIT***
Pendapatan keuangan	3.929.070		1.680.704	*Finance income*
Pajak terkait pendapatan keuangan	(220.082)		(190.172)	*Tax relating to finance income*
Keuntungan dari pembelian dengan diskon	-		5.604.315	*Gain on bargain purchase*
Pendapatan lain-lain	10.025.367		264.515	*Other income*
Rugi penurunan nilai properti minyak dan gas	(119.560.956)	13	(13.066.898)	*Impairment losses of oil and gas properties*
Rugi penurunan nilai *goodwill*	(47.235.825)	14	(5.234.075)	*Impairment losses of goodwill*
Beban keuangan	(30.465.995)	28	(20.263.114)	*Finance cost*
Rugi selisih kurs, neto	(10.708.675)		(2.064.632)	*Foreign exchange loss, net*
Beban umum dan administrasi	(6.804.548)	27	(10.751.112)	*General and administrative expenses*
Beban lain-lain	(366.264)		(2.916.070)	*Other expenses*
(RUGI) LABA SEBELUM MANFAAT (BEBAN) PAJAK PENGHASILAN	**(189.558.013)**		**78.463.250**	***(LOSS) PROFIT BEFORE INCOME TAX BENEFIT (EXPENSE)***
MANFAAT (BEBAN) PAJAK PENGHASILAN				***INCOME TAX BENEFIT (EXPENSE)***
Kini	(5.072.124)	2,3,16	(4.189.037)	*Current*
Tangguhan	81.458.597	2,3,16	(53.483.002)	*Deferred*
Manfaat (beban) pajak, neto	76.386.473		(57.672.039)	*Tax benefit (expense), net*
(RUGI) LABA TAHUN BERJALAN	**(113.171.540)**		**20.791.211**	***(LOSS) PROFIT FOR THE YEAR***
PENGHASILAN KOMPREHENSIF LAIN				***OTHER COMPREHENSIVE INCOME***
Pos yang tidak akan direklasifikasi ke laba rugi				***Item not to be reclassified to profit or loss***
Pengukuran kembali program imbalan pasti	371.468		(1.046.149)	*Remeasurement of defined benefit program*
TOTAL (KERUGIAN) PENGHASILAN KOMPREHENSIF TAHUN BERJALAN	**(112.800.072)**		**19.745.062**	***TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

**PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN LABA RUGI DAN
PENGHASILAN KOMPREHENSIF LAIN
KONSOLIDASIAN (lanjutan)
Tahun Yang Berakhir Pada Tanggal-tanggal 31
Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)**

***PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (continued)
Years Ended December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)***

	Tahun yang berakhir pada tanggal 31 Desember / *Year ended December 31*			
	2015	**Catatan/ *Notes***	**2014**	
(RUGI) LABA TAHUN BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA:				***(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:***
Pemilik entitas induk	(113.186.602)		20.789.310	*Owners of the parent entity*
Kepentingan non-pengendali	15.062	2,24	1.901	*Non-controlling interests*
TOTAL	**(113.171.540)**		**20.791.211**	***TOTAL***
TOTAL (KERUGIAN) PENGHASILAN KOMPREHENSIF TAHUN BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA:				***TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO:***
Pemilik entitas induk	(112.815.134)		19.743.161	*Owners of the parent entity*
Kepentingan non-pengendali	15.062	2,24	1.901	*Non-controlling interests*
TOTAL	**(112.800.072)**		**19.745.062**	***TOTAL***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN PERUBAHAN EKUITAS KONSOLIDASIAN
Tahun Yang Berakhir Pada Tanggal-tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	Catatan/ *Notes*	Modal Ditempatkan dan Disetor/ *Issued and Paid Capital Stock*	Uang Muka Setoran Modal/ *Deposit for Future Stock Subscription*	Saldo *Laba* (Defisit)/ *Retained Earnings (Deficit)*		Komponen Ekuitas Lainnya/ *Other Components of Equity*	Total Ekuitas yang Dapat Diatribusikan Kepada Pemilik Induk/ *Total Equity Attributable to Owners of The Parent Entity*	Kepentingan Non Pengendali/ *Non-Controlling Interests*	Total Ekuitas/ *Total Equity*	
				Dicadangkan/ *Appropriated*	Tidak Dicadangkan/ *Unappropriated*					
Saldo pada tanggal 31 Desember 2013	**29**	**532.995.059**	**-**	**17.308**	**(56.587.234)**	**-**	**476.425.133**	**5.206**	**476.430.339**	***Balance as of December 31, 2013***
Setoran modal saham	23	81.192.352	-	-	-	-	81.192.352	-	81.192.352	*Capital contribution*
Konversi pinjaman pemegang saham ke modal	23	-	448.350.000	-	-	-	448.350.000	-	448.350.000	*Loan converted to deposit for share capital subscription*
Keuntungan aktuaria atas liabilitas imbalan kerja dari akuisisi entitas anak		-	-	-	-	770.960	770.960	-	770.960	*Actuarial gain on empioyee benefit liabilities from acquisition of a subsidiary*
Total laba komprehensif tahun berjalan 2014	24	-	-	-	20.789.310	(1.046.149)	19.743.161	1.901	19.745.062	*Total comprehensive income for the year 2014*
Saldo pada tanggal 31 Desember 2014		**614.187.411**	**448.350.000**	**17.308**	**(35.797.924)**	**(275.189)**	**1.026.481.606**	**7.107**	**1.026.488.713**	***Balance as of December 31, 2014***
Setoran modal saham	23	448.350.000	(448.350.000)	-	-	-	-	-	-	*Capital contribution*
Total rugi komprehensif tahun berjalan 2015	24	-	-	-	(113.186.602)	371.468	(112.815.134)	15.062	(112.800.072)	*Total comprehensive loss for the year 2015*
Saldo pada tanggal 31 Desember 2015		**1.062.537.411**	**-**	**17.308**	**(148.984.526)**	**96.279**	**913.666.472**	**22.169**	**913.688.641**	***Balance as of December 31, 2015***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian ini secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
LAPORAN ARUS KAS KONSOLIDASIAN
Tahun yang Berakhir Pada
Tanggal-tanggal 31 Desember 2015 dan 2014
(Disajikan Dalam Dolar AS, Kecuali Dinyatakan Lain)

PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014
(Expressed in US Dollar, Unless Otherwise Stated)

	Tahun yang berakhir pada tanggal 31 Desember / *Year ended December 31*			
	2015	**Catatan/ *Notes***	**2014**	
ARUS KAS DARI AKTIVITAS OPERASI				***CASH FLOWS FROM OPERATING ACTIVITIES***
Penerimaan dari pelanggan	262.867.562		294.487.580	*Receipts from customers*
Penerimaan dari penghasilan bunga	880.326		2.181.495	*Interest received*
Penerimaan pengembalian PPN	1.343.390		18.561.227	*Receipts from VAT reimbursement*
Penerimaan piutang *underlifting*	3.025.124		12.793.759	*Receipts from underlifting receivable*
Pembayaran kepada pemasok dan pegawai	(138.123.725)		(39.634.623)	*Payments to suppliers and employees*
Pembayaran bunga dan biaya transaksi	(27.557.574)		(11.933.103)	*Payments for interest and transaction cost*
Pembayaran pajak penghasilan	(5.070.547)		(1.217.951)	*Income tax paid*
Pembayaran pajak lainnya	(53.004.585)		(66.806.760)	*Other taxes paid*
Kas neto diperoleh dari aktivitas operasi	**44.359.971**		**208.431.624**	***Net cash provided by operating activities***
ARUS KAS DARI AKTIVITAS INVESTASI				***CASH FLOWS FROM INVESTING ACTIVITIES***
Penambahan properti minyak dan gas bumi	(438.047.121)	13,35	(195.320.605)	*Additions to oil and gas properties*
Penambahan piutang *carry*	(178.451.512)	11	-	*Additions to carry receivables*
Akuisisi Entitas Anak, setelah dikurangi kas yang diperoleh	-		(673.354.245)	*Acquisition of subsidiary, net of cash acquired*
Penambahan aset eksplorasi dan evaluasi	(45.651.253)	13,35	(3.948.434)	*Additions to exploration and evaluation assets*
Penambahan kerjasama operasi minyak dan gas bumi atau kontrak jasa/ perjanjian partisipasi	(70.890.494)	13	(184.780.264)	*Additional interest in oil and gas operation or service contract/ participation sharing agreement*
Penambahan aset tetap	-	12	(10.468)	*Acquisition of fixed assets*
Kas neto digunakan untuk aktivitas investasi	**(733.040.380)**		**(1.057.414.016)**	***Net cash used in investing activities***
ARUS KAS DARI AKTIVITAS PENDANAAN				***CASH FLOWS FROM FINANCING ACTIVITIES***
Penerimaan pinjaman dari pemegang saham	527.614.000	21	896.700.000	*Proceeds from loan from a shareholder*
Setoran modal saham	-	23	81.192.352	*Capital contribution*
Pembayaran pinjaman dari pemegang saham	(137.614.000)	21	-	*Payment of loan from shareholder*
Penerimaan pinjaman bank	300.000.000	20	-	*Proceeds from bank loan*
Kas neto yang diperoleh dari aktivitas pendanaan	**690.000.000**		**977.892.352**	***Net cash provided by financing activities***
KENAIKAN NETO KAS DAN SETARA KAS	**1.319.591**		**128.909.960**	***NET INCREASE IN CASH AND CASH EQUIVALENTS***
Pengaruh perubahan kurs neto dari kas dan setara kas	(618.015)		363.006	*Net effects of foreign exchange differences on cash and cash equivalents*
KAS DAN SETARA KAS AWAL TAHUN	**193.363.223**	4	**64.090.257**	***CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR***
KAS DAN SETARA KAS AKHIR TAHUN	**194.064.799**	2,4	**193.363.223**	***CASH AND CASH EQUIVALENTS AT END OF THE YEAR***

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian secara keseluruhan.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

**PT SAKA ENERGI INDONESIA
DAN ENTITAS ANAKNYA
CATATAN ATAS LAPORAN KEUANGAN
KONSOLIDASIAN
Tanggal 31 Desember 2015 dan 2014
dan untuk Tahun Yang Berakhir
Pada Tanggal-tanggal Tersebut
(Disajikan dalam Dolar AS, Kecuali Dinyatakan Lain)**

***PT SAKA ENERGI INDONESIA
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
As of December 31, 2015 and 2014
For The Years Then Ended
(Expressed in US Dollar, Unless Otherwise Stated)***

1. UMUM

a. Pendirian Perusahaan

PT Saka Energi Indonesia ("Perusahaan"), didirikan berdasarkan Akta No. 125, tanggal 27 Juni 2011 oleh Notaris Fathiah Helmi, S.H, yang mendapatkan pengesahan dari Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. AHU-42488.AHA.01.01 Tahun 2011 tanggal 22 Agustus 2011 dan diumumkan dalam Lembaran Berita Negara No. 89 tanggal 6 November 2012.

Anggaran Dasar Perusahaan telah mengalami beberapa kali perubahan, yang terakhir dengan Akta Notaris Tengku Sandra Fauzia, S.H., M.Kn. No.05 tanggal 27 Januari 2015, yang mengatur, antara lain, peningkatan jumlah modal dasar dan modal disetor Perusahaan (Catatan 23). Perubahan tersebut telah disetujui oleh Kementerian Hukum dan Hak Asasi Manusia Republik Indonesia melalui Surat Keputusan No. AHU- 0001573.AH.01.02 Tahun 2015 tanggal 30 Januari 2015.

Berdasarkan Pasal 3 Anggaran Dasar Perusahaan, Perusahaan bertujuan untuk melaksanakan usaha dan investasi di bidang hulu gas alam, yang meliputi kegiatan eksplorasi, eksploitasi, pengembangan usaha-usaha di bidang minyak dan gas bumi, panas bumi, gas metana batubara (*coal bed methane* (CBM)) dan energi lainnya. Pada saat ini Perusahaan bergerak dalam bidang eksplorasi dan produksi minyak dan gas bumi.

Perusahaan memulai operasi komersialnya pada tahun 2013.

Kantor Pusat Perusahaan beralamat di The Energy, Lantai 11-12, Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav. 52-53, Jakarta Selatan, 12190.

Entitas induk langsung Perusahaan adalah PT Perusahaan Gas Negara (Persero) Tbk ("PT PGN") sebuah entitas yang dimiliki oleh Pemerintah Republik Indonesia sebagai pemegang saham mayoritas.

1. GENERAL

a. The Company's Establishment

PT Saka Energi Indonesia (the "Company"), was established based on Deed No. 125, dated June 27, 2011 by Notary Fathiah Helmi, S.H, which was approved by the Minister of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-42488.AHA.01.01 Tahun 2011 dated August 22, 2011 and was published in State of Gazette of the Republic of Indonesia No. 89 dated November 6, 2012.

The Company's Articles of Association have been amended several times, most recently by Notarial Deed No. 05 dated January 27, 2015 made of Tengku Sandra Fauzia, S.H., M.Kn., concerning among others, the increase in the authorized and issued and paid in capital of the Company (Note 23). The amendments were approved by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0001573.AH.01.02 Tahun 2015 on January 30, 2015.

Based on Article 3 of the Company's Articles of Association, the Company's purpose is to invest in natural gas upstream business which includes exploration and exploitation, development in oil and gas business, geothermal, coal bed methane (CBM) and other energy. Currently, the Company is engaged in exploration and production of oil and gas business.

The Company started its commercial operations in 2013.

The Company's head office address is at The Energy, 11th-12th floor, Sudirman Central Business District (SCBD) Lot 11 A, Jl. Jenderal Sudirman Kav. 52-53, Jakarta Selatan, 12190.

The immediate parent entity is PT Perusahaan Gas Negara (Persero) Tbk ("PT PGN"), an entity owned by the Government of the Republic of Indonesia as the majority shareholder.

1. UMUM (lanjutan)

b. Penyelesaian Laporan Keuangan Konsolidasian

Laporan keuangan konsolidasian ini telah diselesaikan dan disetujui untuk diterbitkan oleh Direksi Perusahaan pada tanggal 11 Maret 2016.

c. Entitas Anak

Pada tanggal 31 Desember 2015 dan 2014, persentase kepemilikan Perusahaan, baik secara langsung maupun tidak langsung dan total aset Entitas Anak adalah sebagai berikut:

1. GENERAL (lanjutan)

b. Completion of the Consolidated Financial Statements

The accompanying consolidated financial statements were completed and authorized for issue by the Company's Directors on March 11, 2016.

c. Subsidiaries

As of December 31, 2015 and 2014, the percentage of ownership of the Company, either directly or indirectly and total assets of the Subsidiaries are as follows:

Entitas Anak, Kegiatan Usaha, Kedudukan, dan Tanggal Pendirian/ *Subsidiaries, Business Activities, Domiciles and Date of Establishment*	Tahun Usaha Komersial Dimulai/ *Year of Commercial Operations Started*	Persentase Kepemilikan/ *Percentage of Ownership*		Total Aset dalam Juta Dolar AS Sebelum Eliminasi/ *Total Assets in Millions US Dollar Before Elimination*	
		2015	2014	2015	2014
Saka Indonesia Pangkah B.V. (SIPBV)[2] Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Belanda/*Netherlands,* 3 Agustus 2007/*August 3, 2007*	2007	100,00%	100,00%	988	1.146
PT Saka Energi Sumatera (SES) (dahulu PT Saka Lematang)/ *(formerly PT Saka Lematang)* Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Indonesia, 24 September 2012/*September 24, 2012*	2014	99,95%	99,95%	54	76
PT Saka Energi International (SI) Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 20 Februari 2014/*February 20, 2014*	2014	100,00%	100,00%	233	203
PT Saka Ketapang Perdana (SKP) Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Indonesia, 17 Oktober 2012/*October 17, 2012*	2015	99,98%	99,98%	276	218
PT Saka Bangkanai Klemantan (SBK) Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 11 Maret 2013/*March 11, 2013*	-[1]	100,00%	100,00%	132	122
PT Saka Indonesia Sesulu (SIS) Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 7 Maret 2013/*March 7, 2013*	-[1]	100,00%	100,00%	61	30

1. UMUM (lanjutan) / *1. GENERAL (continued)*

c. Entitas Anak (lanjutan) / *c. Subsidiaries (continued)*

Entitas Anak, Kegiatan Usaha, Kedudukan, dan Tanggal Pendirian/ *Subsidiaries, Business Activities, Domiciles and Date of Establishment*	Tahun Usaha Komersial Dimulai/ *Year of Commercial Operations Started*	Persentase Kepemilikan/ *Percentage of Ownership*		Total Aset dalam Juta Dolar AS Sebelum Eliminasi/ *Total Assets in Millions US Dollar Before Elimination*	
		2015	2014	2015	2014
Saka Energi Exploration Production, B.V. (SEEPBV) Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas,* Belanda/*Netherlands*, 24 Desember 2013/*December 24, 2013*	-[1]	100,00%	100,00%	166	149
PT Saka Energi Bangkanai Barat (SEBB) Eksplorasi minyak dan gas/ *Exploration of oil and gas,* Indonesia, 12 Mei 2014/*May 12, 2014*	-[1]	100,00%	100,00%	3	-[3]
PT Saka Energi Investasi Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia, 18 Juli 2014/*July 18, 2014*	-[1]	100,00%	100,00%	-[3]	-[3]
PT Saka Energi Muara Bakau (SEMB) Eksplorasi minyak dan gas/ *Exploration of oil and gas,* Indonesia, 10 Februari 2014/*February 10, 2014*	-[1]	100,00%	100,00%	530	-
PT Saka Energi Sepinggan (SEP) Eksplorasi minyak dan gas/ *Exploration of oil and gas* Indonesia 1 April 2015/*April 1, 2015*	-[1]	100,00%	-	1	-
Total /*Total*				**2.444**	**1.944**
Dimiliki oleh SIPBV/ *Held through SIPBV*					
Saka Indonesia Pangkah Limited (SIPL)[4] Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* United Kingdom, 5 Juli 1995/*July 5, 1995*	2007	100,00%	100,00%	695	787
Saka Pangkah LLC (SPLLC)[5] Eksplorasi dan produksi minyak dan gas/ *Exploration and production of oil and gas* Cayman Island, 12 Juli 1995/*July 12, 1995*	2007	100,00%	100,00%	109	124
Total/*Total*				**804**	**911**
Dimiliki melalui Saka Energi Exploration Production, B.V. (SEEPBV)/ *Held through Saka Energi Exploration Production, B.V. (SEEPBV)*					
Saka Energi Muriah Limited (SEML) (dahulu Sunny Ridge Offshore Limited (SROL)) *(formerly Sunny Ridge Offshore Limited (SROL))* Eksplorasi dan produksi gas/ *Exploration and production of gas* British Virgin Islands, 15 Juli 2009/*July 15, 2009*	2015	100,00%	100,00%	125	99

1. UMUM (lanjutan) / *1. GENERAL (continued)*

c. Entitas Anak (lanjutan) / *c. Subsidiaries (continued)*

Entitas Anak, Kegiatan Usaha, Kedudukan, dan Tanggal Pendirian/ *Subsidiaries, Business Activities, Domiciles and Date of Establishment*	Tahun Usaha Komersial Dimulai/ *Year of Commercial Operations Started*	Persentase Kepemilikan/ *Percentage of Ownership*		Total Aset dalam Juta Dolar AS Sebelum Eliminasi/ *Total Assets in Millions US Dollar Before Elimination*	
		2015	2014	2015	2014
Dimiliki oleh SI/ *Held through SI*					
Saka Energi Fasken LLC (Fasken) Eksplorasi dan produksi gas/ *Exploration and production of gas* Texas, 25 April 2014/*April 25, 2014*	2014	100,00%	100,00%	233	203

1] Belum beroperasi komersial/*Not yet started commercial operation*
2] Dahulu Kufpec Indonesia (Pangkah) B.V. (KIP)/*Formerly Kufpec Indonesia (Pangkah) B.V. (KIP)*
3] Total aset di bawah 1 juta Dolar AS/*The total assets is below one million US Dollar*
4] Dahulu Hess (Indonesia Pangkah) Limited (HIPL)/*Formerly Hess (Indonesia Pangkah) Limited (HIPL)*
5] Dahulu Hess Pangkah LLC (HPLLC)/*Formerly Hess Pangkah LLC (HPLLC)*

Perusahaan dan Entitas Anak (bersama-sama disebut "Kelompok Usaha") mempunyai kerjasama operasi minyak dan gas atau kontrak jasa atau perjanjian partisipasi dan pembagian ekonomi pada tanggal 31 Desember 2015 dan 2014 sebagai berikut:

The Company and its subsidiaries (collectively referred to as "the Group") has interests in the following oil and gas joint venture operations or service contracts or economic participation and sharing agreements as of December 31, 2015 and 2014:

Kerjasama Operasi/ *Joint Ventures*	Negara/ *Country*	Hak kepemilikan (%)/ *Participating Interest (%)*	
		2015	2014
Blok Pangkah	Indonesia	100,00%	100,00%
Blok South Sesulu	Indonesia	100,00%	100,00%
Blok Fasken	Texas	36,00%	36,00%
Blok Bangkanai	Indonesia	30,00%	30,00%
Blok Bangkanai Barat	Indonesia	30,00%	30,00%
Blok Ketapang	Indonesia	20,00%	20,00%
Blok Muriah	Indonesia	20,00%	20,00%
Blok Muara Bakau	Indonesia	11,67%	-
Blok South East Sumatera	Indonesia	8,91%	8,91%
Blok Lematang-Petar 1]	Indonesia	5,00%	5,00%

1] Dalam proses *farm-out*/*In the process of farm-out*

Informasi mengenai akuisisi entitas anak adalah sebagai berikut:

Informations regarding the acquisition of subsidiaries are as follows:

(i) Akuisisi SIPBV

Pada tanggal 26 Juni 2013, SEI melakukan akuisisi atas 100% kepemilikan saham pada Kufpec Indonesia (Pangkah) B.V. dari pemilik saham lama, yaitu Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed), dengan imbalan pembelian yang dialihkan sebesar AS$259.851.818 (Catatan 14), yang terdiri dari pengalihan saham sebesar AS$74.276.826 dan pengalihan piutang oleh SEI sebesar AS$185.574.992. Pada tanggal 17 Juli 2013, SIP telah berganti nama menjadi Saka Indonesia Pangkah B.V. ("SIPBV").

(i) Acquisition of SIPBV

On June 26, 2013, SEI acquired 100% equity interests in Kufpec Indonesia (Pangkah) B.V. from the previous owner Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed), with purchase consideration transferred of US$259,851,818, (Note 14) which consists of shares transfer value amounted to US$74,276,826 and assignment of receivable by SEI amounted to US$185,574,992. On July 17, 2013, SIP changed its name to Saka Indonesia Pangkah B.V. ("SIPBV").

1. UMUM (lanjutan)

c. Entitas Anak (lanjutan)

(ii) Akuisisi SIPL dan SPLLC

Pada tanggal 10 Januari 2014, SIPBV telah melakukan akuisisi atas 100% kepemilikan saham pada Hess (Indonesia Pangkah) Limited dan Hess Pangkah LLC dari pemilik saham lama, yaitu Hess Oil and Gas Holding Inc. dan Hess NWE Holdings, dengan imbalan pembelian yang dialihkan masing-masing sebesar AS$564.763.242 dan AS$89.501.000, yang terdiri dari akuisisi saham masing-masing sebesar AS$27.429.910 dan AS$29.424.980 serta pengalihan piutang oleh SEI masing-masing sebesar AS$537.333.332 dan AS$60.076.020. Selanjutnya pada tanggal 16 Januari 2014, HIPL dan HPLLC berganti nama menjadi Saka Indonesia Pangkah Limited (SIPL) dan Saka Pangkah LLC (SPLLC).

(iii) Akuisisi SEML (dahulu Sunny Ridge Offshore Limited)

Pada tanggal 23 Oktober 2014, SEI, melalui Saka Energi Exploration Production, B.V. ("SEEPBV") menandatangani Perjanjian Jual Beli 100% saham Sunny Ridge Offshore Limited ("SROL") dengan Sunny Ridge Offshore M Limited, dengan imbalan pembelian yang dialihkan sebesar AS$40.403.000. SROL memiliki 20% hak kepemilikan di blok Muriah. Perjanjian ini efektif pada tanggal 16 Desember 2014 dengan diterimanya pemberitahuan tertulis dari PC Muriah Ltd (*JOA Co-Venturer*) bahwa yang bersangkutan tidak akan menggunakan hak *preferential*-nya. Pada tanggal 27 Mei 2015 SROL berganti nama menjadi Saka Energi Muriah Limited ("SEML").

Lihat Catatan 14 untuk pengungkapan akuntansi Kombinasi Bisnis dari transaksi tersebut.

1. GENERAL (continued)

c. Subsidiaries (continued)

(ii) Acquisition of SIPL and SPLLC

On January 10, 2014, SIPBV acquired 100% equity interests in Hess (Indonesia Pangkah) Limited and Hess Pangkah LLC from the previous owner Hess Oil and Gas Holding Inc. and Hess NWE Holdings, with the purchase consideration transferred of US$564,763,242 and US$89,501,000, respectively, which consist of acquisition of shares amounted to US$27,429,910 and US$29,424,980 and assignment of receivable by SEI amounted to US$537,333,332 and US$60,076,020, respectively. Subsequently on January 16, 2014, HIPL and HPLLC have changed their names to Saka Indonesia Pangkah Limited (SIPL) and Saka Pangkah LLC (SPLLC), respectively.

(iii) Acquisition of SEML (formerly Sunny Ridge Offshore Limited)

On October 23, 2014, SEI, through Saka Energi Exploration Production, B.V. ("SEEPBV") signed a Sale and Purchase Agreement of 100% equity interests in Sunny Ridge Offshore Limited ("SROL") with Sunny Ridge Offshore M Limited with purchase consideration transferred of US$40,403,000. SROL owns 20% participating interest in Muriah block. This agreement effective on December 16, 2014 upon the receipt of written waiver of PC Muriah Ltd (JOA Co-Venturer)'s preferential right. On May 27, 2015 SROL changed its name to Saka Energi Muriah Limited ("SEML").

See Note 14 for disclosures of the Business Combination accounting of the above transactions.

1. UMUM (lanjutan)

d. Dewan Komisaris, Direksi, Komite Audit dan Karyawan

Berdasarkan keputusan Pemegang Saham Diluar Rapat yang diaktakan dengan akta notaris Pratiwi Handayani, S.H., No. 16 tanggal 21 Agustus 2015, susunan anggota Dewan Komisaris dan Direksi Perusahaan pada tanggal 31 Desember 2015 adalah sebagai berikut:

Dewan Komisaris		***Board of Commissioners***
Komisaris Utama	Susilo Siswoutomo	*President Commissioners*
Komisaris	Hendi Priyo Santoso	*Commissioner*
Komisaris	Nusantara Suyono	*Commissioner*
Direksi		***Directors***
Direktur Utama	Firman Ardini Yaman	*President Director*
Direktur	Tumbur H Parlindungan	*Director*
Direktur	Devi Pradnya Paramita	*Director*

Susunan Dewan Komisaris dan Direksi Perusahaan pada tanggal 31 Desember 2014 adalah sebagai berikut:

Dewan Komisaris		***Board of Commissioners***
Komisaris Utama	Susilo Siswoutomo	*President Commissioners*
Komisaris	Hendi Priyo Santoso	*Commissioner*
Komisaris	Nusantara Suyono	*Commissioner*
Direksi		***Directors***
Direktur Utama	Firman Ardini Yaman	*President Director*
Direktur	Tumbur H Parlindungan	*Director*
Direktur	Noor D Prasetyawati	*Director*

Pada tanggal 31 Desember 2015 dan 2014, susunan Komite Audit Perusahaan adalah sebagai berikut:

Ketua	Nusantara Suyono	*Chairman*
Anggota	Rozani Ismail	*Member*
Anggota	Prihardy Bakri	*Member*

Pada tanggal 31 Desember 2015 dan 2014, jumlah karyawan tetap Kelompok Usaha masing-masing 280 orang dan 284 orang (tidak diaudit) dan jumlah karyawan PT PGN, yang diperbantukan kepada Kelompok Usaha adalah masing-masing 4 orang dan 6 orang (termasuk Direksi).

1. GENERAL (continued)

d. Board of Commissioners, Directors, Audit Committee and Employees

Based on the minutes of meeting that is notarized under deed No. 16 dated August 21, 2015 of Pratiwi Handayani, S.H., the members of the Company's Board of Commissioners and Directors as of December 31, 2015 are as follows:

The members of the Company's Board of Commissioners and Directors as of December 31, 2014 are as follows:

As of December 31, 2015 and 2014, the members of the Company's Audit Committee are as follows:

As of December 31, 2015 and 2014 the numbers of permanent employees of the Group totaled 280 and 284 employees (unaudited), respectively, and the numbers of employees of PT PGN, who are seconded to the Group totaled 4 and 6 persons (including Directors), respectively.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN

a. Dasar Penyajian Laporan Keuangan Konsolidasian

Laporan keuangan konsolidasian telah disusun sesuai dengan Standar Akuntansi Keuangan di Indonesia ("SAK"), yang mencakup Pernyataan dan Interpretasi yang diterbitkan oleh Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia ("DSAK").

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan Pernyataan Standar Akuntansi Keuangan ("PSAK") No. 1 (Revisi 2013), "Penyajian Laporan Keuangan". PSAK ini mengubah penyajian kelompok pos-pos dalam Penghasilan Komprehensif Lain. Pos-pos yang akan direklasifikasi ke laba rugi disajikan terpisah dari pos-pos yang tidak akan direklasifikasi ke laba rugi.

PSAK revisian ini juga menjelaskan bahwa laporan posisi keuangan ketiga pada awal periode komparatif disajikan apabila penerapan retrospektif, penyajian kembali retrospektif dan reklasifikasi memiliki dampak material terhadap informasi dalam laporan posisi keuangan pada awal periode sebelumnya. Selanjutnya, apabila laporan posisi keuangan ketiga pada awal periode komparatif (dalam hal ini tanggal 1 Januari 2014 untuk Perusahaan) disajikan, pos-pos dalam laporan keuangan tidak perlu disertai dengan penyajian catatan yang terkait dengan laporan posisi keuangan awal periode tersebut.

Penerapan PSAK ini hanya mempengaruhi penyajian dan tidak berpengaruh terhadap posisi keuangan dan kinerja keuangan Kelompok Usaha.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK").

Effective on January 1, 2015, the consolidated financial statements are prepared in accordance with the Statements of Financial Accounting Standards ("PSAK") No. 1 (Revised 2013), "Presentation of Financial Statements". This PSAK changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss would be presented separately from items that will never be reclassified.

This revised PSAK also clarify that the third statements of financial position as of the beginning period of comparative period is presented only when the retrospective application, retrospective restatement or the reclassification has a material effect on information in the statements of financial position at the beginning of the preceding period. Furthermore, if the third statements of financial position as of the beginning period of comparative period (as of January 1, 2014 in the case of the Company) are presented, it does not have to be accompanied by comparative information in the related notes.

The adoption of this PSAK affect presentation only and have no impact on the Group's financial position or performance.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

a. Dasar Penyajian Laporan Keuangan Konsolidasian (lanjutan)

Laporan keuangan konsolidasian disusun berdasarkan konsep akrual, kecuali untuk laporan arus kas konsolidasian, dengan menggunakan konsep biaya historis, kecuali untuk beberapa akun tertentu yang diukur berdasarkan pengukuran sebagaimana diuraikan dalam kebijakan akuntansi masing-masing akun tersebut.

Laporan arus kas konsolidasian yang disusun dengan menggunakan metode langsung, menyajikan penerimaan dan pengeluaran kas yang diklasifikasikan dalam aktivitas operasi, investasi dan pendanaan.

Mata uang penyajian yang digunakan dalam penyusunan laporan keuangan konsolidasian adalah Dolar Amerika Serikat yang merupakan mata uang fungsional Perusahaan (Catatan 2m). Setiap entitas di dalam Kelompok Usaha menetapkan mata uang fungsional sendiri dan transaksi-transaksi di dalam laporan keuangan dari setiap entitas diukur berdasarkan mata uang fungsional tersebut.

b. Perubahan Kebijakan Akuntansi dan Pengungkapan

Efektif 1 Januari 2015, Kelompok Usaha menerapkan untuk pertama kali, beberapa standar baru dan revisi standar. Penerapan tersebut mencakup PSAK No. 65, "Laporan Keuangan Konsolidasian", PSAK No. 66, "Pengaturan Bersama", dan revisi atas PSAK No. 1 (Revisi 2013), "Penyajian Laporan Keuangan" dan PSAK No. 24 (Revisi 2013), "Imbalan Kerja". Penerapan ini tidak memiliki dampak material terhadap laporan keuangan konsolidasian. Dengan demikian, Perusahaan tidak menyajikan kembali informasi komparatif.

Sifat dan dampak standar baru maupun revisian diungkapkan lebih lanjut pada Catatan 2 yang relevan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Preparation of the Consolidated Financial Statements (continued)

The consolidated financial statements have been prepared on the accrual basis, except for consolidated statements of cash flows, using the historical cost concept of accounting, except for certain accounts which are measured on the bases described in the related accounting policies of each account.

The consolidated statements of cash flows, which have been prepared using the direct method, present cash receipts and payments classified into operating, investing and financing activities.

The presentation currency used in the preparation of the consolidated financial statements is the US Dollar which is the functional currency of the Company (Note 2m). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

b. Changes in Accounting Policies and Disclosures

Effective on January 1, 2015, the Group applied, for the first time, certain new standards and amendments. These include PSAK No. 65, "Consolidated Financial Statements", PSAK No. 66, "Joint Arrangements", PSAK No. 68, "Fair Value Measurement" and amendments to PSAK No. 1 (Revised 2013), "Presentation of Financial Statements" and PSAK No. 24 (Revised 2013), "Employee Benefits". Such adoption did not have material effect to the consolidated financial statements. As result, the Company did not restate the comparative information.

The nature and the impact of each new standards and amendments are further described in the relevant Note 2.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

c. Prinsip-prinsip Konsolidasian

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 65, "Laporan Keuangan Konsolidasian". PSAK ini antara lain, mengharuskan manajemen untuk melakukan pertimbangan signifikan dalam menentukan entitas yang dikendalikan dan karenanya harus dikonsolidasikan oleh entitas induk. Penerapan PSAK ini tidak berpengaruh signifikan terhadap laporan keuangan konsolidasian.

Laporan keuangan konsolidasian meliputi laporan keuangan Kelompok Usaha dan entitas anaknya seperti disebutkan pada Catatan 1c.

Pengendalian diperoleh ketika Kelompok Usaha terekspos, atau memiliki hak atas imbal hasil variabel dari keterlibatannya dengan *investee* dan memiliki kemampuan untuk mempengaruhi imbal hasil tersebut melalui kekuasaannya atas *investee*. Secara khusus, Kelompok Usaha mengendalikan *investee* jika, dan hanya jika, Kelompok Usaha memiliki seluruh hal berikut ini:

(a) kekuasaan atas *investee* (misalnya adanya hak yang memberikan Kelompok Usaha kemampuan saat ini untuk mengarahkan aktivitas *investee* yang relevan);

(b) eksposur atau hak atas imbal hasil variabel dari keterlibatan Kelompok Usaha dengan *investee*; dan

(c) kemampuan untuk menggunakan kekuasaannya atas *investee* untuk mempengaruhi imbal hasil Kelompok Usaha.

