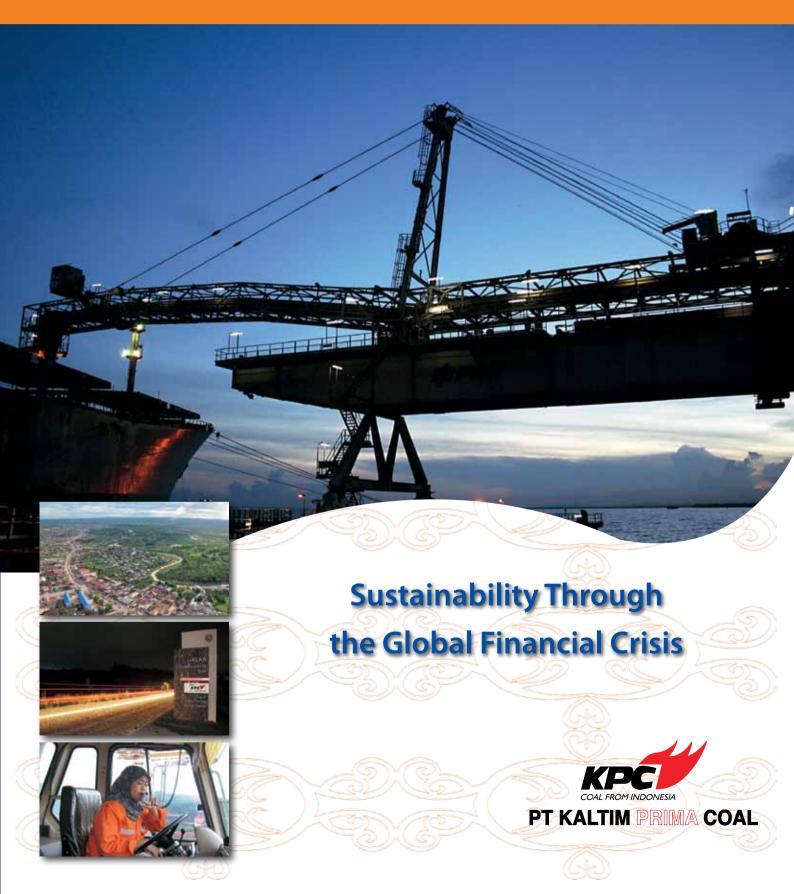
2009 Sustainability Report



SUSTAINABILITY REPORT 2009 PT.KALTIM PRIMA COAL

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2009 Sustainability Report





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FROM THE EDITORS

Social and Environmental Responsibility has become a part of a company's responsibility nowadays. As stated in the Republic of Indonesia Law No.40/2007, the government strictly regulates that companies running their business in a certain field and/or related to natural resources are obligated to implement Social and Environmental Responsibility.

As a world-class coal mining company, KPC has taken on this responsibility and periodically reports its economic, environmental, and social performance in an annual report, namely the Sustainable Development Report. In 2010, KPC issued the Sustainability Development Report 2009 which is its 7th report.

Drawing up a Sustainability Development Report is not as easy as turning the palm of your hands. Consistently, the report comprising team continues to make improvements whether in terms of the quality of the contents or the presentation of the report itself. The team was equipped with knowledge on Sustainable Development and Standard of Global Report Initiatives (G3) which is one of the advantages that KPC has.

During the last three years, KC's Sustainable Development Report has won awards in the ISRA (Indonesian Sustainability Reporting Award) event. This form of reward not only reflects the quality of the report drawn up by KPC but it also becomes a motivation for KPC to consistently report its social responsibility.

We still consistently conduct external audits administered by an independent verification and certification institution, namely SGS Indonesia to maintain the level of accuracy, accountability and transparency of this report. Input from SGS on the report from the previous year is implemented to improve the quality of this year's report.

In brief, it can be said that the Sustainability Development Report 2009 is a summary of the company's operation, supervision, and evaluation activities throughout the whole year. We realize that this report is still not perfect in its presentation, therefore any productive criticisms and suggestions that will help improve this report in the future is highly appreciated.

For any criticism, suggestions and questions about the data and information we present, please convey this to:

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Enjoy your reading,

Editors







CHIEF EXECUTIVE OFFICER'S STATEMENT (1.1; 1.2)

Dear respected stakeholders,

Right now, our world is faced with the huge challenge of climate change due to global warming. One of the factors that contribute to global warming is the use of fossil fuel such as coal, oil, natural gas and many others.

On the one hand, the living standards of people around the world continue to change and they demand a better quality of life each day. This condition is not followed by an innovation in technology that can replace fossil fuel as an energy source, so the high demand of fossil fuel keeps rising every year.

In this situation, PT. Kaltim Prima Coal (KPC) attempted to utilize the coal reserves in East Kutai District area as best as possible without jeopardizing lives in the future. In light of that spirit, KPC tries to apply good mining practices, launches various environment conservation programs, promotes efficiency in energy use and many others.

Another major challenge is the condition of the world's economy which is very fluctuative leading to rises in the cost of production, a plunging market demand, and a decrease in the selling price of coal. On the other hand, the company must be able to generate significant added value to the shareholders, its employees and the government in the form of royalty and tax payments.

To keep up with that, KPC has taken various steps of saving by optimizing the role of the Business Improvement Division, expand the market scope and increase the quality of service to the buyers.

At the local level, the hope and economic dependence

of the community towards the company is still high. This can be observed from the performance of East Kutai District's Gross Regional Domestic Product (PDRB) that shows a dominant amount coming from the mining sector which is around 80% of the PDRB. To reduce the degree of dependency and create an independent community after mining has finished (post mining), KPC formulated a sustainable community development oriented to the increase of community capacity, encouraging the growth of a non-mine economy and create a better human resource for the future of East Kutai.

As a coal mining company, KPC continues to operate its business in supplying world class thermal coal. However, labor protection from the safety and health side becomes an inseparable part from KPC's operations. KPC also runs its business by complying with existing law regulations in Indonesia, the values held by the community, and international values such as compliance to Human Rights, Global Compact, Millennium Development Goals (MDGs) and other values.

In 2009, there were several important occurrences that have become a valuable experience which we have to take into account in facing the coming work year 2010, we can improve and increase our performance in all sectors in order to achieve a better result compared to the previous year.

In the Work Safety field, the performance in 2009 was the worst from the last three year. This year, there have been 32 LTIs and one of them resulted in a fatality. This makes the accident recurrence level that leads to loss time (LTIFR) 0.56. For that, I would like to remind us to always prioritize safety in doing our work and that we must work harder to create a safe work environment for all employees. Avoid taking shortcuts and going against the standard procedure for work safety.

In terms of production, the main obstacles such as the weather is hard to predict, the lateness in the arrival of ordered equipment as well as the availability of production equipment which has led to the underachievement of production in the removal of overburden or coal which was -2% for overburden and -5% for coal. While the total sales in 2009 was 38.8 million mt, or -5% below the planned sales (41 million mt), and with an average price of USD 63/mt (20% below the planned USD 79/mt), this resulted in the profit gained in 2009 way below what was planned. (EC 2)

The low selling price of coal was due to the impact of the world's economic crisis which of course resulted in the decline in the demand for coal from buyer countries such as Japan and so on.

Another matter that interfered and caused the decline in the sales volume this year was the damage to the OLC (Overland Conveyor) due to metal that corroded the conveyor belt as long as around 3 km. Efforts for repair have been done optimally, and for that, thank you to all the people involved in making the reparation for all the hard work.

In facing the situation of the world economy suffering from a crisis, which has impacted directly on the declining selling price of coal caused by the decreasing demand, effort for efficiency and saving must be made continuously. The company has formed small teams to study and recommend improvement in various fields in order to promote efficiency and save on operational costs. Recognition for the performance of these teams must be addressed because their improvement steps have been able to reduce the operational costs in 2009. Surely, this must be continued in the following year.

Another important activity in 2009 was the process of formulating the AMDAL to increase the production to be 70 million tons per year which has been running as planned. We hope that it can be presented and obtain the approval from the AMDAL Commission in the first half of next year. The company has also completed and presented the strategic plan report and mine closing plan report to the government. As in the previous years, the company has also fulfilled its duty in making and presenting its RKTTL and RKAB for 2010 which was done in the first week of December 2009. All of those mentioned above can be achieved because of the support from everyone, for that, on behalf of the company Directors, I would like to express my gratitude.

All of the target must surely be reached safely so that we can prove that KPC, besides being the largest mine, is also a mine with the safest working environment for all its employees.

Thank you,

Endang Ruchijat

Chief Executive Officer

ABOUT THIS REPORT (3.3)

This report is the 7th Sustainable Development Report of PT. Kaltim Prima Coal. Every year, PT. KPC reports its sustainable development by referring to the Global Report Initiative standard. The use of this standard really helps in reporting according to transparency, sustainability and clarity principles regarding all aspects of activities done by KPC in economy, environment and social fields.

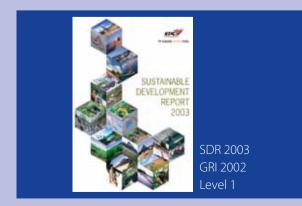
The Sustainability Development Report of PT. Kaltim Prima Coal presents the performance of coal mining operations as well as its commitments. Besides that, in this report, there is also an explanation on how the company gives social, economic, and environmental benefits through partnership with stakeholders especially people around the mine.

Operational performance is reflected through the implementation of good corporate governance principles and also mine operation practices which consistently refer to high standards of work health and safety. Besides that, the company is also committed to running sustainable community development programs by actively carrying out the activities according to plan.

The activity programs are not only in compliance of the 2005 AMDAL (environmental impact analysis) requirements in social and economic sectors, but also as the proactive effort of PT. Kaltim Prima Coal Corporate Social Responsibility. In its implementation, the programs are adjusted to the long-term strategic plan to ensure the preservation of life of the people around the mines approaching the plan to close the mine in 2021.

Three fundamental sustainable keys are the benefit of economic activity that is considered as the consequence of the social relationship and the environmental impact that might appear; second, in using the resources, the company must consider the needs and hope of the next generation; and third, the government, the industry performer and all community members must participate together in order to synchronize the needs.

By continuously applying high standards for Occupational Health and Safety, environment, and community health and also in partnership with the government and the local community, KPC is trying to create long term of economic and social development. The following are 6 Sustainable Development Reports produced by KPC. (3.2)

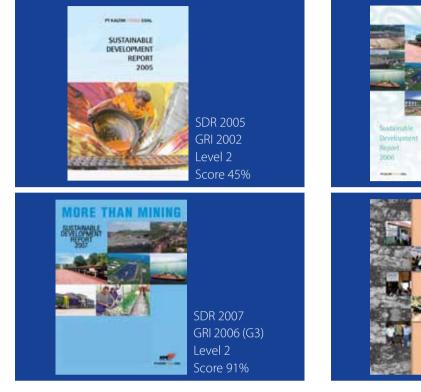






ABOUT THIS REPORT





The Sustainable Development Report 2009 PT.KPC refers to GRI standard 2006 (G3) where the level of attainment continuously is being raised. It proves that PT. Kaltim Prima Coal is continuing to make a serious effort to increase quality of its sustainable development report.

In this report, GRI standard disclosure used in certain pages will be shown to make it easier for readers to know the indicators in GRI that appear in this report.

Reporting Objectives

This report aims to communicate the company's commitment and economical, environment, and social performance of the company to managers as well as the community transparently. With the existence of this report, it is expected the stakeholders can get a clearer description about all activities of sustainable development in PT. Kaltim Prima Coal.

This report also presents the performances as well as the changes that have occurred since 2009. The principles of Accuracy, Completeness, and Reliability are the principles that we use to explain the information in this



report. Through the process of internal and external audits that we have performed, give assurance that the third principle is included in this report.

Score 93%

Fulfillment of the important parts required in the Report Parameter Indicators found in GRI G-3 has been achieved in this report. Designated company staff who got training concerning the GRI Standards participated in the compilation of this report. This strengthened the editorial team of the Sustainable Development Report 2009 PT. Kaltim Prima Coal and gained a high level of support from the company management.

In order to enable this report to provide accurate and reliable data, as with the previous year, we have asked an independent party to examine the validity of this report.

Approach to Reporting System (3.11)

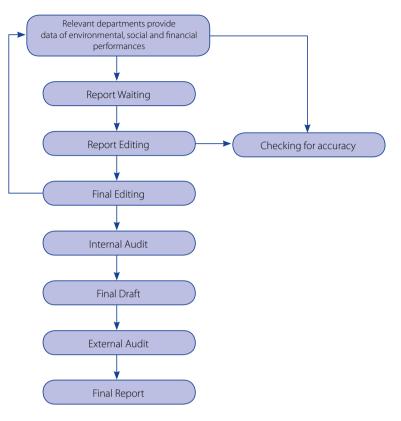
This sustainable development report is focused on the reporting of program performances in achieving sustainable development and stakeholders' participation in this development. Data that is required in the GRI indicators will be described statistically.

ABOUT THIS REPORT

Sustainable Report Structure (3.5)

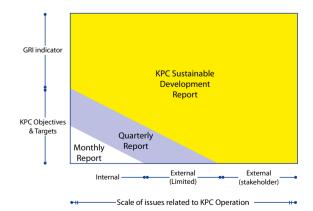
This sustainable development report is structured with the following stages:

- Data is gathered on the 2009 performances
- Data gathered is to be verified by the Manager to ensure the accuracy of the data
- Editorial team analyzes the data and structure of the report draft
- Report draft is edited by the Chief Editor
- The edited Report is sent back to the contributors
- Final editing is done
- Internal audit is conducted led by a certified Reporting Specialist as an assuror from NCSR (National Centre for Sustainability Reporting)
- Findings from the internal audit are sanctioned as the matter of the final report
- The report is submitted to an independent assuror to be audited



What we report is: (3.1; 3.6)

- conomic, social and environmental performances as required in the GRI indicators. This year's report is trying to present all indicators in GRI standards.
- The changes that happened during 2009.
- Operational activities as required in GRI indicators.
- Operational activities that fulfill the compliance to regulations or other requirements.
- Additional indicators in GRI.
- Indicators in the Sustainability Reporting Guidelines
 & Mining and Metal Sector Supplement *RG Version* 3.0/MMSS Final Version.



Reporting Assessment

This year's report is audited based on the 2nd level report assessment by an independent party to improve the reliability of our report. This 2nd level report assessment includes:

- 1. Evaluation of the report accuracy
- 2. Gap analysis with regard to the GRI scope
- 3. Assessment by means of a scoring system and its percentage in relation to the GRI requirements.

We are also reporting the remedial actions requested by the auditor team in the previous year. These include the completeness of all GRI indicators, the stakeholders' performance and their input, and also the focus on global issues.

We believe that this report is in GRI 2006 at level A+.

Basic Guideline (3.8; 3.9)

This report is formulated in reference to *Sustainability Reporting Guidelines & Mining and Metal Sector Supplement RG Version 3.0/MMSS Final Version.* Besides that, the data and calculations in this report are based on the result of internal and external audits of the company. Reference to the fulfillment of the GRI guidelines compliance can be seen on pages 79-82

Reporting Scope (3.7)

This report informs of all aspects of our operational performance in KPC's mining areas and the changes that we have experienced during 2009, including sustainable development, financial condition and production yield. However, environmental performances of KPC contractors have not been reported here. As we have stated previously, the report this year refers to the *Sustainability Reporting Guidelines & Mining and Metal Sector Supplement RG Version 3.0/MMSS Final Version.*

Independent Verification

The contents of this report have been verified by SGS Indonesia. SGS is the pioneer in the field of inspection, testing and verification and it operates in 140 countries.

In this report, their verification statement of the accuracy and transparency of this report we mention on the last page.