Umumnya, kepemilikan hak suara mayoritas (*a majority of voting rights*) menghasilkan pengendalian. Untuk mendukung hal ini, dan jika Kelompok Usaha memiliki hak suara kurang dari hak suara mayoritas, atau hak sejenis atas suatu *investee*, Kelompok Usaha mempertimbangkan seluruh fakta dan keadaan ketika menilai apakah Kelompok Usaha memiliki kekuasaan atas *investee*, termasuk:

(a) pengaturan kontraktual dengan pemegang hak suara lainnya pada *investee*.

(b) hak-hak yang timbul dari pengaturan kontraktual lain.

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

c. Principles of Consolidation

Effective on January 1, 2015, the Group applied PSAK No. 65, "Consolidated Financial Statements". This PSAK, among others, required management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by the parent company. The adoption of this PSAK has no significant impact on the consolidated financial statements.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as described in Note 1c.

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

(a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the Group's returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement(s) with the other vote holders of the investee.

(b) rights arising from other contractual arrangements.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

c. Prinsip-prinsip Konsolidasian (lanjutan)

(c) hak suara yang dimiliki Kelompok Usaha dan hak suara potensial.

Kelompok Usaha menilai kembali apakah masih mengendalikan *investee* jika fakta dan keadaan mengindikasikan bahwa terdapat perubahan dalam satu atau lebih dari tiga elemen pengendalian. Konsolidasi atas entitas anak dimulai sejak tanggal Kelompok Usaha memperoleh pengendalian atas entitas anak dan berakhir ketika Kelompok Usaha kehilangan pengendalian atas entitas anak.

Laba rugi dan setiap komponen dari penghasilan komprehensif lain ("OCI") diatribusikan kepada pemilik entitas induk dari Kelompok Usaha dan Kepentingan Non-Pengendali ("KNP"), meskipun hal tersebut mengakibatkan KNP memiliki saldo defisit.

Laporan keuangan konsolidasian disusun dengan menggunakan kebijakan akuntansi yang sama untuk transaksi dan peristiwa lain dalam keadaan yang serupa. Jika anggota Kelompok Usaha menggunakan kebijakan akuntansi yang berbeda untuk transaksi dan peristiwa dalam keadaan yang serupa, maka penyesuaian dilakukan atas laporan keuangannya dalam penyusunan laporan keuangan konsolidasian.

Seluruh saldo akun dan transaksi yang signifikan antara Perusahaan dengan Entitas Anak telah dieliminasi.

Perubahan dalam bagian kepemilikan Kelompok Usaha pada entitas anak yang tidak mengakibatkan hilangnya pengendalian Kelompok Usaha pada entitas anak dicatat sebagai transaksi ekuitas.

Ketika Kelompok Usaha kehilangan pengendalian pada entitas anak, maka Kelompok Usaha menghentikan pengakuan aset (termasuk *goodwill*), liabilitas, KNP dan komponen ekuitas lainnya serta mengakui keuntungan atau kerugian terkait dengan hilangnya pengendalian. Saldo investasi yang masih dimiliki diakui pada nilai wajarnya.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of Consolidation (continued)

(c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the Non-Controlling Interest ("NCI"), even if this results in the NCI having a deficit balance.

The consolidated financial statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted for transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

All significant intercompany accounts and transactions between the Company and Subsidiaries have been eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

c. Prinsip-prinsip Konsolidasian (lanjutan)

KNP mencerminkan bagian atas laba atau rugi dan aset neto dari Entitas-entitas Anak yang tidak dapat diatribusikan secara langsung maupun tidak langsung oleh Perusahaan, yang masing-masing disajikan dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian dan dalam ekuitas pada laporan posisi keuangan konsolidasian, terpisah dari bagian yang dapat diatribusikan kepada pemilik entitas induk.

d. Kombinasi Bisnis dan *Goodwill*

Kombinasi bisnis dicatat dengan menggunakan metode akuisisi. Biaya perolehan dari sebuah akuisisi diukur pada nilai agregat imbalan yang dialihkan, diukur pada nilai wajar pada tanggal akuisisi dan jumlah setiap KNP pada pihak yang diakuisisi. Untuk setiap kombinasi bisnis, Kelompok Usaha memilih apakah mengukur KNP pada entitas yang diakuisisi baik pada nilai wajar ataupun pada proporsi kepemilikan KNP atas aset neto yang teridentifikasi dari entitas yang diakuisisi. Biaya-biaya akuisisi yang timbul dibebankan langsung dan disertakan dalam "Beban Umum dan Administrasi".

Ketika melakukan akuisisi atas sebuah bisnis, Kelompok Usaha mengklasifikasikan dan menentukan aset keuangan yang diperoleh dan liabilitas keuangan yang diambil alih berdasarkan pada persyaratan kontraktual, kondisi ekonomi dan kondisi terkait lain yang ada pada tanggal akuisisi.

Dalam suatu kombinasi bisnis yang dilakukan secara bertahap, Kelompok Usaha mengukur kembali kepentingan ekuitas yang dimiliki sebelumnya pada pihak yang diakuisisi pada nilai wajar tanggal akuisisi dan mengakui keuntungan atau kerugian dalam laba rugi.

Imbalan kontinjensi yang akan dibayarkan oleh pihak pengakuisisi diakui pada nilai wajar pada tanggal akuisisi. Perubahan nilai wajar atas imbalan kontinjensi setelah tanggal akuisisi yang diklasifikasikan sebagai aset atau liabilitas, akan diakui dalam laba rugi atau sebagai penghasilan komprehensif lain sesuai dengan PSAK No. 55 (Revisi 2014). Jika diklasifikasikan sebagai ekuitas, imbalan kontinjensinya tidak diukur kembali sampai penyelesaian terakhir dalam ekuitas.

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

c. Principles of Consolidation (continued)

NCI represents the portion of the profit or loss and net assets of the Subsidiaries not attributable, directly or indirectly, to the Company, which are presented in the consolidated statements of profit or loss and other comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

d. Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the Group selects whether it measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are directly expensed and included in "General and Administrative Expenses".

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PSAK No. 55 (Revised 2014) either in profit or loss or other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasurred until it is finally settled within equity.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

d. Kombinasi Bisnis dan Goodwill (lanjutan)

Pada tanggal akuisisi, *goodwill* awalnya diukur pada harga perolehan yang merupakan selisih lebih nilai agregat dari imbalan yang dialihkan dan jumlah setiap KNP atas selisih jumlah dari aset teridentifikasi yang diperoleh dan liabilitas yang diambil alih.

Jika imbalan tersebut kurang dari nilai wajar aset neto entitas anak yang diakuisisi, selisih tersebut diakui di dalam laba rugi sebagai keuntungan dari pembelian dengan diskon setelah sebelumnya manajemen melakukan penilaian atas identifikasi dan nilai wajar dari aset yang diperoleh dan liabilitas yang diambil alih.

Setelah pengakuan awal, *goodwill* diukur pada jumlah tercatat dikurangi akumulasi kerugian penurunan nilai. Untuk tujuan pengujian penurunan nilai, *goodwill* yang diperoleh dari suatu kombinasi bisnis, sejak tanggal akuisisi dialokasikan kepada setiap Unit Penghasil Kas ("UPK") dari Kelompok Usaha yang diharapkan akan bermanfaat dari sinergi kombinasi tersebut, terlepas dari apakah aset atau liabilitas lain dari pihak yang diakuisisi ditetapkan atas UPK tersebut.

Jika *goodwill* telah dialokasikan pada suatu UPK dan operasi tertentu atas UPK tersebut dihentikan, maka *goodwill* yang diasosiasikan dengan operasi yang dihentikan tersebut termasuk dalam jumlah tercatat operasi tersebut ketika menentukan keuntungan atau kerugian dari pelepasan. *Goodwill* yang dilepaskan tersebut diukur berdasarkan nilai relatif operasi yang dihentikan dan porsi UPK yang ditahan.

Sesuai dengan ketentuan dalam PSAK No. 22 (Revisi 2010), apabila proses akuntansi awal untuk kombinasi bisnis belum selesai pada akhir periode pelaporan pada saat kombinasi bisnis terjadi, Kelompok Usaha melaporkan jumlah sementara untuk pos-pos yang proses akuntansinya belum selesai dalam laporan keuangan konsolidasian. Selama periode pengukuran, Kelompok Usaha menyesuaikan secara retrospektif jumlah sementara yang diakui pada tanggal akuisisi untuk mencerminkan informasi baru yang diperoleh tentang fakta dan keadaan yang ada pada tanggal akuisisi dan, jika diketahui, telah berdampak pada pengukuran jumlah yang diakui pada tanggal tersebut.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business Combination and Goodwill (continued)

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on bargain purchase after previously assessing the identification and fair value measurement of the acquired assets and the assumed liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-generating Units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operations within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

In accordance with the provision of PSAK No. 22 (Revised 2010), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 50 (Revisi 2014), "Instrumen Keuangan: Penyajian", PSAK No. 55 (Revisi 2014), "Instrumen Keuangan: Pengakuan dan Pengukuran" dan PSAK No. 60 (Revisi 2014), "Instrumen Keuangan: Pengungkapan." Penerapan PSAK ini tidak membawa dampak signifikan terhadap laporan keuangan konsolidasian.

(i) Aset keuangan

Pengakuan awal

Aset keuangan diklasifikasikan, pada saat pengakuan awal, sebagai aset keuangan yang dinilai pada nilai wajar melalui laba rugi, pinjaman yang diberikan dan piutang, investasi yang dimiliki hingga tanggal jatuh tempo dan aset keuangan tersedia untuk dijual. Aset keuangan pada awalnya diukur pada nilai wajar, dan dalam hal aset keuangan yang tidak diukur pada nilai wajar melalui laba rugi, ditambah dengan biaya transaksi yang dapat diatribusikan secara langsung.

Pembelian atau penjualan aset keuangan yang mensyaratkan penyerahan aset dalam kurun waktu yang ditetapkan oleh peraturan atau kebiasaan yang berlaku di pasar (pembelian yang lazim/*regular*) diakui pada tanggal perdagangan, yaitu tanggal Kelompok Usaha berkomitmen untuk membeli atau menjual aset tersebut.

Aset keuangan Kelompok Usaha terdiri dari kas dan setara kas, piutang usaha, piutang lain-lain dan piutang lain-lain jangka panjang.

Kelompok Usaha mengklasifikasikan seluruh aset keuangannya menjadi pinjaman yang diberikan dan piutang. Klasifikasi ini tergantung dari tujuan perolehan aset keuangan tersebut. Manajemen menentukan klasifikasi aset keuangan tersebut pada saat awal pengakuannya dan jika diperbolehkan dan sesuai, akan dievaluasi kembali setiap akhir tahun keuangan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities

Effective on January 1, 2015, the Group applied PSAK No. 50 (Revised 2014), "Financial Instruments: Presentation", PSAK No. 55 (Revised 2014), "Financial Instruments: Recognition and Measurement" and PSAK No. 60 (Revised 2014), "Financial Instruments: Disclosures." The adoption of these PSAK does not have significant impact to the consolidated financial statements.

(i) Financial assets

Initial recognition

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

The Group's financial assets comprise of cash and cash equivalents, trade receivable, other receivables and other long-term receivables.

The Group classifies all of its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(i) Aset keuangan (lanjutan)

Pengukuran setelah pengakuan awal

Pengukuran aset keuangan setelah pengakuan awal tergantung pada klasifikasinya.

Pinjaman yang diberikan dan piutang adalah aset keuangan non-derivatif dengan pembayaran tetap atau telah ditentukan dan tidak mempunyai kuotasi di pasar aktif.

Pada saat pengakuan awal, aset keuangan ini diakui pada nilai wajarnya ditambah biaya transaksi dan selanjutnya dinyatakan sebesar biaya perolehan yang diamortisasi dengan menggunakan metode suku bunga efektif ("EIR"), dan keuntungan dan kerugian terkait diakui dalam laba rugi pada saat pinjaman yang diberikan dan piutang dihentikan pengakuannya atau mengalami penurunan nilai, demikian juga melalui proses amortisasi.

Dalam hal terjadi penurunan nilai, kerugian penurunan nilai dilaporkan sebagai pengurang dari nilai tercatat dari aset keuangan dalam kelompok pinjaman yang diberikan dan piutang dan diakui di dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian.

(ii) Penurunan nilai dari aset keuangan

Kelompok Usaha melakukan penilaian pada setiap tanggal laporan posisi keuangan konsolidasi apakah terdapat bukti obyektif bahwa aset keuangan mengalami penurunan nilai. Aset keuangan atau kelompok aset keuangan diturunkan nilainya dan kerugian penurunan nilai terjadi, hanya jika terdapat bukti objektif mengenai penurunan nilai tersebut adalah sebagai akibat dari satu peristiwa atau lebih yang terjadi setelah pengakuan awal aset tersebut ("peristiwa kerugian") dan peristiwa kerugian tersebut pada estimasi arus kas masa depan atas aset keuangan atau kelompok aset keuangan yang dapat diestimasi secara andal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(i) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These financial assets are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate ("EIR") method and gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the financial assets and is recognized in the consolidated statements of profit or loss and other comprehensive income.

(ii) Impairment of financial assets

The Group assesses at each consolidated statements of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as result of one or more events that occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a of financial assets that can be reliably estimated.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(ii) Penurunan nilai dari aset keuangan (lanjutan)

Jika Kelompok Usaha menentukan tidak terdapat bukti obyektif mengenai penurunan nilai atas aset keuangan yang dinilai secara individual, terlepas aset keuangan tersebut signifikan atau tidak, maka Kelompok Usaha memasukkan aset tersebut ke dalam kelompok aset keuangan yang memiliki karakteristik risiko kredit yang serupa dan menilai penurunan nilai kelompok tersebut secara kolektif. Aset yang penurunan nilainya dinilai secara individual dan untuk itu kerugian penurunan nilai diakui atau terus diakui, tidak termasuk dalam penilaian penurunan nilai secara kolektif.

Jumlah kerugian penurunan nilai diukur berdasarkan selisih antara nilai tercatat aset keuangan dengan nilai kini dari estimasi arus kas masa datang (tidak termasuk kerugian kredit di masa depan yang belum terjadi) yang didiskontokan menggunakan tingkat suku bunga efektif awal dari aset keuangan tersebut.

Nilai tercatat aset tersebut dikurangi melalui akun cadangan penurunan nilai dan jumlah kerugian diakui pada laba rugi dan penghasilan komprehensif lainnya konsolidasi. Jika pinjaman yang diberikan memiliki suku bunga variabel, maka tingkat diskonto yang digunakan adalah suku bunga efektif yang berlaku yang ditetapkan dalam kontrak.

Perhitungan nilai kini dari estimasi arus kas masa datang atas aset keuangan dengan agunan (*collateralized financial asset*) mencerminkan arus kas yang dapat dihasilkan dari utilisasi dari jaminan deposit yang diberikan oleh pelanggan kepada Kelompok Usaha.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(ii) Impairment of financial assets (continued)

If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance for impairment and the amount of the loss is recognized in the profit or loss consolidated statements of income and other comprehensive income. If a receivable has a variable interest rate, the discount rate used is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from the utilization of deposit placed by customer to the Group.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(ii) Penurunan nilai dari aset keuangan (lanjutan)

Estimasi tahun antara terjadinya peristiwa dan teridentifikasinya kerugian ditentukan oleh manajemen untuk setiap portofolio yang diidentifikasi. Untuk tujuan evaluasi penurunan nilai secara kolektif, aset keuangan dikelompokkan berdasarkan kesamaan karakteristik risiko kredit, yaitu berdasarkan jenis pelanggan.

Arus kas masa datang dari aset keuangan Kelompok Usaha yang penurunan nilainya dievaluasi secara kolektif, diestimasi berdasarkan arus kas kontraktual atas aset-aset di dalam kelompok tersebut dan kerugian historis yang pernah dialami atas aset-aset yang memiliki karakteristik risiko kredit yang serupa dengan karakteristik risiko kredit kelompok tersebut. Kerugian historis yang pernah dialami kemudian disesuaikan berdasarkan data terkini yang dapat diobservasi untuk mencerminkan kondisi saat ini yang tidak berpengaruh pada tahun terjadinya kerugian historis tersebut, dan untuk menghilangkan pengaruh kondisi yang ada pada tahun historis namun sudah tidak ada lagi saat ini.

Beban penurunan nilai yang terkait dengan piutang diklasifikasikan ke dalam "Cadangan Kerugian Penurunan Nilai". Ketika piutang tidak tertagih, piutang tersebut dihapusbukukan dengan menjurnal balik cadangan kerugian penurunan nilai. Piutang tersebut dapat dihapus buku setelah semua prosedur yang diperlukan telah dilakukan dan jumlah kerugian telah ditentukan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(ii) Impairment of financial assets (continued)

The estimated year between a loss occurring and its identification is determined by the management for each identified portfolio. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics by customer type.

Future cash flows of the Group's financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the current conditions which did not affect the year on which the historical loss experience is based and to remove the effects of conditions in the historical year that do not currently exist.

Impairment charges relating to receivable, is classified in "Allowance for Impairment Losses". When a receivable is uncollectible, it is written off against the related allowance for impairment losses. Such receivable are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(ii) Penurunan nilai dari aset keuangan (lanjutan)

Jika pada periode berikutnya jumlah kerugian penurunan nilai berkurang dan pengurangan tersebut dapat dikaitkan secara obyektif pada peristiwa yang terjadi setelah penurunan nilai diakui, maka kerugian penurunan nilai yang sebelumnya diakui dipulihkan, dengan menyesuaikan penyisihan piutang ragu-ragu. Jumlah pemulihan aset keuangan diakui pada laba rugi dan penghasilan komprehensif lainnya konsolidasi jumlahnya tidak boleh mengakibatkan nilai tercatat aset keuangan melebihi biaya perolehan diamortisasi pada tanggal pemulihan dilakukan seandainya tidak ada penurunan nilai.

Penerimaan kemudian atas piutang yang telah dihapusbukukan sebelumnya, jika pada tahun berjalan, dikreditkan pada cadangan kerugian penurunan nilai, sedangkan jika setelah tanggal laporan posisi keuangan konsolidasian, dikreditkan sebagai pendapatan operasional lainnya.

(iii) Liabilitas keuangan

Pengakuan awal

Liabilitas keuangan dalam ruang lingkup PSAK No. 55 (Revisi 2014) diklasifikasikan sebagai liabilitas keuangan yang diukur pada nilai wajar melalui laba rugi dan liabilitas keuangan pada biaya perolehan diamortisasi.

Liabilitas keuangan yang tidak diklasifikasikan sebagai liabilitas keuangan yang diukur pada nilai wajar melalui laba rugi dikategorikan dan diukur dengan biaya perolehan diamortisasi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(ii) Impairment of financial assets (continued)

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed by adjusting the allowance for doubtful accounts. The amount of the reversal is recognised in the consolidated statements profit or loss and other comprehensive income and the amount cannot exceed what the amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

Subsequent recoveries of previously written-off receivables, if in the current year, are credited to the allowance for impairment losses, but if after the consolidated statements of financial position date, are credited to other operating income.

(iii) Financial liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2014) are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortized cost.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(iii) Liabilitas keuangan (lanjutan)

Pengakuan awal (lanjutan)

Liabilitas keuangan pada awalnya diukur pada nilai wajar dan, dalam hal liabilitas keuangan pada biaya perolehan diamortisasi, ditambah biaya transaksi yang dapat diatribusikan secara langsung. Kelompok Usaha menetapkan klasifikasi atas liabilitas keuangan pada saat pengakuan awal.

Liabilitas keuangan Kelompok Usaha terdiri dari utang usaha, utang lain-lain, liabilitas yang masih harus dibayar, pinjaman bank dan pinjaman dari pemegang saham.

Pada tanggal laporan posisi keuangan konsolidasian, Kelompok Usaha mengklasifikasikan seluruh liabilitas keuangannya sebagai liabilitas keuangan pada biaya perolehan diamortisasi.

Pengukuran setelah pengakuan awal

Setelah pengakuan awal, Kelompok Usaha mengukur seluruh liabilitas keuangan yang diukur dengan biaya perolehan diamortisasi dengan menggunakan metode suku bunga efektif.

(iv) Penghentian Pengakuan

Penghentian pengakuan aset keuangan dilakukan ketika hak kontraktual untuk menerima arus kas yang berasal dari aset keuangan tersebut berakhir, atau ketika aset keuangan tersebut telah dialihkan dan secara substansial seluruh risiko dan manfaat atas kepemilikan aset telah ditransfer (jika, secara substansial seluruh risiko dan manfaat tidak ditransfer, maka Kelompok Usaha melakukan evaluasi untuk memastikan keterlibatan berkelanjutan atas kontrol yang masih dimiliki tidak mencegah penghentian pengakuan). Liabilitas keuangan dihentikan pengakuannya ketika liabilitas yang telah ditetapkan dalam kontrak dihentikan atau dibatalkan atau daluwarsa.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(iii) Financial liabilities (continued)

Initial recognition (continued)

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, inclusive of directly attributable transaction costs. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities consist of trade payables, other payables, accrued liabilities, bank loan and loan from shareholder which are classified as loans and borrowings.

As at the consolidated statements of financial position date, the Group classifies all of its financial liabilities as financial liabilities at amortized cost.

Subsequent measurement

After initial recognition, the Group measures all financial liabilities at amortized cost using effective interest rate method.

(iv) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognized when the obligations under the contract is discharged or cancelled or expired.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

e. Aset dan Liabilitas Keuangan (lanjutan)

(v) Saling hapus instrument keuangan

Aset keuangan dan liabilitas keuangan saling hapus buku dan nilai netonya disajikan dalam laporan posisi keuangan konsolidasian jika memiliki hak yang berkekuatan hukum untuk melakukan saling hapus buku atas jumlah yang telah diakui tersebut dan berniat untuk menyelesaikan secara neto atau untuk merealisasikan aset dan menyelesaikan liabilitasnya secara simultan.

(vi) Nilai Wajar Instrumen Keuangan

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 68, "Pengukuran Nilai Wajar". PSAK ini, antara lain, memberikan panduan tentang bagaimana pengukuran nilai wajar ketika nilai wajar disyaratkan atau diizinkan. Penerapan PSAK ini tidak berpengaruh signifikan terhadap laporan keuangan konsolidasian.

Nilai wajar adalah harga yang akan diterima untuk menjual suatu aset atau harga yang akan dibayar untuk mengalihkan suatu liabilitas dalam transaksi teratur antara pelaku pasar pada tanggal pengukuran dengan kondisi pasar saat ini.

Kelompok Usaha menggunakan teknik penilaian yang sesuai dengan keadaan dan dimana data yang memadai tersedia untuk mengukur nilai wajar, memaksimalkan penggunaan input yang dapat diobservasi yang relevan dan meminimalkan penggunaan input yang tidak dapat diobservasi.

f. Setara Kas

Deposito berjangka dengan jangka waktu tiga bulan atau kurang sejak tanggal penempatan yang tidak dibatasi penggunaannya dan tidak dijadikan jaminan diklasifikasikan sebagai "Setara Kas".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Assets and Liabilities (continued)

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(vi) Fair Value of Financial Instruments

Effective January 1, 2015, the Group applied PSAK No. 68, "Fair Value Measurement". This PSAK, among others, provides guidance on how to measure fair value when fair value is required or permitted. The adoption of this PSAK has no significant impact on the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

f. Cash Equivalents

Time deposits with maturity periods of three months or less from the date of placement, not restricted for use and not used as collateral are considered as "Cash Equivalents".

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

g. Transaksi dengan Pihak Berelasi

Kelompok Usaha mempunyai transaksi dengan pihak berelasi sebagaimana didefinisikan pada PSAK No. 7 (Revisi 2010).

Saldo dan transaksi yang material antara Kelompok Usaha dengan Pemerintah Negara Republik Indonesia dan entitas berelasi dengan Pemerintah diungkapkan dalam catatan atas laporan keuangan konsolidasian yang relevan. Kelompok Usaha memilih untuk mengungkapkan transaksi dengan entitas berelasi dengan Pemerintah dengan menggunakan pengecualian dari persyaratan pengungkapan pihak berelasi.

Transaksi dengan pihak berelasi dilakukan berdasarkan persyaratan yang disetujui oleh kedua belah pihak, yang mungkin tidak sama dengan transaksi lain yang dilakukan dengan pihak-pihak yang tidak berelasi.

h. Persediaan

Persediaan dinyatakan sebesar nilai yang lebih rendah antara biaya perolehan dan nilai realisasi neto. Biaya perlengkapan termasuk suku cadang, pemeliharaan dan alat pengeboran yang digunakan untuk operasi dinilai dengan biaya rata-rata tertimbang; minyak mentah yang di produksi dan tidak dijual tidak dicatat sebagai persediaan karena hak atas minyak tidak berpindah ke Kontraktor sampai minyak diangkat atau dimuat ke kapal.

Penyisihan persediaan usang dilakukan atas dasar hasil penelaahan secara periodik terhadap kondisi persediaan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Transactions with Related Parties

The Group has transactions with related parties as defined in PSAK No. 7 (Revised 2010).

Balance and significant transactions of the Group with the Government of the Republic of Indonesia and Government-related entities are disclosed in the relevant notes to the consolidated financial statements. The Group elected to disclose the transactions with Government-related entities, using the exemption from general related party disclosure requirements.

Transactions with related parties are made based on terms agreed by the parties, which may not be the same as those of the transaction between unrelated parties.

h. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of supplies, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; crude oil produced and not sold is not recorded as inventory because title does not pass to the Contractor until the oil is lifted or off-loaded into the crude tankers.

Allowance for inventories obsolescence is provided based on the periodic review of the condition of the inventories.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

i. Aset Tetap

Aset tetap dinyatakan sebesar biaya perolehan dikurangi akumulasi penyusutan dan rugi penurunan nilai. Biaya perolehan termasuk biaya penggantian bagian aset tetap saat biaya tersebut terjadi, jika memenuhi kriteria pengakuan. Selanjutnya, pada saat inspeksi yang signifikan dilakukan, biaya inspeksi itu diakui ke dalam jumlah nilai tercatat (*"carrying amount"*) aset tetap sebagai suatu penggantian jika memenuhi kriteria pengakuan. Semua biaya pemeliharaan dan perbaikan yang tidak memenuhi kriteria pengakuan diakui dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian pada saat terjadinya.

Penyusutan dihitung dengan menggunakan metode garis lurus selama umur manfaat aset tetap yang diestimasi sebagai berikut:

	Tahun/ *Year*	**Tarif/ *Rate***	
Peralatan kantor	4 - 8	25% - 50%	*Office equipment*

Jumlah tercatat aset tetap dihentikan pengakuannya pada saat dilepaskan atau saat tidak ada manfaat ekonomis masa depan yang diharapkan dari penggunaan atau pelepasannya. Laba atau rugi yang timbul dari penghentian pengakuan aset (dihitung sebagai perbedaan antara jumlah neto hasil pelepasan dan jumlah tercatat dari aset) dimasukkan dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian pada tahun aset tersebut dihentikan pengakuannya.

Pada setiap akhir tahun buku, nilai residu, umur manfaat dan metode penyusutan ditelaah, dan jika sesuai dengan keadaan, disesuaikan secara prospektif.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. If the recognition criterias are met, the acquisition cost will include the cost of replacing part of the fixed assets when that cost is incurred. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criterias are met. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the consolidated statements of profit or loss and other comprehensive income as incurred.

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

An item of fixed assets is derecognized upon disposal or when no future economic benefits are from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit or loss and other comprehensive income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively if appropriate, at each financial year end.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

j. Aset Eksplorasi dan Evaluasi

Pengeluaran-pengeluaran sehubungan dengan kegiatan eksplorasi dan evaluasi minyak dan gas dicatat dengan menggunakan metode akuntansi *successful effort*. Biaya-biaya yang terjadi diakumulasikan berdasarkan lapangan per lapangan.

Biaya geologi dan geofisika dibebankan pada saat terjadi.

Biaya-biaya untuk memperoleh hak ekplorasi dan eksploitasi minyak dan gas bumi dicatat sebagai biaya perolehan aset yang belum terbukti jika cadangan terbukti belum ditemukan, atau sebagai biaya perolehan asset terbukti bila cadangan terbukti telah ditemukan. Biaya perolehan aset terbukti diamortisasi dari tanggal mulai produksi komersial berdasarkan total estimasi cadangan terbukti dan *probable*.

Biaya-biaya pengeboran sumur ekplorasi dan biaya-biaya pengeboran sumur tes stratigrafi, dikapitalisasi sebagai bagian dari aset dalam penyelesaian - sumur eksplorasi dan evaluasi, di dalam aset minyak dan gas bumi hingga ditentukan apakah sumur tersebut menemukan cadangan terbukti. Jika sumur tersebut menemukan cadangan terbukti, kapitalisasi biaya pengeboran sumur dievaluasi terhadap penurunan nilai dan ditransfer menjadi aset dalam penyelesaian - sumur pengembangan (walaupun sumur tersebut nantinya tidak akan menjadi sumur produksi). Jika sumur tersebut tidak menemukan cadangan terbukti, biaya pengeboran sumur yang telah dikapitalisasi akan dibebankan ke laba rugi sebagai beban sumur kering (*dry hole*).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Exploration and Evaluation Assets

Oil and gas, as well as geothermal exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field by field basis.

Geological and geophysical costs are expensed as incurred.

Costs to acquire rights to explore for and produce oil and gas are recorded as unproved property acquisition costs for properties where proved reserves have not yet been discovered, or proved property acquisition costs if proved reserves have been discovered. Proved property acquisition costs are amortized from the date of commercial production based on total estimated units of proved and probable reserves.

The costs of drilling exploratory wells and the costs of drilling exploratory-type stratigraphic test wells are capitalized as part of assets under construction - exploratory and evaluations wells, within oil and gas properties pending determination of whether the wells have found proved reserves. If the wells have found proved reserves, the capitalized costs of drilling the wells are tested for impairment and transferred to assets under construction - development wells (even though the well may not be completed as a production well). If the well has not found proved reserves, the capitalized costs of drilling the well are then charged to profit or loss as a dry hole.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

j. Aset Eksplorasi dan Evaluasi (lanjutan)

Aset eksplorasi dan evaluasi direklasifisikasikan dari aset eksplorasi dan evaluasi ketika prosedur evaluasi telah selesai. Aset eksplorasi dan evaluasi yang cadangannya secara komersial telah terbukti akan direklasifikasi menjadi aset pengembangan. Aset ekplorasi dan evaluasi diuji penurunan nilai sebelum direklasifikasi keluar dari aset eksplorasi dan evaluasi.

Kelompok Usaha menerapkan PSAK No. 64, “Aktivitas Eksplorasi dan Evaluasi pada Pertambangan Sumber Daya Mineral”, yang menetapkan bahwa beban eksplorasi dan evaluasi termasuk biaya geologi dan geofisika, biaya pengeboran sumur eksplorasi termasuk biaya pengeboran sumur tes stratigrafi tahap eksplorasi dan biaya lainnya yang terkait untuk mengevaluasi kelayakan teknis dan komersialitas dari minyak dan gas yang diekstraksi dikapitalisasi dan disajikan terpisah sebagai akun “Aset Eksplorasi dan Evaluasi” di laporan posisi keuangan konsolidasian.

Biaya eksplorasi dan evaluasi pada suatu *area of interest* dibebankan pada saat terjadinya, kecuali biaya tersebut dapat ditangguhkan pembebanannya apabila izin untuk melakukan eksplorasi di *area of interest* tersebut masih berlaku dan memenuhi salah satu ketentuan berikut ini:

- Kegiatan eksplorasi dan evaluasi pada tanggal laporan keuangan belum mencapai tahap yang dapat menentukan apakah kegiatan tersebut akan dapat dibuktikan dan dapat diperoleh kembali (*recoverable*), serta kegiatan yang aktif dan signifikan dalam *area of interest* terkait masih berlangsung; atau

- Biaya-biaya tersebut diharapkan dapat diperoleh kembali melalui keberhasilan pengembangan dan eksploitasi *area of interest* atau melalui penjualan *area of interest*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Exploration and Evaluation Assets (continued)

Exploration and evaluation assets are reclassified from exploration and evaluation assets when evaluation procedures have been completed. Exploration and evaluation assets for which commercially-viable reserves have been identified are reclassified to development assets. Exploration and evaluation assets are tested for impairment immediately prior to reclassification out of exploration and evaluation assets.

The Group adopted PSAK No. 64, "Activity of Exploration and Evaluation of Mineral Resources", prescribes that the exploration and evaluation expenses, including geological and geophysical costs, costs of drilling exploratory wells, including stratigraphic test well drilling costs of exploration stage and other costs related to evaluating the technical feasibility and commerciality of oil and gas are extracted separately capitalized and presented as part of "Exploration and Evaluation Assets” in the consolidated statements of financial position.

Costs of exploration and evaluation in an area of interest are charged as incurred, unless these costs can be deferred if the permission to carry out exploration activities in the area of interest are current and meet one of the following conditions:

- *Exploration and evaluation activities on the financial statements date has not reached a stage which can determine whether they will be proven and recoverable, also active and significant in the related area of interest is ongoing; or*

- *These costs are expected to be recouped through successful development and exploitation of the area of interest or through a sales area of interest.*

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

j. Aset Eksplorasi dan Evaluasi (lanjutan)

Aset eksplorasi dan evaluasi yang ditangguhkan terdiri dari biaya-biaya yang terjadi setelah izin ekplorasi diperoleh dan sebelum dimulainya pengembangan *area of interes*t antara lain mencakup akumulasi biaya yang terkait dengan penyelidikan umum, administrasi dan perizinan, geologi, dan geofisika.

Aset eksplorasi dan evaluasi dinilai untuk penurunannya pada saat terdapat bukti dan keadaan yang menunjukkan bahwa nilai tercatat aset tersebut mungkin melebihi jumlah yang dapat dipulihkan (Catatan 2l).

Pemulihan aset eksplorasi dan evaluasi tergantung pada keberhasilan pengembangan dan eksploitasi komersial daerah pengembangan (*area of interest*) tersebut. Aset eksplorasi dan evaluasi diuji untuk penurunan nilai bila fakta dan kondisi mengindikasikan bahwa jumlah tercatatnya mungkin melebihi jumlah terpulihkannya. Dalam keadaan tersebut, maka entitas harus mengukur, menyajikan dan mengungkapkan rugi penurunan nilai terkait sesuai dengan PSAK No. 48 (Revisi 2014), "Penurunan Nilai Aset".

Aset eksplorasi dan evaluasi direklasifikasi ke properti minyak dan gas bumi pada saat kelayakan teknis dan komersialitas dari minyak dan gas yang diekstraksi tersebut dapat dibuktikan.

k. Properti Minyak dan Gas Bumi

Biaya pengeboran sumur pengembangan dan sumur tes stratigrafi tahap pengembangan, *platform*, perlengkapan sumur dan fasilitas produksi terkait, dikapitalisasi sebagai aset sumur, perlengkapan dan fasilitas dalam pengerjaan. Biaya tersebut dipindahkan ke aset sumur, perlengkapan dan fasilitas terkait pada saat pengeboran atau konstruksi selesai.

Penyusutan, deplesi dan amortisasi atas aset minyak dan gas bumi, kecuali untuk aset sumur, perlengkapan dan fasilitas dalam pengerjaan, dihitung dengan menggunakan metode satuan unit produksi, dengan menggunakan produksi kotor yang dibagi dengan cadangan kotor yang terbukti dan *probable*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Exploration and Evaluation Assets (continued)

Exploration and evaluation asset include costs incurred after obtaining the exploration licence and prior to commencement of development of area of interest includes accumulated deferred costs associated with the general investigation, administration and licensing, and geological and geophysical.

Exploration and evaluation assets are assessed to decline when there is evidence and circumstances indicate that the carrying amount of the asset may exceed its recoverable amount (Note 2l).

The recoverability of exploration and evaluation assets depends on the successful development and commercial exploitation in such area (area of interest). Exploration and evaluation assets are tested for impairment if certain facts and circumstances indicate that the carrying amount of the assets may exceed the recoverable value. In such conditions, the entity must measure, present and disclose the impairment loss as required under PSAK No. 48 (Revised 2014), "Impairment of Assets".

Exploration and evaluation assets are reclassified to oil and gas properties at the time of the technical feasibility and commerciality of oil and gas are extracted can be determined.

k. Oil and Gas Properties

Costs of drilling development wells and development-type stratigraphic test wells, platforms, well equipment and attendant production facilities, are capitalized as uncompleted wells, equipment and facilities. Such costs are transferred to wells and related equipment and facilities upon completion.

Depreciation, depletion and amortization of oil and gas properties, except uncompleted wells, equipment and facilities under construction, is calculated using the unit of production method, using gross production divided by gross proved and probable reserves.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

l. Penurunan Nilai Aset Non-keuangan

Efektif 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 48 (Revisi 2014), "Penurunan Nilai Aset", yang menetapkan pengukuran nilai wajar dikurangi biaya untuk menjual sesuai dengan hirarki nilai wajar dalam PSAK No. 68 "Pengukuran Nilai Wajar", dan mengharuskan tambahan pengungkapan untuk aset individu yang rugi penurunan nilainya telah diakui atau dipulihkan selama periode pelaporan.

Penerapan PSAK revisi ini tidak berdampak signifikan pada laporan keuangan konsolidasian, kecuali untuk beberapa pengungkapan tambahan.

Pada setiap akhir tahun pelaporan, Kelompok Usaha menilai apakah terdapat indikasi suatu aset mengalami penurunan nilai. Jika terdapat indikasi tersebut atau pada saat pengujian penurunan nilai aset diperlukan, maka Kelompok Usaha membuat estimasi formal jumlah terpulihkan aset tersebut.

Aset yang diamortisasi atau didepresiasi diuji terhadap penurunan nilai ketika terdapat indikasi bahwa nilai tercatatnya mungkin tidak dapat dipulihkan. Penurunan nilai diakui jika nilai tercatat aset melebihi jumlah terpulihkan. Jumlah terpulihkan adalah yang lebih tinggi antara nilai wajar aset dikurangi biaya pelepasan dan nilai pakai aset. Dalam menentukan penurunan nilai, aset dikelompokkan pada tingkat yang paling rendah dimana terdapat arus kas yang dapat diidentifikasi (unit penghasil kas). Aset non-keuangan selain *goodwill* yang mengalami penurunan nilai diuji setiap tanggal pelaporan untuk menentukan apakah terdapat kemungkinan pemulihan penurunan nilai.

Jumlah terpulihkan yang ditentukan untuk aset individual adalah jumlah yang lebih tinggi antara nilai wajar aset atau UPK dikurangi biaya untuk menjual dengan nilai pakainya, kecuali aset tersebut tidak menghasilkan arus kas masuk yang sebagian besar independen dari aset atau kelompok aset lain. Jika nilai tercatat aset atau UPK lebih besar daripada jumlah terpulihkannya, maka aset tersebut dipertimbangkan mengalami penurunan nilai dan nilai tercatat aset diturunkan menjadi sebesar jumlah terpulihkannya.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Impairment of Non-financial Assets

Effective on January 1, 2015, the Group adopted PSAK No. 48 (Revised 2014), "Impairment of Assets", which prescribes the measurement of fair value less costs of disposal in reference to the fair value hierarchy in PSAK No. 68, "Fair Value Measurement", and requires additional disclosures for individual assets for which impairment loss has been recognized or reversed during the financial reporting period.

The adoption of this revised PSAK has no significant impact on the consolidated financial statements, except for additional disclosures.

The Group assesses at the end of each reporting year whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumtances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (Cash-Generating units or CGUs). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

l. Penurunan Nilai Aset Non-keuangan (lanjutan)

Kelompok Usaha mendasarkan perhitungan penurunan nilai pada rincian perhitungan anggaran atau prakiraan yang disusun secara terpisah untuk masing-masing UPK Kelompok Usaha atas aset individual yang dialokasikan. Perhitungan anggaran dan prakiraan ini secara umum mencakup periode selama sisa masa PSC.

Dalam menghitung nilai pakai, estimasi arus kas masa depan neto didiskontokan ke nilai kini dengan menggunakan tingkat diskonto sebelum pajak yang menggambarkan penilaian pasar kini dari nilai waktu uang dan risiko spesifik atas aset. Dalam menentukan nilai wajar dikurangi biaya untuk menjual, digunakan harga penawaran pasar terakhir, jika tersedia. Jika tidak terdapat transaksi tersebut, Kelompok Usaha menggunakan model penilaian yang sesuai untuk menentukan nilai wajar aset. Perhitungan-perhitungan ini dikuatkan oleh penilaian berganda atau indikator nilai wajar yang tersedia.

Kerugian penurunan nilai dari operasi yang berkelanjutan, jika ada, diakui dalam laba rugi sesuai dengan kategori biaya yang konsisten dengan fungsi dari aset yang diturunkan nilainya.

Untuk aset selain *goodwill*, penilaian dilakukan pada akhir setiap tanggal pelaporan apakah terdapat indikasi bahwa rugi penurunan nilai yang telah diakui dalam periode/tahun sebelumnya mungkin tidak ada lagi atau mungkin telah menurun. Jika indikasi dimaksud ditemukan, maka entitas mengestimasi jumlah terpulihkan aset atau UPK tersebut. Kerugian penurunan nilai yang telah diakui dalam tahun sebelumnya untuk aset selain *goodwill* dibalik hanya jika terdapat perubahan asumsi-asumsi yang digunakan untuk menentukan jumlah terpulihkan aset tersebut sejak rugi penurunan nilai terakhir diakui. Dalam hal ini, jumlah tercatat aset dinaikkan ke jumlah terpulihkannya. Pembalikan tersebut dibatasi sehingga jumlah tercatat aset tidak melebihi jumlah terpulihkannya maupun jumlah tercatat, neto setelah penyusutan, seandainya tidak ada rugi penurunan nilai yang telah diakui untuk aset tersebut pada tahun sebelumnya.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Impairment of Non-financial Assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of remaining PSC period.

In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, if any, are recognized in the profit or loss in those expense categories consistent with the functions of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the assets's or CGU's recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

l. Penurunan Nilai Aset Non-keuangan (lanjutan)

Pembalikan rugi penurunan nilai diakui sebagai laba atau rugi. Setelah pembalikan tersebut, penyusutan aset tersebut disesuaikan di periode mendatang untuk mengalokasikan jumlah tercatat aset yang direvisi, dikurangi nilai sisanya, dengan dasar yang sistematis selama sisa umur manfaatnya.

Goodwill diuji untuk penurunan nilai setiap tahun dan ketika terdapat indikasi bahwa nilai tercatatnya mungkin mengalami penurunan nilai. Penurunan nilai bagi *goodwill* ditetapkan dengan menentukan jumlah tercatat tiap UPK (atau kelompok UPK) terkait dari *goodwill* tersebut. Jika jumlah terpulihkan UPK kurang dari jumlah tercatatnya, rugi penurunan nilai diakui. Rugi penurunan nilai terkait *goodwill* tidak dapat dibalik pada tahun berikutnya.

Aset yang memiliki umur manfaat tidak terbatas - sebagai contoh, *goodwill* atau aset tak berwujud yang belum siap digunakan - tidak diamortisasi dan dilakukan pengujian penurunan nilai secara tahunan.

m. Transaksi dan Saldo Dalam Mata Uang Asing

Masing-masing Entitas dalam Kelompok Usaha mempertimbangkan indikator utama dan indikator lainnya dalam menentukan mata uang fungsionalnya. Perusahaan dan setiap entitas anak menentukan mata uang fungsionalnya adalah Dolar AS, dan Perusahaan memutuskan mata uang penyajian laporan keuangan konsolidasian menggunakan Dolar AS.

Transaksi dalam mata uang asing dicatat dalam mata uang fungsional berdasarkan nilai tukar yang berlaku pada saat transaksi dilakukan. Pada tanggal pelaporan aset dan liabilitas moneter dalam mata uang asing dijabarkan sesuai dengan rata-rata kurs jual dan beli yang diterbitkan oleh Bank Indonesia pada tanggal transaksi perbankan terakhir untuk tahun yang bersangkutan dan laba atau rugi kurs yang timbul dikreditkan atau dibebankan pada operasi tahun yang bersangkutan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Impairment of Non-financial Assets (continued)

Reversal of an impairment loss is recognized in the profit or loss. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future years.

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment.

m. Transactions and balances in foreign currency

Each entity in the Group considers the primary indicators and other indicators in determining its functional currency. The Company and the respective subsidiaries determined that their functional currency is the US Dollar, and the Company decided that the presentation currency for the consolidated financial statements is the US Dollar.

Transactions involving foreign currencies are recorded in the functional currency at the rates of exchange prevailing at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the average of the selling and buying rates of exchange prevailing of the last banking transaction date of the year, as published by Bank Indonesia and any resulting gains or losses are credited or charged to current year operations.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

m. Transaksi dan Saldo Dalam Mata Uang Asing (lanjutan)

Nilai tukar yang digunakan adalah sebagai berikut:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Transactions and balances in foreign currency (continued)

The rates of exchange used were as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
1 Dolar Amerika Serikat (AS$) / Rupiah	13.795	12.440	*1 US Dollar (US$)/ Rupiah*

n. Liabilitas Pembongkaran Aset dan Restorasi Area

Kelompok Usaha mengakui liabilitas pembongkaran dan pemindahan aset dan restorasi area atas fasilitas produksi minyak dan gas bumi, sumur, pipa dan aset-aset yang terkait sesuai dengan persyaratan dalam kontrak bagi hasil atau sesuai dengan peraturan yang berlaku.

Estimasi awal biaya pembongkaran dan pemindahan aset minyak dan gas bumi dan restorasi area aset diakui sebagai komponen biaya perolehan, yang disusutkan/dideplesikan dengan menggunakan metode satuan unit produksi yang sejalan dengan tarif deplesi aset yang dipilih.

Dalam banyak kasus, aktivitas pembongkaran dan pemindahan aset dan restorasi area fasilitas produksi minyak dan gas, sumur, pipa saluran dan aset terkait terjadi pada beberapa tahun di masa yang akan datang. Provisi atas liabilitas pembongkaran dan pemindahan aset, dan restorasi area di masa yang akan datang adalah berupa estimasi terbaik pada tanggal pelaporan keuangan atas nilai kini dari pengeluaran di masa yang akan datang untuk melaksanakan liabilitas pembongkaran dan pemindahan aset dan restorasi area tersebut, sesuai dengan ketentuan hukum yang berlaku pada tanggal pelaporan.

Perkiraan liabilitas pembongkaran dan pemindahan aset dan restorasi area di masa yang akan datang tersebut memerlukan estimasi manajemen mengenai saat aktivitas tersebut akan dilakukan, sejauh mana aktivitas tersebut harus dilakukan, dan juga teknologi yang akan digunakan di masa depan.

n. Asset Abandonment and Site Restoration Obligation

The Group recognizes its obligations for future dismantlement and transfer of assets and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the production sharing contracts or in line with applicable regulations.

The initial estimated costs for dismantlement and site restoration of oil and gas properties are recognized as part of the acquisition costs of the assets and are subsequently depreciated/depleted using the unit-of-production method in line with the selected assets depletion rate.

In most instances, the dismantlement and transfer of assets and site restoration activities of oil and gas production facilities, wells, pipelines and related assets will occur many years in the future. The provision for future dismantlement and transfer of assets and aset restoration obligation is the best estimate of the present value of the future expenditures required to undertake the dismantlement and transfer of assets and site restoration obligation at the reporting date, based on prevailing legal requirements.

The estimate of future dismantlement and transfer of assets and site restoration obligation, therefore, requires management to make judgements regarding the timing of removal and transfer, the extent of restoration activities required and future removal and restoration technologies.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

n. Liabilitas Pembongkaran Aset dan Restorasi Area (lanjutan)

Estimasi tersebut direviu pada setiap akhir tahun pelaporan dan disesuaikan bila diperlukan. Penyesuaian dicerminkan dalam nilai kini atas provisi liabilitas pembongkaran dan pemindahan aset dan restorasi area pada tanggal laporan posisi keuangan konsolidasian, dimana juga dilakukan penyesuaian dengan jumlah yang sama atas nilai buku aset yang bersangkutan.

Pembalikan dari efek diskonto dalam penghitungan provisi diakui sebagai beban keuangan.

o. Perpajakan

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 46 (2013), "Pajak Penghasilan". PSAK revisi ini mengatur perlakuan akuntansi untuk pajak penghasilan. Penerapan PSAK ini tidak memberikan pengaruh signifikan terhadap laporan keuangan konsolidasian.

Pajak Final

Peraturan perpajakan di Indonesia mengatur beberapa jenis penghasilan dikenakan pajak yang bersifat final. Pajak final yang dikenakan atas nilai bruto transaksi tetap dikenakan walaupun atas transaksi tersebut pelaku transaksi mengalami kerugian.

Mengacu pada revisi PSAK No. 46 yang disebutkan di atas, pajak final tersebut tidak termasuk dalam lingkup yang diatur oleh PSAK No. 46. Oleh karena itu, Kelompok Usaha memutuskan untuk menyajikan pajak final sehubungan dengan pendapatan bunga atas giro dan deposito.

Pajak kini

Aset dan liabilitas pajak kini untuk periode/tahun berjalan dan lalu diukur sebesar jumlah yang diharapkan dapat direstitusi dari atau dibayarkan kepada otoritas perpajakan. Tarif pajak dan peraturan pajak yang digunakan untuk menghitung jumlah tersebut adalah yang telah berlaku atau secara substantif telah berlaku pada tanggal pelaporan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Asset Abandonment and Site Restoration Obligation (continued)

Such estimates are reviewed at the end of reporting year and adjusted as required. Adjustments are reflected in the present value of the dismantlement and transfer of assets and site restoration obligation provision at the consolidated statements of financial position date with a corresponding change in the book value of the associated asset.

The unwinding of the effect of discounting the provision is recognized as a finance cost.

o. Taxation

Effective on January 1, 2015, the Group applied PSAK No. 46 (2013), "Income Taxes". The revised PSAK prescribes the accounting treatment for income taxes. The adoption of this PSAK has no significant impact on the consolidated financial statements.

Final Tax

Tax regulation in Indonesia determined that certain taxable income is subject to final tax. Final tax applied to the gross value of transactions is applied even when the parties carrying the transaction recognizing losses.

Referring to revised PSAK No. 46 as mentioned above, final tax is no longer governed by PSAK No. 46. Therefore, the Group has decided to present all of the final tax arising from interest income of giro and deposits as a separate line item.

Current tax

Current income tax assets and liabilities for the current and prior period/year are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as the reporting dates.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

o. Perpajakan (lanjutan)

Pajak kini (lanjutan)

Penghasilan kena pajak berbeda dengan laba yang dilaporkan dalam laba rugi karena penghasilan kena pajak tidak termasuk bagian dari pendapatan atau beban yang dikenakan pajak atau dikurangkan di tahun-tahun yang berbeda, dan juga tidak termasuk bagian-bagian yang tidak dikenakan pajak atau tidak dapat dikurangkan.

Koreksi terhadap liabilitas perpajakan dicatat saat surat ketetapan pajak diterima atau apabila dilakukan banding, ketika hasil banding sudah diputuskan.

Kekurangan/kelebihan pembayaran pajak penghasilan disajikan sebagai bagian dari "Beban Pajak Kini" dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian. Kelompok Usaha juga menyajikan bunga/denda, jika ada, sebagai bagian dari "Beban Pajak Kini".

Entitas Anak yang terlibat dalam kegiatan eksplorasi dan produksi minyak dan gas bumi di Indonesia dikenai tarif pajak penghasilan badan sebesar 44% sampai 48% dan di luar Indonesia dikenai tarif pajak penghasilan badan sebesar 35%.

Pajak tangguhan

Pajak tangguhan diakui dengan menggunakan metode liabilitas atas perbedaan temporer pada tanggal pelaporan antara dasar pengenaan pajak aset dan liabilitas dan jumlah tercatatnya untuk tujuan pelaporan keuangan pada tanggal pelaporan.

Liabilitas pajak tangguhan diakui untuk semua perbedaan temporer yang kena pajak dan aset pajak tangguhan diakui untuk perbedaan temporer yang boleh dikurangkan dan rugi fiskal yang belum terpakai, sepanjang besar kemungkinan besar laba kena pajak akan tersedia sehingga perbedaan temporer yang boleh dikurangkan dan rugi fiskal dan kredit pajak yang belum terpakai tersebut dapat dimanfaatkan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

Current tax (continued)

Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Amendments to taxation obligations are recorded when an assessment is received or if appealed against, when the results of the appeal are determined.

The underpayment/overpayment of income tax is presented as part of "Tax Expense - Current" in the consolidated statements of profit or loss and other comprehensive income. The Group also presented interest/penalty, if any, as part of "Tax Expenses - Current".

The Subsidiary involved in oil and gas exploration and production in Indonesia is subject to income tax at rate of 44% to 48% and outside Indonesia is subject to income tax at rate 35%.

Deferred tax

Deferred tax is provided using the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and the carry forward of unused tax losses and tax credits to the extent that it is probable that taxable income will be available in future years against which the deductible temporary differences and unused tax losses and tax credits can be utilized.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

o. Perpajakan (lanjutan)

Pajak tangguhan (lanjutan)

Liabilitas pajak tangguhan dan aset pajak tangguhan (jika memenuhi kriteria) diakui atas perbedaan temporer kena pajak terkait dengan investasi pada entitas anak dan asosiasi, kecuali yang waktu pembalikannya dapat dikendalikan dan kemungkinan besar perbedaan temporer tersebut tidak akan dibalik di masa depan yang dapat diperkirakan.

Jumlah tercatat aset pajak tangguhan ditelaah pada setiap tanggal pelaporan dan nilai tercatat aset pajak tangguhan tersebut diturunkan apabila laba fiskal mungkin tidak memadai untuk mengkompensasi sebagian atau semua manfaat aset pajak tangguhan. Aset pajak tangguhan yang belum diakui sebelumnya ditelaah pada setiap tanggal pelaporan dan diakui sepanjang laba kena pajak yang akan datang kemungkinan besar akan tersedia untuk dipulihkan.

Aset dan liabilitas pajak tangguhan diukur berdasarkan tarif pajak yang diharapkan akan dipakai pada tahun saat aset direalisasikan atau liabilitas diselesaikan berdasarkan tarif pajak dan peraturan perpajakan yang berlaku atau yang telah secara substantif berlaku pada tanggal pelaporan.

Perubahan nilai tercatat aset dan liabilitas pajak tangguhan yang disebabkan perubahan tarif pajak dibebankan pada tahun berjalan, kecuali untuk transaksi-transaksi yang sebelumnya telah langsung dibebankan atau dikreditkan ke ekuitas.

Pajak tangguhan sehubungan dengan bagian yang diakui di luar laba rugi diakui di luar laba rugi. Pajak tangguhan tersebut diakui berkaitan dengan transaksi baik yang ada di penghasilan komprehensif lain atau langsung dibebankan ke ekuitas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities and assets (provided fulfilling recognition criteria) are recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the benefit of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current year operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax relating to items recognized outside of profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

o. Perpajakan (lanjutan)

Pajak tangguhan (lanjutan)

Aset pajak tangguhan dan liabilitas pajak tangguhan disaling-hapuskan jika terdapat hak secara hukum untuk melakukan saling hapus atas aset pajak kini terhadap liabilitas pajak kini atau aset dan liabilitas pajak tangguhan pada entitas yang sama, atau kelompok usaha yang bermaksud untuk menyelesaikan aset dan liabilitas lancar berdasarkan jumlah neto.

p. Pengakuan Pendapatan dan Beban

Pengakuan pendapatan

Pendapatan penjualan minyak mentah dan gas bumi diakui berdasarkan kepemilikan entitas secara konsolidasi pada lapangan produksi (metode "*entitlement*"), ketika barang secara fisik dan risiko dan manfaat terkait telah berpindah kepada pembeli, yang secara umum adalah pada saat dimuat ke kapal atau truk, atau pada saat barang memasuki saluran pipa.

Pendapatan yang diperoleh dari Kontrak Bagi Hasil ("PSC") diakui atas dasar hak neto sesuai dengan persyaratan PSC. Selisih antara *lifting* aktual minyak mentah dan gas bumi menimbulkan piutang jika hak Kelompok Usaha melebihi *lifting* minyak mentah dan gas tersebut (posisi *underlifting*) dan menimbulkan utang jika *lifting* minyak mentah dan gas bumi melebihi hak Kelompok Usaha (posisi *overlifting*). Volume *underlifting* dan *overlifting* dinilai berdasarkan harga jual rata-rata setahun untuk minyak mentah (yaitu, *Indonesian Crude Price*, "ICP") dan gas (yaitu, harga dalam kontrak).

Pendapatan / beban keuangan

Untuk semua instrumen keuangan yang diukur pada biaya perolehan diamortisasi, pendapatan atau biaya bunga dicatat dengan menggunakan metode Suku Bunga Efektif ("SBE"), yaitu suku bunga yang secara tepat mendiskontokan estimasi pembayaran atau penerimaan kas di masa yang akan datang selama perkiraan umur dari instrumen keuangan, atau jika lebih tepat, selama tahun yang lebih singkat, untuk nilai tercatat neto dari aset keuangan atau liabilitas keuangan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation (continued)

Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right to offset current tax assets against current tax liabilities exists, or the deferred tax assets and deferred tax liabilities relate to the same taxable entity, or the Group intends to settle its current assets and liabilities on a net basis.

p. Revenue and Expense Recognition

Revenue recognition

Crude oil and natural gas sales revenue is recognized on the basis of the consolidated entity's interest in a producing field ("entitlements" method), when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of shipment or truck loading, or at the time the product entered the pipeline.

Revenue earned under a Production Sharing Contract ("PSC") is recognized on a net entitlements basis according to the terms of the PSC. Differences between the Group's actual liftings of crude oil and gas will result in a receivable position when entitlements exceed actual lifting of crude oil and gas (underlifting position) and in payable position when actual lifting of crude oil and gas exceeds entitlements (overlifting position). Underlifting and overlifting volumes are valued based on the annual weighted average sales price for crude oil (i.e Indonesian Crude Price, "ICP") and gas (i.e. contract prices).

Finance income / cost

For all financial instruments measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset or liability.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

p. Pengakuan Pendapatan dan Beban (lanjutan)

Pengakuan beban

Beban diakui pada saat terjadinya dengan menggunakan metode akrual.

q. Kepentingan dalam Pengaturan Bersama

Efektif tanggal 1 Januari 2015, Kelompok usaha menerapkan PSAK No. 66, "Pengaturan Bersama" yang menggantikan PSAK No. 12 (Revisi 2009) dan ISAK No. 12. Penerapan PSAK ini tidak berdampak material terhadap posisi dan kinerja keuangan Kelompok Usaha.

Operasi bersama adalah salah satu jenis pengaturan bersama dimana para pihak yang memiliki pengendalian bersama atas pengaturan memiliki hak atas aset, kewajiban atas liabilitas, terkait dengan pengaturan tersebut.

Kelompok Usaha memiliki kepemilikan dalam operasi bersama dimana Kelompok Usaha termasuk salah satu pihak yang memiliki pengendalian bersama (operator bersama), atau pihak yang berpartisipasi tidak memiliki pengendalian bersama atas operasi bersama tersebut.

Sehubungan dengan kepentingannya dalam operasi bersama bagian kepemilikan dalam operasi bersama, Kelompok Usaha mengakui:

- Aset, mencakup bagiannya atas setiap aset uang dimiliki bersama;
- Liabilitas, mencakup bagiannya atas liabilitas yang terjadi bersama;
- Pendapatan dari penjualan bagiannya atas *output* yang dihasilkan dari operasi bersama;
- Bagiannya atas pendapatan dari penjualan *output* oleh operasi bersama; dan
- Beban, mencakup bagiannya atas setiap beban yang terjadi secara bersama-sama.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Revenue and Expense Recognition (continued)

Expense recognition

Expenses are recognized when incurred on an accrual basis.

q. Interest in Joint Arrangement

Effective on January 1, 2015, the Group applies PSAK No. 66, "Joint Arrangement" which replaces PSAK No. 12 (Revised 2009) and ISAK No. 12. The adoption of this PSAK did not have material effect to the financial position and performance of the Group.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group has interests in several joint operation whereby the Group includes as a party which have joint control of a joint operation (joint operator), or as party that participate in, but do not have joint control of, a joint operation.

In relation to its interests in joint operations, the Group recognises its:

- *Assets, including its share of any assets held jointly;*
- *Liabilities, including its share of any liabilities incurred jointly;*
- *Revenue from the sale of its share of the output arising from the joint operation;*
- *Share of the revenue from the sale of the output by the joint operation; and*
- *Expenses, including its share of any expenses incurred jointly.*

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

q. Kepentingan dalam Pengaturan Bersama (lanjutan)

Ketika Kelompok Usaha melakukan transaksi dengan operasi bersama, dimana Kelompok Usaha merupakan salah satu operator bersama, maka Kelompok Usaha mengakui keuntungan dan kerugian yang dihasilkan dari transaksi tersebut hanya sebatas kepentingan para pihak lain dalam operasi bersama tersebut.

r. Imbalan Kerja

Efektif tanggal 1 Januari 2015, Kelompok Usaha menerapkan PSAK No. 24 (2013), "Imbalan Kerja". PSAK ini, antara lain, menghapus mekanisme koridor, mengatur pengakuan biaya jasa lalu serta mengatur beberapa pengungkapan tambahan. Penerapan PSAK ini tidak memiliki dampak material terhadap laporan keuangan konsolidasian Kelompok Usaha.

Beban atas pemberian imbalan dalam program imbalan manfaat pasti ditentukan dengan metode *projected unit credit.*

Pengukuran kembali atas liabilitas (aset) imbalan pasti neto, yang diakui sebagai penghasilan komprehensif lain, terdiri dari:
i. keuntungan atau kerugian aktuarial;
ii. imbal hasil atas aset program, tidak termasuk jumlah yang dimasukkan dalam bunga neto atas liabilitas (aset); dan
iii. setiap perubahan dampak batas aset, tidak termasuk jumlah yang dimasukkan dalam bunga neto atas liabilitas (aset).

Pengukuran kembali atas liabilitas (aset) imbalan pasti neto, yang diakui sebagai penghasilan komprehensif lain, tidak direklasifikasi ke laba rugi pada periode berikutnya.

Biaya jasa lalu diakui pada laba rugi pada tanggal yang lebih awal antara:
- tanggal amandemen atau kurtailmen program; dan
- tanggal pada saat Kelompok Usaha mengakui biaya restrukturisasi terkait.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Interest in Joint Arrangement (continued)

When the Group enters into a transaction with a joint operation in which it is a joint operator, the Group shall recognise gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

r. Employee Benefits

Effective on January 1, 2015, the Group applied PSAK No. 24 (2013), "Employee Benefits". This PSAK, among others, removes the corridor mechanism, stipulates that all past service costs are recognized and requires certain additional disclosure. The adoption of this PSAK has no material effect to the Group's consolidated financial statements.

The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method.

Remeasurement on net defined benefit liabilities (asset), which is recognized as other comprehensive income, consists of:
i. actuarial gain and losses;
ii. return on program asset, excluding amount included in liabilities (asset) net interest; and
iii. every changes in asset ceiling, excluding amount included in liabilities (asset) net interest.

Remeasurement on net defined benefit liabilities (asset), which is recognized as other comprehensive income, will not be reclassified to profit or loss in the next periods.

Past service costs are recognised in profit or loss on the earlier of:
- *the date of the plan amendment or curtailment, and*
- *the date that the Group recognizes related restructuring costs*

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

r. Imbalan Kerja (lanjutan)

Bunga neto ditentukan dengan mengalikan liabilitas (aset) imbalan pasti neto dengan tingkat diskonto. Kelompok Usaha mengakui perubahan atas liabilitas imbalan pasti neto berikut pada beban distribusi dan transmisi dan beban umum dan administrasi pada laporan laba rugi dan penghasilan komprehensif lain konsolidasian:

- Biaya jasa yang terdiri dari biaya jasa kini, biaya jasa lalu dan keuntungan dan kerugian atas kurtailmen.
- Beban atau pendapatan bunga neto.

Kurtailmen terjadi apabila Kelompok Usaha mengurangi secara signifikan jumlah pekerja yang ditanggung oleh program, terminasi atau penghentian program.

Penyelesaian program terjadi ketika entitas melakukan transaksi yang menghapuskan semua kewajiban hukum atau konstruktif untuk sebagian atau seluruh imbalan dalam program imbalan pasti.

s. Provisi

Provisi diakui jika Kelompok Usaha memiliki kewajiban kini (baik bersifat hukum maupun bersifat konstruktif) akibat peristiwa masa lalu, besar kemungkinannya penyelesaian kewajiban tersebut mengakibatkan arus keluar sumber daya yang mengandung manfaat ekonomi dan estimasi yang andal mengenai jumlah kewajiban tersebut dapat dibuat.

Provisi ditelaah pada setiap tanggal pelaporan dan disesuaikan untuk mencerminkan estimasi terbaik yang paling kini. Jika arus keluar sumber daya untuk menyelesaikan kewajiban kemungkinan besar tidak terjadi, maka provisi dibatalkan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Employee Benefits (continued)

Net interest is calculated by applying discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under distribution and transmission expenses and general and administrative expenses in the consolidated statements of profit or loss and other comprehensive income:

- *Service costs comprising current service costs, past-service costs and gains and losses on curtailments.*
- *Net interest expense or income*

A curtailment occurs when the Group either significantly reduce the number of employees covered by a plan, termination or suspension of the program.

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

s. Provisions

Provisions are recognized when the Group has a present obligation (legal and constructive) 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 reporting date 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.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

t. Sewa

Penentuan apakah suatu perjanjian merupakan perjanjian sewa atau perjanjian yang mengandung sewa didasarkan atas substansi perjanjian pada tanggal awal sewa. Perjanjian tersebut ditelaah apakah pemenuhan perjanjian tergantung pada penggunaan suatu aset atau aset-aset tertentu atau perjanjian tersebut memberikan suatu hak untuk menggunakan aset tersebut, bahkan jika hak tersebut tidak dijabarkan secara eksplisit dalam perjanjian.

Kelompok usaha sebagai *lessee*

Sewa pembiayaan yang mengalihkan kepada Kelompok Usaha secara substansial seluruh risiko dan manfaat yang terkait dengan kepemilikan aset, dikapitalisasi pada awal masa sewa sebesar nilai wajar dari aset sewa pembiayaan atau, jika lebih rendah, sebesar nilai kini dari pembayaran sewa minimum. Pembayaran sewa dipisahkan antara beban keuangan dan pengurangan liabilitas sewa, sedemikian rupa sehingga menghasilkan suatu suku bunga periodik yang konstan atas saldo liabilitas yang tersisa. Beban keuangan dibebankan langsung pada laba rugi.

Suatu aset sewa pembiayaan disusutkan selama masa manfaat dari aset tersebut. Tetapi, jika tidak terdapat kepastian memadai bahwa Kelompok Usaha akan memperoleh kepemilikan di akhir masa sewa, maka aset disusutkan selama mana yang lebih pendek antara esitimasi masa manfaat aset dan masa sewa.

Pembayaran sewa operasi diakui sebagai beban usaha dalam laba rugi secara garis lurus selama masa sewa.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group as a lessee

A finance lease that transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, is capitalized at the commencement of the lease at the fair value of the finance lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

A finance lease asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line method over the lease term.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif

Berikut ini adalah beberapa SAK yang telah disahkan oleh Dewan Standar Akuntansi Keuangan (DSAK) yang dipandang relevan terhadap pelaporan keuangan Kelompok Usaha namun belum berlaku efektif untuk laporan keuangan konsolidasian 31 Desember 2015 dan untuk tahun yang berakhir pada tanggal tersebut:

- **Amandemen PSAK Tahun 2015**

  - Amandemen PSAK No. 1 (2015): Penyajian Laporan Keuangan tentang Prakarsa Pengungkapan yang diadopsi dari Amandemen IAS No. 1, akan berlaku efektif 1 Januari 2017.

    Amandemen PSAK ini memberikan klarifikasi terkait penerapan persyaratan materialitas, fleksibilitas urutan sistematis catatan atas laporan keuangan dan pengidentifikasian kebijakan akuntansi signifikan.

    Amandemen PSAK ini juga mengakibatkan amandemen terhadap PSAK (*consequential amendment*) sebagai berikut:
    a. PSAK No. 3: Laporan Keuangan Interim;
    b. PSAK No. 5: Segmen Operasi;
    c. PSAK No. 60: Instrumen Keuangan: Pengungkapan; dan
    d. PSAK No. 62: Kontrak Asuransi.

  - Amandemen PSAK No. 4 (2015): Laporan Keuangan Tersendiri tentang Metode Ekuitas dalam Laporan Keuangan Tersendiri yang diadopsi dari Amandemen IAS No. 27, akan berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini memperkenankan penggunaan metode ekuitas sebagai salah satu metode pencatatan investasi pada entitas anak, Pengaturan Bersama dan entitas asosiasi dalam laporan keuangan tersendiri entitas tersebut.

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

u. New and/or Revised SAK Issued But Not Yet Effective

The following are several issued SAK by the Indonesian Financial Accounting Standards Board (DSAK) that are considered relevant to the financial reporting of the Group but not yet effective for consolidated financial statements as of December 31, 2015 and for the year then ended:

- ***Amendment to PSAK Year 2015***

  - *Amendment to PSAK No. 1 (2015): Presentation of Financial Statements in relation to Intiative Disclosure, adopted from Amendment to IAS No. 1, will be effectively applied on January 1, 2017.*

    Amendments to this PSAK provides clarification related to the application of the requirements of materiality, flexibility systematic sequence of notes to the financial statements and the identification of significant accounting policies.