Awards 2009 (2.10)

Environmental Aspect

- Provincial Green Proper Certificate for Site Bengalon (24 June 2009)
- Provincial Gold Proper Certificate for Sangatta Site (24 June 2009)

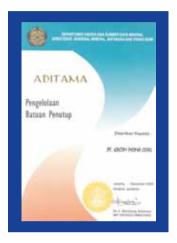


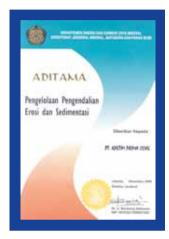




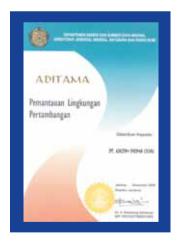


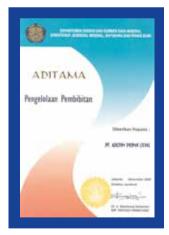
- Aditama for Management of Overburden from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)
- Aditama for Management of Erosion and Sedimentation Control from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)





- Aditama for Environment Observation of Mining from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)
- Aditama for Management of Cultivation from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)

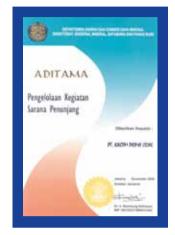




ABOUT THIS REPORT

- Aditama for Management of Ex-Mine Land Reclamation from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)
- Aditama for Management of Supporting Facility Activities from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)





• Award for Best Environment Management from the Department of Energy and Mineral Resources, Directorate General of Minerals, Coal and Geothermal (December 2009)







Occupational Health and Safety Aspects

- Award from the Regent of East Kutai as the Supervisory Company of Best Work Health and Safety in East Kutai District level 2009 (February 12th, 2009)
- Best OHS Founder from Kutai Timur Regent (February 2009)
- KPC Team (including 2 people from PTDH, one person each from Thiess, PAMA and ISOS) won the second place trophy for Warehouse Fire Search category in the 12th IFRC (July 2009)



•



KPC won an Zero Accident Award (for 8,854,561 hours of free LTI for the period from 6 April – 31 December 2008) from the Minister of Labor and Transmigration (14 October 2009)



• The Main Award for Mining Safety 2009, from the Directorate General of Minerals, Coal and Geothermal (3 December 2009)







Community Development Aspect

- National Social Awareness Award 2009 with the platinum predicate for the *Pergizi* Program (Nutrition Education and Rehabilitation Program) from the Department of Social Affairs of Indonesia.
- The Best Sustainability Report Overall in ISRA (Indonesian Sustainability Reporting Award) 2009 from IAMI (Indonesian Institute of Management Accountants), INA (Indonesian Netherlands Association), and NCSR (National Centre for Sustainability Reporting).
- The Best Sustainability Report for A category (Agriculture, Plantation, Mining and Basic Industry, and Chemicals Companies) in ISRA 2009.
- Commendation for Sustainability Reporting; Assurance Practices in ISRA 2009.











ABOUT KPC



KALTIM PRIMA COAL MANAGEMENT

Front row (from left to right) : R. Utoro, Endang Ruchijat, Ashok Mitra Second row (from left to right) : Khudori, M.Sumali, Herlan Siagian, Frank Sinatra, Dasril, Huzainsyah Akma Third row (from left to right) : M.Rudy, Richard Schloss, Shane Bennet, Bartley Hopkins, Imanuel Manege, Pratikto

KPC is a Coal Mining Company located in the East Kutai Regency that was established with Deed Number 28 dated 9 March 1982 and approved by the Minister of Justice of the Republic of Indonesia according to Decision Letter Number Y.A.5/208/25 dated 16 March 1982 and it was published within the State Gazette of the Republic of Indonesia dated 30 July 1982 Number 61 addendum Number 967. Since the commencement of operations in 1992, KPC was a Foreign Investment Company owned by British Petroleum International Ltd (BP) and Conzinc Rio Tinto of Australia Ltd. (Rio Tinto) where each company owned a 50% in KPC. Based on Deed No. 9 dated 6 August 2003 and Reporting Document of the Minister of Justice and Human Rights of the Republic of Indonesia No. C-UM. 02 01.12927 dated 11 August 2003, the stock of KPC owned by BP and Rio Tinto was been sold to Kalimantan Coal Ltd. and Sengata Holding Ltd and furthermore on 18 October 2005, according to Notary Deed No. 3 dated 18 October 2005, PT. Bumi Resources acquired the stocks owned by Kalimantan Coal Ltd and Sengata Holding Ltd. Based on Notary Deed No. 34 dated 4 May 2007, Shareholders of PT. Kaltim Prima Coal sold 30% of its stocks to Tata Power (Mauritius) Ltd. (2.6)

Under the terms of the Coal Agreement (*Perjanjian Kontrak Karya Pengusahaan Pertambangan Batubara* - PKP2B) signed on 8 April 1982, the Government gave KPC license to explore, produce and market coal from its agreement area until 2021. The agreement area covers 90,938 ha in East Kutai Regency, East Kalimantan Province.





Board of Directors and Board of Commissioners Selection and Evaluation (4.2)

BoD and BoC selections are determined at the Shareholders General Meeting (*Rapat Umum Pemegang Saham* (RUPS)). In general, the criteria applied to select BoD and BoC are seniority, educational background, and working experience as well.

The evaluation of BoD and BoC is conducted in the Shareholders General Meeting (RUPS) by reviewing the performance towards the company involvement in economic, social, environmental and also Occupational Health and Safety aspects.

Within the BoD, BoC and Shareholders, KPC does not have any independent parties who have no financial interest with regard to the company. (4.3)

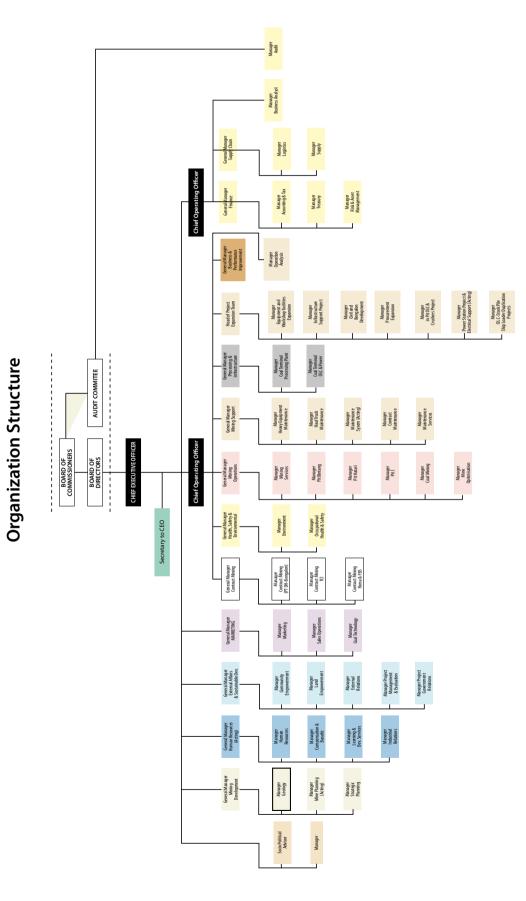
Management of KPC (2.3; 4.1; 4.7)

Our mining operation is supported by a management team that consists of skilled professionals and very competent in each of their fields and also they have more than ten years experience. There is no management team member representing an independent group. The structure of our management team is as follows:

	2008	2009
Chief Executive Officer	Endang Ruchijat	Endang Ruchijat
Chief Operating Officer	R. Utoro	R. Utoro
Chief Financial Officer	Ashok Mitra	Ashok Mitra
GM Mining Development Division	Shane Bennet	Shane Bennet
GM Human Resources Division	Tulus Siregar (Act)	Khudori
GM External Affairs & Sustainable Development Division	Harry Miarsono	Huzainsyah Akma
GM Contract Mining Division	M. Rudy	M. Rudy
GM Marketing Division	Herlan Siagian	Herlan Siagian
Expansion Project Coordinator	Yulianti Subian	Yulianti Subian
GM Mining Operation Division	Frank Sinatra	Frank Sinatra
GM Health, Safety & Environment Division	Khudori	Imanuel Manege
GM Mining Support Division	Richard Schloss	Richard Schloss
GM Processing and Infrastructure Division	M. Sumali	M. Sumali
GM Supply Chain Division	Pratikto	Pratikto
Head of Project Expansion Team	Bartley Hopkins	Bartley Hopkins
GM Business & Performance Improvement	Dasril	Dasril



ABOUT KPC







Company's Profile up to 31st December 2009 (2.1; 2.8; 2.9; EC 1)					
Types of license	Contract of Work Agreement for Coal Mining Exploitation (PKP2B contract No.J2/Ji.D4/16/82)	Solad Coal	38.758.082 ton Prima: 1,3 % Pinang: 56,3 % Melawan: 42,5 %		
Date of signing	8 April 1982	Net sales	USD 2.158,81 million		
Stage of Activity	Production Operation (Decision Letter for Reducing Production No.940.K/20.01/DJP/1999 dated 24 December 1989)	Royalty paid in 2009	USD 309,82 million		
Excavation material	Coal	Total tax payment	USD 568,29 million		
Active period	30 years since production stage was approved (January 1st 1992)	Funding for inventory supply	USD 810.220.038,78		
Width	90.938 ha (D4KW 96PB0363)	Funding for rendered services	USD 134.016.037,98		
Location/Address of Central Office	PT. Kaltim Prima Coal, Mine Site Building, Sangatta, Kabupaten East Kutai, Kalimantan Timur (2.4)	Employee wages and benefits	USD 90,07 million		
Shareholders	32.4 % PT. Sitrade Coal 30 % Bhira Investments Limited 13.6 % PT. BUMI Resources 9.5 % Sangatta Holding Limited	Community expenditure commitment	USD 5.000.000		
	0.5% Kalimantan Coal Limitod	Contractor Cost	USD 775.576.993		
Employees	Permanent Employee (3,941) 'Fixed term' Employee (1,032)	Environmental Cost	USD 23.380.952		

Resource: Financial Statements from the Independent Auditors' Report for the Year Ended December 31, 2009 and Data from Supply Department

Sustainable Development Strategy and Approach (4.11; SO1)

The motto "More than Mining" is an inspiration for the sustainable community development program in PT. Kaltim Prima Coal that is sketched in up to the postmining activity. This motto also becomes the approach in social, economic and environmental aspects conducted by the company. It proves that KPC mine operations are not only exploiting non-renewable resources but also conducting environmental mitigation and also increasing renewable resources by maintaining a good partnership with the stakeholders. It is done by improving the ability of the community, community institutions and government as well, moreover establishing a better business climate and work culture for the community around KPC's mining operation area. Dependency of East Kutai Community towards the coal mining sector is still high (86.17 %) representing a problem that becomes KPC's concern. It makes KPC's vision to become a major world class thermal coal supplier not only limited to coal production for the world's request fulfillment but also the active implementation of social responsibility in the cases of environmental conservation and improving local economic independence.

As real proof of the implementation of the social responsibility, KPC initiates programs that support local economic independence in line with the mine closure program. With implementation of a controlled program, the community is expected to be more independent in 2025 and not to depend on the mining sector only. Therefore, the concept of local economic development

is directed to the principles of partnership, community participation, and empowerment.

2005 - 2010	2010 - 2015	2015 - 2020	2021 - 2025
Agricultural Development Study	Implementation Study Agricultural	Agricultural Development	Agricultural Industri Development
Intensive Training	Land Usage Rehabilitation	Fishery Industry	Service Industry
Fisheries Study	Agricultural Development	Agribusiness Technology Development	Agribusiness Export Development
Spatial Mapping Study			
Potential Analysis			
Mining 65%	Mining 50%	Mining 35%	Mining 5%
Non-mining 35%	Non-mining 50%	Non-mining 65%	Non-mining 95&

Long-term Strategic Plan for Implementation of KPC Sustainable Development

Until 2010, KPC will carry out land identification and area settlement (spatial mapping) and also agribusiness and fishery development studies both in the ex-mining areas and the out of mining areas. These appraisals and studies are conducted to sound out the bearing capacity of the environment and to identify the potential of developing renewable resources.

KPC is still a participant of UNGC in 2009. This is one of the forms of KPC's involvement in global issues. Moreover, KPC also continues to support MDGs through its Corporate Social Responsibility programs. To become the development partner for the community and the government, KPC, through existing public organizations took part in determining public policies. Those organizations are KONI (Indonesian National Sports Committee or Komite Olah raga Nasional Indonesia), National Committee of Indonesian Youth or Komite Nasional Pemuda Indonesia (KNPI), Chamber of Commerce or Kamar Dagang dan Industri (KADIN), BUN (Bakrie Untuk Negeri), ALPINDO (Association of Indonesian Businessmen or Asosiasi Pengusaha Indonesia), and the forum of Multi-Stakeholder Corporate Social Responsible (MSH-CSR). Besides that, KPC is also an active member of the Corporate Forum on Community Development (CFCD), Indonesia Business Link (IBL), Ex-mine Land Reclamation Forum (FRLBT), Indonesian Mining Association (IMA), PERHAPI (Indonesian Association of Mine Experts, or Perhimpunan Ahli Pertambangan Indonesia), and Indonesian Coal Mining Association (APBI). (SO 5)

In relation to the Business Improvement Program in KPC, the Business Improvement Division has institutionalized business improvement in KPC and has successfully administered 3 cycles of Business Improvement Projects.

The improvement made is still focused on the reduction of unit costs, increase in productivity, and increase in the quality of human resources which is focused on safety as well as the human resource aspect. (2.9)

Until the end of 2009, KPC's Business Improvement has saved USD 41.78 million from the planned amount of USD 103.95 million. The biggest saving was made from the Coal Trucking Project and Output Increase Project through Trans-shipment, the Fuel Efficiency Project, and Loading Utility Increase Project (Liebherr 996 and Hitachi EX3500/EX3600).

Until the third cycle, some of the plans that have been reached are:

- Developing the vision and mission of business improvement, setting the strategic plan, complete the organization structure and select the appropriate method to obtain the commitment from the management.
- Conduct the pilot project in two stages. Each stage consisting of 6 projects. The projects



selected are the ones that have huge impact on the organization. All the pilot projects conducted ran satisfactorily, some projects even exceed the mandated condition and can be completed within the allocated time. The pilot projects conducted also proved to be undisruptive to normal operation and received positive feedback from the improvement team members as well as the management.

The roll out of the Business Improvement Program and the development of infrastructure to ensure the sustainability of the improvement was also carried out. Before the roll out, management agreed to appoint what was referred to as the Business Improvement Champion. The Business Improvement Champion is the division representative responsible for monitoring and directing the business improvement in each division. During the roll out, Business Improvement involved more people and demanded active participation from the sponsor (General Manager) and the Area Manager where the improvement is done. Besides that, some other efforts made were, among others, a more incessant communication with employees and awarding suitable recognition for the personnel involved in the improvement project. The roll out, which is the third stage of improvement, selected 16 projects that involved around 120 business improvement personnel involving almost all of the divisions.

The Business and Performance Improvement Division is currently at a further stage which is to ensure that business improvement is entrenched in KPC. To change the culture in the organization, as management, first of all we need to create a safe and productive environment for the operators. To do that there needs to be a change in behavior by making everyone care about their work surroundings, their own safety as well as the safety of their colleagues.

In the future, besides carrying out large projects with big savings, there will be more projects that are area based involving employees at the lowest level and focusing more on housekeeping, increasing the safety area and simplifying employee tasks.

Stakeholders' Role

Since 2007, KPC has implemented the K3L Policy and

Sustainable Development signed by the President Director of KPC. KPC's commitment to help the community in finding solutions related to the fulfillment of needs for communities around the mine operations as well as the next generation is indirectly implied in the policy. This is intended to create independence of the local community and better life quality for the people.

In its operations, KPC tries to involve the stakeholders of the company. By involving the stakeholders, KPC continuously respond to the current needs of the stakeholders by making changes or adjustments towards a better direction. The cooperation made with different approaches according to the company's and the stakeholders' interest.

Interaction with the stakeholders is conducted for each other to grasp economic, social, environmental problems that have impact with regard to the mining process. KPC always tries to interact with them by some means. **Local Communities** (religious/community/youth figures): conduct social mapping, studies of socio-economical and environmental impact, consultation forums, and local manpower development. **Local Business People:** Training, business consultation with KADIN, Indonesian Young Entrepreneurs' Union (*Himpunan Pengusaha Muda Indonesia – HIPMI*), and local contractors.



KPC, represented by one of its staff, attended UNGC (United Nation Global Compact) member gathering in December 2009. This is one of KPC involvement with its stakeholder and global issues.





KEBIJAKAN KESEHATAN, KESELAMATAN KERJA, DAN LINGKUNGAN HIDUP (K3L), PEMBANGUNAN BERKESINAMBUNGAN, DAN KEAMANAN

Manajemen PT Kaltim Prima Coul (KPC) dan para karyawannya memiliki tekad untuk mencapai kinerja yang terbaik dan peningkatan yang terus menerus di bidang Kesehatan, Keselamatan Kerja, dan Lingkungan Hidup (K3L), Pembangunan Berkesinambungan, dan Keamanan.

Dalam melakukan hal ini, KPC bertekad untuk:

- * Patuh dengan semua perundangan-undangan dan peraturan pemerintah yang berlaku serta persyaratan lain yang relevan.
- Memenuhi harapan semua pemangku kepentingan, termasuk karyawan, masyarakat setempat, Pemerintah, pemegang saham, dan pembeli.
- Menerapkan sistem manajemen yang menetapkan elemen, standard dan prosedur yang berlaku di seluruh area operasi KPC untuk secara terus menerus mengidentifikasi dan mengontrol risiko. K3L dan keamanan.
- Merencanakan, melaksanakan, mengukur, melaporkan dan mengkaji ulang tujuan, sasaran dan program K3L dan pengamanan secara teratur.
- Melaksanakan audit independen secara teratur atas kinerja. K3L dan pengamanan.
- Menerapkan konsep-konsep Pembangunan Berkesinambungan melalui keterlibatannya dengan masyarakat setempat.
- Terus mendukung upaya tanggung jawab sosial perusahaan berdasarkan saling-tergantungan dan kesinambungan.