    Amendments to this PSAK also results in an amendment to IAS (consequential amendment) as follows:
    a. PSAK No. 3: Interim Financial Statements;
    b. PSAK No. 5: Operating Segments;
    c. PSAK No. 60: Financial Instruments: Disclosures; and
    d. PSAK No. 62: Insurance Contracts.

  - *Amendment to PSAK No. 4 (2015): Separate Financial Statements on Equity Method in the Separate Financial Statements adopted from Amendment to IAS No. 27, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK allows the use of the equity method as a method of recording the investment in subsidiaries, Joint Arrangements and associates in the separate financial statements of the entity.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Amandemen PSAK Tahun 2015 (lanjutan)**

  - Amandemen PSAK No. 15 (2015): Investasi Pada Entitas Asosiasi dan Pengaturan Bersama tentang Entitas Investasi: Penerapan Pengecualian Konsolidasi, di adopsi dari Amandemen IFRS No. 10, IFRS No. 12, dan IAS No. 28, akan berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini memberikan klarifikasi tentang pengecualian konsolidasi paragraf 36A untuk entitas investasi ketika kriteria tertentu terpenuhi.

  - Amandemen PSAK No. 16 (2015): Aset Tetap, tentang Klarifikasi Metode yang Diterima untuk Penyusunan dan Amortisasi yang diadopsi dari Amandemen IAS No. 16 dan IAS No. 38, akan berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini memberikan tambahan penjelasan tentang indikasi perkiraan keusangan teknis atau komersial suatu aset. Amandemen PSAK ini juga mengklarifikasi bahwa penggunaan metode penyusutan yang berdasarkan pada pendapatan adalah tidak tepat.

  - Amandemen PSAK No. 19 (2015): Aset tak berwujud tentang Klarifikasi Metode yang Diterima untuk Penyusutan dan Amortisasi, yang diadopsi dari Amandemen IAS No. 16 dan IAS No. 38, akan berlaku efektif 1 Januari 2016

    Amandemen PSAK ini memberikan klarifikasi tentang anggapan bahwa pendapatan adalah dasar yang tidak tepat dalam mengukur pemakaian manfaat ekonomi aset tak berwujud dapat dibantah dalam keadaan terbatas tertentu.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Amendment to PSAK Year 2015 (continued)***

  - *Amendment to PSAK No. 15 (2015): Investments in Associates and Joint Arrangements on Investments Entity: Exemption on Consolidation Application adopted from Amendments to IFRS No. 10, IFRS No. 12, and IAS No. 28, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK provides clarification on the consolidation of paragraph 36A of the exemption for investment entities when certain criteria are met.

  - *Amendment to PSAK No. 16 (2015): Fixed Assets on the Clarification of Acceptable Methods of Depreciation and Amortization, adopted from Amendments to IAS No. 16 and IAS No. 38, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK provides additional explanation on predictive indication of the technicals or commercial obsolesence of an assets. Amendment to this PSAK also clarify that the use of the depreciation method based on income is appropriate.

  - *Amendment to PSAK No. 19 (2015): Intangible Assets on Clarification of Acceptable of Depreciation and Amortization, adopted from Amendments IAS No.16 and IAS No. 38, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK provides clarification on the assumption that revenue is not an appropriate basis to measure the economic benefit of intangible assets can be rebutted in certain limited circumstances.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Amandemen PSAK Tahun 2015 (lanjutan)**

  - Amandemen PSAK No. 24 (2015): Imbalan Kerja tentang Program Imbalan Pasti: Iuran Pekerja, yang diadopsi dari amandemen IAS No. 19, berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini menyederhanakan akuntansi untuk kontribusi iuran dari pekerja atau pihak ketiga yang tidak bergantung pada jumlah tahun jasa, misalnya iuran pekerja yang dihitung berdasarkan persentase tetap dari gaji.

  - Amandemen PSAK No. 65: Laporan Keuangan Konsolidasian tentang Entitas Investasi: Penerapan Pengecualian Konsolidasi, yang diadopsi dari Amandemen IFRS No. 10, IFRS No. 12, dan IAS No. 28, berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini mengklarifikasi tentang pengecualian konsolidasi untuk entitas investasi ketika kriteria tertentu terpenuhi.

  - Amandemen PSAK No. 66: Pengaturan Bersama tentang Akuntansi Akuisisi Kepentingan dalam Operasi Bersama, yang diadopsi dari Amandemen IFRS No. 11, akan berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini mensyaratkan bahwa seluruh prinsip kombinasi bisnis dalam PSAK No. 22: Kombinasi Bisnis dan PSAK lain beserta persyaratan pengungkapannya diterapkan untuk akuisisi pada kepentingan awal dalam operasi bersama dan untuk akuisisi kepentingan tambahan dalam operasi bersama, sepanjang tidak bertentangan dengan pedoman yang ada dalam PSAK No. 66.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Amendment to PSAK Year 2015 (continued)***

  - *Amendment to PSAK No. 24 (2015): Employee Benefits on Defined Benefit Plans: Employee Contributions, adopted from amendments IAS No. 19, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK is to simplify accounting for contributions from employees or third parties that do not depend on the number of years of service, for example, worker contributions are calculated based on a fixed percentage of salary.

  - *Amendment to PSAK No. 65: Consolidated Financial Statements on Investment Entities: Exemption on Consolidation Application, adopted from Amendments to IFRS No. 10, IFRS No. 12, and IAS No. 28,will be effectively applied on January 1, 2016.*

    Amendment to this PSAK clarifies the exemption on consolidation for investment entities when certain criterias are met.

  - *Amendment to PSAK No. 66: Joint Arrengements on Accounting for Acquisition of interest in Joint Operation, adopted from Amendment IFRS No. 11, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK requires all the principles of business combination in PSAK No. 22: Combination Business and other PSAK with other disclosure requirements is applied to initial acquisition of interests in joint operations and for additional acquisition of interests in joint operations, as long as they are not conflict with the existing guidance in PSAK No. 66.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Amandemen PSAK Tahun 2015 (lanjutan)**

  - Amandemen PSAK No. 67: Pengungkapan Kepentingan Dalam Entitas Lain tentang Entitas Investasi: Penerapan Pengecualian Konsolidasi, yang diadopsi dari Amandemen IFRS No. 10, IFRS No. 12, dan IAS No. 28, akan berlaku efektif 1 Januari 2016.

    Amandemen PSAK ini mengklarifikasi tentang pengecualian konsolidasi untuk entitas investasi ketika kriteria tertentu terpenuhi.

- **Pengesahan Interpretasi Standar Akuntasi Keuangan (ISAK) Tahun 2015**

  - ISAK No. 30: Pungutan diadopsi dari IFRIC No. 21, akan berlaku efektif 1 Januari 2016

    ISAK ini merupakan interpretasi atas PSAK No. 57: Provisi, Liabilitas Kontinjensi dan Aset Kontinjensi yang mengklarifikasi akuntansi liabilitas untuk membayar pungutan, selain daripada pajak penghasilan yang berada dalam ruang lingkup PSAK No. 46: Pajak Penghasilan serta denda lain atas pelanggaran perundang-undangan, kepada Pemerintah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Amendment to PSAK Year 2015 (continued)***

  - *Amendment to PSAK No. 67: Disclosures of Interests in Other Entities on Investment Entities: Implementation on Exemption of Consolidation, adopted from Amendment of IFRS No. 10, IFRS No. 12, and IAS No. 28, will be effectively applied on January 1, 2016.*

    Amendment to this PSAK clarifies exemption of consolidation for investment enitites when certain criterias are met.

- ***Approval of Interpretation of Financial Accounting Standards (ISAK) For Year 2015***

  - *ISAK No. 30: Levies, adopted from IFRIC No. 21, will be effectively applied on January 1, 2016*

    This ISAK represents interpretation of PSAK No. 57: Provision, Contingent Liabilities and Contingent Assets which clarifies the accounting liability to pay the levy, other than income taxes that are within the scope of PSAK No. 46: Income tax and other penalties for violations of law, to the Government.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Penyesuaian Tahunan 2015**

  Penyesuaian Tahunan 2015 merupakan hasil adopsi dari *Annual Improvements Cycle 2010-2012* dan *Annual Improvements Cycle 2011-2013*. Penyesuaian Tahunan pada dasarnya merupakan kumpulan amandemen dengan ruang lingkup sempit (*narrow-scope*) yang hanya bersifat mengklarifikasi sehingga tidak terdapat usulan prisip baru ataupun perubahan signifikan pada prinsip-prinsip yang telah ada.

  - PSAK No. 5 (Penyesuaian 2015): Segmen Operasi diadopsi dari *Annual Improvements to IFRSs 2010-2012 Cycle* (IFRS 8), akan berlaku efektif 1 Januari 2016.

    Penyesuaian PSAK ini menambahkan pengungkapan gambar singkat segmen operasi yang telah digabungkan dan indikator ekonomik memiliki karakteristik yang serupa.

  - PSAK No. 7 (Penyesuaian 2015): Pengungkapan Pihak-Pihak Berelasi diadopsi dari *Annual Improvements to IFRSs 2010-2012 Cycle* (IAS No. 24), akan berlaku efektif 1 Januari 2016.

    Revisi PSAK ini menambahkan persyaratan pihak-pihak berelasi dan mengklarifikasi pengungkapan imbalan yang dibayarkan oleh entitas manajemen.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Annual Improvements 2015***

  The 2015 Annual Improvements adopted from Annual Improvements Cycle 2010-2012 and Annual Improvements Cycle 2011-2013. Annual Improvements basically represents compilation of narrow-scope amendment merely clarifies the principles so that there is no new proposed principals or significant changes to the existing principles.

  - *PSAK No. 5 (Improvement 2015): Operating Segments adopted from Annual Improvements to IFRSs 2010-2012 Cycle (IFRS 8), will be effectively applied on January 1, 2016.*

    This improvement PSAK adds a short description of operating segments which has been combined and economic indicators with similar characteristics.

  - *PSAK No. 7 (Improvement 2015): Related Party Disclosures adopted from Annual Improvements to IFRSs 2010-2012 Cycle (IAS No. 24), will be effectively on January 1, 2016.*

    This revised PSAK adds requirements of related parties and clarify the disclosure for benefit paid by entity management.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Penyesuaian Tahunan 2015 (lanjutan)**

  - PSAK No. 16 (Penyesuaian 2015): Aset Tetap diadopsi *Annual Improvements to IFRSs 2010-2012 Cycle* (IAS No. 16), akan berlaku efektif 1 Januari 2016.

    Penyesuaian PSAK ini memberikan klarifikasi pada paragraf 35 terkait model revaluasi, bahwa ketika entitas menggunakan model revaluasi, jumlah tercatat aset disajikan kembali pada jumlah revaluasiannya.

  - PSAK No. 22 (Penyesuaian 2015): Kombinasi Bisnis diadopsi dari Penyesuaian Tahunan terhadap IFRSs 2010-2012 *Cycle* dan 2011 - 2013 *Cycle* (IFRS No. 3), akan berlaku efektif 1 Januari 2016.

    Penyesuaian PSAK ini mengklarifikasi ruang lingkup dan kewajiban membayar imbalan kontinjensi yang memenuhi definisi instrumen keuangan diakui sebagai liabilitas keuangan atau ekuitas.

    PSAK No. 22 (Penyesuaian 2015) juga mengakibatkan dampak penyesuaian terhadap PSAK sebagai berikut:
    - PSAK No. 55: Instrumen Keuangan: Pengakuan dan Pengukuran.
    - PSAK No. 57: Provisi, Liabilitas Kontinjensi dan Aset Kontinjensi.

  - PSAK No. 25 (Penyesuaian 2015): Kebijakan Akuntansi, Perubahan Estimasi Akuntansi dan Kesalahan, akan berlaku efektif 1 Januari 2016.

    Penyesuaian PSAK ini memberikan koreksi editorial pada PSAK No. 25 paragraf 27 tentang keterbatasan penerapan retrospektif.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Annual Improvements 2015 (continued)***

  - *PSAK No. 16 (Improvement 2015): Fixed assets, adopted from Annual Improvements to IFRSs 2010-2012 Cycle (IAS No. 16), will be effectively applied on January 1, 2016.*

    This improvement PSAK provide clarification on paragraph 35 related to the revaluation model, that when an entity uses the revaluation model, the carrying amount of the asset is back to its revalued amount.

  - *PSAK No. 22 (Improvement 2015): Business Combination, adopted from Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle (IFRS No. 3), will be effective on January 1, 2016.*

    This improvement PSAK clarifies the scope and obligation to pay contingent consideration which meets definition of financial instruments recognized as financial liabilities or equity.

    PSAK No. 22 (Improvement 2015) also has an impact to improvement of the following PSAK:
    - *PSAK No. 55: Financial Instruments: Recognition and Measurement.*
    - *PSAK No. 57: Provisions, Contingent Liabilities and Contingent Assets.*

  - *PSAK No. 25 (Improvement 2015): Accounting Policy, Changes of Accounting Estimates and Error, will be effectively applied on January 1, 2016.*

    This improvement PSAK provides editorial corrections to the PSAK No. 25 paragraph 27 on the limitations of retrospective application.

2. IKHTISAR KEBIJAKAN AKUNTANSI SIGNIFIKAN (lanjutan)

u. SAK Baru dan/atau Revisian yang Telah Diterbitkan, Namun Belum Berlaku Efektif (lanjutan)

- **Penyesuaian Tahunan 2015 (lanjutan)**

  - PSAK No. 68 (Penyesuaian 2015): Pengukuran Nilai Wajar diadopsi dari seluruh pengaturan dalam Penyesuaian Tahunan terhadap IFRS 2011-2013 *Cycle* (IFRS No. 16), akan berlaku efektif 1 Januari 2016.

    Penyesuaian PSAK ini mengklarifikasi bahwa pengecualian portofolio, yang memperkenankan Kelompok Usaha mengukur nilai wajar kelompok aset keuangan dan liabilitas keuangan secara neto, diterapkan pada seluruh kontrak (termasuk kontrak non-keuangan) dalam ruang lingkup PSAK No. 55.

Kelompok Usaha sedang mengevaluasi dan belum menentukan dampak dari standar akuntansi tersebut terhadap laporan keuangan konsolidasiannya.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New and/or Revised SAK Issued But Not Yet Effective (continued)

- ***Annual Improvements 2015 (continued)***

  - *PSAK No. 68 (Improvement 2015): Fair value measurement adopted from Annual Improvements to IFRSs 2011-2013 Cycle (IFRS No. 16), will be effectively on January 1, 2016.*

    This improvement PSAK clarifies that the portfolio exception, which permits entities to measure the fair value of the Group's financial assets and financial liabilities on a net basis, applied to all contracts (including non-financial contracts) within the scope of PSAK No. 55.

The Group is presently evaluating and has not yet determined the effects of these accounting standards on its consolidated financial statements.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN

Penyusunan laporan keuangan konsolidasian Kelompok Usaha mengharuskan manajemen untuk membuat pertimbangan, estimasi dan asumsi yang mempengaruhi jumlah yang dilaporkan dari pendapatan, beban, aset dan liabilitas, dan pengungkapan atas liabilitas kontijensi, pada akhir periode/tahun pelaporan. Ketidakpastian mengenai asumsi dan estimasi tersebut dapat mengakibatkan penyesuaian material terhadap nilai tercatat pada aset dan liabilitas dalam periode/tahun pelaporan berikutnya.

Pertimbangan

Pertimbangan berikut ini dibuat oleh manajemen dalam rangka penerapan kebijakan akuntansi Kelompok Usaha yang memiliki pengaruh paling signifikan atas jumlah yang diakui dalam laporan keuangan konsolidasian:

Alokasi Biaya Perolehan dan Penurunan Nilai *Goodwill*

Akuntansi akuisisi mengharuskan penggunaan estimasi akuntansi secara ekstensif dalam mengalokasikan biaya perolehan kepada nilai pasar wajar yang dapat diandalkan atas aset dan liabilitas yang diakuisisi, termasuk aset tak berwujud. Sesuai PSAK No. 22 (Revisi 2010), "Kombinasi Bisnis", *goodwill* tidak diamortisasi dan diuji untuk penurunan nilai setiap tahunnya. Nilai tercatat *goodwill* Kelompok Usaha pada tanggal 31 Desember 2015 dan 2014 adalah sebesar nihil dan AS$47.235.825. Penjelasan lebih rinci diungkapkan dalam Catatan 14.

Pembuatan estimasi arus kas masa depan dalam menentukan nilai wajar properti minyak dan gas pada tanggal akuisisi melibatkan estimasi yang signifikan. Walaupun manajemen berkeyakinan bahwa asumsi yang digunakan adalah tepat dan masuk akal, perubahan signifikan pada asumsi tersebut dapat mempengaruhi secara material evaluasi atas nilai terpulihkan dan dapat menimbulkan penurunan nilai sesuai PSAK No. 48, "Penurunan Nilai Aset."

Goodwill diuji untuk penurunan nilai setiap tahunnya dan jika terdapat indikasi penurunan nilai. Manajemen menggunakan pertimbangan dalam mengestimasi jumlah terpulihkan dan menentukan adanya indikasi penurunan nilai. Estimasi atau nilai terpulihkan diuraikan pada bagian "Estimasi dan Asumsi" pada catatan ini.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period/year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods/years.

Judgments

The following judgments are made by management in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements:

Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under PSAK No. 22 (Revised 2010), "Business Combinations", goodwill is not amortized and is subject to an annual impairment testing. The carrying amount of the Group's goodwill as of December 31, 2015 and 2014 amounted to nil and US$47,235,825. Further details are disclosed in Note 14.

The preparation of estimated future cash flows in determining the fair values of oil and gas properties at the date of acquisition involves significant estimations. While the management believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future impairment charges under PSAK No. 48, "Impairment of Assets."

Goodwill is subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management uses its judgment in estimating the recoverable value and determining if there is any indication of impairment. Estimates on the recoverable amount are further described in "Estimates and Assumptions" section in this note.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Pertimbangan (lanjutan)

Penentuan Mata Uang Fungsional

Mata uang fungsional adalah mata uang dari lingkungan ekonomi primer dimana Kelompok Usaha beroperasi. Manajemen mempertimbangkan mata uang yang paling mempengaruhi pendapatan dan beban dari jasa yang diberikan serta mempertimbangkan indikator lainnya dalam menentukan mata uang yang paling tepat menggambarkan pengaruh ekonomi dari transaksi, kejadian dan kondisi yang mendasari.

Klasifikasi Aset dan Liabilitas Keuangan

Kelompok Usaha menetapkan klasifikasi atas aset dan liabilitas tertentu sebagai aset keuangan dan liabilitas keuangan dengan mempertimbangkan bila definisi yang ditetapkan PSAK No. 55 (Revisi 2011) dipenuhi. Dengan demikian, aset keuangan dan liabilitas keuangan diakui sesuai dengan kebijakan akuntansi Kelompok Usaha seperti diungkapkan pada Catatan 2e.

Pengaturan bersama

Pertimbangan diperlukan untuk menentukan kapan Kelompok Usaha memiliki pengendalian bersama terhadap sebuah pengaturan, yang memerlukan penilaian dari aktivitas yang relevan dan apabila keputusan sehubungan dengan aktivitas tersebut mengharuskan persetujuan dengan suara bulat.

Kelompok Usaha memenetapkan bahwa aktivitas relevan bagi Kelompok Usaha untuk pengaturan bersama adalah aktivitas yang berhubungan dengan keputusan keuangan, operasional dan modal dari pengaturan tersebut. Pertimbangan-pertimbangan yang dibuat dalam menentukan pengendalian bersama adalah sama dengan penentuan pengendalian atas entitas anak, sebagaimana yang dijelaskan dalam Catatan 2c.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Determination of Functional Currency

The functional currency is the currency of the primary economic environment in which the Group operates. The management considered the currency that mainly influences the revenue and cost of rendering services and other indicators in determining the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Classification of Financial Assets and Liabilities

The Group determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2011). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies disclosed in Note 2e.

Joint arrangements

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

The Group has determined that the relevant activities for its joint arrangements are those relating to the financial, operating and capital decisions of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 2c.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Pertimbangan (lanjutan)

Pengaturan bersama (lanjutan)

Pertimbangan juga diperlukan untuk menentukan klasifikasi suatu pengaturan bersama. Pengklasifikasian tersebut mengharuskan Kelompok Usaha menilai hak dan kewajibannya yang timbul dari pengaturan bersama. Secara khusus, Kelompok Usaha mempertimbangkan:

- Struktur pengaturan bersama - apakah dibentuk melalui kendaraan terpisah
- Ketika pengaturan bersama dibentuk melalui kendaran terpisah, Kelompok Usaha juga mempertimbangkan hak dan kewajiban para pihak yang timbul dari:
  - Bentuk hukum dari kendaraan terpisah
  - Persyaratan pengaturan kontraktual
  - Fakta dan keadaan lainnya, jika relevan.

Penilaian tersebut sering memerlukan pertimbangan yang signifikan. Kesimpulan yang berbeda baik atas kesimpulan mengenai pengendalian bersama dan apakah suatu pengaturan adalah sebuah operasi bersama atau ventura bersama, dapat secara material mempengaruhi perlakuan akuntansinya.

Tagihan dan Keberatan atas Hasil Pemeriksaan Pajak

Berdasarkan peraturan perpajakan yang berlaku saat ini, manajemen mempertimbangkan apakah jumlah yang tercatat pada akun tagihan pajak dapat dipulihkan dan direstitusi oleh Kantor Pajak. Lebih lanjut, manajemen mempertimbangkan liabilitas yang mungkin timbul dari hasil pemeriksaan pajak yang masih diajukan keberatannya. Nilai tercatat atas tagihan pajak dan keberatan atas hasil pemeriksaan pajak Kelompok Usaha pada tanggal 31 Desember 2015 masing-masing sebesar AS$59.637.060 dan AS$182.845.215 dan 31 Desember 2014 masing-masing sebesar AS$66.806.760 dan nihil. Penjelasan lebih lanjut disajikan pada Catatan 16.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Joint arrangements (continued)

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- *The structure of the joint arrangement - whether it is structured through a separate vehicle*
- *When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:*
  - *The legal form of the separate vehicle*
  - *The terms of the contractual arrangement*
  - *Other relevant facts and circumstances.*

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Claim for Tax Refund and objection on the result of Tax Assessments

Based on the tax regulations currently enacted, the management judged if the amounts recorded under claim for tax refund are recoverable and refundable by the Tax Office. Further, the management also judged possible liability that might arise from the tax assessment under objection. The carrying amounts of the Group's claims for tax refund and tax assessments under objection as of December 31, 2015 were US$59,637,060 and US$182,845,215 respectively and December 31, 2014 were US$66,806,760 and nil, respectively. Further explanation are provided in Note 16.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi

Asumsi utama masa depan dan sumber utama estimasi ketidakpastian lain pada tanggal pelaporan yang memiliki risiko signifikan bagi penyesuaian yang material terhadap nilai tercatat aset dan liabilitas untuk tahun berikutnya diungkapkan di bawah ini. Kelompok Usaha mendasarkan asumsi dan estimasi pada parameter yang tersedia pada saat laporan keuangan konsolidasian disusun. Asumsi dan situasi mengenai perkembangan masa depan mungkin berubah akibat perubahan pasar atau situasi di luar kendali Kelompok Usaha. Perubahan tersebut dicerminkan dalam asumsi terkait pada saat terjadinya.

Biaya Eksplorasi dan Evaluasi

Kebijakan akuntansi Kelompok Usaha untuk biaya eksplorasi dan evaluasi mengakibatkan biaya tertentu dikapitalisasi untuk sebuah wilayah kerja yang dianggap dapat dipulihkan oleh eksploitasi di masa depan atau penjualan atau dimana kegiatan tersebut belum mencapai tahap tertentu yang memungkinkan dilakukan penilaian yang wajar atas keberadaan cadangan. Kebijakan ini mengharuskan manajemen untuk membuat estimasi dan asumsi tertentu atas peristiwa dan keadaan di masa depan, khususnya apakah operasi eksploitasi dapat dilaksanakan secara ekonomis.

Setiap perkiraan dan asumsi tersebut dapat berubah seiring tersedianya informasi baru. Jika, setelah dilakukan kapitalisasi atas biaya berdasarkan kebijakan ini, suatu pertimbangan dibuat bahwa pemulihan biaya dianggap tidak dimungkinkan, biaya yang telah dikapitalisasi tersebut akan dibebankan ke dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian.

Kegiatan pengembangan dimulai setelah dilakukan pengesahan proyek oleh tingkat manajemen yang berwenang. Pertimbangan diterapkan oleh manajemen dalam menentukan kelayakan suatu proyek secara ekonomis. Dalam melakukan pertimbangan ini, manajemen perlu membuat estimasi dan asumsi tertentu yang serupa dengan kapitalisasi biaya eksplorasi dan evaluasi yang dijelaskan di atas.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the controls of the Group. Such changes are reflected in the assumptions when they occur.

Exploration and evaluation expenditures

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be a recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off to the consolidated statements of profit or loss and other comprehensive income.

Development activities commence after a project is sanctioned by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi (lanjutan)

Cadangan Kerugian Penurunan Nilai atas Piutang Usaha

Kelompok Usaha mengevaluasi akun tertentu jika terdapat informasi bahwa pelanggan yang bersangkutan tidak dapat memenuhi kewajiban keuangannya. Dalam hal tersebut, Kelompok Usaha mempertimbangkan, berdasarkan fakta dan situasi yang tersedia, termasuk namun tidak terbatas pada, jangka waktu hubungan dengan pelanggan dan status kredit dari pelanggan, untuk mencatat provisi yang spesifik atas jumlah piutang pelanggan guna mengurangi jumlah piutang yang diharapkan dapat diterima oleh Kelompok Usaha.

Provisi yang spesifik ini dievaluasi kembali dan disesuaikan jika tambahan informasi yang diterima mempengaruhi jumlah cadangan kerugian penurunan nilai atas piutang usaha. Nilai tercatat dari piutang usaha Kelompok Usaha pada tanggal 31 Desember 2015 adalah sebesar AS$31.052.054 (31 Desember 2014: AS$30.222.124). Penjelasan lebih rinci diungkapkan dalam Catatan 5.

Manajemen Kelompok Usaha berpendapat bahwa seluruh saldo piutang usaha dapat ditagih, sehingga tidak diperlukan cadangan kerugian penurunan nilai.

Ketidakpastian Kewajiban Perpajakan

Pertimbangan signifikan dilakukan dalam menentukan provisi atas pajak penghasilan badan maupun pajak lainnya atas transaksi tertentu. Ketidakpastian timbul terkait dengan interpretasi dari peraturan perpajakan yang kompleks dan jumlah dan waktu dari penghasilan kena pajak di masa depan. Dalam menentukan jumlah yang harus diakui terkait dengan liabilitas pajak yang tidak pasti, Perusahaan menerapkan pertimbangan yang sama yang akan mereka gunakan dalam menentukan jumlah cadangan yang harus diakui sesuai dengan PSAK No. 57, "Provisi, Liabilitas Kontinjensi dan Aset Kontinjensi". Perusahaan membuat analisa untuk semua posisi pajak terkait dengan pajak penghasilan untuk menentukan jika liabilitas pajak untuk manfaat pajak yang belum diakui harus diakui.

Kelompok Usaha mengakui liabilitas atas pajak penghasilan badan berdasarkan estimasi apakah akan terdapat tambahan pajak penghasilan badan. Penjelasan lebih rinci diungkapkan dalam Catatan 16.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Allowance for Impairment Losses on Trade Receivables

The Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group uses judgement, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect.

These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment losses on trade receivables. The carrying amount of the Group's trade receivables as of December 31, 2015 amounted to US$31,052,054 (December 31, 2014: US$30,222,124). Further details are disclosed in Note 5.

The Group's management is of the opinion that all of the trade receivables are collectible. Hence, no allowance for impairment losses has been provided.

Uncertain Tax Exposure

Significant judgment is involved in determining the provision for corporate income tax and other taxes on certain transactions. 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 to determine if a tax liability for unrecognized tax benefit should be recognized.

The Group recognizes liabilities for expected corporate income tax payables based on estimates of whether additional corporate income tax will be due. Further details are disclosed in Note 16.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi (lanjutan)

Liabilitas Pembongkaran Aset dan Restorasi Area

Kelompok Usaha mengakui provisi untuk liabilitas pembongkaran aset dan restorasi area terkait dengan sumur minyak dan gas, fasilitas dan infrastruktur. Dalam menentukan nilai provisi, asumsi dan estimasi yang diperlukan adalah tingkat diskonto dan biaya yang diharapkan untuk membongkar dan memindahkan semua peralatan dari daerah pengeboran dan restorasi area. Nilai tercatat dari provisi tersebut pada tanggal 31 Desember 2015 dan 2014 masing-masing sebesar AS$17.148.904 dan AS$59.859.314. Penjelasan lebih rinci diungkapkan dalam Catatan 22.

Estimasi Cadangan

Nilai tercatat untuk deplesi, penyusutan dan untuk amortisasi beserta pemulihan nilai tercatat properti minyak dan gas, yang digunakan untuk memproduksi minyak dan gas tergantung pada estimasi cadangan minyak dan gas. Faktor utama yang mempengaruhi estimasi tersebut adalah penilaian teknis atas kuantitas produksi cadangan minyak dan gas yang ada dan kendala ekonomis seperti ketersediaan pasar komersial atas produksi minyak dan gas bumi maupun asumsi yang terkait dengan antisipasi harga komoditas dan biaya pengembangan dan produksi cadangan tersebut.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Asset Abandonment and Site Restoration Obligations

The Group has recognized provision for asset abandonment and site restoration obligations associated with its oil and gas wells, facilities and infrastructures. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all the structures from the site and restore the site. The carrying amounts of the provision as of December 31, 2015 and 2014 amounted to US$17,148,904 and US$59,859,314, respectively. Further details are disclosed in Note 22.

Reserve Estimates

The amounts recorded for depletion, depreciation and amortization as well as the recovery of the carrying value of oil and gas properties involving production of oil and gas reserves depends on estimated reserves of oil and gas. The primary factors affecting these estimates are technical engineering assessments of producible quantities of oil and gas reserves in place and economic constraints such as the availability of commercial markets for oil and gas production as well as assumptions related to anticipated commodity prices and the costs of development and production of the reserves.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi (lanjutan)

Estimasi Cadangan (lanjutan)

Asumsi ekonomi yang digunakan untuk memperkirakan cadangan berubah dari waktu ke waktu dan data geologi bertambah selama masa operasi, oleh karena itu perkiraan cadangan dapat berubah dari waktu ke waktu. Perubahan cadangan yang dilaporkan dapat mempengaruhi hasil dan posisi keuangan Kelompok Usaha dalam berbagai cara diantaranya:

- Nilai tercatat aset dapat terpengaruh akibat perubahan estimasi arus kas masa depan.
- Penyusutan dan amortisasi yang dibebankan ke dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian dapat berubah apabila beban-beban tersebut ditentukan berdasarkan unit produksi, atau jika masa manfaat ekonomi umur aset berubah.
- Penyisihan untuk aktivitas purna-operasi, restorasi lokasi aset, dan hal-hal yang berkaitan dengan lingkungan dapat berubah apabila terjadi perubahan dalam perkiraan cadangan yang mempengaruhi ekspektasi tentang waktu atau biaya kegiatan ini.
- Nilai tercatat aset/liabilitas pajak tangguhan dapat berubah karena perubahan estimasi pemulihan manfaat pajak.

3. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTION (continued)

Estimates and Assumptions (continued)

Reserve Estimates (continued)

The economic assumptions used to estimate reserves change from period to period, and additional geological data is generated during the course of operations, therefore estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- *Asset carrying values may be affected due to changes in estimated future cash flows.*
- *Depreciation and amortization charged in the consolidated statements of profit or loss and other comprehensive income may change where such charges are determined on units of production basis, or where the useful economic lives of assets change.*
- *Decommissioning, site restoration and environmental provision may change where changes in estimated reserves affect expectations about the timing or cost of these activities.*
- *The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.*

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi (lanjutan)

Penurunan Nilai Aset Non-Keuangan

Sesuai dengan kebijakan akuntansi Kelompok Usaha, setiap aset atau unit penghasil kas dievaluasi pada setiap periode pelaporan untuk menentukan ada tidaknya indikasi penurunan nilai aset. Jika terdapat indikasi tersebut, akan dilakukan perkiraan atas nilai aset yang dapat kembali dan kerugian akibat penurunan nilai akan diakui sebesar selisih antara nilai tercatat aset dengan nilai yang dapat dipulihkan kembali dari aset tersebut. Jumlah nilai yang dapat dipulihkan kembali dari sebuah aset atau kelompok aset penghasil kas diukur berdasarkan nilai yang lebih tinggi antara nilai wajar dikurangi biaya untuk menjual dan nilai pakai aset.

Aset yang memiliki masa manfaat yang terbatas, seperti *goodwill* atau aset tak berwujud yang belum siap untuk digunakan, tidak diamortisasi dan diuji setiap tahun untuk penurunan nilai. Jumlah nilai yang dapat diperoleh kembali dari unit penghasil kas ditentukan berdasarkan perhitungan nilai pakai.

Aset minyak dan gas bumi yang telah menemukan cadangan terbukti, ditelaah untuk penurunan nilai ketika kejadian dan perubahan keadaan mengindikasikan bahwa nilai tercatat aset tidak dapat dipulihkan. Jika terdapat indikasi tersebut, nilai terpulihkan aset akan diestimasi. Nilai terpulihkan aset ditentukan berdasarkan nilai yang lebih tinggi antara nilai wajar aset dikurangi biaya untuk menjual dan nilai pakainya.

Penentuan nilai wajar dan nilai pakai membutuhkan manajemen untuk membuat estimasi dan asumsi atas produksi yang diharapkan dan *volume* penjualan, harga komoditas (mempertimbangkan harga saat ini dan masa lalu, tren harga dan faktor-faktor terkait), cadangan (lihat "Estimasi Cadangan" di atas), biaya operasi, biaya pembongkaran dan restorasi serta belanja modal di masa depan. Estimasi dan asumsi ini terpapar risiko dan ketidakpastian; sehingga ada kemungkinan perubahan situasi dapat mengubah proyeksi ini, yang dapat mempengaruhi nilai aset yang dapat dipulihkan kembali. Dalam keadaan seperti itu, sebagian atau seluruh nilai tecatat aset mungkin akan mengalami penurunan nilai lebih lanjut atau terjadi pengurangan rugi penurunan nilai yang dampaknya akan dicatat dalam laba rugi.

3. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTION (continued)

Estimates and Assumptions (continued)

Impairment of Non-Financial Assets

In accordance with the Group's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss recognized to the extent that the carrying amount of an asset or cash generating unit of a group of assets is measured at the higher of fair value less costs to sell and value in use.

Assets that have an indefinite useful-life for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Proven oil and gas properties are reviewed for impairment losses whenever events or changes in circumtances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is determined as the higher of an asset's fair value less cost to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see "Reserve Estimates" above), operating costs, decommissioning and site restoration cost, and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumtances will alter these projections, which may impact the recoverable amount of the assets. In such circumtances, some or all of the carrying value of the assets may be further impaired, or the impairment charge reduced, with the impact recorded in the profit or loss.