PENGELOLAAN KESEHATAN DAN KESELAMATAN KERJA

KPC bertekad untuk memberikan lingkungan kerja di mana karyawan KPC dan kontraktornya dapat melaksanakan pekerjaan mereka bebas dari cedera serius dan penyakit akibat kerja.

Kesehatan dan keselamatan kerja harus mendapatkan prioritas dalam semua aspek operasional perusahaan. Semua pihak, termasuk karyawan KPC dan kontraktor, memiliki tanggung jawab bersama untuk bekerja dengan aman sesuai dengan prosedur dan standard kesehatan dan keselamatan kerja KPC. Mereka juga memiliki tanggung jawab untuk mengembangkan dan membangun perilaku aman.

PENGELOLAAN LINGKUNGAN

KPC bertekad untuk secara efektif mengelola dampak lingkungan hidup sebagai akibat dari kegiatan operasinya. Hal ini meliputit

- Pencegahan pencemaran.
- Pengembalian semua area bekas tambang ke dalam kondisi yang produktif, stabil dan aman,
- Pemeliharaan keanekaragaman hayati.

Dampak lingkungan hidup harus dipertimbangkan di dalam semua aspek kegiatan operasional perusahaan dan semua karyawan. KPC dan kontraktor harus bertindak secara bertanggung jawab terhadap lingkungan hidup.

KEBIJAKAN PEMBANGUNAN BERKESINAMBUNGAN

KPC secara aktif berperan serta dalam inisiatif yang berdasarkan pada integrasi dan keseimbangan prioritas sosial, lingkungan hidup dan perekonomian. Untuk mencapai hal ini KPC akan:

- Tetap menjadi pemasok sumber energi yang dapat dinikmati oleh semua pihak dan sebagai salah satu penyumbang pengentasan kemiskinan, peningkatan kesehatan, dan kualitas hidup yang lebih baik.
- Melaksanakan program-program pemberdayaan masyarakat untuk mendukang pembanganan perekonomian regional berdasarkan sumber daya setempar.
- Membangun dan memelihara kemitraan dengan pemerintah dan masyarakat setempat serta pihak-pihak terkait lainnya dengan prinsip-prinsip keterbakaan, saling mempercayai dan saling menghormati.

KEBIJAKAN KEAMANAN

Semua pihak, termasuk karyawan KPC dan kontraktor, memiliki tanggung jawab bersama untuk menciptakan kondisi keamanan yang kondusif di tempat kerja. Manajemen KPC melakukan inistatif-inistatif pengamanan personil dan aset fisik maupun nonfisiknya. Manajemen KPC juga menerapkan konsep-konsep pengamanan terpadu yang memadukan unsur pengamanan internal, Polri/TNI dan masyarakat dalam rangka memastikan keberlangsungan bisnis KPC.

Manajemen KPC memiliki tekad untuk memberikan kepemimpinan, sumber daya dan dukungan untuk mencapai hasil akhir yang maksimal di bidang K3L, Pembangunan Berkesinambungan, dan Keamanan ini.

9400

NALIN RATHOD President Director 01 September 2009

<<NO>>><REGISTRATION NO >>



-ENDANG RUCHUAT -Chief Executive Officer 01 September 2009

Picture 3. HSE and Sustainable Development Policy (4.8)



Academia: Department of Anesthesiology and Reanimation Faculty of Medicine UNAIR, Research/ study, seminar/discussion, consultation with University 17 Agustus 1945 (UNTAG) Samarinda, Mulawarman University (UNMUL), Bandung Technology Institute (ITB), Gajah Mada University (UGM), Bogor Agricultural University (IPB) and Australian National University (ANU). Research Institutes: Research activity and consultation in agricultural development with the Research Institute for Citrus Fruit Plants and Subtropical Fruits (Balai Penelitian Tanaman Jeruk dan Buah Subtropika – Balitjestro), Research Center for Coffee and Cocoa (Pusat Penelitian Kopi dan Kakao – Puslit Koka), Research Institute for Medicine and Aromatic Plants (Balai Penelitian Tanaman Obat dan Aromatik – Balitro). Non-Government **Organizations** (local, national and international): Cooperation in community development, health services such as with Indonesian Red Cross (Palang Merah Indonesia – PMI), Center of Urban Community Empowerment (Pusat Pemberdayaan Masyarakat Kota – PUSDAKOTA), Indonesian Business Link, GTZ, Wawasan, Australian and New Zealand Interplasts, Uplift International, Association for the Advancement of Small Businesses (Perkumpulan untuk Peningkatan Usaha Kecil – PUPUK) Bandung. International Donor Institutes: Cooperation in regional development with Ford Foundation, British Council, Unicef, World Bank, International Chamber of Commerce, and AusAID. Government (Regent, Provincial and Central Government): Centre for Research and Development of Nutrient and Food, Republic of Indonesia Department of Health, Sub-directorate for the Eradication of Infectious Diseases, Republic of Indonesia, consultation with related Offices in the Regency and Provincial Government, related departments such as Energy and Mineral Resources Department (Departemen Energi dan Sumber Daya Mineral – ESDM), and Ministry of the Environment (Kementerian Lingkungan Hidup – KLH). Contractor/supplier: Tender and contract process, performance review with custodians, HSE introduction, ISO 14001 audit, OHSAS 18001, consultations and discussions. Customers: Site visit requests for proposal/ RFP, coal gualification, tender process, market analysis. **Employees:** Performance evaluation, Good Corporate Governance (GCG) socialization, communication of ISO 14001, OHSAS 18001, social and sport events, education and health programs, consultations with

No	Stakeholders	Communication Approach	Frequency	Outcomes
1	Prominent local, religious and community figures from around the mining operation	Religious and Community leaders' forums and participation	Every four months or if necessary.	Visiting relatives, socialization of CSR program, local labor, socialization of water management in the mining area
2	Local Government	Partnership team	Every four months or if necessary.	Formulation of Comdev 2005 program, formulation of activity operational mechanism, monitoring system, evaluation and reporting, arrangement of sustainable development program, and cooperation combination amongst services in the regency government to help running the arranged programs.
3	Central Government	Informal meeting	Depending on need	 Central government approval about licenses Constitution regulations
4	Mining Contractors	KPC-Contractor HRCR (Human Resources & Community Relations) Forums	Every two months	 Apprentice program Standard Recruitment Procedure Program synergy community empowerment
5	Workers' unions	Bipartite Cooperative Body	Depending on need	House subsidy, food subsidy, and years of service award changes
6	Customer	Coaltrans Forums	Annually	Getting the latest information about the world coal market and also conducting sales activities

Table 1. Stakeholders of PT. Kaltim Prima Coal and their roles (4.4; 4.14; 4.16; 4.17)

worker/labor unions. **Investor**: Invitations for site visits and the performance of road shows in customers' countries. (4.13)

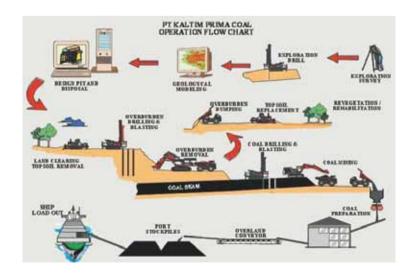
Being aware of the importance of the stakeholders' involvement is a concern within KPC's operation, hence various formal and informal communication forums are regularly established and performed together. Through those meetings, communication of effective and efficient information occurs, so that strategic vision and mission of KPC in the case of sustainable community development is expected to be able to reach the target. Communication forums with stakeholders can be seen in Table 1.

Based on the definition of stakeholders' importance, KPC assigns them based on the groups which influence and are influenced by KPC activities. Based on the communication approach and communication frequency that is conducted, then in broad lines the stakeholders are grouped into community figures, local government, central government, mining contractors, associations of labor and buyers. Stakeholders have a significant influence on the continuity of KPC operation. That is why, with each group, KPC holds meetings and communication that is then increased so that there will be a better and synergic relationship quality with continuing issues for the benefit of all parties. (4.15)

Our Mining Process

In general, the mining operation of PT. Kaltim Prima Coal is divided into three parts, namely the mining preparation stage, mining stage, and post-mining stage. The mining preparation stage is started with exploration survey activities. These exploration activities consist of land mapping, geological structure measuring, outcrop sampling, explorative drilling, geophysics logging, and reserves estimating. After going through the exploration survey, geological modeling is done from the exploration data obtained by using mining software (Minex Software 4.1-G) to calculate reserves. After finding out the data on coal reserves, the mine plan is made. Then a more detailed reserves calculation involving economic analysis using Minex Software versi 4.1-G is made which will be used in designing the pits, overburden stock-piles, mine paths and optimal drainage system needed to plan the mining stage at a certain yield of overburden that will be transferred and the amount of coal produced. In this stage, the amount of top soil that will be removed, the rehabilitation area plan and the amount of mining equipment required are also calculated

The next stage is the mining stage or production. The production stage is started with the cutting down of trees and the transfer of top soil. Before the land clearing process is begun, identification and documentation on the flora and fauna in that area is done. Some important plant species that are needed for the rehabilitation activity later on are collected to be used as seedling. The top soil is moved to a prepared storage location or used directly to rehabilitate a permanent dumping area. After the trees have been cut down and the top soil moved, the next activity is drilling and the blasting of overburden. The overburden that has been blasted is then loaded by means of shovels and backhoes onto trucks that will transfer the overburden to be dumped in the planned dumping area. Overburden that contains acid/PAF (Potential Acid Forming) and the ones that do not contain acid/NAF (Non Acid Forming) will be dumped separately in the planned location. Overburden categorized as NAF will be dumped in a permanent dumping site that will be rehabilitated in the future. While overburden categorized as PAF will be dumped in a temporary dumping site. This process is done by using an electronic control system (dispatch system) to monitor and control the allocation of each type of overburden (PAF and NAF).



Graphic 2. Diagram for the operation of PT. Kaltim Prima Coal



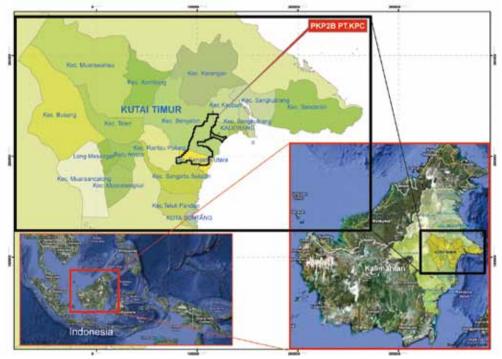
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After the overburden has been transferred, the uncovered coal will be mined by means of special loading equipment for loading coal. For coal with a thickness of over 2 meters, a blasting process will have to be performed beforehand. The coal will then be transported by trucks directly to the crushing location or it will be piled temporarily in the coal stockpile according to the quality of the coal. In the crusher, coal will be crushed according to the set sizes. In this stage, the coal will also be washed. The reduced and ready to be sold coal will then be transported by means of conveyor belts to the coal stockpile location in Tanjung Bara harbor (coal terminal). Together with the product growth, the coal transportation also uses coal trucking from the coal stockpile at the Coal Processing Plant (CPP) to the coal stockpile in the Port stockpile with limited quantity. Coal ready for direct sale is then loaded into the ship to be sent to the customers.

After the mining process has finished, it doesn't mean that the ex-mining area is left just like that. As a form of responsibility to the environment, PT. KPC has a rehabilitation program intended to return the land to a safe, stable and productive area. The rehabilitation process is done gradually. The rehabilitation program includes planning, transfer of soil before mining, relocation of overburden, final formation, relocation of top soil, construction of water drainage infrastructure, planting, maintenance, and supervision.

Our Mining Operation (2.5; MM 2)

The coal mining business of PT. Kaltim Prima Coal in 2009 was solely operated by KPC, in this case by the MOD division and some mining contractors. Several pit areas that were directly operated by KPC in 2009 were:



Graphic 3. Map of the area under the control of PT. Kaltim Prima Coal mine

Pit Bendili, Pit J, Big AB, Kenari, Kasela, and Inul KWest. The pits operated by contractors were Pit A Bengalon Area by PT. Darma Henwa, Pit Pelikan and Kangguru by PT Pama Persada, Pit Melawan, Belut Keruang and Khayal by PT. Thiess. In the operational process, KPC was never involved with artisanal and small scale mining (ASM). (MM 8) Based on the Coal Contract of Works/PKP2B, the Government gives KPC a license to explore, produce and market coal in an area measuring 90,938 ha until 2021 in East Kutai Regency, East Kalimantan Province, Indonesia (see Graphic 3). (MM 1)



 KPC has never been involved in artisanal and small scale mining (ASM) in the operation.

The removal of KPC's overburden in 2009 was 444,221 Kbcm which was under the production plan that was 457,362 Kbcm. The decrease of the overburden production which was 3% below the planned target was due to the lateness of the arrival of new production equipment. Besides that, the low productivity was caused by the lack of physical production equipment and supporting equipment that contributed to the failure in achieving the production target in 2009. (MM 3)

The overburden removal output that was 19% lower than the 2009 plan certainly influenced the coal profitability of the year. The coal's profitability plan of PT. KPC in 2009 was 43,573 kt while the actual result was 40,268 kt. This is caused by the low amount of overburden production that resulted in the low level of coal that can be mined. Besides that, the low availability of coal transporting equipment also resulted in the actual number of mined coal to be below the planned target. Another influencing factor is the rainfall in February-April which was way above the estimated level.

To support our mining operations, there were several additions to both moveable and immoveable equipment that we operated in 2009 such as excavator, transportation (truck), small capacity excavator (PC 750, PC300, PC200), pump, lighting plant and lighting tower), dozer, grader and other supporting equipment. Other supporting equipment we use in our mining operations are 6 units of crusher and several ponds built for water management in Tiung, Meranti, Mahoni, AB103 and Meruya.

In June 6th, 2009, The Mining Operation Division reached 8 million hours of safe work without LTI (Lost Time Injury). This achievement is not the first record for KPC. Besides that achievement, KPC has made three attempts to reduce dust (dust suppression) intended to reduce the level of dust in the mine. This step is taken in order to fulfill related government provision on dust exposure in the mines and to reduce the potential of accidents caused by the reduction of visibility due to dust. On the certification audit in July 2009 and November 2009, MOD contributed largely in maintaining KPC's certification in OHS which is the OHSAS 18001 certification and in the environmental sector which is the ISO 14001 certificate. There were no minor or major findings in the certification audit.

Our Coal Production (2.2)

The coal produced by PT. KPC is classified into several classes based on its quality. The sale worthy coal is divided into Prima, Pinang and Melawan. The Prima coal is the best high quality coal. The next class of coal is Pinang that is divided into some specifications in regard to the calorie percentage. The third class of coal is Melawan that is divided again with different specifications into 2 types namely Melawan A and Melawan B.

Prima coal is one of the highest quality internationally traded fuel coals. It is a high volatile bituminous coal with high calorific value, very low ash, moderate sulfur, and relatively low total moisture. Prima coal is also a bright and lustrous coal with high vitrinite content.

Pinang coal is similar to Prima coal but with higher moisture and lower energy. Melawan coal is an ultra clean sub-bituminous coal with ultra low ash / sulfur content. Prima and Melawan coal is produced from Sengata pits, and Pinang coal is produced in both Sengata and Bengalon pits.

To see the typical quality of each type can be seen in following tables. (PR 3)



Table 2. Quality of Prima Coal

PT KALTIM PRIMA COAL			
PRIMA COAL QUALITY			
	Typical	Minimum	Maximum
TOTAL MOISTURE, % as received basis	10.5	8.0	13.0
PROXIMATE ANALYSIS, % air dried basis Moisture	5.0	3.0	7.0
Ash	5.0	3.0	8.0
Volatie Matter Fixed Carbon	41.0 49.0	39.0 46.0	43.0 52.0
	49.0	40.0	52.0
CALORIFIC VALUE, kcal/kg			
Gross air dried Gross as received	7100 6689	6800 6500	7300 6900
Net as received	6389	6140	6640
HGI	46	45	50
	40	45	50
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis			
Carbon	80.0	78.0	82.0
Hydrogen Nitrogen	5.50 1.60	5.00 1.30	6.00 1.80
Sulfur	0.67	0.40	1.00
Oxygen	12.2	9.2	15.3
SULFUR, % aur dried basis	0.60	0.40	0.80
Ibs SO ₂ / MMBtu	0.94	0.65	1.21
CHLORINE, % air dried basis	<0.01	<0.01	0.01
	<0.01	(0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.020
ASH FUSION TEMPERATURE, °C			
	Reducing		
Initial Deformation	1200	1150	1300
Spherical Hemispherical	1230 1300	1150 1200	1330 1400
Flow	1350	1250	1450
	Oxidizing		
Initial Deformation	1250	1200	1350
Spherical	1280	1200	1380
Hemispherical Flow	1350 1400	1250 1500	1450 1550
ASH ANALYSIS, % dry basis in ash SiO ₂	56.0	46.0	66.0
Al ₂ O ₃	24.5	17.0	30.0
Fe ₂ O ₃	9.5	7.0	15.0
CaO MgO	1.70 2.00	1.00 0.70	5.50 3.70
TiO,	1.10	0.60	1.40
Na,Ô	0.50	0.30	2.00
K2Ô P2Os	2.20 0.10	1.00 0.10	4.00 0.60
SO3	2.10	1.00	7.00
TRACE ELEMENTS, ppm air dried in coal Arsenic As	3.2	0.1	5.0
Beryllium Be	0.2	0.1	1.0
Boron B Cadmium Cd	95 0.1	60 0.1	120 1.0
Chromium Cr	5.2	0.1	10.0
Copper Cu	2.5	1.0	10.0
Fluorinc F Mercury Hg	30 0.05	20 0.01	60 0.20
Molybdenum Mo	1.2	0.01	1.0
Lead Pb	3.0	0.1	10.0
Antimony Sb Scionium Sc	0.5 0.12	0.1 0.1	1.0 0.5
Vanadium V	8	1	20
Zinc Zn	12	5	50
SIZING, %			
Above 50 mm	2.0	0.0	5.0
Under 2 mm	15.0	10.0	30.0
According to ISO methods, except HGI, Trace Eleme	nts and Ash Analysi	s to ASTM	

*) updated in 2009, source: www.kaltimprimacoal.co.id

Table 2. Quality of Melawan Coal

крс			
PT KALTIM PRIMA COAL			
MELAWAN COAL QUALITY			
	Typical	Minimum	Maximun
TOTAL MOISTURE, % as received basis	23.0	21.0	25.0
PROXIMATE ANALYSIS, % air dried basis			
Moisture Ash	16.5 3.0	14.5 1.5	18.5 4.0
Volatie Matter Fixed Carbon	39.0 41.5	37.0 38.5	41.0 44.5
	41.5	38.5	44.5
CALORIFIC VALUE, kcal/kg Gross air dried	5802	5500	5850
Gross as received Net as received	5350 5014	5200 4900	5500 5200
HGI	42	40	46
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis	74.2	73.5	77.6
Carbon Hydrogen	74.2 5.30	4.60	77.5 5.60
Nitrogen Sulfur	1.48 0.25	1.30 0.12	1.80 0.53
Öxygen	18.8	14.3	20.8
SULFUR, % aur dried basis	0.20	0.10	0.40
lbs SO ₂ / MMBtu	0.38	0.20	0.74
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.020
ASH FUSION TEMPERATURE, °C			
Initial Deformation	Reducing 1200	1150	1300
Spherical	1230	1150	1330
Hemispherical Flow	1300 1350	1200 1250	1400 1450
	Oxidizing		
Initial Deformation	1250	1200	1350
Spherical Hemispherical	1280 1350	1200	1380 1450
Flow	1400	1500	1550
ASH ANALYSIS, % dry basis in ash			
SiO ₂ Al ₂ O ₃	56.0 24 5	46.0 17.0	66.0 30.0
Fe ₂ O ₃	9.5	7.0	15.0
CaO	1.70	1.00	5.50
MgO TiO ₂	2.00 1.10	0.70 0.60	3.70 1.40
Na ₂ O	0.50	0.30	2.00
K,Ô	2.20	1.00	4.00
P2O5 SO3	0.10 2.10	0.10 1.00	0.60 7.00
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As	3.2	0.1	5.0
Beryllium Be Boron B	0.2 95	0.1 60	1.0 120
Cadmium Cd	0.1	0.1	1.0
Chromium Cr Copper Cu	5.2	0.1	10.0
Fluorinc F	2.5	20	10.0 60
Mercury Hg	0.05	0.01	0.20
Molybdenum Mo Lead Pb	1.2 3.0	0.1 0.1	1.0 10.0
Antimony Sb	0.5	0.1	1.0
Scionium Sc	0.12	0.1	0.5
Vanadium V Zinc Zn	8 12	1 5	20 50
SIZING, %			
SIZING, % Above 50 mm Under 2 mm	2.0 15.0	0.0 10.0	5.0 30.0

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ABOUT KPC

Table 2. Quality of Pinang Coal

крс			
PT KALTIM PRIMA COAL			
PINANG 6000 NAR COAL QUALITY	Typical	Minimum	Maximu
TOTAL MOISTURE, % as received basis	14.0	12.0	16.0
PROXIMATE ANALYSIS, % air dried basis			
Moisture Ash	9.0 5.5	7.0 3.5	11.0 7.5
Volatie Matter	40.0	38.0	42.0
Fixed Carbon	45.5	42.5	48.5
CALORIFIC VALUE, kcal/kg Gross air dried	6666	6450	6850
Gross as received	6300	6150	6450
Net as received	5991	5850	6150
HGI	45	44	50
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis			
Carbon Hydrogen	79.1 5.50	77.0 5.00	81.0 6.00
Nitrogen	1.60	1.30	1.80
Sulfur Oxygen	0.70 13.1	0.40 9.2	1.10
SULFUR, % aur dried basis lbs SO ₂ / MMBtu	0.60 1.00	0.40 0.68	1.00 1.63
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.020
ASH FUSION TEMPERATURE, °C			
	Reducing 1150	1100	1300
Initial Deformation Spherical	1180	1130	1330
Hemispherical Flow	1250 1350	1200 1250	1400 1450
	Oxidizing		
Initial Deformation	1200	1150	1350
Spherical Hemispherical	1230 1300	1180 1250	1380 1450
Flow	1400	1500	1550
ASH ANALYSIS, % dry basis in ash			
5iO2 Al2O3	53.0 23.5	43.0 17.0	63.0 30.0
Fe,O,	9.0	7.0	15.0
CaO	3.10	1.00	5.50
MgO TIO	2.70 1.00	0.70 0.60	3.70 1.40
TiO ₂ Na_O	0.60	0.60	2.00
K,Ô	2.10	1.00	4.00
P,O ₅ SO ₃	0.36 4.6	0.10 1.00	0.60 7.00
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As	2.6	0.1	5.0
Beryllium Be Boron B	0.2	0.1	1.0
Boron B Cadmium Cd	95 0.1	60 0.1	120 1.0
Chromium Cr	4.9	0.1	10.0
Copper Cu	3.0	1.0	10.0
Fluorinc F	35	20 0.01	60 0.20
Mercury Hg Molybdenum Mo	0.05	0.01	0.20
Lead Pb	3.2	0.1	10.0
Antimony Sb	0.5	0.1	1.0
Scionium Sc Vanadium V	0.16	0.1 1	0.5 20
Vanadium V Zinc Zn	11 11	5	20
SIZING, %			
Above 50 mm	2.0 15.0	0.0 10.0	5.0 30.0
Jnder 2 mm According to ISO methods, except HGI, Trace Elements a			50.

PINANG 6150 GAR COAL QUALITY	Typical	Minimum	Maximum		
TOTAL MOISTURE, % as received basis	15.0	13.0	17.0		
PROXIMATE ANALYSIS, % air dried basis Moisture Ash Volatie Matter Fixed Carbon	9.5 5.5 40.0 45.0	7.0 3.5 38.0 42.0	11.0 7.5 42.0 48.0		
CALORIFIC VALUE, kcal/kg Gross air dried Gross as received Net as received	6548 6150 5837	6250 6000 5700	6850 6300 6000		
HGI	45	44	50		
ABRASION INDEX, mg steel/kg coal	10	8	12		
ULTIMATE ANALYSIS, % dry ash free basis Carbon Hydrogen Nitrogen Sulfur Oxygen SULFUR, % aur dried basis	78.9 5.53 1.61 0.71 13.2 0.60	75.5 5.00 1.30 0.40 0.2 0.40	80.5 6.00 1.80 1.10 15.3 1.00		
lbs SO ₂ /MMBtu	1.02	0.69	1.64		
CHLORINE, % air dried basis	<0.01	<0.01	0.01		
PHOSPHORUS, % dry basis in coal	0.010	0.005	0.015		
ASH FUSION TEMPERATURE, °C	Reducing				
Initial Deformation Spherical Hemispherical Flow	1150 1180 1250 1300	1100 1130 1200 1250	1300 1330 1400 1450		
Initial Deformation Spherical Hemispherical Flow	Oxidizing 1200 1230 1300 1350	1150 1180 1250 1500	1350 1380 1450 1550		
ASH ANALYSIS, % dry basis in ash SiQ, Al,Q, Fe,Q, CaO MgO TIQ, Na,Q K,Q Q, SQ, SQ,	53.0 23.5 9.0 3.10 2.70 1.00 0.60 2.10 0.36 4.6	43.0 17.0 1.00 0.70 0.60 0.30 1.00 0.10 1.00	63.0 30.0 15.0 5.50 3.70 1.40 2.00 4.00 0.60 7.00		
TRACE ELEMENTS, ppm air dried in coal Arsenic As Beryllium Be Boron B Cadmium Cd Chromium Cr Copper Cu Fluorinc F Mercury Hg Molybdenum Mo Lead Pb Antimony Sb Scionium Sc Vanadium V Zinc Zn	2.6 0.2 95 0.1 4.9 3.0 35 0.05 0.7 3.2 0.5 0.16 11 11	0.1 60 0.1 1.0 20 0.01 0.1 0.1 0.1 0.1 1 5	5.0 1.0 120 1.0 10.0 60 0.20 1.0 1.0 1.0 0.5 20 50		
SIZING, % Above 50 mm Under 2 mm According to ISO methods, except HGI, Trace Elements a	2.0 15.0 Ind Ash Analysis	0.0 10.0 s to ASTM	5.0 30.0		





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Table 2. Quality of Melawan Coal

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PT KALTIM PRIMA COAL			
PINANG 6000 GAR COAL QUALITY			
	Typical	Minimum	Maximum
TOTAL MOISTURE, % as received basis	16.0	14.0	18.0
PROXIMATE ANALYSIS, % air dried basis Moisture	10.0	8.0	12.0
Ash	5.0	3.0	7.0
Volatie Matter Fixed Carbon	40.0 45.0	38.0 42.0	42.0 48.0
CALORIFIC VALUE, kcal/kg Gross air dried	6429	6150	6750
Gross as received	6000 5684	5850 5550	6300 6000
Net as received	5684	5550	6000
HGI	45	44	48
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis Carbon	78.0	76.0	80.0
Hydrogen	5.50	5.00	6.00
Nitrogen Sulfur	1.60 0.71	1.30 0.40	1.80 1.10
Oxygen	14.2	0.2	15.3
SULFUR, % aur dried basis	0.60	0.40	1.00
lbs SO ₂ / MMBtu	1.04	0.71	1.64
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.015
·	0.009	0.005	0.015
ASH FUSION TEMPERATURE, °C	Reducing		
Initial Deformation	1150	1100	1300
Spherical Hemispherical	1180 1250	1130 1200	1330 1400
Flow	1250	1250	1400
	Oxidizing		
Initial Deformation	1200	1150	1350
Spherical Hemispherical	1230 1300	1180 1250	1380 1450
Flow	1350	1300	1550
ASH ANALYSIS, % dry basis in ash			
SIO,	53.0	43.0	63.0
Al ₂ Ô ₃ Fe ₂ O ₃	23.5 9.0	17.0 7.0	30.0 15.0
CaO	4.00	1.00	5.50
MgO TiO	2.70 1.00	0.70 0.60	3.70 1.40
Na2O	0.60	0.30	2.00
K20 P205	2.10 0.36	1.00 0.10	4.00 0.60
50 ₃	3.7	1.00	7.00
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As	2.6	0.1	5.0
Beryllium Be Boron B	0.2 95	0.1 60	1.0 120
Cadmium Cd	0.1	0.1	1.0
Chromium Cr Copper Cu	4.9 3.0	0.1 1.0	10.0 10.0
Fluorinc F	35	20	60
Mercury Hg Molybdenum Mo	0.05 0.7	0.01	0.20
Lead Pb	3.2	0.1	10.0
Antimony Sb Scionium Sc	0.5 0.16	0.1 0.1	1.0 0.5
Vanadium V	11	1	20
Zinc Zn	11	5	50
SIZING, %			
Above 50 mm Under 2 mm	2.0 15.0	0.0 10.0	5.0 30.0
According to ISO methods, except HGI, Trace Elements a	ind Ash Analysi	s to ASTM	
undeted in 2000 ecures unusulualti			

PINANG 5900 COAL QUALITY			
	Typical	Minimum	Maximur
TOTAL MOISTURE, % as received basis	19.0	17.0	21.0
PROXIMATE ANALYSIS, % air dried basis Moisture	14.0	10.0	18.0
Ash	4.5	3.5	6.5
Volatie Matter Fixed Carbon	38.5 43.0	36.5 40.0	40.5 46.0
CALORIFIC VALUE, kcal/kg			
Gross air dried	6264	6000	6400
Gross as received	5900	5750	6050
Net as received	5569	5450	5750
HGI	45	42	48
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis Carbon	76.1	74.0	78.0
Hydrogen	5.60	5.00	6.00
Nitrogen	1.50	1.30	1.80
Sulfur	0.10	0.90	1.40
Oxygen	15.7	12.0	18.0
SULFUR, % aur dried basis Ibs SO ₂ / MMBtu	0.90 1.60	0.80 1.43	1.30 2.30
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.005	0.002	0.010
ASH FUSION TEMPERATURE. °C	01005	01002	0.010
	Reducing		
Initial Deformation	1150	1100	1200
Spherical Hemispherical	1180 1230	1120 1150	1230 1300
Flow	1300	1200	1350
	Oxidizing		
Initial Deformation Spherical	1200 1230	1120 1150	1300 1330
Hemispherical	1230	1200	1330
Flow	1350	1300	1450
ASH ANALYSIS, % dry basis in ash			
SiO ₂	46.0 19.0	36.0	56.0 23.0
Al ₂ Ô ₃ Fe ₂ O ₃	19.0	15.0 13.0	23.0
CaO	5.00	3.00	7.00
MgO	4.00	2.00	6.00
TiO	1.00	0.60	1.40
Na Ô	1.80 1.00	1.00 0.60	4.00
K ₂ O P ₂ O ₅	0.20	0.00	0.50
SO ₃	5.0	3.0	8.0
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As Beryllium Be	1.0 0.3	0.1 0.1	2.0 2.0
Boron B	120	50	2.0
Cadmium Cd	1.0	0.1	5.0
Chromium Cr	4.0	1	10.0
Copper Cu Fluorinc F	4.0 45	1.0 20	10.0 60
Huorinc F Mercury Hg	45	0.02	0.15
Molybdenum Mo	1.0	0.5	1.5
Lead Pb	2.0	1	4.0
Antimony Sb	0.2	0.1	0.3
Scionium Sc Vanadium V	0.3 10	0.1	0.5 20
Zinc Zn	20	10	40
SIZING, %			
Above 50 mm	2.0	0.0	5.0



Table 2. Quality of Melawan Coal

крс			
PINANG 5700 GAR COAL QUALITY			
	Typical	Minimum	Maximum
TOTAL MOISTURE, % as received basis	19.0	17.0	21.0
	19.0	17.0	21.0
PROXIMATE ANALYSIS, % air dried basis Moisture	13.0	11.0	15.0
Ash	5.0	3.0	7.0
Volatie Matter	39.0	37.0 40.0	41.0 46.0
Fixed Carbon	43.0	40.0	46.0
CALORIFIC VALUE, kcal/kg	(122	5060	6460
Gross air dried Gross as received	6122 5700	5860 5550	6460 5850
Net as received	5374	5250	5550
HGI	45	42	48
ABRASION INDEX, mg steel/kg coal	10	8	12
	10	0	12
ULTIMATE ANALYSIS, % dry ash free basis Carbon	77.3	75.5	79.5
Hydrogen	5.50	75.5 5.00	6.00
Nitrogen	1.60	1.30	1.80
Sulfur Oxygen	0.61 15.0	0.40 9.2	1.10 15.3
SULFUR, % aur dried basis Ibs SO ₂ / MMBtu	0.50 0.01	0.40 0.75	1.00 1.77
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.015
ASH FUSION TEMPERATURE, °C			
Initial Deformation	Reducing 1150	1100	1300
Spherical	1180	1130	1330
Hemispherical Flow	1230 1300	1200 1250	1400 1450
	Oxidizing		
Initial Deformation	1200	1150	1350
Spherical	1230	1180	1380
Hemispherical Flow	1280 1350	1250 1500	1450 1550
ASH ANALYSIS, % dry basis in ash SiO	51.0	43.0	63.0
Al ₂ Ô ₃	21.0	17.0	30.0
Fe ₂ O ₃ CaO	10.0 4.90	7.0 1.00	15.0 5.50
MgO	4.90 3.90	0.70	5.50 3.70
TiO ₂	1.00	0.60	1.40
Na Ô K,Ô	0.60 2.10	0.30	2.00 4.00
P.O.	0.36	0.10	0.60
só ₃ °	5.3	1.00	7.00
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As	2.6	0.1	5.0
Beryllium Be Boron B	0.2 95	0.1 60	1.0 120
Cadmium Cd	0.1	0.1	1.0
Chromium Cr	4.9	0.1	10.0
Copper Cu Fluorinc F	3.0 35	1.0 20	10.0 60
Mercury Hg	0.05	0.01	0.20
Molybdenum Mo	0.7	0.1	1.0
Lead Pb Antimony Sb	3.2 0.5	0.1	10.0 1.0
Scionium Sc	0.16	0.1	0.5
Vanadium V	11	1	20
Zinc Zn	11	5	50
SIZING, %	2.0	0.0	5.0
Above 50 mm Under 2 mm	2.0 15.0	0.0 10.0	5.0 30.0
According to ISO methods, except HGI, Trace Elements a			
According to ISO methods, except HGI, Trace Elements an	iu Asn Analysis	TO ASTM	_