3. PERTIMBANGAN, ESTIMASI DAN ASUMSI AKUNTANSI SIGNIFIKAN (lanjutan)

Estimasi dan Asumsi (lanjutan)

Imbalan Manfaat Pasti dan Imbalan Jangka Panjang Lainnya

Biaya program pensiun manfaat pasti dan imbalan jangka panjang lainnya serta nilai kini kewajiban imbalan kerja ditentukan dengan menggunakan penilaian aktuaria. Penilaian aktuaria melibatkan penentuan berbagai asumsi, termasuk penentuan tingkat diskonto, tingkat kenaikan gaji masa depan, tingkat mortalitas, tingkat pengunduran diri karyawan, tingkat kecacatan dan tingkat hasil yang diharapkan dari aset program. Karena kerumitan penilaian, asumsi yang mendasari dan sifat jangka panjangnya, kewajiban manfaat pasti sangat sensitif terhadap perubahan asumsi-asumsi tersebut. Seluruh asumsi ditelaah setiap akhir tahun pelaporan.

Dalam menentukan tingkat diskonto yang sesuai, manajemen memperhitungkan tingkat bunga (pada akhir tahun pelaporan) dari obligasi Pemerintah dalam Rupiah. Kelompok Usaha menggunakan tingkat diskonto tunggal untuk masing-masing entitas dalam Kelompok Usaha yang mencerminkan rata-rata perkiraan jadwal pembayaran imbalan dan mata uang yang digunakan dalam membayar imbalan. Tingkat mortalitas adalah berdasarkan tabel mortalita yang tersedia pada publikasi. Tingkat kenaikan gaji masa depan didasarkan pada rencana kerja jangka panjang Kelompok Usaha yang juga dipengaruhi oleh tingkat inflasi masa depan yang diharapkan dalam suatu negara.

Walaupun Kelompok Usaha berkeyakinan bahwa asumsi tersebut adalah wajar dan sesuai, perbedaan signifikan pada hasil aktual atau perubahan signifikan dalam asumsi yang ditetapkan Kelompok Usaha dapat mempengaruhi secara material liabilitas diestimasi atas pensiun dan imbalan kerja dan beban imbalan kerja neto. Penjelasan lebih rinci mengenai asumsi-asumsi yang digunakan diungkapkan pada Catatan 19.

3. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTION (continued)

Estimates and Assumptions (continued)

Defined Benefit and Other Employees' Benefits

The cost of defined benefit pension plans and other long-term employee benefits and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which includes the determination of the discount rate, future salary increases, mortality rates, employee turn-over rate, disability rate, and the expected rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at financial year-end.

In determining the appropriate discount rate, management considers the market yields (at year end) on Indonesian Rupiah Government bonds. The Group uses a single discount rate for each entity within the Group that reflects the estimated average timing of benefit payments and the currency in which the benefits are to be paid. The mortality rate is based on publicly available mortality tables. Future salary increases is based on the Group long-term business plan which is also influenced by expected future inflation rates for the country.

While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employees' benefits expense. Further details about the assumptions used are disclosed in Note 19.

4. KAS DAN SETARA KAS / *4. CASH AND CASH EQUIVALENTS*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	**2014**	
Bank			*Cash in banks*
Rekening Rupiah			*Rupiah accounts*
Entitas berelasi dengan Pemerintah (Catatan 30)			*Government-related entities (Note 30)*
PT Bank Mandiri (Persero) Tbk	633.166	2.584.833	*PT Bank Mandiri (Persero) Tbk*
PT Bank Negara Indonesia (Persero) Tbk	181.593	491.568	*PT Bank Negara Indonesia (Persero) Tbk*
Rekening Dolar AS			*US Dollar accounts*
Entitas berelasi dengan Pemerintah (Catatan 30)			*Government-related entities (Note 30)*
PT Bank Rakyat Indonesia (Persero) Tbk	28.290.046	50.243.741	*PT Bank Rakyat Indonesia (Persero) Tbk*
PT Bank Mandiri (Persero) Tbk	28.274.615	63.825.843	*PT Bank Mandiri (Persero) Tbk*
PT Bank Negara Indonesia (Persero) Tbk	9.636.491	9.287.871	*PT Bank Negara Inonesia (Persero) Tbk*
Pihak ketiga			*Third parties*
Sumitomo Mitsui Banking Corporation	1.903.234	-	*Sumitomo Mitsui Banking Corporation*
JP Morgan Chase, Texas	-	21.950.996	*JP Morgan Chase, Texas*
Citibank N.A., Belanda	28.807	2.762.937	*Citibank N.A., Netherlands*
Sub-total	**68.947.952**	**151.147.789**	***Sub-total***
Setara kas - Deposito berjangka yang tidak dibatasi penggunaannya			*Cash equivalents - Unrestricted time deposits*
Rekening Rupiah			*Rupiah accounts*
Entitas berelasi dengan Pemerintah (Catatan 30)			*Government-related entities (Note 30)*
PT Bank Rakyat Indonesia (Persero) Tbk	1.116.847	3.215.434	*PT Bank Rakyat Indonesia (Persero) Tbk*
Rekening Dolar AS			*US Dollar accounts*
Entitas berelasi dengan Pemerintah (Catatan 30)			*Government-related entities (Note 30)*
PT Bank Rakyat Indonesia (Persero) Tbk	123.000.000	30.000.000	*PT Bank Rakyat Indonesia (Persero) Tbk*
PT Bank Negara Indonesia (Persero) Tbk	-	9.000.000	*PT Bank Negara Indonesia (Persero) Tbk*
PT Bank Mandiri (Persero) Tbk	1.000.000	-	*PT Bank Mandiri (Persero) Tbk*
Sub-total	**125.116.847**	**42.215.434**	***Sub-total***
Total	**194.064.799**	**193.363.223**	***Total***

4. KAS DAN SETARA KAS (lanjutan) / *4. CASH AND CASH EQUIVALENTS (continued)*

Tingkat bunga tahunan deposito berjangka pada tanggal berikut adalah sebagai berikut:

The annual interest rates of time deposits on the following dates are as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
Rekening Rupiah	6,00%-9,50%	9,80%	*Rupiah account*
Rekening Dolar AS	0,11%-2,50%	1,00% - 2,05%	*US Dollar account*

5. PIUTANG USAHA / *5. TRADE RECEIVABLES*

Akun ini terdiri dari piutang dari:

This account consists of receivables from:

	31 Desember/*December 31,*		
	2015	**2014**	
Gas Bumi	15.007.669	11.965.983	*Natural Gas*
Minyak	14.591.899	15.985.312	*Crude Oil*
Liquefied Petroleum Gas (LPG)	1.452.486	2.270.829	*Liquefied Petroleum Gas (LPG)*
Total	**31.052.054**	**30.222.124**	***Total***

Piutang usaha tidak berbunga dan pada umumnya berjangka waktu 7-30 hari.

Trade receivables are non-interest bearing and generally due for collection in 7-30 days.

Pada tanggal 31 Desember 2015 dan 2014, piutang usaha adalah lancar dan tidak mengalami penurunan nilai.

As of December 31, 2015 and 2014, trade receivables are neither past due nor impaired.

Manajemen Kelompok Usaha berpendapat bahwa seluruh saldo piutang dapat ditagih, sehingga tidak diperlukan cadangan kerugian penurunan nilai.

The Group's management is of the opinion that all of the receivables are collectible, hence, no allowance for impairment losses has been provided.

6. PIUTANG LAIN-LAIN / *6. OTHER RECEIVABLES*

Akun ini terdiri:

This account consists of:

	31 Desember/*December 31,*		
	2015	**2014**	
Piutang dari operasi bersama	18.462.180	11.298.407	*Joint operation receivables*
Piutang *underlifting*	1.343.404	3.025.124	*Underlifting receivable*
Pajak Pertambahan Nilai (PPN) yang dapat ditagihkan	-	5.675.848	*Reimbursable Value-Added Tax (VAT)*
Lain-lain	104.943	93.566	*Others*
Total	**19.910.527**	**20.092.945**	***Total***

Piutang lain-lain pada tanggal 31 Desember 2015 dan 2014 berkaitan dengan aktivitas eksplorasi dan produksi minyak dan gas dari operasi bersama merupakan bagian perusahaan atas modal kerja berdasarkan *joint interest billing*.

Others receivables as of December 31, 2015 and 2014 which relates to oil and gas exploration and production activities of joint operation is part of the company's working capital through joint interest billing.

6. PIUTANG LAIN-LAIN (lanjutan)

Pada tanggal 31 Desember 2014, Piutang PPN yang dapat ditagihkan merupakan PPN yang dibayarkan oleh Entitas Anak yang dapat ditagih kembali dari Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKKMIGAS").

Piutang *underlifting* dari SKKMIGAS pada tanggal 31 Desember 2014 berasal dari blok Pangkah dan pada tanggal 31 Desember 2015 berasal dari blok Pangkah dan Ketapang.

6. OTHER RECEIVABLES (continued)

As of December 31, 2014, reimbursable VAT represents VAT paid by subsidiaries, which is reimbursable from Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKKMIGAS").

The underlifting receivable from SKKMIGAS as of December 31, 2014 relates to Pangkah and as of December 31, 2015 relates to Pangkah and Ketapang block.

7. PERSEDIAAN

Akun ini terdiri:

7. INVENTORIES

This account consists of:

	31 Desember/*December 31,*		
	2015	**2014**	
Suku cadang, perlengkapan sumur dan lainnya	37.807.835	34.405.969	*Spare parts, well supplies and others*
Penyisihan persediaan usang	(1.037.947)	(1.037.947)	*Allowance for inventory obsolescence*
Neto	**36.769.888**	**33.368.022**	***Net***

Perubahan penyisihan persediaan usang adalah sebagai berikut:

The changes in the allowance for inventory obsolescence are as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
Saldo awal	(1.037.947)	(553.646)	*Beginning balance*
Penyisihan persediaan dari akuisisi entitas anak	-	(484.301)	*Allowance arising from acquisition of subsidiary*
Saldo akhir	**(1.037.947)**	**(1.037.947)**	***Ending balance***

Suku cadang, perlengkapan sumur dan lainnya terdiri dari persediaan yang berhubungan dengan eksplorasi, produksi minyak dan gas.

Spare parts, well supplies and others represent inventories that are related to exploration, oil and gas production.

Berdasarkan hasil penelaahan terhadap kondisi fisik dari persediaan pada tanggal pelaporan, manajemen berkeyakinan cadangan penyisihan persediaan tersebut di atas cukup untuk menutup kemungkinan keusangan dari persediaan.

Based on a review of physical conditions of the inventories at the reporting dates, management believes that the above allowance is adequate to cover any possible losses from obsolescence of inventories.

8. UANG MUKA DAN JAMINAN / *8. ADVANCE AND DEPOSIT*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,* 2015	2014	
Pihak ketiga			*Third parties*
Uang muka dari operasi bersama	14.857.711	-	*Joint operation advances*
Jetty Pangkah	716.416	1.387.166	*Jetty Pangkah*
Lain-lain (dibawah AS$1.000.000)	476.967	1.324.576	*Others (under US$1,000,000)*
Total	**16.051.094**	**2.711.742**	***Total***

Uang muka dari operasi bersama sebesar AS$14.857.711 pada 31 Desember 2015 merupakan bagian Kelompok Usaha pada uang muka yang timbul dari kegiatan eksplorasi dan produksi minyak dan gas atas perjanjian kerjasama operasi.

Joint operation advances amounting to US$14,857,711 as of December 31, 2015 represent the Group's share in advances arising from the oil and gas exploration and production activities in a joint operation contract.

Uang muka untuk *Jetty* Pangkah merupakan uang muka yang dibayarkan SIPL sehubungan dengan sewa *jetty* kepada PT Siam Maspion Terminal.

Advances for Jetty Pangkah represent advances paid by SIPL for the rental of jetty to PT Siam Maspion Terminal.

Manajemen Kelompok Usaha berpendapat bahwa seluruh uang muka tersebut dapat dipulihkan.

The management of the Group believes that all of such advances can be recovered.

9. BEBAN DIBAYAR DI MUKA / *9. PREPAID EXPENSES*

Akun ini merupakan bagian Kelompok Usaha pada biaya dibayar di muka yang timbul dari kegiatan eksplorasi dan produksi minyak dan gas atas perjanjian kerjasama operasi.

This account represents the Group's share in prepaid expenses arising from the oil and gas exploration and production activities in a joint operation contract.

10. UANG MUKA *CASH CALL* / *10. CASH CALL ADVANCE*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,* 2015	2014	
ENI Muara Bakau	5.549.160	-	*ENI Muara Bakau*
Ophir Indonesia (Bangkanai) Limited	2.241.922	1.754.292	*Ophir Indonesia (Bangkanai) Limited*
Ophir Indonesia (West Bangkanai) Limited	2.149.390	-	*Ophir Indonesia (West Bangkanai) Limited*
CNOOC SES Limited	1.025.409	3.125.859	*CNOOC SES Limited*
Total	**10.965.881**	**4.880.151**	***Total***

Uang muka *cash call* merupakan pembayaran *cash call* yang berkaitan dengan kontrak kerjasama minyak dan gas bumi.

Cash call advance is payments of cash call related to oil and gas joint operation contract.

11. PIUTANG LAIN-LAIN JANGKA PANJANG / *11. OTHER LONG-TERM RECEIVABLES*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	**2014**	
Piutang *carry dari* GDF Suez	178.451.512	-	*Carry receivables from GDF Suez*
Penyesuaian nilai wajar	(7.169.865)	-	*Fair value adjustment*
Nilai tercatat	171.281.647	-	*Carrying value*
Piutang *carry* dari Salamander Energy (Bangkanai) Ltd.	35.600.000	35.600.000	*Carry receivables from Salamander Energy (Bangkanai) Ltd.*
Penyesuaian nilai wajar	(1.630.148)	(2.376.384)	*Fair value adjustment*
Nilai tercatat	33.969.852	33.223.616	*Carrying value*
Piutang dari KUFPEC	7.771.789	7.771.788	*Receivables from KUFPEC*
Penyesuaian nilai wajar	(278.679)	(458.889)	*Fair value adjustment*
Nilai tercatat	7.493.110	7.312.899	*Carrying value*
Sub-total piutang *carry*	212.744.609	40.536.515	*Carry receivable sub-total*
PPN yang dapat ditagihkan	63.094.744	21.254.272	*Reimbursable VAT*
Saldo akhir	**275.839.353**	**61.790.787**	***Ending balance***

Pada tanggal 12 Februari 2014, PT Saka Energi Muara Bakau ("SEMB") - entitas anak, melakukan perjanjian jual beli 11,67% *participating interest* di Muara Bakau PSC dengan GDF SUEZ Exploration Indonesia B.V. Persetujuan dari Pemerintah Indonesia dan SKKMIGAS telah diperoleh pada tanggal 12 Januari 2015 dan 4 Februari 2015.

On February 12, 2014, PT Saka Energi Muara Bakau ("SEMB") - a subsidiary, signed a sale and purchase agreement of 11.67% participating interest in Muara Bakau PSC with GDF SUEZ Exploration Indonesia B.V. Approval from Government of Indonesia and SKKMIGAS are obtained on January 12, 2015 and February 4, 2015.

Berdasarkan *Carry Agreement* Muara Bakau PSC tanggal 12 Februari 2014, SEMB akan melakukan pembayaran *carry cost* kepada GDF Suez Exploration Indonesia B.V. atas biaya pengembangan sumur Jangkrik. Sampai dengan 31 Desember 2015, jumlah yang telah dibayarkan oleh SEMB adalah sebesar AS$178.451.512.

Based on Carry Agreement of Muara Bakau PSC dated on February 12, 2014, SEMB should make payments of carry cost to GDF Suez Exploration Indonesia B.V. for Jangkrik development. As of December 31, 2015, the amount paid by SEMB is US$178,451,512.

Pada tahun 2015, SEMB mencatat penyesuaian nilai wajar atas piutang dari GDF dengan mengestimasi nilai kini atas penerimaan arus kas masuk masa depan yang didiskonto dengan menggunakan tingkat suku bunga pinjaman SEMB.

In 2015, SEMB recorded fair value adjustment on its non-interest bearing receivables from GDF by estimating present value of all future cash receipts discounted using the borrowing rate of SEMB.

11. PIUTANG LAIN-LAIN JANGKA PANJANG (lanjutan)

Berdasarkan perjanjian *Farm Out* Bangkanai PSC tanggal 11 Maret 2013, SBK akan melakukan pembayaran *carry* atas biaya pengembangan sebesar AS$30.000.000, biaya pengeboran di sumur West Kerendan-1 sebesar AS$5.600.000 dan biaya pengeboran sumur eksplorasi berikutnya sebesar AS$1.500.000 di blok tersebut. Pada tanggal 31 Desember 2015 dan 2014, jumlah yang telah dibayarkan oleh SBK sebesar AS$35.600.000. Selama tahun 2015 tidak ada tambahan pembayaran *carry* oleh SBK. SBK dapat memulihkan biaya pengembangan dan pengeboran tersebut pada saat aktivitas produksi, dengan nilai maksimum sebesar jumlah tersebut di atas.

Pada tahun 2013, SBK mencatat penyesuaian nilai wajar atas piutang dari Salamander Energy (Bangkanai) Limited dengan mengestimasi nilai kini atas penerimaan arus kas masuk masa depan yang didiskonto dengan menggunakan tingkat suku bunga pinjaman SBK.

Piutang dari Kuwait Foreign Petroleum Exploration Company K.S.C. (*Closed*) (KUFPEC) merupakan piutang sehubungan dengan beban pajak yang terutang di SIP yang ditanggung oleh KUFPEC sesuai dengan Perjanjian Jual Beli Kufpec Indonesia Pangkah B.V. antara SEI dengan KUFPEC tanggal 24 April 2013.

Pada tahun 2014, SEI mencatat penyesuaian nilai wajar atas piutang dari KUFPEC tanpa bunga dengan mengestimasi nilai kini atas penerimaan arus kas masuk masa depan yang didiskonto dengan menggunakan tingkat suku bunga pinjaman SEI.

Setelah pengakuan awal, Kelompok Usaha akan mencatat pendapatan bunga *unwinding* atas piutang tersebut yang disajikan dalam akun "Pendapatan Keuangan" di dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian sampai dengan periode estimasi pembayaran terakhir dengan menyesuaikan jumlah tercatat piutang menjadi nilai nominal.

Manajemen Kelompok Usaha berpendapat bahwa saldo seluruh piutang tersebut dapat ditagih sehingga tidak diperlukan cadangan kerugian penurunan nilai.

11. OTHER LONG-TERM RECEIVABLES (continued)

Based on Farm Out Agreement of Bangkanai PSC dated March 11, 2013, SBK will carry US$30,000,000 of Salamander Energy (Bangkanai) Limited's carry development costs, pay a promote US$5,600,000 on the drilling cost in West Kerendan-1 Well and pay a promote US$1,500,000 on the forthcoming exploration drilling in such block. As of December 31, 2015 and 2014, the amount paid by SBK amounted toUS$35,600,000. There was no additional carry payment made by SBK in 2015. SBK can recover the development and drilling cost in total production activities, to a maximum of the above amounts.

In 2013, SBK recorded fair value adjustment on its non-interest bearing receivables from Salamander Energy (Bangkanai) Limited by estimating present value of all future cash receipts discounted using the borrowing rate of SBK.

Receivables from Kuwait Foreign Petroleum Exploration Company K.S.C. (Closed) (KUFPEC) represent tax expense incurred in SIP which will be borne by KUFPEC based on Sales Purchase Agreement of Kufpec Indonesia Pangkah B.V. between SEI with KUFPEC dated April 24, 2013.

In 2014, SEI recorded fair value adjustment to the receivables from KUFPEC that carries no interest by estimating present value of all future cash receipts discounted using the borrowing rate of SEI.

Subsequent to initial recognition, the Group records the unwinding of interest on such receivables which is presented under "Finance Income" in the consolidated statements of profit or loss and other comprehensive income over the period up to the estimated final payment to adjust the carrying amount of the receivables to its face value.

The management of the Group believes that all of the receivables are collectible. Hence, no allowance for impairment losses has been provided.

12. ASET TETAP / *12. FIXED ASSETS*

Akun ini terdiri dari: / *This account consists of:*

	31 Des. 2015/*Dec. 31, 2015*			
	Saldo Awal/ *Beginning Balances*	**Penambahan/ *Additions***	**Saldo Akhir/ *Ending Balances***	
Harga perolehan				***At cost***
Peralatan kantor	82.621	-	82.621	*Office equipment*
Total	82.621	-	82.621	*Total*
Akumulasi penyusutan				***Accumulated depreciation***
Peralatan kantor	59.066	12.568	71.634	*Office equipment*
Total	59.066	12.568	71.634	*Total*
Total nilai tercatat	**23.555**		**10.987**	***Total carrying amount***

	31 Des. 2014/*Dec. 31, 2014*			
	Saldo Awal/ *Beginning Balances*	**Penambahan/ *Additions***	**Saldo Akhir/ *Ending Balances***	
Harga perolehan				***At cost***
Peralatan kantor	72.153	10.468	82.621	*Office equipment*
Total	72.153	10.468	82.621	*Total*
Akumulasi penyusutan				***Accumulated depreciation***
Peralatan kantor	42.968	16.098	59.066	*Office equipment*
Total	42.968	16.098	59.066	*Total*
Total nilai tercatat	**29.185**		**23.555**	***Total carrying amount***

Penyusutan yang dibebankan pada beban umum dan administrasi masing-masing sebesar AS$12.568 untuk tahun yang berakhir tanggal 31 Desember 2015 dan AS$16.098 pada tanggal 31 Desember 2014 (Catatan 27).

Depreciation charged to general and administrative expense amounted to US$12,568 for the year ended December 31, 2015 and US$16,098 for the year ended December 31, 2014, respectively (Note 27).

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES

Akun ini terdiri dari:

This account consists of:

a. Aset Eksplorasi dan Evaluasi

a. Exploration and Evaluation Assets

		31 Desember 2015/*December 31, 2015*				
Blok/ *Blocks*	**Lokasi/ *Location***	**Saldo awal/ *Beginning balance***	**Akuisisi/ *Acquisitions***	**Penambahan/ *Additions***	**Pengurangan/ *Deductions***	**Saldo akhir/ *Ending balance***
CMB Lematang	Sulawesi Selatan/ *South Sulawesi*	53.057	-	-	-	53.057
Sesulu	Kalimantan Timur/ *East Kalimantan*	12.010.865	-	36.716.132	-	48.726.997
Bangkanai Barat	Kalimantan Tengah/ *Central Kalimantan*	680.175	-	487.017	-	1.167.192
		12.744.097	**-**	**37.203.149**	**-**	**49.947.246**

		31 Desember 2014/*December 31, 2014*				
Blok/ *Blocks*	**Lokasi/ *Location***	**Saldo awal/ *Beginning balance***	**Akuisisi/ *Acquisitions***	**Penambahan/ *Additions***	**Pengurangan/ *Deductions***	**Saldo akhir/ *Ending balance***
CMB Lematang	Sulawesi Selatan/ *South Sulawesi*	53.057	-	-	-	53.057
Sesulu	Kalimantan Timur/ *East Kalimantan*	-	-	12.010.865	-	12.010.865
Bangkanai Barat	Kalimantan Tengah/ *Central Kalimantan*	-	480.100	200.075	-	680.175
		53.057	**480.100**	**12.210.940**	**-**	**12.744.097**

Pada tanggal 14 Mei 2014, Kelompok Usaha, melalui PT Saka Energi Bangkanai Barat (''SEBB'') menandatangani perjanjian pengalihan 30% kepemilikan *participating interest* di West Bangkanai PSC dari Salamander Energy (West Bangkanai) Limited (''Salamander'') senilai AS$480.100.

On May 14, 2014, the Group, through PT Saka Energi Bangkanai Barat (''SEBB''), signed farmout agreement of 30% participating interest in West Bangkanai PSC from Salamander Energy (West Bangkanai) Limited (''Salamander'') amounting to US$480,100.

Pengalihan *participating interest* di West Bangkanai mendapat persetujuan dari SKK Migas pada tanggal 16 Desember 2014.

The transfer of participating interest at West Bangkanai was approved by SKK Migas on December 16, 2014.

SEBB membayarkan harga pembelian pada tanggal 2 Januari 2015.

SEBB paid the purchase price on January 2, 2015.

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

b. Properti Minyak dan Gas – Neto

b. Oil and Gas Properties - Net

	31 Desember/*December 31,*		
	2015	**2014**	
Sumur dan perlengkapan terkait dan fasilitasnya			*Wells and related equipment and facilities*
Harga perolehan			***At cost***
Saldo awal	1.555.984.145	439.984.339	*Beginning balance*
Penambahan tahun berjalan	439.163.122	152.165.737	*Additions during the year*
Penambahan karena akuisisi	70.890.494	963.834.069	*Additions due to acquisition*
Pengurangan tahun berjalan	(42.301.419)	-	*Deductions during the year*
Saldo akhir	**2.023.736.342**	**1.555.984.145**	***Ending balance***
Akumulasi penyusutan, deplesi, dan amortisasi	(253.212.492)	(102.853.176)	*Accumulated depreciation, depletion, and amortization*
Cadangan kerugian penurunan nilai	(156.103.599)	(36.542.643)	*Allowance for impairment losses*
Total	**1.614.420.251**	**1.416.588.326**	***Total***

Pergerakan properti minyak dan gas adalah sebagai berikut:

The movements in oil and gas properties are as follows:

		31 Desember 2015/*December 31, 2015*				
Blok/ *Blocks*	**Lokasi/ *Location***	**Saldo awal/ *Beginning balance***	**Akuisisi/ *Acquisitions***	**Penambahan/ *Additions***	**Pengurangan/ *Deductions***	**Saldo akhir/ *Ending balance***
Ketapang	Jawa Timur/*East Java*	191.500.000	-	34.898.178	(10.010.458)	216.387.720
Bangkanai	Kalimantan Tengah/ *Central Kalimantan*	78.584.352	-	7.355.935	-	85.940.287
Pangkah	Jawa Timur/*East Java*	840.452.971	-	65.710.430	(260.610.140)	645.553.261
Fasken	Amerika Serikat *United States of America*	163.500.000	-	72.235.355	(18.982.032)	216.753.323
Muriah	Jawa Tengah/*Central Java*	101.051.000	-	11.463.596	(3.149.526)	109.365.070
South East Sumatera		41.500.003	-	5.716.829	(19.469.535)	27.747.297
Muara Bakau	Kalimantan		70.890.494	241.782.799	-	312.673.293
		1.416.588.326	**70.890.494**	**439.163.122**	**(312.221.691)**	**1.614.420.251**

** Di dalam akumulasi penyusutan, deplesi dan amortisasi tahun 2015 terdapat pengurangan *dismantle cost* sebesar AS$42.301.420 karena perubahan revisi estimasi arus kas/*In accumulated depreciation,depletion and amortization included the reduction of dismantle cost amounting to US$42,301,420 due to the change in estimation upon future cash flow.*

		Tahun yang berakhir pada tanggal 31 Desember 2014/ *Year ended December 31, 2014*				
Blok/ *Blocks*	**Lokasi/ *Location***	**Saldo awal/ *Beginning balance***	**Akuisisi/ *Acquisitions***	**Penambahan/ *Additions***	**Pengurangan/ *Deductions***	**Saldo akhir/ *Ending balance***
Ketapang	Jawa Timur/*East Java*	127.561.898	-	76.619.124	(12.681.022)	191.500.000
Bangkanai	Kalimantan Tengah/ *Central Kalimantan*	55.579.315	-	23.005.037	-	78.584.352
Pangkah[1]	Jawa Timur/*East Java*	226.001.008	678.002.805	6.541.547	(70.092.389)	840.452.971
Fasken	Amerika Serikat/ *United States of America*	-	134.878.816	42.858.661	(14.237.477)	163.500.000
Muriah[2]	Jawa Tengah/*Central Java*	-	101.051.000	-	-	101.051.000
South East Sumatera	Sumatra	-	49.901.448	3.141.368	(11.542.813)	41.500.003
		409.142.221	**963.834.069**	**152.165.737**	**(108.553.701)**	**1.416.588.326**

1) Lihat Catatan 14ii dan 14iii/*See Notes 14ii and 14iii*
2) Lihat Catatan 14iv/*See Note 14iv*

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

b. Properti Minyak dan Gas - Neto (lanjutan)

Akuisisi properti minyak dan gas dilakukan melalui pembelian hak kepemilikan blok atau melalui bisnis kombinasi (Catatan 14).

Informasi mengenai akuisisi melalui pembelian hak kepemilikan blok adalah sebagai berikut:

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

b. Oil and Gas Properties - Net (continued)

Acquisitions of oil and gas properties were conducted through purchase of participating interests in the blocks or through business combination (Note 14).

Information pertaining to the acquisition through purchase of participating interests on the following blocks:

Tahun Akuisisi/ ***Acquisition Period***	**Blok/** ***Block***	**Hak Kepemilikan/** ***Participating Interest***	**Pemilik Lama/** ***Former Owner***	**Nilai Pembelian (dalam AS$)/** ***Purchase Price (in US$)***
April/*April* 2015	Muara Bakau	11,67%	GDF Suez Exploration Ind. BV	70.890.494
Mei/*May* 2014	Fasken	36,00%	Swift Energy Operating LLC	134.878.816
Agustus/*August* 2014	South East Sumatra	8,91%	KNOC Sumatra Limited	49.901.448

Pada tanggal 31 Desember 2015, seluruh sumur, perlengkapan dan fasilitas terkait yang dimiliki Entitas Anak yang bergerak di bidang eksplorasi dan produksi minyak dan gas bumi diasuransikan dengan nilai pertanggungan sebesar AS$1.025.325.014.

As of December 31, 2015, all wells and related equipment and facilities of Subsidiaries involved in oil and gas exploration and production activities were insured with sum insured of US$1,025,325,014.

Uji penurunan nilai atas properti minyak dan gas

Pengujian penurunan nilai atas properti minyak dan gas dilakukan ketika terdapat suatu indikasi bahwa nilai tercatat properti minyak dan gas tersebut mengalami penurunan. Dalam hal ini, manajemen Kelompok Usaha menentukan hak kepemilikan pada masing-masing blok sebagai satu UPK.

Menimbang kondisi harga spot minyak dan gas saat ini, manajemen Kelompok Usaha melakukan pengujian penurunan nilai atas UPK yang terdampak, yaitu UPK yang hasil produksinya dijual dengan harga spot.

Dalam menguji apakah penurunan nilai dibutuhkan, nilai tercatat setiap UPK (termasuk alokasi *goodwill*) dibandingkan dengan jumlah terpulihkan masing-masing UPK tersebut. Jumlah terpulihkan ditentukan berdasarkan nilai pakai yang dihitung berdasarkan proyeksi arus kas yang didasarkan pada produksi dan rencana pengembangan yang telah disetujui oleh manajemen yang mencakup estimasi periode kontrak dan investasi masa depan untuk peningkatan output.

Impairment test on oil and gas properties

Impairment test on oil and gas properties is performed when circumstances indicate that the CGU's carrying value may be impaired. In this matter, the management of the Group determined the participating interests in the respective blocks as a CGU.

Considering the current situation of the spot price of oil and gas, the management of the Group performed impairment testing on the affected CGUs, which the products are sold under spot price.

In assessing whether impairment is required the carrying value of the respective CGUs (including the allocated goodwill) are compared with their respective recoverable amounts. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on production and development forecast approved by the management covering estimated period of contract and future investment to increase output.

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

b. Properti Minyak dan Gas - Neto (lanjutan)

Uji penurunan nilai atas properti minyak dan gas (lanjutan)

Jumlah terpulihkan dan nilai tercatat aset minyak dan gas bumi (termasuk alokasi *goodwill*) pada tanggal 31 Desember 2015 sebagai berikut:

	Jumlah terpulihkan/ *Recoverable amount*	Nilai tercatat[1]/ *Carrying amount*[1]	Penurunan nilai *goodwill*/ *Impairment loss on goodwill*	Penurunan nilai properti minyak dan gas/ *Impairment loss on oil and gas properties*
Blok/*Block* South East Sumatera	27.747.297	36.461.020	-	8.713.723
Blok/*Block* Pangkah				
SIPL	419.609.621	515.771.007	39.341.882	56.819.504
SIPBV		161.388.316	207.632.321 -	46.244.005
SPLLC	64.555.324	80.232.991	7.893.943	7.783.724
	673.300.558	840.097.339	47.235.825	119.560.956

Catatan 1: Nilai tercatat blok Pangkah termasuk *goodwill* (lihat Catatan 14)

Selisih lebih nilai tercatat aset pada blok Pangkah terhadap jumlah terpulihkan sebesar AS$158.083.058 dialokasikan terlebih dahulu sebesar AS$47.235.825 sebagai pengurang nilai tercatat *goodwill* sehingga menjadi nihil dan diakui sebagai rugi penurunan nilai *goodwill* untuk tahun yang berakhir pada tanggal 31 Desember 2015.

Jumlah terpulihkan dan nilai tercatat aset minyak dan gas bumi (termasuk alokasi *goodwill*) pada tanggal 31 Desember 2014 sebagai berikut:

	Jumlah terpulihkan/ *Recoverable amount*	Nilai tercatat[1]/ *Carrying amount*[1]	Penurunan nilai *goodwill*/ *Impairment loss on goodwill*	Penurunan nilai properti minyak dan gas/ *Impairment loss on oil and gas properties*	Pemulihan rugi penurunan nilai/ *Reversal of impairment loss*
Blok/*Block* South East Sumatera	41.500.000	52.412.425	-	10.912.425	-
Blok/*Block* Fasken	163.500.000	174.568.096	-	11.068.096	-
Blok/*Block* Ketapang	191.500.000	204.181.022	-	12.681.022	-
Blok/*Block* Pangkah					
SIPL	606.710.000	566.025.559	-	-	-
SIPBV	233.350.000	211.361.731	-	-	21.594.645
SPLLC	93.340.000	98.574.075	5.234.075	-	-
	1.329.900.000	1.307.122.908	5.234.075	34.661.543	21.594.645

Catatan 1: Nilai tercatat blok Pangkah termasuk *goodwill* (lihat catatan 14)

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

b. Oil and Gas Properties - Net (continued)

Impairment test on oil and gas properties (continued)

The recoverable amount and the carrying amount of oil and gas properties (including allocated goodwill) as of December 31, 2015 are as follows:

Note 1: Carrying amount for Pangkah block includes goodwill (see Note 14)

The excess of the carrying value of the assets on Pangkah block over their recoverable amount of US$158,083,058 is first allocated in the amount of US$47,235,825 as reduction to the carrying value of goodwill therefore the balance become nil and is recognized as impairment loss on goodwill for the year ended December 31, 2015.

The recoverable amount and the carrying amount of oil and gas properties (including allocated goodwill) as of December 31, 2014 are as follows:

Note 1: Carrying amount for Pangkah block includes goodwill (see note 14)

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

Uji penurunan nilai atas properti minyak dan gas (lanjutan)

Selisih lebih jumlah terpulihkan aset pada SPLLC terhadap nilai tercatatnya sebesar AS$5.234.075, dialokasikan terlebih dahulu sebagai pengurang nilai tercatat *goodwill* dan diakui sebagai rugi penurunan nilai *goodwill* untuk tahun yang berakhir pada tanggal 31 Desember 2014.