PT KALTIM PRIMA COAL			
PINANG 5500 GAR COAL QUALITY	Typical	Minimum	Maximum
TOTAL MOISTURE, % as received basis	21.0	19.0	23.0
PROXIMATE ANALYSIS, % air dried basis			
Moisture Ash	16.0 5.5	14.0 4.0	18.0 7.5
Volatie Matter Fixed Carbon	38.0 40.5	36.0 36.5	40.0 42.5
CALORIFIC VALUE, kcal/kg	5848	5550	6150
Gross air dried Gross as received Net as received	5500 5171	5350 5350 5050	5650 5350
HGI	43	40	48
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis			
Carbon Hydrogen	76.6 5.46	75.0 5.00	79.0 6.00
Nitrogen Sulfur	1.59 0.64	1.30 0.40	1.80 1.10
Oxygen	15.7	9.2	15.3
SULFUR, % aur dried basis Ibs SO ₂ / MMBtu	0.50 0.95	0.40 0.78	1.00 1.85
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.010	0.005	0.015
ASH FUSION TEMPERATURE, °C	Reducing		
Initial Deformation	1150	1100	1300
Spherical Hemispherical	1180 1230	1130 1200	1330 1400
Flow	1300	1250	1450
Initial Deformation	Oxidizing 1200	1150	1350
Spherical Hemispherical	1230 1280	1180 1250	1380 1450
Flow	1350	1500	1550
ASH ANALYSIS, % dry basis in ash	50.0	43.0	63.0
SiO ₂ Al ₂ O ₃	20.0	17.0	30.0
Fe ₂ O ₃ CaO	11.0 5.50	7.0 1.00	15.0 5.50
MgO	3.90 1.00	0.70	3.70
TiO ₂ Na ₂ O	0.60	0.60	2.00
K2Ô P2O5	2.10 0.36	1.00 0.10	4.00 0.60
SO ₃	5.5	1.00	7.00
TRACE ELEMENTS, ppm air dried in coal Arsenic As	2.6	0.1	5.0
Beryllium Be	0.2	0.1	1.0
Boron B Cadmium Cd	95 0.1	60 0.1	120 1.0
Chromium Cr	4.9	0.1	10.0
Copper Cu Fluorinc F	3.0 35	1.0 20	10.0 60
Mercury Hg Molybdenum Mo	0.05 0.7	0.01 0.1	0.20
Lead Pb	3.2	0.1	10.0
Antimony Sb Scionium Sc	0.5 0.16	0.1 0.1	1.0 0.5
Vanadium V Zinc Zn	11	1	20
	11	5	50
SIZING, % Above 50 mm Under 2 mm	2.0 15.0	0.0 10.0	5.0 30.0
According to ISO methods, except HGI, Trace Elements a	ind Ash Analysi:	s to ASTM	



Table 2. Quality of Melawan Coal

KPC			
PINANG 5700 GAR COAL QUALITY			
	Typical	Minimum	Maximum
TOTAL MOISTURE, % as received basis	19.0	17.0	21.0
	1,510		2110
PROXIMATE ANALYSIS, % air dried basis Moisture	13.0	11.0	15.0
Ash	5.0	3.0	7.0
Volatie Matter Fixed Carbon	39.0 43.0	37.0 40.0	41.0 46.0
CALORIFIC VALUE, kcal/kg			
Gross air dried	6122	5860	6460
Gross as received Net as received	5700 5374	5550 5250	5850 5550
HGI	45	42	48
ABRASION INDEX, mg steel/kg coal	10	8	12
ULTIMATE ANALYSIS, % dry ash free basis			
Carbon	77.3	75.5	79.5
Hydrogen Nitrogen	5.50 1.60	5.00 1.30	6.00 1.80
Sulfur	0.61	0.40	1.10
Oxygen	15.0	9.2	15.3
SULFUR, % aur dried basis	0.50	0.40	1.00
lbs SO ₂ / MMBtu	0.01	0.75	1.77
CHLORINE, % air dried basis	<0.01	<0.01	0.01
PHOSPHORUS, % dry basis in coal	0.009	0.005	0.015
ASH FUSION TEMPERATURE, °C			
Initial Deformation	Reducing 1150	1100	1300
Spherical	1180	1130	1330
Hemispherical Flow	1230 1300	1200 1250	1400 1450
FIOW		1250	1450
Initial Deformation	Oxidizing 1200	1150	1350
Spherical	1230	1180	1380
Hemispherical Flow	1280 1350	1250 1500	1450 1550
	1550	1500	1550
ASH ANALYSIS, % dry basis in ash SiO ₂	51.0	43.0	63.0
ALO,	21.0	17.0	30.0
Fe [°] ₂ O [°] ₃ CaO	10.0 4.90	7.0 1.00	15.0 5.50
MgO	4.90	0.70	3.70
TIÔ,	1.00	0.60	1.40
Na20 K20	0.60 2.10	0.30	2.00
P.O.	0.36	0.10	0.60
sô ₃	5.3	1.00	7.00
TRACE ELEMENTS, ppm air dried in coal			
Arsenic As Beryllium Be	2.6 0.2	0.1 0.1	5.0 1.0
Boron B	95	60	120
Cadmium Cd Chromium Cr	0.1 4.9	0.1 0.1	1.0 10.0
Copper Cu	3.0	1.0	10.0
Fluorinc F	35	20 0.01	60 0.20
Mercury Hg Molybdenum Mo	0.05	0.01	0.20
Lead Pb	3.2	0.1	10.0
Antimony Sb Scionium Sc	0.5 0.16	0.1 0.1	1.0 0.5
Vanadium V	11	1	20
Zinc Zn	11	5	50
SIZING, %			
Above 50 mm Under 2 mm	2.0 15.0	0.0 10.0	5.0 30.0
			50.0
According to ISO methods, except HGI, Trace Elements a	nd Ash Analysi	to ASTM	

*) updated in 2009, source: www.kaltimprimacoal.co.id

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In 2009, KPC production of overburden removal was 444.221 Kbcm.



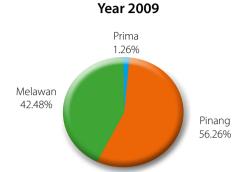


KPC's Coal Sales in 2009 reached 38,758,082 tons.

Table 5. Coal Sales

No	Types of Coal	Coal Market		
	Types of Coal	2008	2009	
1	Pinang	23,512,371 ton	21,805,291 ton	
2	Melawan	11,772,783 ton	16,465,971 ton	
3	Prima	487,169 ton	486,820 ton	
	Total	35,772,323 ton	38,758,082 ton	

Graph 1. Coal Sales based on Product



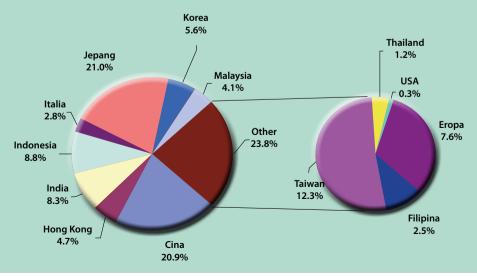
Coal Sales based on Product

Sumber data: Business Analyst

	Sales Area	Coal Sales		
No		2008	2009	
1	Jepang	10,033,998 ton	8,132,604 ton	
2	Eropa	5,529,058 ton	2,951,503 ton	
3	Taiwan	4,972,814 ton	4,763,369 ton	
4	India	3,842,868 ton	3,210,078 ton	
5	Indonesia	3,332,973 ton	3,419,350 ton	
6	Korea	1,863,617 ton	2,161,408 ton	
7	Cina	127,561 ton	8,092,209 ton	
8	Malaysia	1,700,578 ton	1,587,204 ton	
9	Thailand	1,291,308 ton	458,900 ton	
10	Filipina	842,617 ton	950,475 ton	
11	Chili	430,418 ton	_	
12	Pakistan	176,315 ton	_	
13	Hong Kong	1,628,198 ton	1,829,792 ton	
14	USA	-	116,436 ton	
15	Italia	-	1,084,754 ton	
	Total	35,772,323 ton	38,758,082 ton	

Table 6. Coal Sales based on Region (2.7)

Sumber data: Business Analyst



Sumber data: Business Analyst





KPC coal sales in 2009 reached 38.758.082 tones.

Occupational Health and Safety (LA 8)

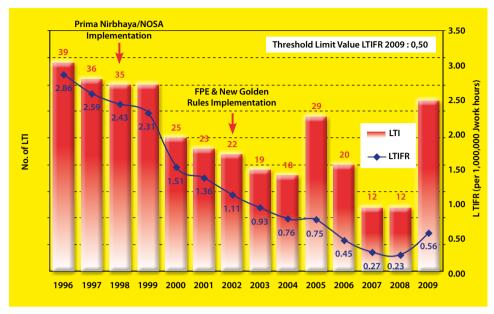
KPC is committed to always keep the health and safety of its employees. Various regulations have been implemented to achieve that goal. 11 (eleven) types of potentially fatal jobs were identified and reviewed either in standards, performance procedures, audit criterion and training based on OHSAS 18001. Occupational Safety standard regulations which are known as "Golden Rules" have been implemented as of the last few years.

In implementation in the field, a number of employees every day undertake to directly handle issues of employees' Occupational Health and Safety. 284 employees registered as HSE coordinators and officers or 1.39 % of 20,297 of KPC's employees and contractors are involved in this mission. In addition, 118 employees of KPC work as representatives of Occupational Health and Safety who are spread out in each division and the Mining Operations Department. HSE management is a part of the responsibility of this management's staff. (LA 6)

The performance of work health and safety (K3) throughout 2009 was tainted by a fatal accident on the 22nd of October 2009 that injured a truck operator who fell 2.5m while descending the stairs in order to save himself when the truck he was operating caught fire while dumping materials.

In 2009, the accident recurrence that caused loss of work hours (LTIFR) of 0.56 (2009) per 1,000,000 work hours or 12% above the maximum limit set for 2009 which was 0.50. This number is considered higher compared to what happened in 2008 which was 0.23. The increasing trend can be seen in the following graph.





Graph 3. Lost Time incident Frequency Rate in (LTIFR) (LA 7)

From the 32 accidents that caused LTI, 9 of them happened in KPC and 23 of them happened in the contractors. The cause of the accidents varied, 50% (16 from 32) of them were related to shortcuts and/or violations of safety regulations/procedures. Meanwhile the injury rate that did not lead to LTI was 2.4. As many as 137 incidents occurred without resulting in LTI.

The degree of conformance to the Fatality Prevention Element requirements measured by the Work Safety Audit Division of KPC was 85 times in 2009. The



Checking vehicle speed limits with speed gun to make sure every driver obey the rules. This is one of Golden Rules application in KPC.

number resulted from the measurement done in different areas of KPC contractors and departments increased compared to the result of 2008 which was 59 times. Besides that, quite a high increase occurred in Prinasa (Behavior Observation Program) conducted by the management and practitioners of Occupational Health and Safety (K3). From the 15,353 Prinasa in 2008, it increased to 21,919 in 2009. The target for 2009 which was only 16,790 increased by about 30.5%. Prinasa's focus which is related to the Fatality Prevention Element in 2009 was 17,571 or 80.1% from the total Prinasa that had been done.

The recurrence of severe work accidents or those that result in loss time has urged KPC to keep administering various training programs related to the management of occupational health and safety. This is done to help employees as well as their families in preventing accidents. The training administered for this purpose is among others, HSE Induction, Job Safety Analysis, Human Element (Fatigue Management for employees), Fatigue Management for Spouses, Change Management, Accident Investigation (Basic and Advance), Safety Risk Assessment, Safety Inspection, CPR (Cardio Pulmonary Resuscitation), First Aid, Conducting Safety Talks, Awareness for Working at Height, Working Near Water, Electrical Safety and Confined Space, Escort Training, Working at Height for

Source Data: Departemen Occupational Health, and Safety



Meanwhile, the results concluded by the work rehabilitation program team (leaders of the company clinic and company representatives) decided that throughout 2009, there was no sick employee caused by the work he or she is handling.

The number of participants of the K3L training in 2009 reached 41,123 employees (52.8 % from the total number of participants in all training), with up to 115,245 of training hours (24.9 % from the total hours of all training). The comparison between the amounts of K3L training from 2000 to 2009 to other training that have been administered is shown in the graph below. During that time period, it is shown that the company's commitment towards K3 trainings for employee is very high. (LA 8)

Workers, Fire Extinguisher, Fire Warden, Prinasa, and Prinutama.

Golden Rules are always emphasized to every employee of KPC and

its contractors. This poster is one of the examples.

Besides training, KPC also made other attempts in campaigning safety and health by means of daily postings through Radio GWP 100.2 FM, Healthy and Safe Community Bulletin, *Safety Alert*, K3 banners, contests (painting, writing and photography) and holding seminars in order to commemorate the National K3 Month 2009 and many others.

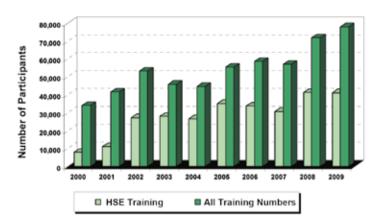
In 2009, KPC purchased 3 new ambulances. Two of the new ambulances are posted in the Emergency Response Post in Pit AB and Lubuk Lutung, while the other one is used to replace the old ambulance. This can reduce the time it takes for the paramedics to reach a certain place in case of an accident in those areas. Besides the ambulance, KPC also purchased several new items of rescue equipment and replaced old equipments such as an additional 3 rubber rafts,



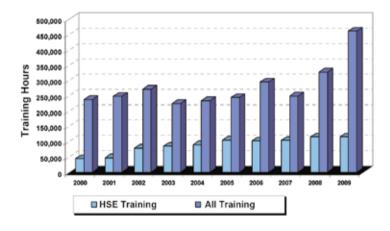
Using the right PPE (Personal Protection Equipment) will support employee's performance and prevent accidents.



Graph 4. Number of HSE training participants 2000-2009



Data Source: Department of Occupational Health and Safety



Graph 5. Number of HSE training hours 2000-2009

Source data: Department of Occupational Health and Safety

To gain the support from all employees of KPC within various HSE programs, some important matters related to HSE have been covered in the *Prima Perkasa* Mutual Agreement between PT. KPC and Worker/Labor Unions. (LA 9)

As prevention for the spread of diseases, either caused by the work environment or way of life of employees, KPC has conducted several programs. One such program is the monitoring of potential health hazards in the workplace like noise, level of dust, lighting, ventilation, heat stress, toxic gas levels, and vibration of heavy equipment. Besides that, counseling and training on fatigue control was given to the wives of shift workers. (LA 8) For its employees and contractors in 2009, through the Department of Occupational Health and Safety, KPC gave counseling and training on a hearing care program for those working in noisy areas. KPC also gave counseling and socialization on Hepatitis B in relation to determining employees' work appropriateness to doctors and Medical Check-up service providers in Sangatta, working together with the CMO (Chief Medical Officer) from ISOS. Inspection for Food Hygiene in the company cafeteria and school cafeteria was also done to control food quality.

Information on occupational health and safety was also given in the form of the Healthy and Safe Community Bulletin issued every two months as well as articles and posters campaigning and promoting health.



Picture 4. Example of Posters as a means to socialize and promote health in the workplace

All members of KPC's Security have attended Basic Education (DIKSAR) that is conducted by Polda (Regional Police) in which the training curriculum includes training about Human Rights. 495 members or 98 % from 505 of all security members in Group4 and Global Arrow have attended Basic Education (DIKSAR). This number has increased compared to last year's which was only 90.3%. (HR 3, HR 8)

Employees' Benefits (4.5; EC 3; LA 3)

In its operations in 2009, the funds spent by KPC for employees rose to USD 90.07 million compared to last year's which was USD 78.13 million. The funds were allocated for the payment of employee salary, bonus, religious holiday allowance, medication, accommodation, housing, time sharing allowance, pension plan, and other benefits for employees.

KPC based the compensation on the competency and performance of the employees. The higher the competence and performance of employees, the higher the compensation the employees will receive. Besides that, one of the benefits of the high involvement of employees and becoming the attention of all eyes in the company is having the "Safety Voucher". This benefit works as an encouragement, reminder and a push for employees to put work safety forward for themselves, their colleagues as well as their workplace. This benefit is given on the performance of achieved safe work hours and as long as there are no fatal accidents. The awarding of the safety voucher applies to employees or contractors supervised directly by qualified KPC superintendent with the same amount/ value of bonus.

Employee remuneration is determined based on company performance and salary survey done by the company every year with similar companies. Either by the help of consultants or by comparing directly with the same level of mining companies (benchmarking). The better the company performance, the higher the remuneration received by employees. In maintain internal equity, the size of remuneration given by the company to employees is based on the level of responsibility the employees have in the company.

Compared to the minimum wage of East Kutai District sector (UMSK) for the mining sector which

is Rp 1,387,500.00 (one million three hundred and eighty-seven thousand five hundred rupiah), in 2009 KPC gave minimum wage to its employees as much as Rp 1,637,000.00 (one million six hundred and thirty-seven thousand rupiah)or 18% higher than UMSK. If compared to the district minimum wage which is Rp 1,000,000.00 (one million rupiah) KPC gives 64% higher. While if compared to the minimum wage of East Kalimantan Province which is Rp. 955,000.00 (nine hundred and fifty-five thousand rupiah), KPC has given salary to its employees equal to 71% higher. The minimum salary has risen 8.9% compared to the year before which was Rp 1,502,000.00. (EC 5)

For employees who have reached the age of retirement, the company will give a retirement benefit according to KPC's retirement plan provision which is regular contributions for employees received before 1 July 2007 managed by the KPC Retirement Plan and benefits for employees received after 1 July 2007 of which the management is done by a third party. Besides that, employees who have reached retirement age normally will also be given working period bonus, assistance in going back to place of origin or at least pay the transportation cost to Jakarta by third-class ship fare, a severance payment in the amount of 2 times basic wage for those with a working period of less than 5 years, 3 times basic wages for those with a working period between 5 to 10 years, and 4 times basic wage for those with more than 10 years working period.

Another benefit received by employees is the annual leave of 16 calendar days. The company provides an Annual Leave Premium equal to 225% of the basic wage plus an additional Rp 750,000.00 (PKB, *article* 41). Leave Fares are given to permanent employees and legal dependencies, while employees on contract are only given leave fares for themselves. For safety reasons, effectiveness and efficiency of time and fuel, the company also provides buses to take employees to the workplace, also for employees' children there is also a pickup service to take them to and from the company school. (EN 7; EN 29)

Considering the limitation in the amount of students that can be accommodated by the schools managed by the company, some of the employees' children go to public schools. As the company's form of concern





towards that condition, the company provides education aid for employees' children studying in schools outside the company school as shown in the following table:

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Table 7. Education	Subrid	1 for the	childron	omploy	100
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Education Level	Subsidy per year
Elementary School	Rp. 1,000.000.00
Junior High School	Rp. 1,250.000.00
Senior High School	Rp. 1,500.000.00
University	Rp. 3,250.000.00

Land Preparation and Monitoring (MM 6; MM 7)

Land preparation for mining activities is a very important stage for KPC. If the land cannot be allocated according to the time period, the mining activity will be delayed. The expansion of mine operations starts with the process of preparing land with road access by freeing land from ownership and or work done by the community within the area of concession as provided in the PKP2B (Coal Mining Contract Agreement) and Act Number 11 Year 1967 on the principles of mining.

Land release process is done by consensus based on the SOP (Standard Operating Procedure) for land release to reach agreement on the compensation value over the settlement of land disputes, however there are also ways to settle matters though legal processes if consensus or government mediation could not be reached.

Throughout 2009, KPC has released 8,327.08 ha land of a target of 4,509.71 ha. The performance for land release in 2009 is better than 2008 which was 3,952.14 ha. This is done for the need to expand mines and for supporting facilities.

The monitoring program with regards to exempted land is carried out with any related parties such as police and security personnel. This routine monitoring aims to prevent any conflicts and claims upon the land by the community in the future. This monitoring also detects earlier the efforts of irresponsible parties to conduct illegal mining (*penambangan tanpa izin* -PETI). Relocation and or resettlement is one of the alternative choices to manage the impact of mine operations directly and applied according to technical, economical, social, cultural environment and other considerations obtained from studies either conducted directly by the company or through a third party (consultants) trusted by the company and can be accepted not only by the company but also by the government and the community.

Segading Resettlement is one of the environment impact programs being worked on by ESD where in terms of areal location, the people of Segading subvillage of Keraitan village will be isolated when the mines in Pit B and C start to operate. The Segading Resettlement program plan is to relocate about 57 families to a location chosen and approved together. The study for the plan to administer the Segading Resettlement program has been conducted directly by KPC and by a third party which in this case is Grahatma. The government's involvement in the resettlement process is the most important matter not only as legitimating but also to assist the people in accepting the program. (MM 5; MM 9)

Post-mining Plan (MM 2; MM 10)

At the end of June 2009, KPC has reported its Mine Closing Plan (RPT) to the Directorate of Minerals, Coal and Geothermal Engineering and Environment, Department of ESDM Jakarta. The Mine Closing Plan of PT. KPC is organized to meet the requirement from the Minister of Energy and Mineral Resources Provision No.18 Year 2008 on Mine Reclamation and Closure.

KPC realizes that mine closure is an inevitable part of mining operation. To guarantee that the mine closure can be done well there needs to be a good mine closure planning process. This principle is in line with the commitment stated in the Sustainable Development, Health, Work Safety and Environment Policy of PT. KPC.

According to the sustainable development principle, mine closure must attempt to ensure the continuation of the life of communities around the mine location of PT. KPC and the sustainability of the development of East Kutai area. Therefore, the mine closure needs to be



planned as best as possible by integrating planning in every stage of mining activities and certainly involving the stakeholders.

Several things that will be done in the process of mine closure is reclamation, environment observation, land rehabilitation, remediation of hazardous material, dismantling of mine facilities, and a community empowerment program.

In 2009, some post mine programs have been started. In order to rehabilitate land, KPC continued to study the use of post mine void water (pool) and have done the study of ex-mine land ecosystem restoration design. Meanwhile, KPC also continued the PESAT (Development of Integrated Cow Farming) program. This will be elaborated in another chapter in this report.

Those RPT programs have been presented to the regional government and KPC has acquired the recommendation of approval from the Regent of East Kutai by letter No. 1104/Distamb-1.1/X/2009 dated 14 October 2009.





OUR PRODUCT QUALITY (PR 1; PR 2; PR 3; MM 11)

Responsibility for the Product

As part of KPC's commitment to achieve a safe product, monitoring of product quality is an essential component of the planning, implementation, monitoring and control of the mining, coal preparation and transportation process. The KPC Quality Control team monitors the above processes 24 hours a day to make sure that there will be no 'rejected' product.

Although the customer survey has not been conducted by KPC in this 2009, there have been no complaints from customers related to any negative effect of using our product represents an indication of KPC customer satisfaction. Furthermore the degree to which customer's continue their long term sales contracts with KPC is one of the indications that our product is safe to be used. Customer trust is also gained because of KPC's achievement in maintaining OHSAS 18001 in occupational health and safety and ISO 14001 in environment in 2009. Because KPC's product is coal, special product packing is not necessary. (PR 5; EN 27)

Customer Satisfaction

Most of KPC's customers are electric power plant companies. KPC has good products and the quality fits in well with all power plant designs across the world. Considering the port location and the shipping costs of KPC that are lower than any other coal producers, KPC transportation costs are less than other coal producers. KPC is recognized as one of the reliable suppliers with competitive prices. The quality and size of the coal resource and the ability to load large bulk carriers from its own world class terminal has enabled KPC to build a diverse portfolio of term contracts. These are the backbone of KPC's business. KPC pays attention to post sale service through:

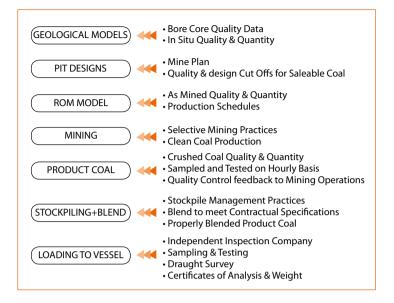
- 1. Supervision of Quality Management and Coal Quantity
- 2. Technical marketing that supports the customers. The Coal Technology Department of KPC gives technical assistance to final customers in the handling and combustion of the coal and is actively involved with customers to guarantee the quality of coal is up to standard.

The Division of Coal Quality Management is a part of the overall KPC's operations. Some targets that were established for coal quality management include:

- 1. Optimization of production and demand schedules
- 2. Optimization of resources, and
- 3. Assurance that all deliveries to customers are as per specification.

Because our product is coal, we don't have to label our product specifically. However, consumers get the product information as they requested. In 2009, there were no violations on the product information that we provided. This is possible because the Marketing Division of KPC sends a sample to the buyer according to sales contract clauses and also sends a sample to an independent party, if requested by customers. Samples of KPC products are also sent to world-wide reputable surveyors in order to achieve reliable source data in obtaining typical quality for each product accordingly. (PR 4)





Marketing Communication Program (PR 6; PR 7)

The KPC Marketing team regularly communicates and visits customers as required. By visiting, KPC Marketing maintains good relationships with customers and also potential customers. For long term customers, there are annual price negotiations as well. Communication can be done by e-mail, facsimile, telephone, and site visits. In 2008, no infringements took place in connection with marketing communications that were conducted by KPC.

Attendance at workshops and conferences as a participant or speaker can support KPC Marketing in selling and promoting KPC products across the world.

KPC always attends every Coaltrans meeting that is held several times in a year. In 2009, KPC attended Coaltrans China, Coaltrans Bali, Coaltrans Australia, and Coaltrans London.

Sales are mostly done on Free on Board (FOB), Cost and Freight (CNF/CFR), Cost, Insurance and Freight (CIF) and sometimes on Delivered ex Ship (DES).

Customer Privacy Infringement (PR 8; PR 9)

To this date, no customer complaint has been found related to a customer privacy infringement. A system protecting customer privacy has been established. A 'Confidentiality Agreement' is always one of the clauses within a sales contract master with the customer. So far, no infringement has occurred with regard to such an agreement.



KPC continued to maintain the OHSAS 18001 certification and ISO 14001 in 2009. It is one of the effort to maintain customers trust.

CODE OF CONDUCT (4.1; 4.4; 50 6; 50 7)

As a subsidiary company of PT. BUMI Resources Tbk, KPC supports and practices Good Corporate Governance (GCG) by applying Behavior Guidelines. The Behavior Guidelines that were approved by the President Commissioner and President Director through Decree No.739//BR-BOD/IX/06 dated 20 September 2006 explain the main values and norms of behavior that becomes the principle of the company in running its business. All suppliers or contractors working in KPC are obligated to comply with the Behavior Guidelines where there are clauses on human rights. (4.6; 4.8; HR 1)

Four main values of the company that will be continuously conducted are: act with integrity, strive for excellence, behave professionally and give priority to safety and the environment, and comply with the prevailing Law and Regulations as well. One of the integrity values applied is an objection to corruption, collusion and nepotism such as by avoiding any conflict of interest. KPC itself has never conducted an action that was related with anti-competitive, antitrust, and monopolistic activities. Not to give donations to political parties was also one of the steps to avoid conflict of interest that was conducted by KPC.

To make it easy for employees in understanding the values and ethics of the company, the GCG mascot was created, namely Mr. SPIRIT which symbolizes high commitment to spirit, professionalism, independence, diligence, integrity, and responsibility.

To monitor the implementation of the Behavior Guidelines in PT. Bumi Resources Tbk and its subsidiary companies, the Board of Directors and Commissioners established a Behavior Guidelines Committee. Members of the committee are representatives of PT. Bumi Resources Tbk., PT. Arutmin Indonesia and PT. KPC with a 2 year membership period and may be reappointed as a maximum for the next period or according to needs.

Monitoring of the Behavior Guidelines implementation is executed by the Speak Up System that is managed by an independent third party. The Speak Up System facilitates the employees and External parties to report any violation on the Behavior Guidelines procedurally, independently and confidentially. Any violation report on the Behavior Guidelines that involves employees and also senior management

will be followed up with an investigation upon the report being received. Sanctions to any violators will be established according to prevailing company's regulations.

Through the Speak Up System, the reporters will also obtain follow up status of the reported violation. The performance of the Speak Up System is evaluated and reported each month to the Internal Audit Division, Board of Directors and Commissioners through the BUMI Audit Committee. Since March 2008 until April 2009, 73 reports were received through the Speak Up System.

Since being launched on 25 April 2008, socialization of the Behavior Guidelines and the Speak Up System was conducted by the Behavior Guidelines Committee and each business unit as well. For KPC, the socialization was conducted to 3,871 workers or 98.10% of the total 3,956 workers. The workers who did not yet attend the socialization were those who were absent when the socialization was conducted due to sickness, tour of duty, leave, consented absence and some other



reasons. To support the socialization, posters related to the Speak Up System were set up in strategic areas so that the workers may know about the system. (HR 3; SO 3)

Beside the Speak Up System, since 30 April 2008, the company also implemented Enterprise Risk Management so that the company can identify and manage risks by developing reliable risk management and supervision system. This is done by customizing management risk activities that support the whole coordination and harmonization as well as making specific plans to handle significant risks. One of the parts of the Corporate Risk Management System that has been done is the Fraud Risk Assessment in cash management, procurement and supply chain to identify the practices that indicate the possibility of corruption to occur. (SO 2)

Aside from that, as a routine activity, KPC also undertakes a Risk Assessment (RA) for the following divisions: Mining Operation Division (MOD), Supply Chain Division (SCD), Marketing, Finance, Mining Service Division (MSD), Accounting and Tax, and Processing and Infrastructure Division (PID). The outcome from the RA is a Risk Register, Risk Map, and Mitigation Plan.

The effectiveness evaluation of the risk management process, control and corporate governance is done by the internal audit division that provides an independent and objective assurance and consultation service to create added value and help management in reaching the target through a systematic and directed approach. The internal auditors refer to the International Standard for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA), including fulfilling the Internal Audit Code of Ethics also issued by IIA.

KPC has a code of management strategy and an operational code of conduct (COC) in economic, social and environmental aspects. It is conducted to save the company from workers' infringements that may cause accidents, conflicts of interest and oversee the company's performance in environmental and social aspects. In the document of the company's policy for sustainable development, it is clearly seen how the company will implement the vision and mission for the three items above. We have a framework to meet a good code of management and code of conduct comprising compliance to the Law and Regulations (legal compliance), a Sustainable Development Policy, good corporate governance and a code of ethics (GCG and COC), annual target planning and its measurement instrument, procedures, guidelines and their peripherals, audits and inspections, risk management, training and awareness, assignations, annual performance reviews, management reviews, acknowledgments and rewards.

To carry out this commitment, KPC has an organizational structure that is compliant with each responsibility in the economic, social and environmental aspects. In addition, KPC also has a clear system to monitor mining operations that complies with those three aspects above and also a process of decision making by management that refers to the reference framework.

Sustainable Development Accountability

Due to the company's management, KPC has some organizations that are responsible to carry out sustainable principles, namely:

- The External Affairs & Sustainable Development Division is responsible to carry out the sustainable community development mandate.
- The HSE Division has responsibility to oversee the environmental and occupational safety performance and also maintains the quality of the environment around the mining operation area in order to be up to the standards as promulgated both in environmental laws and AMDAL requirements.
- The HR Division keeps the company's code of conduct running according to the Company's Regulations.
- The Finance Division, besides maintaining the company's financial condition, also carries out the annual risk analysis to anticipate any activity in each of the company's divisions in order to be in compliance with the company's economic framework. Economic performance monitoring is also conducted through finance auditing every four months and governance auditing that is always reviewed every year.
- The Supply Chain Division manages the availability of goods and services for the company either



through local, regional, national, as well as international ways. It also includes how each company business activity is analyzed as well as possible in order to be in compliance with the annual achievement target both in the mining production aspect and the company's expenditure both for operational interests in the company's internal environment and also community development.

Monthly Board Meeting (4.10)

The Board of Directors and Commissioners meeting is held once a month. This meeting reviews the company's performance compared with its planning. This meeting also discusses proposals beyond business planning.

The BoD approved the annual business for year 2010 in 2009. The planning was prepared by contributions from all divisions of KPC. Nowadays, the annual business plan becomes the basis for comparing the company's performance each month.

Executive Committee (4.9)

All General Managers (GM) of KPC hold a routine meeting once every two weeks led by the CEO by means of the Executive Committee (Exco) meeting forum to discuss all aspects related to mining operational activities of all parties including planning, decision making and policy and also other important matters that ought to be discussed for making decisions or policy determination. This meeting forum routinely addresses the problems of the mining activity from the lowest until the highest level.

Besides this meeting, there is also a weekly meeting that is particularly for activities related to production activities led by the COO. This meeting discusses the main problems in the mining division, mining support, coal process, expansion project, manpower issues and external issues related to the redemption of land that will be mined and also relationships with government institutions or the community.