Sisa selisih lebih tersebut selanjutnya dialokasikan sebagai pemulihan kerugian penurunan nilai properti minyak dan gas atas blok Pangkah sebesar AS$21.594.645. Pemulihan tersebut merupakan hasil dari perubahan positif pada asumsi dan estimasi yang digunakan untuk menentukan nilai terpulihkan pada tanggal 31 Desember 2013.

Asumsi utama yang digunakan

Perhitungan nilai pakai untuk properti minyak dan gas sangat sensitif terhadap asumsi-asumsi di bawah ini:
a. *Lifting*
b. Harga
c. Tingkat diskonto
d. Beban operasi dan modal

a. *Lifting: Lifting* tahunan yang diproyeksikan ini berdasarkan rencana bisnis manajemen dengan mempertimbangkan kondisi saat ini dan ekspektasi masa depan.

b. Harga: Harga perkiraan minyak, gas dan LPG didasarkan pada estimasi manajemen dan data pasar yang tersedia. Asumsi harga minyak yang manajemen gunakan adalah harga Brent yang disesuaikan dengan rata-rata historis persentase selisih *Indonesian Crude Price* masing-masing blok dengan harga Brent. Sedangkan harga gas, manajemen menggunakan harga sesuai kontrak penjualan gas.

   Asumsi harga Brent yang digunakan untuk pengujian penurunan nilai pada tanggal 31 Desember 2015 adalah sebagai berikut.

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

Impairment test on oil and gas properties (continued)

The excess of the recoverable amount of assets on SPLLC over their carrying value amounting to US$5,234,075 is recorded as reduction to carrying value of allocated goodwill and is recognized as impairment loss on goodwill for the year ended December 31, 2014.

The remaining excess is allocated the reversal of impairment loss on oil and gas properties of Pangkah block amounting to US$21,594,645. The reversal is result of the positive change in the estimates and assumptions used to determine the recoverable amounts as of December 31, 2013.

Key assumptions used

The calculation of value in use for oil and gas properties is most sensitive to the following assumptions:
a. Lifting
b. Prices
c. Discount rates
d. Operating and capital expenses

a. Lifting: The projected annual lifting is based on management business plan considering the current conditions and future expectations.

b. Prices: Forecasted oil, gas and LPG prices are based on management's estimates and available market data. The oil price assumptions used by management are based on Brent price adjusted with historical price difference between the Indonesian Crude Price of respective blocks and Brent price. While for the gas price, the management uses the contracted price as per gas sales agreement.

   The assumptions for Brent price used by management for impairment test as of December 31, 2015 are as follows.

AS$53,8 - AS$75,2 sampai tahun kelima dan AS$75,2 sampai akhir masa PSC/
US$53.8 - US$75.2 until the fifth year and US$75.2 until end of PSC

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

Uji penurunan nilai atas properti minyak dan gas (lanjutan)

Asumsi utama yang digunakan (lanjutan)

Kenaikan sepuluh persen (10%) pada proyeksi harga minyak akan menaikkan jumlah terpulihkan aset properti minyak dan gas sebesar AS$45,7 juta pada tanggal 31 Desember 2015.

Asumsi harga Brent yang digunakan untuk pengujian penurunan nilai pada tanggal 31 Desember 2014 adalah sebagai berikut:

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

Impairment test on oil and gas properties (continued)

Key assumptions used (continued)

The increase of ten percent (10%) in oil price forecast will increase the recoverable amount oil and gas properties by US$45.7 million as of December 31, 2015.

The assumptions for Brent price used by management for impairment test as of December 31, 2014 are as follows.

AS$73,8 – AS$91,3 sampai tahun ketiga, dan selanjutnya AS$91,3 hingga akhir masa PSC/
US$73.8 – US$91.3 until the third year and remain US$91.3 until the end of PSC

c. Tingkat diskonto: Tingkat diskonto berasal dari Biaya Modal Rata-rata Tertimbang setelah pajak *(post-tax Weighted Average Cost of Capital* atau WACC), dengan penyesuaian yang dilakukan untuk mencerminkan risiko khusus untuk properti minyak dan gas, dan untuk menentukan tingkat sebelum pajak. WACC memperhitungkan, baik utang maupun ekuitas, dengan bobot masing-masing 20% dan 80%. Biaya ekuitas sama dengan imbal hasil dari sekuritas yang bebas risiko ditambah dengan premi risiko ekuitas yang disesuaikan untuk risiko sistematis Kelompok Usaha. Biaya utang didasarkan pada perkiraan menyeluruh atas biaya rata-rata tertimbang pembiayaan Kelompok Usaha seolah-olah pembiayaanya menggunakan utang pada tanggal penilaian. Risiko khusus aset diperhitungkan melalui dimasukkannya faktor beta individual.

c. Discount rates: Discount rates are derived from the post-tax Weighted Average Cost of Capital (WACC), with appropriate adjustments made to reflect the risks specific to the oil and gas properties and to determine the pre-tax rate. The WACC takes into account both debt and equity, weighted 20% and 80%, respectively. The cost of equity is equal to the return on risk-free securities plus the equity risk premium adjusted for the Group systematic risk. The cost of debt is based on the overall estimate of the weighted average cost of debt finance for the Group as if it were refinancing all of its debt at the valuation date. Asset-specific risk is incorporated by applying individual beta factors.

Tingkat diskonto yang digunakan adalah sebagai berikut:

The discount rates being used are as follows:

	Tingkat diskonto/*Discount rates*		
	31 Desember/*December 31,*		
	2015	2014	
Blok South East Sumatera	6,0%	8,0%	*South East Sumatera Block*
Blok Fasken	6,7%	9,0%	*Fasken Block*
Blok Ketapang	7,2%	9,5%	*Ketapang Block*
Blok Pangkah	6,9%	9,0%	*Pangkah Block*

13. ASET EKSPLORASI DAN EVALUASI DAN PROPERTI MINYAK DAN GAS (lanjutan)

Uji penurunan nilai atas properti minyak dan gas (lanjutan)

Asumsi utama yang digunakan (lanjutan)

Kenaikan satu persen (1%) pada tingkat diskonto akan menurunkan jumlah terpulihkan aset properti minyak dan gas sebesar AS$50,4 juta.

d. Beban operasi dan modal: Asumsi ini didasarkan pada perencanaan beban operasi dan modal Kelompok Usaha. Manajemen memiliki kontrol penuh atas biaya, dan percaya bahwa asumsi akan tercapai.

Perubahan terhadap asumsi yang digunakan oleh manajemen dalam menentukan jumlah terpulihkan, khususnya tingkat diskonto, dapat berdampak signifikan pada hasil pengujian.

Manajemen Kelompok Usaha berkeyakinan bahwa tidak terdapat kemungkinan yang beralasan bahwa asumsi utama tersebut di atas dapat berubah sehingga nilai tercatat masing-masing UPK (termasuk alokasi *goodwill*) menjadi lebih tinggi dari nilai yang terpulihkan secara material.

Berdasarkan penelaahan atas aset minyak dan gas secara individu, manajemen berkeyakinan bahwa tidak diperlukan cadangan penurunan nilai lebih lanjut atas aset minyak dan gas pada tanggal 31 Desember 2015 dan 2014.

13. EXPLORATION AND EVALUATION ASSETS AND OIL AND GAS PROPERTIES (continued)

Impairment test on oil and gas properties (continued)

Key assumptions used (continued)

The increase of one percent (1%) in discount rate will decrease the recoverable amount of oil and gas properties by US$50.4 million.

d. Operating and capital expenses: These assumptions are based on the Group's operating and capital expenses plan. The management has full control over the costs, and believes that the assumptions used will be achievable.

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, can have significant impact on the result of the impairment assessment.

Management is of the opinion that there was no reasonably possible change in any of the key assumptions stated above that would cause the carrying amount of the CGU (including the allocated goodwill) to materially exceed its recoverable amount.

Based on the review of the individual oil and gas properties, the management believes that no further impairment in value of oil and gas properties is necessary as of December 31, 2015 and 2014.

14. *GOODWILL* / *14. GOODWILL*

	Goodwill	
Biaya Perolehan		***Cost***
Saldo 1 Januari 2014	**35.533.126**	***Balance as of January 1, 2014***
Akuisisi entitas anak - SIPL	39.341.881	*Acquisition of subsidiary - SIPL*
Akuisisi entitas anak - SPLLC	13.128.019	*Acquisition of subsidiary - SPLLC*
Saldo 31 Desember 2014	**88.003.026**	***Balance as of December 31, 2014***
Penyisihan untuk kerugian penurunan nilai		***Allowance for impairment losses***
Saldo 1 Januari 2014	**(35.533.126)**	***Balance as of January 1, 2014***
Penurunan nilai	(5.234.075)	*Provision during the year*
Saldo 31 Desember 2014	**(40.767.201)**	***Balance as of December 31, 2014***
Nilai buku neto		***Net book value***
Saldo 31 Desember 2014	**47.235.825**	***Balance as of December 31, 2014***
Biaya Perolehan		***Cost***
Saldo 1 Januari 2015	**88.003.026**	***Balance as of January 1, 2015***
Saldo 31 Desember 2015	88.003.026	***Balance as of December 31, 2015***
Penyisihan untuk kerugian penurunan nilai		***Allowance for impairment losses***
Saldo 1 Januari 2015	**(40.767.201)**	***Balance as of January 1, 2015***
Penurunan nilai	(47.235.825)	*Provision during the year*
Saldo 31 Desember 2015	**(88.003.026)**	***Balance as of December 31, 2015***
Nilai buku neto		***Net book value***
Saldo 31 Desember 2015	**-**	***Balance as of December 31, 2015***

Pada bulan Januari 2014, SIPBV melakukan akuisisi atas 100% kepemilikan saham pada SIPL dan SPLLC. SIPL dan SPLLC adalah entitas non-publik yang memiliki masing-masing sebesar 65% dan 10% *participating interest* atas Pangkah PSC. Dengan demikian, Kelompok Usaha memiliki 100% *participating interest* atas Pangkah PSC.

In January 2014, SIPBV acquired 100% equity interests in SIPL and SPLLC. SIPL and SPLLC are private companies having 65% and 10% participating interest in Pangkah PSC, respectively. Thus, the Group has 100% participating interest in Pangkah PSC.

Saldo *goodwill* yang timbul dari akuisisi diatas timbul terutama dari faktor-faktor berikut:

Goodwill arises from the above acquisitions principally because of the following factors:

1) Nilai kesinambungan usaha yang terkandung dalam kemampuan untuk mempertahankan dan mengembangkan usaha Kelompok Usaha dengan meningkatkan cadangan dan sumber daya melalui penemuan baru.
2) *Entry* strategis untuk memperoleh tambahan *participating interest* pada blok Pangkah.
3) Persyaratan pengakuan aset dan liabilitas pajak tangguhan atas perbedaan nilai wajar yang dialokasikan dengan dasar pengenaan pajak dari aset teridentifikasi yang diperoleh dan liabilitas yang diambil alih dalam kombinasi bisnis yang tidak mencerminkan nilai wajar.

1) *The going concern value implicit in the Group's ability to sustain and/or grow the business by increasing reserves and resources through new discoveries.*
2) *The strategic entry point to obtain additional participating interest in Pangkah block.*
3) *The requirement to recognize deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.*

14. *GOODWILL* (lanjutan)

Goodwill tersebut tidak diharapkan dapat dikurangkan untuk tujuan pelaporan pajak.

i. Akuisisi SIPBV

Nilai wajar final dari aset dan liabilitas teridentifikasi SIPBV pada tanggal akuisisi (26 Juni 2013) adalah:

	Nilai Wajar/ *Fair Value*	
Aset		***Assets***
Kas dan setara kas	23.587	*Cash and cash equivalents*
Piutang lain-lain	37.239.692	*Other receivables*
Persediaan	7.577.980	*Inventories*
Beban dibayar dimuka	4.810.491	*Prepaid expenses*
Properti minyak dan gas	243.256.222	*Oil and gas properties*
Sub-total	292.907.972	*Sub-total*
Liabilitas		***Liabilities***
Utang lain-lain	29.034.950	*Other payables*
Liabilitas imbalan kerja jangka panjang	1.238.787	*Long-term employee's benefits liabilities*
Utang kepada pihak berelasi	8.459.834	*Loan to related party*
Liabilitas pajak tangguhan	12.605.626	*Deferred tax liabilities*
Liabilitas pembongkaran aset dan restorasi area	17.250.083	*Asset abandonment and site restoration obligations*
Sub-total	68.589.280	*Sub-total*
Nilai wajar aset bersih teridentifikasi	**224.318.692**	***Total identifiable net assets at fair values***
Goodwill atas akuisisi	35.533.126	*Goodwill on acquisition*
Imbalan pembelian yang dialihkan	**259.851.818**	***Purchase consideration transferred***
Dikurangi kas yang diperoleh dari Entitas Anak yang diakuisisi	(23.587)	*Less net cash of the acquired Subsidiary*
Akuisisi Entitas Anak, setelah dikurangi kas yang diperoleh	**259.828.231**	***Acquisition of a Subsidiary, net of cash acquired***

Imbalan pembelian SIPBV senilai AS$259.851.818 terdiri dari akuisisi saham sebesar AS$74.276.826 dan pengalihan piutang sebesar AS$185.574.992.

14. GOODWILL (continued)

Goodwill is not expected to be deductible for tax purposes.

i. Acquisition of SIPBV

The final fair values of the identifiable assets and liabilities of SIPBV as at the date of acquisition (June 26, 2013) were:

The purchase consideration transferred amounting to US$259,851,818 consists of acquisition of shares amounting to US$74,276,826 and transfer of receivables amounting to US$185,574,992.

14. *GOODWILL* (lanjutan)

ii. Akuisisi SIPL

Nilai wajar dari aset dan liabilitas teridentifikasi SIPL pada tanggal akuisisi (10 Januari 2014) adalah:

14. GOODWILL (continued)

ii Acquisition of SIPL

The fair values of the identifiable assets and liabilities of SIPL as at the date of acquisition (January 10, 2014) were:

	Nilai Wajar Sementara/ *Provisional Fair Value*	
Aset		***Assets***
Kas dan setara kas	19.416.567	*Cash and cash equivalents*
Piutang usaha	49.081.311	*Trade receivables*
Persediaan	16.759.843	*Inventories*
Properti minyak dan gas	587.602.431	*Oil and gas properties*
Piutang lain-lain	20.766.211	*Other receivables*
Sub-total	693.626.363	*Sub-total*
Liabilitas		***Liabilities***
Utang usaha	11.025.387	*Trade payables*
Liabilitas yang masih harus dibayar	54.937.250	*Accrued liabilities*
Utang lain-lain	5.597.872	*Other payables*
Utang pajak	38.666.939	*Taxes payables*
Liabilitas imbalan kerja jangka panjang	6.286.448	*Long-term employee's benefits liabilities*
Liabilitas pajak tangguhan	20.433.594	*Deferred tax liabilities*
Liabilitas pembongkaran aset dan restorasi area	31.257.512	*Asset abandonment and site restoration obligations*
Sub-total	168.205.002	*Sub-total*
Nilai wajar aset neto teridentifikasi	**525.421.361**	***Total identifiable net assets at fair values***
Goodwill atas akuisisi	39.341.881	*Goodwill on acquisition*
Imbalan pembelian yang dialihkan	**564.763.242**	***Purchase consideration transferred***
Dikurangi kas yang diperoleh dari Entitas Anak yang diakuisisi	(19.416.567)	*Less net cash of the acquired Subsidiary*
Akuisisi Entitas Anak, setelah dikurangi kas yang diperoleh	**545.346.675**	***Acquisition of a Subsidiary, net of cash acquired***

Imbalan pembelian yang dialihkan sebesar AS$564.763.242 terdiri dari akuisisi saham sebesar AS$27.429.910 dan pengalihan piutang sebesar AS$537.333.332.

The purchase consideration transferred amounting to US$564,763,242 consists of acquisition of shares amounting to US$27,429,910 and transfer of receivables amounting to US$537,333,332.

14. *GOODWILL* (lanjutan)

iii. Akuisisi SPLLC (dahulu Hess Pangkah LLC)

Nilai wajar dari aset dan liabilitas teridentifikasi SPLLC pada tanggal akuisisi (10 Januari 2014) adalah:

14. GOODWILL (continued)

iii. Acquisition of SPLLC (formerly Hess Pangkah LLC)

The fair values of the identifiable assets and liabilities of SPLLC as at the date of acquisition (January 10, 2014) were:

	Nilai Wajar Sementara/ *Provisional Fair Value*	
Aset		***Assets***
Kas dan setara kas	950.648	*Cash and cash equivalents*
Piutang usaha	4.390.062	*Trade receivables*
Persediaan	2.652.939	*Inventories*
Beban dibayar dimuka	122.180	*Prepaid expenses*
Properti minyak dan gas	90.400.374	*Oil and gas properties*
Sub-total	98.516.203	*Sub-total*
Liabilitas		***Liabilities***
Utang usaha	1.306.286	*Trade payables*
Liabilitas yang masih harus dibayar	8.495.588	*Accrued liabilities*
Liabilitas imbalan kerja jangka panjang	628.645	*Long-term employee's benefits liabilities*
Utang pajak	5.880.879	*Tax payables*
Liabilitas pajak tangguhan, neto	1.022.976	*Deferred tax liability, net*
Liabilitas pembongkaran aset dan restorasi area	4.808.848	*Asset abandonment and site restoration obligation*
Sub-total	22.143.222	*Sub-total*
Nilai wajar aset neto teridentifikasi	**76.372.981**	***Total identifiable net assets at fair values***
Goodwill atas akuisisi	13.128.019	*Goodwill on acquisition*
Imbalan pembelian yang dialihkan	**89.501.000**	***Purchase consideration transferred***
Dikurangi kas yang diperoleh dari Entitas Anak yang diakuisisi	(950.648)	*Less net cash of the acquired Subsidiary*
Akuisisi Entitas Anak, setelah dikurangi kas yang diperoleh	**88.550.352**	***Acquisition of a Subsidiary, net of cash acquired***

Imbalan pembelian yang dialihkan senilai AS$89.501.000 terdiri dari akuisisi saham sebesar AS$29.424.980 dan pengalihan piutang sebesar AS$60.076.020.

The purchase consideration transferred amounting to US$89,501,000 consists of acquisition of shares amounting to US$29,424,980 and transfer of receivables amounting to US$60,076,020.

14. *GOODWILL* (lanjutan)

14. GOODWILL (continued)

iv. Akuisisi SEML (dahulu Sunny Ridge Offshore Limited – SROL)

iv. Acquisition of SEML (formerly Sunny Ridge Offshore Limited – SROL)

Nilai wajar dari aset dan liabilitas teridentifikasi SEML pada tanggal akuisisi (16 Desember 2014) adalah:

The fair values of the identifiable assets and liabilities of SEML as at the date of acquisition (December 16, 2014) were:

	Nilai Wajar Sementara/ *Provisional Fair Value*	
Aset		***Assets***
Piutang dan aset lain-lain	316.378	*Receivable and other assets*
Persediaan	235.624	*Inventories*
Pajak dibayar di muka	6.729.357	*Prepaid taxes*
Properti minyak dan gas	101.051.000	*Oil and gas properties*
Sub-total	108.332.359	*Sub-total*
Liabilitas		***Liabilities***
Utang usaha dan utang lain-lain	55.763.801	*Trade and other payables*
Liabilitas pajak tangguhan	1.184.830	*Deferred tax liabilities*
Liabilitas pembongkaran aset dan restorasi area dan provisi lain-lain	5.376.413	*Asset abandonment and restoration obligations and other provisions*
Sub-total	62.325.044	*Sub-total*
Nilai wajar aset neto teridentifikasi	**46.007.315**	***Total identifiable net assets at fair values***
Keuntungan dari pembelian dengan diskon	(5.604.315)	*Gain on bargain purchase*
Imbalan pembelian yang dialihkan	**40.403.000**	***Purchase consideration transferred***

Manajemen Kelompok Usaha berpendapat bahwa Akuisisi SEML dengan harga pembelian yang lebih rendah dari nilai wajarnya dikarenakan penjual ingin segera memonetisasi asetnya, tidak ada penawar lain dalam akuisisi ini dan proses negosiasi yang berlangsung ketat.

Management of the Group believes that it was able to acquire SEML with purchase consideration less than the fair value of its assets because of seller's urgency to monetize the assets, no comparative bid from other party and tight-fisted negotiation process.

Uji penurunan nilai terhadap *goodwill*

Impairment test on goodwill

Nilai tercatat *goodwill* pada tanggal 31 Desember 2015 dan 2014 adalah sebagai berikut:

The carrying amount of goodwill as at, December 31, 2015 and 2014 are as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
UPK - SIPL	-	39.341.881	*CGU - SIPL*
UPK - SPLLC	-	7.893.944	*CGU - SPLLC*
Total	**-**	**47.235.825**	***Total***

14. *GOODWILL* (lanjutan)

Uji penurunan nilai terhadap *goodwill* (lanjutan)

Pengujian penurunan nilai atas *goodwill* dilakukan secara tahunan bersamaan dengan pengujian atas UPK dimana *goodwill* tersebut dialokasikan (Catatan 13), dan ketika terdapat suatu indikasi bahwa nilai tercatat UPK tersebut mengalami penurunan.

Dalam menguji apakah penurunan nilai *goodwill* diperlukan, nilai tercatat *goodwill* dialokasikan ke aset atau UPK yang relevan untuk mendapatkan nilai tercatat kombinasian. Nilai tercatat kombinasian tersebut dibandingkan dengan nilai terpulihkan UPK. Nilai terpulihkan adalah jumlah yang lebih besar antara nilai wajar UPK dikurangi biaya untuk menjual dan nilai pakai.

Jumlah terpulihkan *goodwill* ditentukan berdasarkan perhitungan nilai pakai yang dihitung bedasarkan proyeksi arus kas dari rencana usaha yang telah disetujui oleh manajemen senior mencakup periode 11 tahun (jumlah tahun sejak 2016 sampai dengan berakhirnya PSC Pangkah). Arus kas yang diproyeksikan diperbaharui untuk mencerminkan penurunan yang signifikan atas harga minyak.

Asumsi utama yang digunakan manajemen diungkap di catatan 13.

14. GOODWILL (continued)

Impairment test on goodwill (continued)

Goodwill is tested for impairment annually together with the CGU to which such goodwill was allocated (Note 13), and when circumstances indicate that the CGU's carrying value may be impaired.

In assessing whether impairment on goodwill is required, the carrying value of goodwill is allocated to the relevant assets or CGU to obtain the combined carrying value. The combined carrying value is compared with CGU's recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell and value in use.

The recoverable amount of goodwill has been determined based on a value in use calculation using cash flow projections from the business plan approved by senior management covering 11-years period (number of years from 2016 up to termination of Pangkah PSC). The projected cash flows have been updated to reflect the significant decline in oil price.

The assumptions used by management are disclosed in note 13.

15. UTANG USAHA

Akun ini merupakan bagian Kelompok Usaha pada utang usaha yang timbul dari kegiatan eksplorasi dan produksi minyak dan gas atas perjanjian kerjasama operasi.

15. TRADE PAYABLES

This account represents the Group's share in trade payables arising from the oil and gas exploration and production activities in a joint operation agreement.

16. PERPAJAKAN

16. *TAXATION*

a. Utang Pajak

a. *Taxes Payable*

	31 Desember/*December 31,*		
	2015	**2014**	
Pajak Penghasilan:			*Income Taxes:*
Pasal 4 (2)	-	6.255.092	*Article 4 (2)*
Pasal 21	341.937	195.421	*Article 21*
Pasal 23	1.367.085	404.142	*Article 23*
Pajak lainnya	-	4.189.037	*Other Tax*
Pajak Pertambahan Nilai	1.349.817	655.878	*Value Added Tax*
Total	**3.058.839**	**11.699.570**	***Total***

16. PERPAJAKAN (lanjutan) / *16. TAXATION (continued)*

a. Utang Pajak (lanjutan) / *a. Taxes Payable (continued)*

Pajak lainnya tahun 2014 merupakan utang pajak penghasilan atas operasi kelompok usaha di luar negeri, yaitu blok fasken.

Other tax in 2014 includes corporate income tax payable arising from the Group's foreign operations relating to fasken block.

b. Beban Pajak / *b. Tax Expense*

Detil atas manfaat (beban) pajak Kelompok Usaha terdiri dari:

Details of the tax benefit (expense) of the Group are as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
Kini			*Current*
Entitas Anak	(5.072.124)	(4.189.037)	*Subsidiaries*
Sub-total	(5.072.124)	(4.189.037)	*Sub-total*
Tangguhan			*Deferred*
Perusahaan	-	(75.168)	*The Company*
Entitas Anak	81.458.597	(53.407.834)	*Subsidiaries*
Sub-total	81.458.597	(53.483.002)	*Sub-total*
Total manfaat (beban) pajak	**76.386.473**	**(57.672.039)**	***Total tax benefit (expense)***

Rekonsiliasi antara rugi sebelum beban pajak Perusahaan dan estimasi laba kena pajak adalah sebagai berikut:

The reconciliation between loss before tax expense of the Company and estimated taxable income is as follows:

	31 Desember/*December 31,*		
	2015	**2014**	
Rugi sebelum beban pajak Perusahaan	(16.579.651)	(13.829.655)	*Loss before tax expense of the Company*
Beda temporer:			*Temporary differences:*
Bonus	330.683	793.473	*Bonus*
Liabilitas imbalan kerja jangka panjang	-	130.667	*Long-term employee benefit liabilities*
Sub-total	330.683	924.140	*Sub-total*
Beda tetap:			*Permanent differences:*
Gaji dan kesejahteraan karyawan	121.541	234.008	*Salaries and other employees' benefits*
Representasi dan jamuan	65.524	82.636	*Representation and entertainment*
Biaya konsultan dan jasa lain	791.743	-	*Expense for consultant and other services*
Beban dan denda pajak	595.102	220.192	*Tax expense and penalty*
Penghasilan bunga yang telah dikenakan pajak final	(77.236)	(405.574)	*Interest income already subjected to final income tax*
Sub-total	1.496.674	131.262	*Sub-total*
Estimasi rugi fiskal	**(14.752.294)**	**(12.774.253)**	***Estimated tax loss***

16. PERPAJAKAN (lanjutan)

c. Pajak Kini

Perhitungan pajak penghasilan badan tahun 2015 dan 2014 di atas sesuai dengan yang akan dan telah dilaporkan Perusahaan dalam Surat Pemberitahuan ("SPT") Tahunan kepada Kantor Pelayanan Pajak.

SIPBV, SIPL, dan SPLLC atas kegiatan eksplorasi dan produksi minyak dan gas bumi di Blok Pangkah, Indonesia dikenakan tarif pajak penghasilan badan sebesar 44%. *Production Sharing Contract* (PSC) Pangkah dimulai tahun 1996.

SES, atas kegiatan eksplorasi dan produksi minyak dan gas bumi di blok South East Sumatera, Indonesia, dikenakan tarif pajak penghasilan badan sebesar 48%. PSC SES dimulai tahun 1988.

Fasken atas kegiatan eksplorasi dan produksi *shale gas* di Fasken *Property*, Texas dikenakan tarif pajak penghasilan badan sebesar 35%.

d. Pajak Tangguhan

Pengaruh pajak atas beda temporer yang signifikan antara pelaporan komersial dan pajak adalah sebagai berikut:

16. TAXATION (continued)

c. Current Tax

The above calculations of corporate income tax for 2015 and 2014 conform with the amounts that will be and had been reported by the Company to the Tax Office in its Annual Tax Return ("SPT").

SIPBV, SIPL and SPLLC, involved in Pangkah Block, oil and gas exploration and production in Indonesia, are subject to income tax at a rate of 44%. Pangkah Production Sharing Contract (PSC) started in 1996.

SES, involved in oil and gas production South East Sumatera block, Indonesia, is subject to income tax at a rate of 48%. SES PSC started in 1988.

Fasken, involved in Fasken Property, shale gas exploration and production in Texas, are subject to income tax at a rate of 35%.

d. Deferred Tax

The tax effects of significant temporary differences between commercial and tax reporting are as follows:

	Saldo Awal per 31 Des. 2014/ *Beginning Balance Dec. 31, 2014*	Penambahan dari akuisisi perusahaan/ *Additions from the Company's acquisition*	Dibebankan ke Laporan Laba Rugi dan Penghasilan Komprehensif Lain / *Charged to Consolidated Statements of Profit or Loss Comprehensive Income*	Saldo Akhir per 31 Desember 2015/ *Ending Balance December 31, 2015*	
Entitas Anak					*Subsidiaries*
Aset pajak tangguhan					*Deferred tax asset*
Liabilitas pembongkaran dan restorasi area dan provisi lain-lain	-	-	4.993.612	4.993.612	*Assets abandonment and restoration obligations and other provisions*
Unrecover cost	-	-	71.111.264	71.111.264	*Unrecover cost*
Aset tetap	-	-	(54.926.474)	(54.926.474)	*Fixed assets*
Aset pajak tangguhan - neto	**-**	**-**	**21.178.402**	**21.178.402**	***Deferred tax** asset - net*

16. PERPAJAKAN (lanjutan)

d. Pajak Tangguhan (lanjutan)

Pengaruh pajak atas beda temporer yang signifikan antara pelaporan komersial dan pajak adalah sebagai berikut (lanjutan):

16. TAXATION (continued)

d. Deferred Tax (continued)

The tax effects of significant temporary differences between commercial and tax reporting are as follows (continued):

	Saldo Awal per 31 Des. 2014/ *Beginning Balance Dec. 31, 2014*	Penambahan dari akuisisi perusahaan/ *Additions from the Company's acquisition*	Dibebankan ke Laporan Laba Rugi dan Penghasilan Komprehensif Lain / *Charged to Consolidated Statements of Profit or Loss Comprehensive Income*	Saldo Akhir per 31 Desember 2015/ *Ending Balance December 31, 2015*	
Entitas Anak					*Subsidiaries*
Aset pajak tangguhan					*Deferred tax Asset*
Kesejahteraan karyawan	2.332.903	-	(495.367)	1.837.536	*Employee benefit liabilities*
Liabilitas pembongkaran aset dan restorasi area	21.104.197	-	(19.062.455)	2.041.742	*Asset abandonment and site restoration obligations*
Penyisihan persediaan usang	456.697	-		456.697	*Allowance for inventory obsolescence*
Unrecover cost **	84.644.874	-	45.931.583	130.576.457	*Unrecover cost***
Liabilitas pajak tangguhan properti minyak dan gas	(250.666.790)		33.906.434	(216.760.356)	*Deferred tax liabilities oil and gas properties*
Liabilitas pajak tangguhan - neto	(142.128.119)	-	60.280.195	(81.847.924)	*Deferred tax liabilities - net*
Liabilitas pajak tangguhan - neto	**(142.128.119)**		**60.280.195**	**(81.847.924)**	***Deferred tax liabilities - net***

***Unrecover cost* sebagaimana dilaporkan untuk tujuan PSC, neto setelah FTP sebesar AS$56.474.751/*Unrecover cost as reported for PSC purposes, net of FTP amounting to US$56,474,751.*

	Saldo Awal per 31 Des. 2013/ *Beginning Balance Dec. 31, 2013*	Penambahan dari akuisisi perusahaan/ *Additions from the Company's acquisition*	Dibebankan ke Laporan Laba Rugi dan Penghasilan Komprehensif Lain / *Charged to Consolidated Statements of Profit or Loss Comprehensive Income*	Saldo Akhir per 31 Desember 2014/ *Ending Balance December 31, 2014*	
Perusahaan					*The Company*
Aset pajak tangguhan					*Deferred tax assets*
Akrual bonus	75.168	-	(75.168)	-	*Accrued bonus*
Aset pajak tangguhan - neto	75.168	-	(75.168)	-	*Deferred tax assets - net*
Entitas Anak					*Subsidiaries*
Aset pajak tangguhan					*Deferred tax assets*
Kesejahteraan karyawan	691.510	2.074.528	(433.135)	2.332.903	*Employee benefit liabilities*
Liabilitas pembongkaran aset dan restorasi area	3.640.586	15.869.198	1.594.413	21.104.197	*Asset abandonment and site restoration obligations*
Penyisihan persediaan usang	243.604	213.093	-	456.697	*Allowance for inventory obsolescence*
Unrecover cost **	35.841.561	106.763.853	(57.960.540)	84.644.874	*Unrecover cost***
Liabilitas pajak tangguhan properti minyak dan gas	(63.758.761)	(190.299.457)	3.391.428	(250.666.790)	*Deferred tax liabilities oil and gas properties*
Liabilitas pajak tangguhan - neto	(23.341.500)	(65.378.785)	(53.407.834)	(142.128.119)	*Deferred tax liabilities – net*
Liabilitas pajak tangguhan - neto	**(23.266.332)**	**(65.378.785)**	**(53.483.002)**	**(142.128.119)**	***Deferred tax liabilities - net***

***Unrecover cost* sebagaimana dilaporkan untuk tujuan PSC, neto setelah FTP sebesar AS$67.195.558/*Unrecover cost as reported for PSC purposes, net of FTP amounting to US$7,195,558.*

16. PERPAJAKAN (lanjutan)

e. Surat Ketetapan Pajak

Pada tahun 2014, Kelompok Usaha menerima beberapa Surat Ketetapan Pajak Kurang Bayar ("SKPKB") dari Kementerian Keuangan Republik Indonesia-Direktorat Jenderal Pajak sebagai berikut:

- SIP menerima SKPKB tertanggal 27 Agustus 2014 untuk Pajak Penghasilan Final Pasal 4 (2) masa pajak Juni 2013 sebesar Rp203.143.933.553. Atas SKPKB tersebut, telah dilakukan pembayaran pada tanggal 25 September 2014.

- SIPL dan SP, menerima SKPKB tertanggal 3 Desember 2014 untuk Pajak Penghasilan Final Pasal 4 (2) masa pajak Januari 2014 masing-masing sebesar Rp556.896.568.577 dan Rp62.652.743.146. Atas SKPKB tersebut, telah dilakukan pembayaran pada bulan Desember 2014.

  Sehubungan dengan keputusan Direktur Jenderal Pajak ("DJP") yang menolak keberatan yang diajukan, SIP, SIPL dan SP sudah mengajukan banding atas keputusan DJP tersebut kepada Pengadilan pajak. Sampai tanggal penyelesaian laporan keuangan konsolidasian ini, Pengadilan pajak belum mengeluarkan putusannya. Manajemen Kelompok usaha berkeyakinan bahwa jumlah yang sudah dibayarkan berdasarkan SKP tersebut akan dapat tertagih.

- SIPL dan SPLLC, menerima SKPKB tertanggal 18 November 2015 untuk Pajak Penghasilan Pasal 26 masa pajak Januari-Desember 2014 masing -masing sebesar AS$127.720.367 dan AS$19.842.169. SIP juga menerima SKPKB atas pajak yang sama untuk masa pajak Januari-Desember 2013 sebesar AS$35.282.679.