An executive meeting is also held by the Contracts Committee consisting of the CEO, COO, CFO, GM ESD, GM Finance and Manager Supply specifically for discussing the strategic project tender conducted by company.

HSE Forum

Some aspects of Occupational Health and Safety are routinely discussed within some meeting forums both in KPC and the contractors. Meetings with the workers are generally held daily or weekly by each supervisor particularly in the various divisions and operational departments. Safety coordinators in all divisions or departments play an active role in preparing the topics, materials or conveying messages, procedures and regulations of Occupational Health and Safety within the forums.

The Occupational Health and Safety aspects are also matters discussed within some regular meeting forums of supervisors and management. In operational divisions such as Mining Operation, Mining Support, and Processing and Infrastructure also hold monthly meetings involving department managers, contractors and safety coordinators. Periodically the Contractor Safety Committee (SAFCON) meeting is held involving the chief officer and the safety coordinators from all of the KPC contractors.

HRCR Forum & HR Network

This forum was established by KPC and the Subcontractors in 2004. The establishment of this forum was based on the similarity of local manpower issues regarding KPC's coordination with its contractors that involves labor, industrial relations, and community development. This forum is held every two months to discuss subjects agreed upon by the Forum and its participants.

The HR Network Forum is not only conducted with the subcontractors but also other mining companies known as the Big-4 namely KPC, FMI, INCO, NNT where all issues related to manpower are accommodated in it.

Health, Safety and Environment Management System

This system is a guideline for KPC in managing all issues related to health, safety and environment management. This system is the improvement of

the Health and Safety Management System of Prima Nirbhaya by combining an Environment Management System into it. This system was built by effectively and efficiently applying Plan-Do-Check-Act (P-D-C-A) principles. This system is periodically renewed and reviewed in line with the company's activities.

Some standards that became the reference of this system were: ISO14001 and OHSAS18001.

The execution and review of the program that refers to both standards above are also conducted through auditing and inspection to achieve a continuous improvement.

MSH-CSR (Multi-Stakeholder for Corporate Social Responsibility) Forum

KPC is one of this forum's members and is active in the community development program. This forum was established by the Regent of East Kutai in 2006 through the Decision Letter (Surat Keputusan – SK) of Regent Number 71/02.188.45/HK/III/2006. Through this forum

KPC maximizes the management of community development funds that are allocated USD 1.5 million from all community development (Comdev) funds each year. This forum management is also together with KPC's meeting of members of the forum secretariat routinely including program planning, execution, and also monitoring and evaluation. Through this forum KPC offers some contribution in the form of policy guidelines, job procedures and control of program or projects that are maximal.

In 2009, MSH-CSR Forum processed presentations and assistance to its entire proponents. At the same time, this mechanism is a type of familiarization of the proposal approval procedure offered to community. Moreover, this mechanism sharpens the community's or proponent's ability in program planning.

Monthly, the MSH-CSR Forum monitors the progress of running programs. This mechanism also directs the company to watch that subsidy funds are really used according to their intended planning.



KPC cooperates with governments, communities, NGOs, and other companies in the planning, implementation and monitoring of CSR programs through MSH-CSR Forum



ECONOMIC PERFORMANCE

To support company operational activity, KPC has expended investment funds totaling USD 56.1 million in 2009. The investment funds were used for the infrastructure sector, heavy equipment etc.

Our Contribution to National Economic Development (EC 9)

KPC's participation in the economic development in Indonesia is not limited to its CSR activity only. In 2009, it paid a coal royalty in the amount of USD 309.82 million for 2009 to the Indonesian government, while for the 2009 tax this reached USD 568.29 million. This amount, which is not insignificant, was irrespective of the government's participation that had given favorable assistance for the company operations.

With effect from 13th of September 2006, KPC and other companies included in the first generation of the Contract of Work Agreement for Coal Mining Enterprises (PKP2B), have been exempt from the export tax payment. In running its mining activity until now, KPC has not received financial assistance from both Local and Central Governments. (EC 4)



Graph 6. Production, Sales, and Coal Royalty per year

Sumber data: Data dari Business Analyst KPC

Influence of Rainfall on Production

The influence of weather that's hard to predict due to global warming does not have direct impact on the company finance. However, this influences the production achievement of overburden removal and coal. Besides that, the productivity of production equipment also decreased, caused by the equipment not being able to work optimally in the heavy rainfall. These changes of coal production affected sales revenue.



Supplier Involvement

During 2009, KPC's operations were supported both by contractors and local, national and foreign suppliers. Funds that have been expended for goods supply during 2009 was in the amount of USD 810,220,038.78, while the expended funds for utilizing services was in the amount of USD 134,016,037.98.

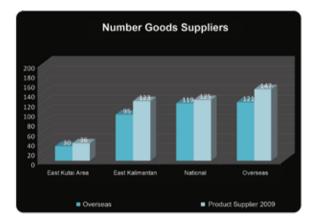
KPC has a great responsibility towards contractors because they represent the broadening of KPC labor. If the work done by contractors is not effectively managed, there is a potential in which KPC will face significant risks from commercial, technical, and K3L perspectives. In order to overcome those risks, KPC has created the Contract and Contractor Management System (CMS).

The aims of the Contract and Contractor Management System is to unconditionally make sure that all contracted works are done by a competent contractor, according to specifications, achieved budget and without incident, according to KPC conditions in the case of K3L, technical and commercial. This is gained by ensuring that relevant contracts and contractors are effectively managed.

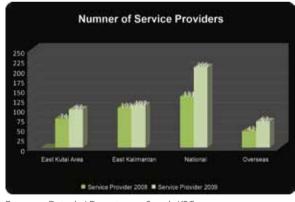
KPC has a commitment to respect the trust principle with the suppliers. All contractors and suppliers must sign the Code of Conduct and General Conditions that contain clauses on human rights. The signing must be done by the highest leader of the organization and they must comply to what is inside the document. To KPC, it is an important thing that suppliers and KPC's business partners will also respect this principle. The application of safety standards, and not to employ underage children based on the prevailing regulations, is a criteria applied by KPC in upholding cooperation with the suppliers and KPC's business partners. (HR 2)

All contractors who want to be KPC's contractors are obliged to fulfill requirements as stated in the Contract and Contractor Management System. Some requirements related to human rights aspects are work agreements for each contractor employee, contractor employees will be registered for Jamsostek (Labor Social Insurance) membership, declaration of minimum payment and its components for the employees, and other requirements. In the future, KPC will emphasize more on the human rights aspects in the selection of its contractor.

Graph 7. Number of Goods Suppliers in 2008 and 2009



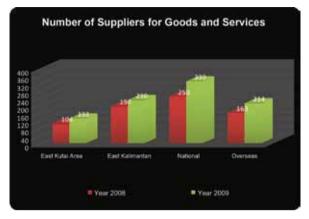
Resource: Data dari Departemen Supply KPC



Graph 8. Number of Service Suppliers in 2008 and 2009

Resource: Data dari Departemen Supply KPC

Graph 9. Number of Goods and Services Suppliers in 2008 and 2009



Resource: Data from KPC Supply Department

Table 8. 2009 Supplier Composition of Commodity Stock

Item Purchased by Region	Total (in USD)
Local Kutim	6,679,335.34
Local Kaltim	16,693,462.66
National	428,230,798.34
Overseas	358,616,442.43
Total Items Purchased	810,220,038.77

Resource: Data from KPC Supply Department

Graph 10. Domestic and Overseas Goods Purchases



Resource: Data from KPC Supply Department

Table 9. 2009 Supplier Composition of Commodity Services

Service Orders by Region	Total (in USD)
Local Kutim	23.339.944,42
Local Kaltim	22.510.508,22
National	76.516.538,13
Overseas	11.649.047,21
Total Service and Contract	134.016.037,98
Orders	

Resource: Data from KPC Supply Department





Resource: Data from KPC Supply Department

KPC has a commitment to develop, improve and empower the local economy, and increase the participation of communities around the mine area to participate as the suppliers of goods and services needs that can be relied on. The Supply Department has established the Local Business Development (LBD) subsection. This local business development concept was first stated by the ESD Division in early 2007 which was then mutually developed with the Supply Department more intensively in the 4th guarter of 2007. The more structured system and mechanism has been developed mutually by conducting counterpart study visits to the companies that already have this system as the implementation reference. This local business development initiative has become a very important thing because at the same time it attests the KPC's concern for the development of economy of the local communities that in the end can bring

prosperity for communities around the company area. Other efforts made were by increasing the expenditure in East Kutai area which this year increased as much as 3%. (EC 6)

The Supply Department also has standard regulations in the tender process. KPC invites suppliers/contractors of goods and services supplies to maintain the credibility, justice, and trust from the goods and services suppliers. It is based on the Supply Department regulations which are stated in Standard Operation Procedures (SOPs). However, if there are emergency needs, the end user can directly appoint a supplier/contractor by completing a waive to tender document that must be made known to the division director and get approval from the Chief Executive Officer if the value is less than USD 500,000.00. If the contract value is above that amount, then it must get the approval from the contract committee.

Impact of KPC on the Economy Around the Mine

The role of KPC's mining on the economy of East Kutai is still very prominent. Based on data from BPS of East Kutai District in 2009, the contribution from the mining sector to the Regional Gross Domestic Product (PDRB) reached 86.17%.

Besides that, with the addition of KPC employees, there was an indirect impact on the economy around the mine. Referring to the results of the CSSR study in 2007, every one million Rupiah of salary or wage of KPC employees can create as much as 2.4234 million Rupiahs of income in East Kutai. This was also supported by a survey conducted by Universitas 17 Agustus 1945 (University) in 2008, where it revealed that the average income of respondents around the mine reached Rp2,880,603 / month.

For 2009, there was no research of that nature so the survey and research from the previous year became the reference for the increase of economic impact generated by KPC..



Every one million rupiahs of wages and salaries of KPC workers formed a revenue of 2.4 million rupiah in East Kutai



SOCIAL PERFORMANCE (4.12; 50 1)

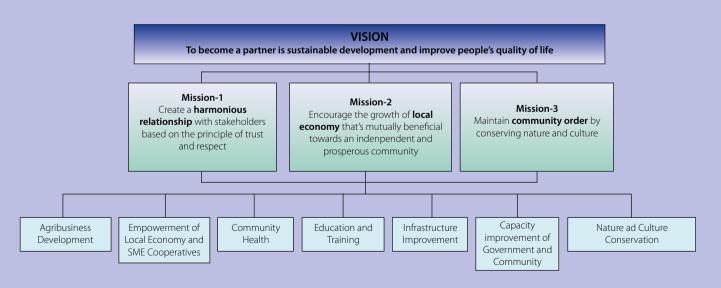
It is realized that the coal mining process can give rise to social impact on the communities around the mine. According to the KPC's analysis on environment impact (AMDAL), the social impact can be a loss of potential income for the community due to the change in the function of agricultural land, a decline in the level of community health due to dust, noise, tremors and a decrease in the quality of water and environment. Another social impact that can arise is the loss of direct or indirect livelihood in relation to KPC coal mining.

KPC, through the Division of External Affairs and Sustainable Development (ESD), has formulated and

implemented various programs to overcome those effects. Those programs include community economy improvement programs, social level improvement programs, as well as programs that support nature and culture conservation.

In running those programs, KPC refers to the Triple Bottom Line principle which is economy, social, and environment. The Triple Bottom Line principle is strictly formulated in the vision and mission of the External Affairs and Sustainable Development Division as described in the following chart.





The vision and mission is further elaborated through KPC's seven community empowerment programs of which the final goal is to create post-mining community independence. This will enable the community to perform economic activity based on renewed resources at the end of KPC's contract with the government (PKP2B).

Improvement of Community Economy

In running the improvement of community economy program, KPC continuously encourages independence, involves community participation, as well as discovering renewable long-term resources.

Besides that, the improvement of economy program is also aimed to create a synergy with the programs of the East Kutai Regional Government, support the achievement of Millennium Development Goals in the first category which is to eradicate poverty, and to reconcile KPC's mine closure program. (4.12)

The scope of area prioritized is the one around the mine, namely Sub-districts of North Sangatta, South Sangatta, Bengalon, and Rantau Pulung. To achieve optimal and objective results, KPC works together with universities, research institutions, NGOs, international donor institutions and others.

To gather people's aspiration accountably and accurately, KPC placed Regional Representatives (PW)

in each village in those four sub district. Monitoring on the program implementation is done through a survey mechanism towards the community and regular meetings with the community.

In 2009, the improvement of community economy program was focused on agribusiness and small scale enterprises (UMKM), infrastructure development, and increasing the number and capacity of local contractors in the supply chain of KPC and its contractors' business.

Agribusiness Development

KPC sees the agribusiness sector as a long-term business opportunity that can produce a sustainable value-added economy for East Kutai Sub District. This is supported by quite abundant land and the tropical climate because East Kutai is on the equator. Besides that, agribusiness development program also represents support for the grand strategy of the development of East Kutai District which is the Local Movement for Agribusiness Development (Gerdabangagri). (4.12)

In 2009, the agribusiness program was focused on food crops, plantations, fisheries and farming. As many as 2,718 people got direct benefit from the agribusiness programs developed by KPC. They were generally of families around KPC mines, namely North Sangatta, South Sangatta, Bengalon, and Rantau Pulung subdistricts.

No	Program	Activity	Beneficiary	Location (Sub district)
1	Orange cultivation	Distribution of 29,888 seedlings and clearing 309 ha of new land	659 people (60 farmer groups)	Rantau Pulung
2	Developing of Cocoa	Meeting of cocoa farmers around East Kutai, identification of potential cocoa production	296 farmer (15 farmer groups)	Rantau Pulung

Table 10. Agribusiness Program 2009

3	Developing of Nilam	KPC, together with the Regional Government of East Kutai and the <i>Pechole Borneo</i> committee provided assistance in nilan agribusiness activity and developed an sms-gateway	2,000 people (in the nilam agribusiness chain)	North Sangatta, South Sangatta, Rantau Pulung and Beng
4	Freshwater fisheries	Assistance for groups and distribution of stimulants in the form of 299,500 fish hatchlings and 6,000 kg feed.	208 people	Bengalon and Rantau Pulung
5	Integrated Cattle Farming	Internship for local people, building cattle sheds with the capacity to house 110 head, a biogas unit, prepare 4 ha of grass pasture, purchase 11 head.	14 people	Sangatta

Meanwhile, in order to support the national program which is beef self-supply in 2015, KPC developed integrated cattle farming as one of the agribusiness programs. This program utilizes ex-mine land, after passing the "Land Covering Plant Development Technique on Post Coal Mine Land as Pasture" research experiment done by Mulawarman University lecturers.

As a follow up, KPC worked with Bogor Agricultural University (IPB) to plan cattle development with a capacity of 110 head in the ex-Pit Surya location, D2 Murung. In 2009, 11 head of the planned number of cattle were brought in. In the same year, KPC completed most of the construction of the supporting infrastructure for cattle farming such as the cattle shed, drainage system, waste processing facility, planting and maintenance of king grass for cattle feed and the construction of a lookout.

To support the acceleration of development in the community level, the first stage of the internship has been commenced. Participants of the internship are people from the community who couldn't continue their education and were not absorbed by the employment market in the KPC mining sector. After the internship, it is planned for the participants to be involved in the cattle development outside the mine area. By means of that, after they have been declared



Orange cultivation program has involved 60 farmer groups which has more than 600 farmers members in East Kutai

competent in cattle farming, they will be given a calf from the D2 Murung cattle shed.

As a continuation of its support towards beef selfsupply and the grand strategy of developing East Kutai 'Gerdabangagri', KPC worked with IPB in the Regional Representative Scholarship Program. In 2009, KPC gave 4 full scholarships to students in East Kutai to take an S1 program at IPB. The major chosen was Nutrition Science and Feed Technology, Animal Production and Technology, Agroindustrial Technology, and Nutrition.

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Fisheries development wss mainly focused in Bengalon which is quite close to the river and sea

Providing Human Resources for Future Economic Growth

In line with the company's commitment to provide future economic opportunities that do not rely on mine resources, KPC made available various education programs. For that purpose, KPC provides scholarships every year for people from different levels of education such as SMP, SMA, D3/S1, S2 and S3.

In 2009, the total number of scholarship handed out reached 122 consisting of 30 scholarships for SMP, 30 scholarships for SMA, 30 scholarships for D3/S1, 20 scholarships for S2 program, and two scholarships for S3. The scholarship program is a form of support for the



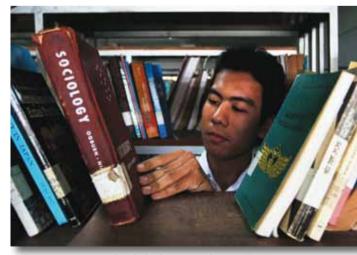
4 scholarship recipients in IPB (Bogor Agriculture Institute) (from left to right) : Yusi Ariska, Yudha Yaniari Satriya Putri, Rangga Lawe Sandjaya, and Asrianto

second category of Millennium Development Goals, which is to achieve universal basic education and to support the East Kutai Government program 'Kutim Cemerlang'. (4.12)

Besides scholarships, KPC also held a variety of training for teachers to increase the quality of education in East Kutai District. In 2009, the training held was for School-Based Curriculum (KTSP) and Training of Trainers (TOT) for Nutrition Education and School Children's Health. Other programs were 'Education Chat', which is a talk show on the radio held once a week with a theme of education, health, environment and much more.