  Sehubungan dengan SKPKB tersebut, SIPL, SPLLC dan SIP mengajukan keberatan kepada DJP. Sampai tanggal penyelesaian laporan keuangan konsolidasian ini, jumlah yang ditetapkan dalam SKPKB tersebut belum dibayar. Manajemen Kelompok usaha berkeyakinan bahwa SKPKB tersebut di atas bertentangan dengan peraturan perpajakan yang relevan, sehingga jumlah yang ditetapkan dalam SKPKB tersebut tidak diakui sebagai liabilitas pada tanggal 31 Desember 2015.

16. TAXATION (continued)

e. Tax Assessment Letters

In 2014, the Group received several Underpaid Tax Assessment Letter ("SKPKB") from Ministry of Finance of the Republic of Indonesia-Directorate General of Taxation, as follows:

- *SIP received SKPKB dated August 27, 2014 of Final Income Tax Article 4 (2) for the period June 2013 amounted to Rp203,143,933,553. Such SKPKB payment has been made on September 25, 2014.*

- *SIPL and SP received SKPKB of Final Income Tax Article 4 (2) dated on December 3, 2014 for the period January 2014 amounted to Rp556,896,568,577 and Rp62,652,743,146, respectively. Such SKPKB payment has been made in December 2014.*

  Following the Director General Tax ("DJP")'s decision which reject their objections, SIP, SIPL and SP have filed appeals to the Tax court. Until the completetion date of this consolidated financial statements the Tax court has not issued its decision yet. The Group's management believes that the amount which has been paid under the SKP will be recoverable.

- *SIPL and SPLLC, received SKPKB of Income Tax Article 26 dated on November 18, 2015 for the period January-December 2014 amounted to US$127,720,367 and US$19,842,169, respectively. SIP also received SKPKB for the same tax for the period of January-December 2013 amounted to US$35,282,679.*

  In connection with the above SKPKB, SIPL, SPLLC and SIP has filed a objection letters to the DJP. Until the completion date of these consolidated financial statements, the amounts under the above SKPKB has not been paid or settled. The Group management believes that such SKPKB is contradictory to the relevant tax regulation, as such, the amounts under SKPKB is not recognized as liabilities as of December 31, 2015.

16. PERPAJAKAN (lanjutan)

e. Surat Ketetapan Pajak (lanjutan)

Perusahaan juga telah melakukan pengajuan banding atas Keputusan Direktur Jenderal Pajak No. KEP-1904/WPJ.07/2013 tertanggal 18 September 2013 terkait dengan keberatan SEI atas SKPKB Pajak Penghasilan Pasal 26 masa Januari sampai dengan Desember tahun 2009 dengan nilai SKPKB yang diajukan banding sebesar Rp16.756.453.245. Nilai kurang bayar beserta sanksi administratif disajikan pada akun "Liabilitas yang Masih Harus Dibayar" pada laporan posisi keuangan konsolidasian pada tanggal 31 Desember 2014.

Pada tanggal 12 Maret 2015, Pengadilan Tinggi Jakarta telah menjatuhkan putusan atas perkara ini yang isinya membatalkan putusan Pengadilan Negeri Jakarta dan menolak gugatan Penggugat untuk seluruhnya.

16. TAXATION (continued)

e. Tax Assessment Letters (continued)

The Company filed an appeal on the Decision of the Director General of Taxation No. KEP-1904/WPJ.07/2013 dated September 18, 2013 related to SEI's objection to SKPKB on Income Tax Article 26, for the period from January to December 2009 amounting to Rp16,756,453,245. Such underpayment and the corresponding administrative penalty were accrued and presented under "Accrued Liabilities" on the consolidated statements of financial position as of December 31, 2014..

On March 12, 2015, the High Court of Jakarta has issued a decision on the case, nullifying the verdict of Jakarta District Court and rejecting all of Plaintiff's lawsuit.

17. UTANG LAIN-LAIN

Akun ini terdiri dari:

17. OTHER PAYABLES

This account consists of:

	31 Desember/*December 31,*		
	2015	**2014**	
Utang *cash call*	15.718.529	17.001.008	*Cash call payables*
Utang dari aktivitas operasi bersama	11.537.221	12.106.076	*Payables from joint operation activities*
Sunny Ridge Offshore M. Ltd	-	42.890.466	*Sunny Ridge Offshore M. Ltd*
Lain-lain	618.245	-	*Others*
Total	**27.873.995**	**71.997.550**	***Total***

Utang lain-lain kepada Sunny Ridge Offshore M. Limited (SROL) pada 31 Desember 2014 merupakan utang yang terkait dengan kegiatan eksplorasi pada blok Muriah. Utang ini telah dibayar pada tanggal 5 Januari 2015.

Other payables to Sunny Ridge Offshore M. Limited (SROL) as of December 31, 2014 pertain to payables arising from exploration activities in Muriah block. This payable was subsequently settled on January 5, 2015.

Utang *cash call* merupakan utang kepada operator yang berkaitan dengan kegiatan operasional di blok Fasken, Muriah, dan Ketapang.

Cash call payables represent payables to operator related with operational activities in Fasken, Muriah, and Ketapang blocks.

18. LIABILITAS YANG MASIH HARUS DIBAYAR / *18. ACCRUED LIABILITIES*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	**2014**	
Liabilitas yang masih harus dibayar dari aktivitas minyak dan gas:			*Accrued liabilities from oil and gas activities:*
Blok Muara Bakau	40.620.547	-	*Block Muara Bakau*
Blok Pangkah	23.637.291	12.588.070	*Block Pangkah*
Blok Ketapang	12.736.782	25.859.619	*Block Ketapang*
Blok South East Sumatra	10.162.125	10.494.549	*Block South East Sumatra*
Blok Muriah	5.042.529	5.448.469	*Block Muriah*
Blok Bangkanai	3.657.098	5.454.055	*Block Bangkanai*
Blok South Sesulu	34.960	8.483.066	*Block South Sesulu*
Blok Bangkanai Barat	21.433	25.523	*Block Bangkanai Barat*
Liabilitas yang diambil alih dalam akuisisi	41.818.655	42.814.655	*Liabilities assumed from acquisition*
Bunga pinjaman bank	462.400	-	*Interest on bank loan*
Bunga pinjaman pihak berelasi (Catatan 30)	2.030.595	4.462.136	*Interest on loan from related party (Note 30)*
Total	**140.224.415**	**115.630.142**	***Total***

19. IMBALAN KERJA / *19. EMPLOYEE BENEFITS*

Kelompok Usaha menyediakan imbalan kerja jangka pendek, pensiun dan kesejahteraan karyawan lainnya untuk seluruh karyawan tetap yang masih aktif dan yang sudah pensiun sebagai berikut:

The Group provides short-term employee benefits, retirement and other employee benefit to its active and retired employees as follows:

a. Liabilitas Imbalan Kerja Jangka Pendek / *a. Short-term Employee's Benefits Liabilities*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	**2014**	
Bonus	535.287	2.974.505	*Bonuses*
Bagian liabilitas imbalan kerja yang akan jatuh tempo dalam satu tahun - Catatan 19b	489.583	-	*Current maturities of employee benefits liabilities- Note 19b*
Total	**1.024.870**	**2.974.505**	***Total***

19. IMBALAN KERJA (lanjutan)

b. Imbalan Kerja Jangka Panjang

Kelompok Usaha memberikan imbalan kerja jangka panjang kepada karyawan sesuai dengan Perjanjian Kerja Bersama yang dibandingkan dengan imbalan berdasarkan Undang-undang Ketenagakerjaan No. 13/2003 (UU No. 13/2003), mana yang lebih tinggi. Imbalan tersebut didanai. Tabel berikut menyajikan komponen dari beban imbalan neto yang diakui dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian dan jumlah yang diakui dalam laporan posisi keuangan konsolidasian untuk imbalan kerja yang dihitung oleh PT Dayamandiri Dharmakonsilindo, aktuaris independen, untuk tanggal-tanggal 31 Desember 2015 dan 31 Desember 2014, berdasarkan laporannya tanggal 7 Januari 2016 dan 23 Februari 2015. Perhitungan aktuaris menggunakan metode "*Projected Unit Credit*" dengan asumsi-asumsi sebagai berikut:

19. EMPLOYEE BENEFITS (continued)

b. Long-term Employee's Benefits

The Group provides long-term employees' benefits to its employee in accordance with the Collective Labor Agreement as compared with benefits under Labor Law No. 13/2003 (Law No. 13/2003), and provide whichever is higher. The benefits are funded. The following tables summarize the components of net benefits expense recognized in the consolidated statements of profit or loss and other comprehensive income and the amounts recognized in the consolidated statements of financial position for the estimated liabilities for employees' benefits as calculated by an independent actuary, PT Dayamandiri Dharmakonsilindo for dates December 31, 2015 and December 31, 2014, in its reports dated January 7, 2016 and February 23, 2015. The actuarial calculation used the "Projected Unit Credit" method which utilized the following assumptions:

	31 Desember/*December 31,*		
	2015	**2014**	
Tingkat Bunga Aktuaria	8,70% per Tahun/ *per Annum*	8,50% per Tahun/ *per Annum*	*Actuarial Discount Rate*
Tingkat Kematian	TMI 2011	TMI 2011	*Mortality Rate*
Kenaikan Gaji dan Upah	7,00% per Tahun/ *per Annum*	8,00% per Tahun/ *per Annum*	*Wages and Salaries Increase*
Umur Pensiun	58 Tahun/*Years*	58 Tahun/*Years*	*Retirement Age*
Tingkat Cacat	10% dari Tingkat Kematian/*from Mortality Rate*	10% dari Tingkat Kematian/*from Mortality Rate*	*Disability Rate*

Tabel berikut ini menyajikan komponen beban dan liabilitas imbalan kerja karyawan konsolidasian.

The following tables summarize the consolidated components of employees' benefits expense and liabilities.

a. Beban kesejahteraan karyawan

a. Employee benefits expense

Imbalan pasca kerja / ***Post retirement benefits***

	31 Desember/*December 31,*		
	2015	**2014**	
Biaya jasa kini	1.406.098	803.021	*Current service cost*
Biaya bunga	424.744	319.422	*Net interest*
Biaya jasa lalu	128.452		*Past service cost*
Pengembalian aset program diluar pendapatan bunga	4.372	-	*Return on plan asset exclude interest income*
Pendapatan bunga aset program	(61.643)	-	*Interest income on plan asset*
Penilaian kembali liabilitas (aset) imbalan pasti neto	(372.417)	-	*Re-measurement of liabilities (asset) defined benefit net*
Ekspektasi pengembalian aset program	(14.745)	-	*Expected return on plan asset*
Kurtailment dan penyelesaian	-	(2.041.876)	*Curtailment and settlement*
Total	**1.514.861**	**(919.433)**	***Total***

19. IMBALAN KERJA (lanjutan)

b. Imbalan Kerja Jangka Panjang (lanjutan)

b. Liabilitas kesejahteraan karyawan

19. *EMPLOYEE BENEFITS (continued)*

b. Long-term Employees' Benefits (continued)

b. Employee benefit liabilities

Imbalan pasca kerja / ***Post retirement benefits***

	31 Desember/*December 31,*		
	2015	**2014**	
Imbalan pasca kerja	4.176.216	5.393.001	*Post retirement benefits*
Imbalan kerja jangka panjang lainnya	-	39.716	*Other long-term benefits*
Subtotal	4.176.216	5.432.717	*Subtotal*
Dikurangi imbalan kerja jangka panjang yang jatuh tempo dalam waktu satu tahun:			*Less current maturities of long-term employees' benefits*
Imbalan pasca kerja	489.583	-	*Post retirement benefits*
Bagian jangka panjang, neto	**3.686.633**	**5.432.717**	***Long-term portion, net***

c. Mutasi liabilitas diestimasi atas imbalan kerja karyawan

Perubahan dalam liabilitas kesejahteraan karyawan untuk pada tanggal 31 Desember 2015 dan 31 Desember 2014, sebagai berikut:

c. The movements in the estimated liabilities for employees' benefits

The movements in the employee benefits liability as of December 31, 2015 and December 31, 2014, are as follows:

Imbalan pasca kerja / *Post retirement benefits*

	31 Desember/*December 31,*		
	2015	**2014**	
Saldo awal	5.393.001	1.238.788	*Beginning balance*
(Keuntungan) kerugian aktuaria yang diakui pada penghasilan komprehensif lain	(371.468)	1.046.149	*Actuarial (gain) loss recognized in other comprehensive income*
Beban kesejahteraan tahun berjalan	1.514.861	(919.433)	*Current year benefits expense*
Kontribusi perusahaan	(1.673.984)	5.058.688	*Company's contribution*
Pembayaran tahun berjalan	(56.795)	(969.184)	*Payments during the year*
Rugi selisih kurs	(629.399)	(62.007)	*Foreign exchange loss*
Saldo akhir	**4.176.216**	**5.393.001**	***Ending balance***

19. IMBALAN KERJA (lanjutan) / ***19. EMPLOYEE BENEFITS (continued)***

b. Imbalan Kerja Jangka Panjang (lanjutan) / ***b. Long-term Employees' Benefits (continued)***

c. Mutasi liabilitas diestimasi atas imbalan kerja karyawan (lanjutan) / *c. The movements in the estimated liabilities for employees' benefits (continued)*

Imbalan kerja jangka panjang lainnya / *Other long-term benefits*

	31 Desember/*December 31,*		
	2015	**2014**	
Saldo awal	39.716	-	*Beginning balance*
Beban kesejahteraan tahun berjalan	-	40.133	*Current year benefits expense*
Laba selisih kurs	-	(417)	*Foreign exchange gain*
Penyesuaian	(39.716)	-	*Adjustment*
Saldo akhir	**-**	**39.716**	***Ending balance***

Analisa sensitivitas kuantitatif untuk asumsi-asumsi yang signifikan pada tanggal 31 Desember 2015 adalah sebagai berikut:

The quantitative sensitivity analysis for significant assumptions as of December 31, 2015 is as follows:

	Tingkat diskonto/ *Discount rates*		**Kenaikan gaji dimasa depan/ *Future salary increases***		
	Persentase/ *Percentage*	**Pengaruh nilai kini atas kewajiban imbalan kerja/ *Effect on present value of benefits obligation***	**Persentase/ *Percentage***	**Pengaruh nilai kini atas kewajiban imbalan kerja/ *Effect on present value of benefits obligation***	
2015					***2015***
Kenaikan	1%	(1.111.383)	1%	(1.988.443)	*Increase*
Penurunan	(1%)	1.984.739	(1%)	1.101.320	*Decrease*

Jadual jatuh tempo dari liabilitas imbalan pasti pada tanggal 31 Desember 2015:

The maturity profile of defined benefits obligation as of December 31, 2015:

	31Des. 2015/ *Dec. 31, 2015*	
1 tahun	489.583	*Within one year*
2 - 5 tahun	1.878.890	*2 - 5 years*
Lebih dari 5 tahun	11.238.315	*More than 5 years*
Total	**13.606.788**	***Total***

Durasi rata - rata kewajiban manfaat pasti di akhir periode pelaporan masing - masing untuk Perusahaan dan Entitas Anak adalah 11 tahun.

The average duration of the defined benefits plan obligation at the end of reporting period for the Company and Subsidiaries is approximately 11 years.

19. IMBALAN KERJA (lanjutan)

b. Imbalan Kerja Jangka Panjang (lanjutan)

Seluruh beban imbalan kerja karyawan jangka panjang Kelompok Usaha disajikan sebagai akun "Beban Umum dan Administrasi" di dalam laporan laba rugi dan penghasilan komprehensif konsolidasian lain .

Manajemen Kelompok Usaha berpendapat bahwa program jaminan hari tua cukup untuk menutupi semua imbalan yang diatur dalam UU No. 13/2003.

19. EMPLOYEE BENEFITS (continued)

b. Long-term Employees' Benefits (continued)

All the employees' benefits expenses of the Group are presented as "General and Administrative Expenses" account in the consolidated statements of profit or loss and other comprehensive income.

The management of the Group believes that the retirements benefits program adequately cover the benefits to be provided based on Law No. 13/2003.

20. PINJAMAN BANK

20. BANK LOAN

Akun ini terdiri dari:

This account consists of:

	31 Desember/*December 31,*		
	2015	**2014**	
Pinjaman sindikasi			***Loan syndication***
Pokok pinjaman	300.000.000	-	*Principals*
Biaya transaksi yang belum diamortisasi	(5.108.471)	-	*Unamortized cost of transaction*
Total	**294.891.529**	**-**	***Total***

Pada tanggal 2 Desember 2015, Perusahaan memperoleh fasilitas pinjaman sindikasi sebesar AS$600.000.000 dengan jumlah porsi *Onshore* dan *Offshore* masing-masing sebesar AS$300.000.000 dari beberapa bank sebagai berikut:

- PT Bank BNP Paribas Indonesia;
- The Hongkong and Shanghai Banking Corporation Limited, Cabang Jakarta;
- PT Mizuho Bank Indonesia;
- PT Bank Sumitomo Mitsui Indonesia;
- BNP Paribas, bertindak melalui Cabang Singapura;
- The Hongkong and Shanghai Banking Corporation Limited, Cabang Singapura;
- Mizuho Bank, Ltd., Cabang Singapura; dan
- Sumitomo Mitsui Banking Corporation, Cabang Singapura (bertindak juga sebagai Agen).

Sampai dengan tanggal 31 Desember 2015, Perusahaan telah menarik fasilitas pinjaman tersebut sebesar AS$300.000.000. Pinjaman ini memiliki jangka waktu 5 tahun dengan masa tenggang selama 1 tahun. Pinjaman ini dikenakan tingkat bunga sebesar LIBOR plus 1,85% (*all in cost*) untuk porsi *onshore* dan LIBOR plus 1,60% (*all in cost*) untuk porsi *offshore*.

On December 2, 2015, the Company obtained a syndicated loan facility amounting to US$600,000,000 with Onshore and Offshore portion amounting to US$300,000,000, respectively, from the banks as follows:

- *PT Bank BNP Paribas Indonesia;*
- *The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch;*
- *PT Mizuho Bank Indonesia;*
- *PT Bank Sumitomo Mitsui Indonesia;*
- *BNP Paribas, acting through its Singapore Branch;*
- *The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch;*
- *Mizuho Bank, Ltd., Singapore Branch; and*
- *Sumitomo Mitsui Banking Corporation, Singapore Branch (also acting as Agent).*

Until December 31, 2015, the Company already drawdown the loan facility amounting to US$300,000,000. This loan has a term of 5 years with a grace period of 1 year. The loan bears interest at LIBOR plus 1.85% (all in cost) for the onshore portion and LIBOR plus 1.60% (all in cost) for the offshore portion.

20. PINJAMAN BANK (lanjutan)

Selama pinjaman masih terutang, Perusahaan diwajibkan memenuhi rasio keuangan sebagai berikut:

a. rasio utang terhadap ekuitas tidak boleh melebihi 65:35;
b. rasio *Interest Coverage* untuk masing-masing Periode Relevan paling sedikit sebesar 4,0:1; dan
c. rasio hutang terhadap EBITDA tidak melebihi;
   i. (Untuk setiap periode relevan sebelum dua (2) tahun setelah tanggal efektif) 4,5:1; dan
   ii. (Untuk setiap periode relevan sesudahnya) 3,5:1.

Pada tanggal 31 Desember 2015, Perusahaan telah memenuhi semua rasio keuangan yang dipersyaratkan dalam perjanjian pinjaman.

Fasilitas pinjaman ini membatasi perusahaan untuk melunasi atau menurunkan saldo pinjaman dari pemegang saham.

20. BANK LOAN (continued)

As long as the loan is still outstanding, the Company is required to meet the financial ratios, as follows:

a. The ratio of its Gross Debt to equity shall not exceed 65:35;
b. Its Interest Coverage Ratio for each Relevant Period shall be at least 4.0:1; and
c. the ratio of its Debt to EBITDA shall not exceed:
   i. (For each Relevant Period to occur before the date falling two (2) years after the
   ii. (For each relevant period thereafter) 3.5:1.

As of December 31, 2015, the Company has complied with all financial ratios required to be maintained under the loan agreements.

This loan facility is restricts or decreases the Company to fully repay or decrease its loab from shareholder balance.

21. PINJAMAN DARI PEMEGANG SAHAM

Akun ini terdiri dari:

21. LOAN FROM SHAREHOLDER

This account consists of:

	31 Desember/*December 31,*		
	2015	**2014**	
PT PGN (Catatan 30)			*PT PGN (Note 30)*
Bagian jangka pendek	-	448.350.000	*Short term portion*
Bagian jangka panjang	838.350.000	-	*Long term portion*
Total	**838.350.000**	**448.350.000**	***Total***

Pada 3 Januari 2014, Perusahaan menandatangani perjanjian pinjaman dari pemegang saham dengan PT PGN sebesar AS$896.700.000. Penarikan disesuaikan dengan kebutuhan investasi Perusahaan. Pinjaman ini memiliki tingkat bunga *London Interbank Offered Rate* (LIBOR) 3 bulan + 2%. Jangka waktu pinjaman ini adalah selama 12 (dua belas) bulan terhitung sejak tanggal dilakukannya penarikan pertama pinjaman oleh Perusahaan. Pada tanggal 30 Desember 2014, sebagian dari pinjaman tersebut dikonversi menjadi tambahan modal saham oleh PT PGN sebesar AS$448.350.000

On January 3, 2014, the Company signed shareholder loan agreement with PT PGN amounting to US$896,700,000. Withdrawal is determined based on the Company's investment requirements. This loan bears interest at a rate of 3 months London Interbank Offered Rate (LIBOR) + 2% per annum. This loan will be due in 12 (twelve) months after the initial drawn down by the Company. On December 30, 2014, the loan was partially converted to capital stock by PT PGN amounting to US$448,350,000.

21. PINJAMAN DARI PEMEGANG SAHAM (lanjutan)

Berdasarkan surat No.003400.S/PR.06.02/ PBPP/2015 tanggal 5 Februari 2015 perihal Perjanjian Pinjaman, PT PGN telah menyetujui pinjaman sebesar AS$355.228.816 akan menjadi pinjaman jangka panjang dengan jangka waktu perjanjian selama 5 tahun terhitung sejak tanggal 6 Januari 2015, dan pinjaman sebesar AS$93.121.184 akan menjadi pinjaman jangka pendek dengan jangka waktu pinjaman selama 1 tahun terhitung sejak tanggal 6 Januari 2015.

Pada 23 Februari 2015, Perusahaan menandatangani perjanjian pinjaman dari pemegang saham dengan PT PGN sebesar AS$390.000.000.

Pada tanggal 28 Agustus 2015, Perusahaan menandatangani perjanjian pinjaman dari pemegang saham dengan PT PGN sebesar AS$200.000.000. Penarikan disesuaikan dengan kebutuhan investasi Perusahaan. Pinjaman ini memiliki tingkat bunga London Interbank Offered Rate (LIBOR) 3 bulan + 2%. Jangka waktu pinjaman ini adalah sampai dengan 15 Desember 2015. Hingga bulan Desember 2015, Perusahaan melakukan penarikan atas fasilitas ini sebesar AS$137.614.000. Pada tanggal 8 Desember 2015, seluruh pinjaman telah dilunasi.

Pada tanggal 31 Desember 2015, Perusahaan menandatangani perjanjian dengan pemegang saham untuk mengubah jangka waktu dari pinjaman jangka pendek sebesar AS$483.121.184 menjadi jangka waktu 5 tahun terhitung sejak 1 Januari 2016.

21. LOAN FROM SHAREHOLDER (continued)

Based on letter No.003400.S/PR.06.02/ PBPP/2015 dated February 5, 2015 regarding the Loan Agreement, PT PGN has approved that loan amounting to US$355,228,816 will be a long-term loan with a loan period of 5 years commencing from January 6, 2015, and a loan amounting to US$93,121,184 will be a short-term loan with a loan period of 1 year commencing from January 6, 2015.

On February 23, 2015, the Company signed loan from shareholder agreement with PT PGN amounting to US$390,000,000.

On August 28, 2015, the Company signed loan from shareholder agreement with PT PGN amounting to US$200,000,000. Withdrawal is determined based on the Company's investment requirements. This loan bears interests at a rate of 3 months London Interbank Offered Rate (LIBOR) + 2% per annum. This loan will be due in December 15, 2015. Until December 2015, the Company made drawdowns of the facility totaling US$137,614,000. This loan was paid on December 8, 2015.

As of December 31, 2015, the Company and PT PGN signed an agreement regarding the short-term loan amounting to US$483,121,184 will be a long-term loan with a period of 5 years commencing from January 1, 2016.

22. LIABILITAS PEMBONGKARAN ASET DAN RESTORASI AREA

Mutasi liabilitas restorasi dan pembongkaran aset adalah sebagai berikut:

22. ASSET ABANDONMENT AND SITE RESTORATION OBLIGATIONS

The movement in site restoration and abandonment obligations are presented below:

	31 Desember/*December 31,*		
	2015	**2014**	
Saldo awal	90.646.128	13.970.210	*Beginning balance*
Penambahan tahun berjalan	100.582	6.518.813	*Addition during the year*
Akuisisi entitas anak	-	58.239.539	*Acquisitions of subsidiaries*
Revisi estimasi arus kas	(42.301.420)	8.347.658	*Revision in estimated cash flows*
Pembalikan dari efek diskonto (Catatan 28)	2.528.579	3.569.908	*Unwinding effect of discounting (Note 28)*
Saldo akhir	50.973.869	90.646.128	*Ending balance*
Rekening yang dicadangkan	(33.824.965)	(30.786.814)	*Escrow account*
Saldo akhir, neto	**17.148.904**	**59.859.314**	***Ending balance, net***

22. LIABILITAS PEMBONGKARAN ASET DAN RESTORASI AREA (lanjutan)

Estimasi terkini untuk biaya pembongkaran aset dan restorasi area yang ditinggalkan tidak dihitung oleh konsultan independen, tetapi dilakukan oleh pihak manajemen. Manajemen berkeyakinan bahwa akumulasi penyisihan pada tanggal laporan posisi keuangan konsolidasian telah cukup untuk menutup semua liabilitas yang timbul dari kegiatan restorasi area dan pembongkaran aset. Tingkat suku bunga diskonto yang dipergunakan dalam perhitungan pada tanggal 31 Desember 2015 dan 2014 masing-masing sebesar 4,82% dan 4,62%.

Rekening yang dicadangkan yang dicantumkan di atas ditempatkan di PT Bank Mandiri (Persero) Tbk untuk mendanai liabilitas pembongkaran aset dan restorasi area sehubungan dengan operasi minyak dan gas.

22. ASSET ABANDONMENT AND SITE RESTORATION OBLIGATIONS (continued)

The current estimates for the asset abandonment and site restoration obligations were determined by management, not by an independent consultant. Management believes that the accumulated provisions as of the dates of the consolidated statements of financial position are sufficient to meet the environmental obligations resulting from future site restoration and asset abandonment. The discount rate of 4.82% and 4.62% was used in the calculation of the position as of December 31, 2015 and 2014, respectively.

The above escrow accounts are placed in PT Bank Mandiri (Persero) Tbk for the funding of abandonment and site restoration obligations relating to oil and gas operations.

23. MODAL SAHAM

Susunan pemilikan saham Perusahaan pada tanggal 31 Desember 2015 dan 2014 adalah sebagai berikut:

23. CAPITAL STOCK

The details of the shareholders as of December 31, 2015 and 2014 are as follows:

	31 Des. 2015/*Dec. 31, 2015*			
	Lembar Saham/ *Number of Shares*	**AS$/ *US$***	**%**	
PT PGN	11.777.614.980	1.062.492.921	99,99	*PT PGN*
PT PGAS Solution	380.000	44.490	0,01	*PT PGAS Solution*
Total	**11.777.994.980**	**1.062.537.411**	**100,00**	***Total***

	31 Des. 2014/*Dec. 31, 2014*			
	Lembar Saham/ *Number of Shares*	**AS$/ *US$***	**%**	
PT PGN	6.201.934.380	614.142.921	99,99	*PT PGN*
PT PGAS Solution	380.000	44.490	0,01	*PT PGAS Solution*
Total	**6.202.314.380**	**614.187.411**	**100,00**	***Total***

Berdasarkan Akta Notaris Pratiwi Handayani, S.H., No. 35 tanggal 26 Februari 2013, para pemegang saham menyetujui:

- Peningkatan modal dasar Perusahaan sebesar Rp1.069.500.000.000.
- Penambahan modal disetor sebesar Rp1.069.500.000.000 atau setara dengan AS$110.257.732 oleh PT PGN, Entitas Induk.

Based on the Notarial Deed No. 35 dated February 26, 2013 of Pratiwi Handayani, S.H., the shareholders approved:

- *Increase in authorized shares of Rp1,069,500,000,000.*
- *Increase in share capital amounting to Rp1,069,500,000,000 or equivalent to US$110,257,732 by PT PGN, the Parent Entity.*

23. MODAL SAHAM (lanjutan)

Berdasarkan Akta Notaris Pratiwi Handayani, S.H. No. 04 tanggal 5 Juli 2013, para pemegang saham menyetujui:

- Peningkatan modal dasar Perusahaan sebesar Rp4.895.000.000.000 atau setara dengan AS$500.000.000.
- Penambahan modal disetor Perusahaan sebesar Rp4.100.126.864.000 atau setara dengan AS$418.807.647 yang dilakukan oleh PT PGN.

Berdasarkan Akta Pratiwi Handayani, S.H. No. 01 tanggal 4 Maret 2014, notaris di Jakarta, para pemegang saham menyetujui peningkatan modal dasar Perusahaan dari sebelumnya Rp6.116.500.000.000 menjadi Rp6.316.315.000.000 serta peningkatan modal disetor sebesar Rp994.687.516.000 atau setara dengan AS$81.192.352, sehingga modal ditempatkan dan disetor Perusahaan meningkat dari Rp5.207.626.864.000 menjadi Rp6.202.314.380.000. Peningkatan tersebut telah mendapat persetujuan dari Menteri Hukum dan Hak Asasi Manusia Republik Indonesia, dalam surat keputusannya No. AHU-12242.AH.01.02.Tahun 2014 tertanggal 27 Maret 2014 dan diumumkan dalam Lembaran Berita Negara No. 47 tanggal 13 Juni 2014.

Berdasarkan Keputusan Pemegang Saham tanggal 30 Desember 2014, yang telah diaktakan dengan Akta Notaris Tengku Sandra Fauzia, S.H., M.Kn. No.05 tanggal 27 Januari 2015, pemegang saham menyetujui peningkatan modal dasar menjadi Rp11.800.000.000.000 dan modal ditempatkan dan disetor menjadi Rp11.777.994.980.000. Penambahan modal dilakukan melalui konversi pinjaman pemegang saham sebesar AS$448.350.000 atau setara dengan Rp5.575.680.600.000, yang disajikan pada laporan posisi keuangan konsolidasian pada tanggal 31 Desember 2014 pada akun "Uang Muka Setoran Modal", sebagai bagian dari ekuitas, karena masih menunggu persetujuan dari Menteri Hukum dan Hak Asasi Manusia Republik Indonesia.

Pada 31 Desember 2015, penambahan modal tersebut telah disajikan sebagai "Modal Saham" pada laporan posisi keuangan konsolidasian, karena telah mendapat persetujuan dari Menteri Hukum dan Hak Asasi Manusia Republik Indonesia dalam Surat Keputusan No. AHU-0001573.AH.01.02 Tahun 2015 tanggal 30 Januari 2015.

23. CAPITAL STOCK (continued)

Based on the Notarial Deed No. 04 dated July 5, 2013 of Pratiwi Handayani, S.H. the shareholders approved the following:

- *Increase in authorized shares of Rp4,895,000,000,000 or equivalent to US$500,000,000.*
- *Increase in share capital amounting to Rp4,100,126,864,000 or equivalent to US$418,807,647 subscribed by PT PGN.*

Based on Notarial Deed No. 01 dated March 4, 2014 made of Pratiwi Handayani, S.H. a notary in Jakarta, the Company's shareholders agreed to increase the Company 's authorized capital from Rp6,116,500,000,000 to Rp6,316,315,000,000 and the increase of paid in capital amounting to Rp994,687,516,000 or equivalent to US$81,192,352, thus the amount of issued and fully paid shares increased from Rp5,207,626,864,000 to Rp6,202,314,380,000. The increase has been approved by the Ministry of Laws and Human Rights of the Republic of Indonesia through letter No. AHU-12242.AH.01.02.Year 2014 dated March 27, 2014 and were published in State of Gazette of the Republic of Indonesia No. 47 dated June 13, 2014.

Based on the Resolution of Shareholders dated December 30, 2014, which was notarized by Notarial Deed No. 05 dated January 27, 2015 made of Tengku Sandra Fauzia, S.H., M.Kn., the shareholders agreed to increase the Company's authorized capital to Rp11,800,000,000,000 and issued and paid capital to Rp11,777,994,980,000. The capital addition is conducted by shareholder's loan conversion amounting to US$448,350,000 or equivalent to Rp5,575,680,600,000, which is presented in the consolidated statements of financial position as of December 31, 2014 under "Deposit for Future Stock Subscription" account, as part of equity, due to still pending approval from the Ministry of Laws and Human Rights of the Republic of Indonesia.

As of December 31, 2015, the capital addition is presented as "Capital Stock" in the consolidated statements of financial position, due to the approval by the Ministry of Laws and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-0001573.AH.01.02 Year 2015 on January 30, 2015.

24. KEPENTINGAN NON-PENGENDALI / *24. NON-CONTROLLING INTERESTS*

	31 Des. 2015/*Dec. 31, 2015*			
	Saldo/*Balance* 1 Jan. 2015/ *Jan. 1, 2015*	Bagian atas laba neto/ *Share in net profit*	Saldo/*Balance* 31 Des. 2015/ *Dec. 31, 2015*	
SES	1.933	4.234	6.167	*SES*
SKP	5.166	10.828	15.994	*SKP*
SI	8	-	8	*SI*
Total	**7.107**	**15.062**	**22.169**	***Total***

	31 Des. 2014/*Dec. 31, 2014*			
	Saldo/*Balance* 1 Jan. 2014/ *Jan. 1, 2014*	Bagian atas laba neto/ *Share in net profit*	Saldo/*Balance* 31 Des. 2014/ *Dec. 31, 2014*	
SES	26	1.907	1.933	*SES*
SKP	5.180	(14)	5.166	*SKP*
SI	-	8	8	*SI*
Total	**5.206**	**1.901**	**7.107**	***Total***

25. PENDAPATAN NETO / *25. NET REVENUES*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	2014	
Minyak Bumi	125.552.296	204.344.018	*Crude Oil*
Gas Alam	119.779.209	64.657.407	*Natural Gas*
LPG	18.365.987	28.796.140	*LPG*
Total	**263.697.492**	**297.797.565**	***Total***

Penjualan minyak dan gas merupakan pendapatan atas penjualan minyak dan gas Kelompok Usaha dari aktivitas eksplorasi dan produksi yang diperoleh dari kontrak bagi hasil.

Net oil and gas sales represent Group's sales of oil and gas from exploration and production activities earned under production sharing contract.

26. BEBAN POKOK PENDAPATAN / *26. COST OF REVENUES*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,*		
	2015	2014	
Beban penyusutan, deplesi dan amortisasi	150.359.313	95.486.803	*Depreciation, depletion and amortization*
Beban produksi dan *lifting*	101.488.284	76.910.973	*Production and lifting cost*
Total	**251.847.597**	**172.397.776**	***Total***

27. BEBAN UMUM DAN ADMINISTRASI / *27. GENERAL AND ADMINISTRATIVE EXPENSES*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,* 2015	2014	
Jasa profesional	3.932.064	4.525.539	*Professional fees*
Gaji dan kesejahteraan karyawan	2.449.386	5.500.121	*Salaries and employee benefits*
Penyusutan (Catatan 12)	12.568	16.098	*Depreciation (Note 12)*
Lain-lain	410.530	709.354	*Others*
Total	**6.804.548**	**10.751.112**	***Total***

28. BEBAN KEUANGAN / *28. FINANCE COSTS*

Akun ini terdiri dari: / *This account consists of:*

	31 Desember/*December 31,* 2015	2014	
Bunga pinjaman dari pemegang saham	18.782.807	16.212.394	*Interest expense on loan from shareholder*
Bunga piutang *carry* (Catatan 11)	9.072.081	458.889	*Interest expense on carry receivables (Note 11)*
Pembalikan efek diskonto (Catatan 22)	2.528.579	3.569.908	*Unwinding effect of discount (Note 22)*
Bunga pinjaman bank (Catatan 20)	82.528	-	*Interest expenses on bank loan (Note 20)*
Lain-lain	-	21.923	*Others*
Total	**30.465.995**	**20.263.114**	***Total***

29. PENCADANGAN SALDO LABA DAN PEMBAGIAN LABA / *29. APPROPRIATIONS OF RETAINED EARNINGS AND DISTRIBUTIONS OF INCOME*

Berdasarkan Risalah Rapat Umum Pemegang Saham Tahunan Perusahaan tanggal 30 April 2012, para pemegang saham menyetujui laba neto Kelompok Usaha tahun 2011 sebesar Rp167.369.247 (setara dengan AS$17.308) dijadikan cadangan umum Kelompok Usaha.

Based on the Minutes of the Company's Annual General Shareholders' Meeting held on April 30, 2012, the shareholders approved that net income of Group for the year 2011 amounting Rp167,369,247 (equivalent to US$17,308) is set aside as a general reserve of the Group.

Pencadangan laba tersebut dibuat untuk memenuhi ketentuan yang diatur dalam Undang-Undang No. 40 Tahun 2007 tentang Perseroan Terbatas.

The appropriation of retained earnings was made to comply with the provisions of Law No. 40 Year 2007 on Limited Liabilities Companies.

30. SALDO DAN TRANSAKSI SIGNIFIKAN DENGAN PIHAK-PIHAK BERELASI / *30. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES*

Dalam kegiatan usaha normal, Kelompok Usaha melakukan transaksi usaha dan keuangan dengan pihak-pihak berelasi. Entitas yang bersangkutan diakui sebagai pihak berelasi dari Kelompok Usaha berkaitan dengan persamaan kepemilikan dan manajemen.

In the normal course of business, the Group entered into trade and financial transactions with related parties. The concerned entities are considered related parties of the Group in view of their common ownership and management.

30. SALDO DAN TRANSAKSI SIGNIFIKAN DENGAN PIHAK-PIHAK BERELASI (lanjutan)

Rincian sifat hubungan dan jenis transaksi yang signifikan dengan pihak-pihak berelasi adalah sebagai berikut:

30. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of nature of relationship and types of significant transactions with related parties are as follows:

Pihak-pihak berelasi/ ***Related parties***	**Sifat hubungan/** ***Nature of relationship***	**Jenis transaksi/** ***Nature of transactions***
PT Perusahaan Gas Negara (Persero) Tbk ("PT PGN")	Entitas Induk/*Parent Entity*	Pinjaman pemegang saham/ *Loan from shareholders*
PT PGAS Solution	Entitas sepengendali/ *Entities under common control*	Pemegang saham minoritas/ *Minority shareholders*
PT Bank Negara Indonesia (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Penempatan giro dan deposito/*Placement of current accounts and placement of time deposits*
PT Perusahaan Listrik Negara (Persero) (PLN)	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*
PT Pertamina (Persero), PT Hulu Energi - Onshore North West Java (ONWJ)	Entitas berelasi dengan Pemerintah/ *Government-related entity*	Pelanggan/*Customer*

Saldo-saldo signifikan dengan pihak-pihak berelasi adalah sebagai berikut:

Significant balances with related parties are as follows:

a. Kas dan setara kas (Catatan 4)

Pada tanggal 31 Desember 2015 dan 2014, saldo kas dan setara kas yang ditempatkan pada entitas berelasi dengan Pemerintah masing-masing sebesar 8,20%, dan 8,90% dari total aset konsolidasian .

a. Cash and cash equivalents (Note 4)

As of December 31, 2015 and 2014, the balances of cash and cash equivalents placed in Government-related entities amounted to 8.20% and 8.90%, respectively, from the total consolidated assets.

b. Piutang usaha (Catatan 5)

b. Trade receivables (Note 5)

	31 Desember/*December 31,*		
	2015	**2014**	
PT PLN (Persero	8.538.629	5.613.764	*PT PLN (Persero)*
PT Pertamina	1.452.486	2.265.070	*PT Pertamina (Persero)*
	9.991.115	**7.878.834**	
Persentase dari jumlah aset konsolidasi	0,43%	0,42%	*Percentage to total consolidated assets*

30. SALDO DAN TRANSAKSI SIGNIFIKAN DENGAN PIHAK-PIHAK BERELASI (lanjutan)

c. Liabilitas yang masih harus dibayar (Catatan 18)

30. SIGNIFICANT BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

c. Accrued liabilities (Note 18)

	31 Desember/*December 31,*		
	2015	**2014**	
PT PGN	2.030.595	4.462.136	*PT PGN*
Persentase terhadap total liabilitas	**0,14%**	**0,51%**	***As a percentage to total liabilities***

Pada tanggal 31 Desember 2015, liabilitas yang masih harus dibayar kepada PT PGN terdiri dari beban bunga pinjaman.

As of December 31, 2015, accrued liabilities to PT PGN consist of interest expense on shareholder's loan.

d. Pinjaman dari pemegang saham (Catatan 21)

Pada tanggal 31 Desember 2015 dan 31 Desember 2014 saldo pinjaman dari PT PGN sebesar 58,70% dan 51,68% dari total liabilitas konsolidasian.

d. Loan from shareholder (Note 21)

As of December 31, 2015 and December 31, 2014 the balances of loan from PT PGN amounted to 58.70% and 51.68% from the total consolidated liabilities.

e. Pendapatan neto (Catatan 25)

Pada tahun 2015, pendapatan yang dihasilkan dari PLN dan Pertamina sebesar US$85,2 juta dan US$18,4 juta, masing-masing yang merupakan 39,27% dari total pendapatan bersih konsolidasi.

e. Net Revenue (Note 25)

In 2015, revenue generated from PLN and Pertamina amounting to US$85.2 million and US$18.4 million, respectively, which constitutes 39.27% of total consolidated net revenues.

f. Kompensasi manajemen kunci

Kelompok usaha memberikan imbalan jangka pendek kepada Dewan Komisaris dan Direksi adalah sebesar Rp9.179.524.739 atau setara dengan AS$685.704 untuk tahun yang berakhir pada 31 Desember 2015 dan Rp11.209.281.791 atau setara dengan AS$1.012.905 untuk periode satu tahun yang berakhir pada tanggal 31 Desember 2014 dan tidak terdapat imbalan lainnya selain yang disebutkan di atas.

f. Key management compensation

The Group granted short-term benefits to the Board of Commisioners and Directors amounting to Rp9,179,524,739 or equals to US$685,704 for the year ended as of December 31, 2015 and Rp11,209,281,791 or equals to US$1,012,905 for year ended December 31, 2014 and there are no other benefits aside from what is stated above.

31. PERJANJIAN-PERJANJIAN PENTING

1. Pada tanggal 22 Juli 2011, telah ditandatangani Nota Kesepakatan antara PT Medco E&P Indonesia (MEPI), PT Sugico Pendragon Energi (SUGICO) dan Perusahaan mengenai kerjasama pengembangan Gas Metana Batubara (GMB). Perusahaan sepakat untuk menjadi mitra MEPI dan SUGICO pada pengembangan GMB di Blok Lematang - Petar dengan kepemilikan *participating interest* sebesar MEPI: 55%, SUGICO: 40%, dan Perusahaan: 5%.

31. SIGNIFICANT AGREEMENTS

1. On July 22, 2011, PT Medco E&P Indonesia (MEPI), PT Sugico Pendragon Energi (SUGICO) and the Company entered into Minutes of Understanding regarding Coal Bed Methane (CBM) development. The Company agreed to become a partner of Mitra MEPI and SUGICO to develop CBM on Lematang - Petar Block with ownership participating interest of MEPI: 55%, SUGICO: 40%, and the Company: 5%.

31. PERJANJIAN-PERJANJIAN PENTING (lanjutan)

Kerjasama tersebut dituangkan dalam suatu perjanjian tersendiri yang mengatur seluruh hak dan kewajiban para pihak.

Biaya-biaya yang terkait dengan pelaksanaan PSC GMB termasuk tetapi tidak terbatas pada *signature bonus*, bank garansi atas *signature bonus* dan *performance bond* merupakan beban dan tanggung jawab setiap pihak berdasarkan bagian *participating interest* masing-masing pihak.

Sehubungan dengan penandatanganan *Production Sharing Contract* (PSC) untuk pengusahaan Gas Metana Batubara (GMB) Area Lematang - Petar Sumatera Selatan, Perusahaan pada tanggal 22 Juli 2011 dengan surat No. 021200.S/HK.02/UT/2011 telah menunjuk SEI untuk menandatangani PSC dengan Pemerintah dan untuk selanjutnya mewakili Perusahaan dalam hal kerjasama pengembangan GMB di Blok Lematang - Petar. Pada tanggal 1 Agustus 2011, SKKMIGAS, PT Medco CBM Lematang, PT Methanindo Energi Resources (MER) dan Perusahaan telah menandatangani PSC.

Pada tanggal 1 Januari 2013, Perusahaan dan MER menandatangani *Deed of Assigment* untuk pengalihan *participating interest* sebesar 5% kepada MER, yang akan berlaku efektif apabila mendapat persetujuan tertulis dari Pemerintah Republik Indonesia dan SKKMIGAS.

Sampai dengan tanggal penyelesaian laporan keuangan konsolidasian, proses mendapatkan persetujuan masih dalam proses.

2. PT Saka Energi Wokam didirikan berdasakan Akta No. 11, tanggal 14 September 2015 oleh Notaris Pratiwi Handayani, S.H.

   Pada tanggal 16 November 2015, PT Saka Energi Wokam melakukan perjanjian jual beli 100% *participating interest* di Wokam II PSC dengan Murphy Wokam Oil Company Ltd. senilai AS$250.000.

   Transaksi ini berlaku efektif jika persetujuan dari Pemerintah Indonesia dan SKKMigas telah diperoleh. Sampai dengan tanggal penyelesaian laporan keuangan konsolidasian, persetujuan pengalihan participating interest ini masih dalam proses.

31. SIGNIFICANT AGREEMENTS (continued)

The cooperation will be prepared in a separate agreement which regulates the rights and obligations of the parties.

The costs related to PSC CBM implementation include but not limited to signature bonus, bank guarantee for signature bonus and performance bond representing the responsibility of each parties based on their participating interest.

In relation with Production Sharing Contract (PSC) signing for Coal Bed Methane (CBM) production, Lematang - Petar Area, South Sumatera, the Company delegated SEI on July 22, 2011 with letter No. 021200.S/HK.02/UT/2011 to sign PSC with Government and act on be half of Company for CBM development cooperation in Lematang - Petar Block. On August 1, 2011, SKKMIGAS, PT Medco CBM Lematang, PT Methanindo Energi Resources (MER) and the Company have signed the PSC.

On January 1, 2013, the Company and MER entered into Deed of Assignment for the transfer of 5% participating interest to MER, and will be effective after obtaining the written approval from the Government of the Republic of Indonesia and SKKMIGAS.

Up to the completion date of the consolidated financial statements, the process of getting approval is still in progress.

2. PT Saka Energi Wokam was established based on Deed No.11, dated September 14, 2015 by Notary Pratiwi Handayani, S.H.

   On November 16, 2015, PT Saka Energi Wokam signed a sale and purchase agreement of 100% participating interest in Wokam II PSC with Murphy Wokam Oil Company Ltd. amounting to US$250,000.

   This transaction will be effective upon approval from Government of Indonesia and SKKMigas are obtained. Up to the completion date of the consolidated financial statements, the approval of the transfer of participating interest is still in progress.

31. PERJANJIAN-PERJANJIAN PENTING (lanjutan)

Berdasarkan perjanjian, PT Saka Energi Wokam bertindak sebagai operator dalam mengelola blok ini.

PT Saka Energi Wokam belum memulai aktifitas komersialnya.

3. PT Saka Energi Sepinggan didirikan berdasarkan Akta No. 02, tanggal 1 April 2015 oleh Notaris Pratiwi Handayani, S.H.

Pada tanggal 30 September 2015, PT Saka Energi Sepinggan menandatangani Perjanjian *Joint Study* di Blok Pekawai dengan Lembaga Kerjasama Fakultas Teknik UGM senilai Rp2.345.000.000 (tidak termasuk PPN 10%). Perjanjian ini berlaku 8 bulan efektif dari tanggal penandatanganan.

Tujuan dari Studi Bersama ini adalah untuk mengidentifikasi dan memetakan potensi hidrokarbon di wilayah Pekawai, Kutai Basin dengan mengintegrasikan semua data geologi dan geofisika yang tersedia seperti data sumur, seismik dan data lain, baik data yang dipublikasikan dan yang tidak dipublikasikan

PT Saka Energi Sepinggan belum memulai aktivitas komersialnya.

31. SIGNIFICANT AGREEMENTS (continued)

Under this agreement, PT Saka Energi Wokam will serve as operator of these properties.

PT Saka Energi Wokam has not yet started its commercial operations.

3. PT Saka Energi Sepinggan was established based on Deed No.02, dated April 1, 2015 by Notary Pratiwi Handayani, S.H.

On September 30, 2015, PT Saka Energi Sepinggan signed Joint Study Agreement of Pekawai Block with Lembaga Kerjasama Fakultas Teknik UGM amounting to Rp2,345,000,000 (excluding VAT 10%). This agreement effective eighth months after obtaining signing date.

The objective of this Joint Study is to identify and map hydrocarbon potential in the Pekawai Area, Kutai Basin by integrating all available geological and geophysical data such as well data, seismic and other data, both published and unpublished data.

PT Saka Energi Sepinggan has not yet started its commercial operations.

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN

MANAJEMEN RISIKO

Liabilitas keuangan utama Kelompok Usaha adalah berupa utang dan pinjaman. Tujuan utama dari utang dan pinjaman ini adalah untuk membiayai perolehan dan pengembangan portofolio aset Kelompok Usaha. Kelompok Usaha tidak melakukan transaksi derivatif. Kelompok Usaha memiliki kas dan setara kas, piutang usaha, piutang lain-lain, piutang lain-lain jangka panjang, utang usaha, utang lain-lain dan liabilitas yang masih harus dibayar yang timbul dari kegiatan usahanya dan pinjaman dari pemegang saham dan bank.

a. Risiko Kredit

Risiko kredit adalah risiko kerugian keuangan yang timbul jika pelanggan Kelompok Usaha gagal memenuhi kewajiban kontraktualnya kepada Kelompok Usaha. Risiko kredit terutama berasal dari piutang usaha yang diberikan kepada pelanggan dari penjualan minyak dan gas bumi.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisitions and developments of the Group's property portfolio. It does not enter into derivative transactions. The Group has cash and cash equivalents, trade and other receivables, other long-term receivables, trade and other payables and accrued liabilities that arise directly from its operations and loan from shareholder and bank.

a. Credit Risk

Credit risk is the risk of suffering financial loss, when the Group's customers fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from trade receivables from the sale of oil and gas to customers.

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

a. Risiko Kredit (lanjutan)

Risiko kredit pelanggan dikelola sesuai dengan kebijakan, prosedur dan pengendalian dari Kelompok Usaha yang berhubungan dengan pengelolaan risiko kredit pelanggan. Manajemen risiko kredit antara lain dilakukan dengan penerapan prinsip kehati-hatian dalam proses pemilihan pelanggan baru dan jumlah piutang dipantau secara terus menerus untuk mengurangi risiko piutang yang tidak tertagih.

Kelompok Usaha mempunyai konsentrasi risiko kredit pada masing-masing entitas dalam Kelompok Usaha di mana penjualan minyak dan gas bumi adalah kepada pembeli tunggal. Penjualan minyak pada umumnya dijual berdasarkan kontrak jangka pendek dan tidak membutuhkan jaminan dari pembeli yang mencerminkan kurang lebih sebesar 61,77% dari jumlah piutang usaha. Gas dijual berdasarkan perjanjian penjualan gas antara PSC Pangkah kepada pembeli tunggal, dimana mencerminkan kurang lebih 33,30% dari jumlah piutang usaha. LPG dijual berdasarkan perjanjian jual beli LPG antara Pangkah PSC kepada pembeli tunggal, yang mencerminkan kurang lebih sebesar 4,94% dari piutang usaha.

Sehubungan dengan risiko kredit yang timbul dari aset keuangan lainnya yang mencakup kas dan setara kas serta piutang lain-lain jangka panjang, risiko kredit yang dihadapi timbul karena wanprestasi dari *counterparty*. Kelompok Usaha memiliki risiko kredit terpusat dari penempatan kas dan setara kas di mana pada tanggal 31 Desember 2015 sebesar 79% ditempatkan pada satu bank. Kelompok Usaha memiliki kebijakan untuk tidak menempatkan investasi pada instrumen yang memiliki risiko kredit tinggi dan hanya menempatkan investasinya pada bank-bank dan *counterparties* dengan peringkat kredit yang tinggi. Nilai maksimal eksposur adalah sebesar nilai tercatat sebagaimana ditunjukkan pada Catatan 4 dan 11.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

a. Credit Risk (continued)

Customer credit risk is managed based on the Group's established policy, procedures and control relating to customer credit risk management. Credit risk management, among others, is done by exercising due care in new customer selection and receivables balances are monitored on an on-going basis to reduce the exposure to bad debts.

The Group is subject to concentration of credit risk as in each of the entity in the Group whereby sales of crude oil and gas sales are to single counter party. Crude oil sales are generally sold under short-term contracts and generally do not require collateral from the counter party, which represents approximately 61.77% of total trade receivables. Gas sales are sold under Gas Sales Agreement between Pangkah PSC to a single counter party, which represent approximately 33.30% of trade receivables. LPG sales are sold under LPG sales and purchase agreement between Pangkah PSC to a single counter party, which represent approximately 4.94% of trade receivables.

With respect to credit risk arising from other financial assets, which comprise of cash and cash equivalents and other long-term receivables, the Company's exposure to credit risk arises from default of the counterparty. The Group has concentration of credit risk from the placement of cash and cash equivalents which 79% of the balance as of December 31, 2015 is placed at one bank. The Group and Subsidiaries have a policy not to place investments in instruments that have a high credit risk and only put the investments in banks and counterparties with high credit rating. The maximum exposure equal to the carrying amount as disclosed in Note 4 and 11.

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

a. Risiko Kredit (lanjutan)

Tabel di bawah ini menunjukan konsentrasi risiko Perusahaan per 31 Desember 2015 dan 2014:

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

b. Credit Risk (continued)

The following table shows the Company's concentration of risks as of December 31, 2015 and 2014:

Counter parties/Financial assets	**Nilai/*Amount***	**% dari total nilai/ *% of total amounts***
31 Desember 2015/*December 31, 2015*		
PT Bank Rakyat Indonesia (Persero) Tbk	152.406.893	79% dari total kas dan setara kas/*79% of total cash on hand and cash equivalent*

Counter parties/Financial assets	**Nilai/*Amount***	**% dari total nilai/ *% of total amounts***
31 Desember 2014/*December 31, 2014*		
Itochu Petroleum Co., Pte, Ltd	7.047.430	53% dari total piutang usaha/*53% of total trade receivable*

Pada tanggal 31 Desember 2015, tidak terdapat konsentrasi risiko piutang usaha di atas 50% pada Kelompok Usaha.

As of December 31, 2015, there was no concentration risk of trade receivables above 50% in the Group.

Pada tanggal 31 Desember 2014, tidak terdapat konsentrasi risiko kas dan bank di atas 50% pada Kelompok Usaha.

As of December 31, 2014, there was no concentration risk of cash on hand and in bank above 50% in the Group.

b. Risiko Likuiditas

Risiko likuiditas adalah risiko dimana Kelompok Usaha tidak bisa memenuhi liabilitas pada saat jatuh tempo. Manajemen melakukan evaluasi dan pengawasan yang ketat atas arus kas masuk (*cash-in*) dan kas keluar (*cash-out*) untuk memastikan tersedianya dana untuk memenuhi kebutuhan pembayaran liabilitas yang jatuh tempo.

b. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due. The management closely evaluates and monitors cash-in flows and cash-out flows to ensure the availability of fund to settle the due obligation.

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

b. Risiko Likuiditas (lanjutan)

Tabel dibawah merupakan profil liabilitas keuangan Kelompok Usaha berdasarkan arus kas kontraktual yang tidak terdiskonto:

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

a. Liquidity Risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based cash flow on contractual undiscounted payments:

	Dalam Waktu 1 Tahun/ *Within 1 Year*	Dalam Waktu 1 sampai dengan 5 Tahun/*Within 1 to 5 Years*	Lebih dari 5 Tahun/*More Than 5 Years*	Total/*Total*	
Pada tanggal 31 Desember 2015					***As of December 31, 2015***
Utang usaha	20.009.307	-	-	20.009.307	*Trade payables*
Utang lain-lain	27.873.995	-	-	27.873.995	*Other payables*
Liabilitas yang masih harus dibayar	140.224.415	-	-	140.224.415	*Accrued liabilities*
Pinjaman bank :					*Bank loan :*
- Pokok pinjaman	-	300.000.000	-	300.000.000	*Principal -*
- Beban bunga masa depan	6.936.000	20.981.400	-	27.917.400	*Future imputed - Interest charges*
Pinjaman dari pemegang saham					*Long-term loan from shareholder:*
- Pokok	-	355.228.618	483.121.382	838.350.000	*Principal -*
- Beban bunga masa depan	19.509.238	75.226.275	6.199.894	100.935.407	*Future imputed - interest charges*

	Dalam Waktu 1 Tahun/ *Within 1 Year*	Dalam Waktu 1 sampai dengan 5 Tahun/*Within 1 to 5 Years*	Lebih dari 5 Tahun/*More Than 5 Years*	Total/*Total*	
Pada tanggal 31 Desember 2014					***As of December 31, 2014***
Utang usaha	9.506.021	-	-	9.506.021	*Trade payables*
Utang lain-lain	71.997.550	-	-	71.997.550	*Other payables*
Liabilitas yang masih harus dibayar	115.630.142	-	-	115.630.142	*Accrued liabilities*
Pinjaman dari pemegang saham:					*Loan from shareholder:*
- Pokok	448.350.000	-	-	448.350.000	*Principal -*
- Beban bunga masa depan	7.534.298	-	-	7.534.298	*Future imputed - interest charges*

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

c. Risiko Pasar

Kelompok Usaha memiliki eksposur terhadap risiko pasar, yaitu risiko suku bunga dan risiko mata uang asing.

(i) Risiko mata uang asing

Risiko nilai tukar mata uang asing adalah risiko dimana nilai wajar atau arus kas masa datang dari suatu instrumen keuangan akan berfluktuasi akibat perubahan nilai tukar mata uang asing. Eksposur Kelompok Usaha terhadap fluktuasi nilai tukar terutama berasal dari kas dan setara kas, piutang lain-lain, dan utang usaha dalam mata uang Rupiah.

Apabila terjadi penurunan/penguatan nilai tukar mata uang AS$ terhadap nilai tukar mata uang asing, maka utang dalam mata uang asing akan meningkat/berkurang dalam mata uang AS$. Manajemen tidak melakukan lindung nilai atas risiko mata uang asing ini.

Berikut ini adalah analisis sensitivitas efek 10% perubahan kurs mata uang asing terhadap laba setelah pajak dengan semua variabel lain dianggap tetap:

	31 Des. 2015/ *Dec. 31, 2015*	
Kenaikan 10%	6.647.955	*Increase 10%*
Penurunan 10%	(5.439.236)	*Decrease 10%*

(ii) Risiko suku bunga

Risiko suku bunga atas arus kas adalah risiko dimana arus kas masa datang dari suatu instrumen keuangan akan berfluktuasi akibat perubahan suku bunga pasar. Eksposur kelompok usaha terhadap risiko perubahan suku bunga pasar terutama terkait dengan pinjaman bank dan pinjaman dari pemegang saham. Fluktuasi suku bunga mempengaruhi biaya atas pinjaman baru dan bunga atas saldo pinjaman kelompok usaha yang dikenakan suku bunga mengambang. Pada tanggal 31 Desember 2015 dan 2014, seluruh pinjaman menggunakan tingkat suku bunga mengambanng.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

c. Market Risk

The Group is exposed to market risk, in particular interest rate risk and foreign currency risk.

(i) Foreign exchange risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to exchange rate fluctuations results primarily from cash and cash equivalent and trade payables which are denominated in Rupiah.

If there is weakening/strengthening of US$ exchange rate, payable in foreign exchange rate will increase/decrease in US$ term. Management did not hedge this foreign exchange rate.

Sensitivity analysis of the reasonably possible fluctuation of 10% the foreign exchange rates to profit after tax with all other variables held constant is as follows:

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to the risk of changes in market interest rates relates primarily to its bank loans and loan from shareholder. Interest rate fluctuations influence the cost of new loans and the interest on the outstanding floating rate loans of the group. On December 31, 2015 and 2014, all loans using floating interest rate.

32. KEBIJAKAN DAN TUJUAN MANAJEMEN RISIKO KEUANGAN (lanjutan)

MANAJEMEN RISIKO (lanjutan)

c. Risiko Pasar (lanjutan)

(ii) Risiko suku bunga (lanjutan)

Analisa sensitivitas untuk risiko suku bunga

Pada tanggal 31 Desember 2015, jika tingkat suku bunga pinjaman meningkat/menurun sebesar 50 basis poin dengan semua variabel konstan, laba sebelum beban pajak untuk periode yang berakhir pada tanggal tersebut lebih rendah/tinggi sebesar AS$4.290.379, terutama sebagai akibat kenaikan/penurunan biaya bunga atas pinjaman dengan tingkat bunga mengambang.

MANAJEMEN MODAL

Kelompok Usaha bertujuan mencapai struktur modal yang optimal untuk memenuhi tujuan usaha, diantaranya dengan mempertahankan rasio modal yang sehat dan memaksimalkan nilai pemegang saham.

Kelompok Usaha mengelola struktur permodalan dan melakukan penyesuaian, berdasarkan perubahan kondisi ekonomi. Untuk memelihara dan menyesuaikan struktur permodalan, Kelompok Usaha dapat menyesuaikan pembayaran dividen kepada pemegang saham, imbalan modal kepada pemegang saham atau menerbitkan saham baru. Tidak ada perubahan atas tujuan, kebijakan maupun proses untuk periode yang berakhir pada tanggal 31 Desember 2015.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

RISK MANAGEMENT (continued)

b. Market Risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

As of December 31, 2015, had the interest rate of the loan from shareholder been 50 basis points higher/lower with all other variables held constant, income before tax expense for the period then ended would have been US$4,290,379, lower/higher mainly as a result of higher/lower interest expense on loans with floating interest rates.

CAPITAL MANAGEMENT

The Group aims to achieve an optimal capital structure in pursuit of their business objectives, which include maintaining healthy capital ratios and maximizing shareholder value.

The Group manages their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended December 31, 2015.

33. INSTRUMEN KEUANGAN

Aset keuangan Kelompok Usaha meliputi kas dan setara kas, piutang usaha, piutang lain-lain, piutang lain-lain jangka panjang, yang timbul dari kegiatan usahanya. Liabilitas keuangan Perusahaan meliputi utang usaha, utang lain-lain, liabilitas yang masih harus dibayar dan pinjaman dari pemegang saham yang tujuan utamanya untuk pembiayaan kegiatan usaha.

Seluruh nilai tercatat instrumen keuangan mendekati nilai wajar dari instrumen keuangan tersebut.

Berikut ini adalah metode dan asumsi yang digunakan manajemen dalam mengestimasi nilai wajar dari setiap golongan instrumen keuangan Kelompok Usaha:

1. Kas dan setara kas, piutang usaha, piutang lain-lain.

   Seluruh aset keuangan di atas merupakan aset keuangan jangka pendek yang akan jatuh tempo dalam waktu 12 bulan sehingga nilai tercatat aset keuangan tersebut kurang lebih telah mencerminkan nilai wajarnya.

2. Piutang lain-lain jangka panjang.

   Piutang lain-lain jangka panjang diestimasi dengan mendiskontokan arus kas masa depan menggunakan suku bunga yang berlaku untuk instrumen dengan persyaratan, risiko dan jatuh tempo yang serupa.

3. Utang usaha, utang lain-lain, liabilitas yang masih harus dibayar.

   Seluruh liabilitas keuangan di atas merupakan liabilitas jangka pendek yang akan jatuh tempo dalam waktu 12 bulan sehingga nilai tercatat liabilitas keuangan tersebut kurang lebih telah mencerminkan nilai wajarnya.

4. Pinjaman dari pemegang saham.

   Pinjaman dari pemegang saham merupakan utang yang dikenakan suku bunga pasar mengambang sehingga nilai tercatat liabilitas keuangan tersebut kurang lebih telah mencerminkan nilai wajarnya.

5. Pinjaman bank.

   Pinjaman bank memiliki suku bunga variabel yang disesuaikan dengan pergerakan suku bunga pasar sehingga jumlah terutang liabilitas keuangan tersebut mendekati nilai wajar.

33. FINANCIAL INSTRUMENTS

The Company's financial assets include cash and cash equivalents, trade and other receivables, other long-term receivables which arise from their business operations. Its financial liabilities include trade and other payables, accrued liabilities and loan from shareholder which main purpose is to finance the business operations.

The carrying value of all financial instruments approximates their respective fair values.

The following are the methods and assumptions used by management to estimate the fair value of each class of the Group's financial instruments:

1. *Cash and cash equivalents, trade receivables, other receivables.*

   All of the above financial assets are due within 12 months, thus the carrying values of the financial assets approximate their fair values.

2. *Other non-current receivables.*

   Other non-current receivables are estimated by discounting future cash flows using rates currently available for instrument on similar terms, credit risks and remaining maturities.

3. *Trade payables, other payables, accrued liabilities.*

   All of the above financial liabilities are due within 12 months, thus the carrying value of the financial liabilities approximate their fair values.

4. *Loan from shareholder.*

   Loan from shareholder is liability with floating market interest rates, thus the carrying values of the financial liability approximate its fair values.

5. *Bank loans.*

   Bank loans have floating interest rates which are adjusted in the movements of market interest rates, thus the payable amounts of these financial liabilities approximate their fair values.

33. INSTRUMEN KEUANGAN (lanjutan)

Pada tanggal 31 Desember 2015 dan 2014, Kelompok Usaha tidak memiliki instrumen keuangan yang diukur pada nilai wajar secara berulang sehingga dengan demikian tidak mengungkapkan hierarki nilai wajar.

33. FINANCIAL INSTRUMENTS (continued)

As of December 31, 2015 and 2014, the Group does not have financial instrument which is measured at fair value on a recurre basis therefore did not present fair value hierarchy disclosure.

34. REKLASIFIKASI AKUN

Beberapa akun pada laporan posisi keuangan konsolidasian pada tanggal 31 Desember 2014 telah direklasifikasi untuk menyesuaikan dengan penyajian laporan posisi keuangan konsolidasian pada tanggal 31 Desember 2015.

34. RECLASSIFICATIONS OF ACCOUNTS

Certain accounts in the consolidated statements of financial position as of December 31, 2014 have been reclassified to conform with the presentation of accounts in the consolidted statements of financial position as of December 31, 2015.

	Sebelum reklasifikasi/ *Before reclassifications*	**Nilai reklasifikasi/ *Reclassifications amount***	**Setelah reklasifikasi/ *After reclassifications***	
Utang lain-lain	76.459.686	(4.462.136)	71.997.550	*Other payable*
Liabilitas yang masih harus dibayar	111.168.006	4.462.136	115.630.142	*Accrued liabilities*
Total	**187.627.692**	**-**	**187.627.692**	***Total***

35. TRANSAKSI NON KAS

Berikut ini transaksi non kas yang signifikan:

35. NON-CASH TRANSACTIONS

Listed below are significant non-cash transactions:

	31 Desember/*December 31,*		
	2015	**2014**	
Penambahan properti minyak dan gas melalui:			*Acquisition of oil and gas properties through:*
Kapitalisasi estimasi biaya pembongkaran properti minyak dan gas	26.807.804	20.215.969	*Capitalization of the estimated cost of dismantling oil and gas properties*
Penambahan aset eksplorasi dan evaluasi melalui:			*Acquisition of exploration and evaluation assets through:*
Utang usaha	-		*Trade payable*
Liabilitas yang masih harus dibayar	-	8.262.506	*Accrued liabilities*
Penambahan saham melalui			*Acquisition of capital through:*
Konversi pinjaman pemegang saham	-	448.350.000	*Shareholder's loan conversion*

36. PERISTIWA SETELAH TAHUN PELAPORAN

Pada tanggal 4 Februari 2015, Perusahaan menandatangi Perjanjian Jual Beli Minyak Mentah Ketapang dengan Petro Summit PTE. LTD. Perjanjian ini memiliki jangka waktu 12 bulan sejak tanggal 1 Januari 2016 hingga 31 Desember 2016.

36. EVENT AFTER THE REPORTING YEAR

On February 4, 2015, the Company entered into Ketapang Crude Oil Sales Purchase Agreement with Petro Summit PTE. LTD. This agreement has a term of 12 months from January 1, 2016 until December 31, 2016.

37. TUJUAN LAPORAN KEUANGAN KONSOLIDASIAN

Laporan keuangan konsolidasian diterbitkan dengan tujuan untuk dicantumkan dalam dokumen penawaran sehubungan dengan rencana penawaran efek hutang Perusahaan di Amerika Serikat dan di luar Amerika Serikat masing-masing berdasarkan *Rule 144A* dan *Regulation S* dari *United States Securities Act of 1933*, serta tidak ditujukan dan tidak diperkenankan untuk digunakan untuk tujuan lain.

37. PURPOSE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared solely for inclusion in the offering document in connection with the proposed offering of the debt securities of the Company in the United States of America and outside of the United States of America in reliance on Rule 144A and Regulation S, respectively, under the United States Securities Act of 1933, and is not intended to be, and should not be, used for any other purposes.

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