One of KPC scholarship recipients in STPMD APMD Yogyakarta, Fajriati Sunia, achieved the highest GPA



KPC continues to provide scholarships to students at East Kutai to create skilled manpower

Development of UMKM and Local Contractor

One of the improvements of economy programs for communities around the KPC mines is the improvement of Micro, Small and Medium Enterprises (UMKM), either those related to agribusinesses or those that aren't. The main objective of the program is to assist the government in developing and accelerating the economy based on renewed resources as part of the strategy to prepare for mine closure.

In 2009, UMKM activities were done in the form of training and economic assistance in village communities by the Bioma Foundation in South Sangatta and training and assistance for community business activities (mechanics training) by the Borneo Maritime Foundation in Teluk Pandan. Other activities include assistance in business capital for the Nurussa'adah Cooperative in Sangkulirang and Kerupuk Rantau Pulung Co-operative Society, funding for advisory and working capital for the Maloy Sangkulirang Cooperative.

Several types of products such as processed food, rattan weaving crafts, various bags made from plastic waste material, and products made from used newspaper continue to be developed through assistance for business groups. In order to help the marketing for those products, KPC intensively promotes the products in various events both internally and outside of Sangatta by involving assisted business groups.

Beside that, KPC also involved small and middle-scale local contractors in tenders for a variety of work in KPC. In 2009, the company involved 30 local contractors for 49 projects on community infrastructure. The work done are, among others, repairing the East Sepaso, KPPS I and KPPS II roads, constructing D2 Murung cattle shed, maintenance of the ADM Sangatta-Rantau Pulung road, and so on.

In the long term design according to the mine closure plan in 2021, KPC also prepared the steps towards community independence by preparing reliable business practitioners. The program launched is education and training of independent entrepreneurship for SMP, SMA and Higher Education students in East Kutai and East Kalimantan.

This program is cooperation with a nonprofit institution Prestasi Junior Indonesia (PJI) and is a continuation from the same program conducted since 2003. Right now, nine schools are involved in the PJI program. The program takes the form of global business simulation, establishment of student businesses, assistance in the management of student businesses and a variety of business management training for students. Periodically, the program is observed directly by KPC or by the Operational Director of Prestasi Junior Indonesia (PJI).

Infrastructure Development (EC 8)

KPC believes that infrastructure availability is one of the keys to increase economy that aims to create community independence. In 2009, KPC has built several infrastructures as a form of support in increasing the development of local economies and



Soekarno-Hatta road that connects Road 9 to government offices area in Bukit Pelangi, and Soewandi Flyover which links Soekarno-Hatta road with Bengalon Highway is a major infrastructure work that has been completed in 2009 by KPC.



strengthening the government and community capacity.

Infrastructure worked on in 2009 are, among others, repairs to the ADM road that connects Rantau Pulung and Sangatta for 29 km, repairs to the East Sepaso road for 1,850 m, repairs to the access road from Rantau Pulung village office for 800 m.

Besides that, there were two other quite large road works completed in 2009. The first was Soekarno-Hatta Road that connects Road 9 to the government office area in Bukit Pelangi, and Flyover Soewandi that connects Soekarbno-Hatta road with Bengalon Highway. The construction of these two roads not only increased the security aspect for street users but also the accessibility to Bukit Pelangi as well as the growth of economic opportunity along the roads.

Creating Social Harmony

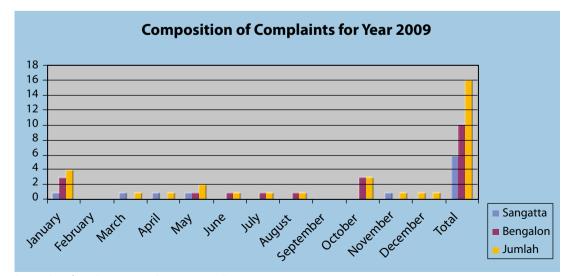
In its mine operation in East Kutai District, KPC always creates a harmonious relationship with all stakeholders and maintains the social order of the local people. For that purpose, the company encourages a communication system based on the principle of trust and appreciation, increase the quality of the community through health programs, and provide support to increase people's and government's capacity.

Complaint Handling and External Communication

In running its company operations, KPC is expected to abide by the rules related to mine expedience. One of the rules addressed in AMDAL 2005 is the management of people's complaints due to mine activities. KPC's compliance is governed in Social Environment Management Plan.

KPC through the Department of Community Empowerment, established a communication process through the Toga Tomas meeting, a formal/ informal meeting from the program it is running. Besides that, this department specifically manages people's complaints related to the environment, natural disasters, and social conflict. Besides that, KPC also coordinates and facilitates the social monitoring process working together with related government institutions and the local governments in each sub-district. The management includes solving people's disputes or friction and lack of success caused by KPC mine activities.

To handle critical complaints, KPC still uses the Community Feedback System stated in memo Ref. M004/ESD/VII/06. The handling of these issues is done according to *Standard Operating Procedure* (SOP) ESDMS/DOC/SOP/ESD/CFS/002 as the technical implementation guide.



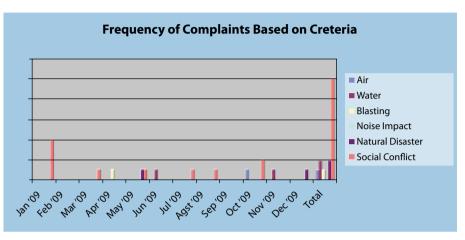
Graph 12. Composition of Complaints in 2009

Source: Data from Community Empowerment Department

As shown in the graph above, there were 16 complaints in 2009. Compared to 2008 where there was 17 complaints, in 2009 there was a decrease in the number of complaints. From the 16 complaints, most

issues that came up were related to social conflict. Generally, social conflicts are caused by problems with local workers, issues regarding local people, and the management of community development funds.

Graph 13. Composition of Complaints Based on Criteria in 2009



Source: Data from Commmunity Empowerment Department

Problems regarding water and air have decreased to three complaints compared to 2008 where there were seven complaints. From the 16 complaints that arose, all are in the closed status. However, the field observation process is still running to renew the status and the development of issues in the community.

In the period of 2009, there were no strikes or blockades from the community. However, there was one potential blockade shown by the demonstration emerging from the Bengalon Communityu Forum. In 2009, the most complaints came from Bengalon Sub-district area that amounted to 10 complaints, while in Sangatta there were six complaints. (MM 4)

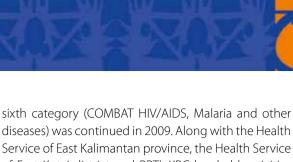
In 2009, it could be concluded that problems regarding the management of community development funds became one of the sources of potential conflict and complaint from people, especially because there seemed to be a difference in people's understanding regarding the management of the funds that was considered not right. Therefore, KPC continues to develop the mechanism for socialization and information to the community regarding the system to manage community development funds and the results of the programs done in the previous years. Besides that, KPC also gave understanding to the community that environment management has been done appropriately through the monitoring program by the Environment Department. Communication regarding the method and the result of environment management can also increase people's understanding of company performance in managing its surroundings.



Phase I hospitals Sangatta been done by KPC, while Phase II will completed in 2010



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Development of Aircraft Park as one of KPC contribution to Sangatta landscaping, especially in Bukit Pelangi area.

Increasing Community Health

In overcoming health impacts that might arise due to mine activities, KPC made attempts in maintaining and monitoring the environment which can be seen in the Environment Performance of this report. Besides that, through the Department of Community Empowerment, KPC implemented a community health improvement program in East Kutai District.

This program is also to support the Millennium Development Goals, particularly the fourth category "Reduce Child Mortality" and the fifth category "Improve Maternal Health". The two MDGs categories is shown in the PERGIZI (Infant Education and Nutrition Rehabilitation Program) program. (4.12)

In 2009, this program has intervened for 103 children who were identified to be malnourished, in 12 community health services (Posyandu) around KPC mines. Nutrition intervention is a nutrition status improvement program by providing knowledge to mothers and handing out supplementary food and vitamins. The nutrition intervention program that has been running for 24 weeks is monitored regularly by Posyandu agents and Public Health Centre (Puskesmas) officials.

Consistently, KPC concerns on global health issues are closely related with the MDGs program in the

sixth category (COMBAT HIV/AIDS, Malaria and other diseases) was continued in 2009. Along with the Health Service of East Kalimantan province, the Health Service of East Kutai district and PPTI, KPC has held activities to prevent HIV/ AIDS in the community by conducting the Zero Survey to 250 people in the localization areas in Kampung Kajang, Sangatta and Segadur, Bengalon.

Periodically, the team administered IMS (Sexually Transmitted Infection) tests in clinics located in those two localizations and gave counseling to the public including students and housewives. Besides that, KPC also continued the contagious disease control program for TB (tuberculosis). In 2009, counseling was given to people in order to commemorate World TB Day by working with health institutions such as PPTI, East Kutai PMI (Indonesian Red Cross) and YSB (Sangatta Baru Foundation).

To increase the social standard and the confidence of those suffering from harelip and to treat patients with burn injuries in East Kalimantan, KPC continued its Smile and Hope program which provided harelip and burn operations. In 2009, the program that has been held routinely since 1993 managed to cure 75 people. As many as 57 harelip patients and 18 burn patients were treated.



Alwa and Salma smiles decorate their face. Both twins are KPC Interplast Program participants who had undergone cleft lip surgery for several times

In this program, KPC worked with various institutions such as Interplast Australia/New Zealand, The local government of East Kalimantan province, Kanudjoso General Hospital and the government of Balikpapan city. This humanitarian program got financial support from companies such as Trakindo Utama, PAMA Persada Nusantara, Thiess Contractors Indonesia and BHP Billiton.

The impact of KPC's operations for the community and the environment was monitored through a health and environment survey that involved 600 households with 1,652 respondents being interviewed to find out health aspects, especially those related with global health issues such as HIV/AIDS, Tuberculosis, Malaria, Dengue Fever, clean water and people's health behaviors. Meanwhile the environment aspect was monitored for the impact of dust, mine blasting and vibration, the quality of water and air. Recommendations from the survey were addressed to related division and departments to be followed up.

Community health improvement needs to be supported by good health infrastructure facilities. Therefore, KPC is committed to build a regional hospital that can be used widely for people in East Kutai. In March 2009, KPC completed the first stage of Sangatta Regional General Hospital (RSUD). The structure consists of two buildings, namely the Main Building and the Emergency Ward (UGD). This modern structure is located on Soekarno-Hatta road that connects Road 9 and Bukit Pelangi. In 2010, KPC will complete the second stage which is the Sewage Treatment Plant, ground reservoir, morgue, kitchen, laundry room, landscaping work, corridors, hall and VIP room. (EC 8) This year, KPC has built 4 WTPs (Water Treatment Plants) in several locations, namely Singa Geweh, South Sepaso, Puskesmas, and Rantau Pulung. Every clean water program is adjusted to the condition of clean water supply and whether or not it is aided by a similar government program (PDAM). KPC worked with a WTP supplier to provide funding for WTP equipment, organizational assistance, technical management, management and finance. In running each program, KPC always encourages people to share this program and ensure that independence becomes the final goal of it. (EC 8)

Strengthening of Community and Government Capacity

To increase the capacity of the community and the government from the village to the sub-districts, KPC held various community development programs related to that issue. The capacity improvement will help each of them perform their role and duty.

Meanwhile, KPC's commitment in providing wider opportunity to local workers is stated in the Managing Director letter (ref L-051/MD-ESD5-2/VII/06) addressed to KPC and its sub ards the development of human resources in East Kutai.

In accepting inexperienced workers, since 2005, KPC referred to the Decree of East Kutai District Labor Service Number: 562/973-PLK/Disnaker/VII/2005 that regulates an acceptance system based on a "Scoring System". Candidates with the highest score will get the main priority to be selected in the admission, then the candidates with the score below that follow. (EC 7)

DINC			SCORE				
RING	LOCATION	BIRTHPLACE	SD	SMP	SMA		
RING I	SANGATTA AND BENGALON	40	30	15	15		
RING II	EASTTIMUR	30	20	10	10		
RING III	EAST KALIMANTAN	20	10	5	5		
RING IV	OUTSIDE SITE KALIMANTAN	10	5	0	0		

Table 11. Score of Birthplace and Education

Source: Data from Community Enpowernment Department

The Operator Trainee program in 2009 was divided into 9 stages, including 1 special stage. As many as 2,811 applicants were called in for a psychological test, but only 1,258 joined the psychological test and 536 of them passed. From that number, 361 passed the Medical Check-Up and were entitled to work in KPC.

Table 12. Number of Fullelpunds in operator durinee program						
Stage	Number (2008)	Number (2009)				
1	20	17				
2	29	56				
3	37	31				
4	55	21				
5	-	33				
6	-	73				
7	-	81				
8	-	38				
9 (special)	_	11				
Total	141	361				

Table 12. Number of Participants in operator trainee program

Source: Data from Community Enpowernment Department

Besides the Operator Trainee program, there was also recruitment for the Mechanic Trainee program with a recruitment system using the scoring system. In 2008, as many as 827 people joined the selection test starting from a psychological test until a medical test. From that number, 113 people were selected to join the mechanic trainee class.

The mechanic program which started in 2007, has recruited these interns to be KPC employees where 77 people became mechanics and 26 people became operators.

Nature and Culture Conservation

KPC continues to show its persistence in maintaining community order through the conservation of nature and culture in East Kutai and other regions in East Kalimantan. One of the things done was the Campaign on Awareness and Care of Orangutan in three sub-districts, namely Rantau Pulung, Bengalon and Sangatta, on 25 November 2009. This campaign was done in cooperation with the team from Borneo Orangutan Survival Foundation (BOSF) and Conservation and Natural Resources Hall (BKSDA). This campaign was done because there were reports from Bengalon and Rantau Pulung Area stating that there were Orangutans found in a number of locations trespassing into people's orchards. Besides that, this is also a form of KPC's care towards endangered species according to IUCN (International Union for Conservation of Nature) red list. (4.12)

As part of the campaign program that is the main activity of the Friends of Kutai National Park where KPC is a member, the company has initiated the development of ecotourism in the Kutai National Park area. Surveys on the potentials have been conducted and a number of meetings have been held with the people in Kabo Jaya Sub-village as the first location that will be developed. A try out in guiding tour groups was done in November and December 2009, by providing tour packages to several local and foreign tourist groups. The survey and assistance was done in cooperation with the Kutai National Park Office, CIFOR, PILI and BIKAL. A website for the ecotourism has also been launched as part of the socialization of this activity.

In order to support the Government of East Kutai in overcoming garbage problems, the Gerak Bersemi Program (Clean, Healthy and Independent Movement) which began in 2008, was still continued. The Gerak Bersemi Program is intended to increase community awareness and involvement to participate in keeping Sangatta City clean.

Assistance in three pilot project areas of Triple E (Eco-Waste Management Model, Eco-Health Community Model, Eco-Enterprise Business Model) continue to be given. This program is the cooperation between the Environmental Agency, Public Works Service, Kader and LSM Pusdakota, Surabaya. The creation of the Triple E pilot project area is intended to make these three areas a model for other housing areas in



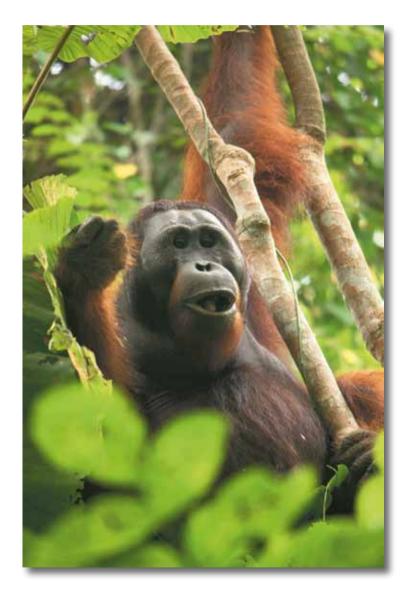
organizing their garbage, starting from the source. The three areas are Gang Mushola (Teluk Lingga village), Margo Santoso (North Sangatta village) and Gunung Teknik (South Sangatta village). It is hoped that there will be replication in other housing areas so that the amount of garbage managed can continue to increase.

Fifty (50) RAM (Rotary Active Microorganism) units or composters have been made by local workshops by utilizing used plastic containers from the mines as part of the 3R program (Reduce, Reuse, and Recycle). Each model areas get 10 units as a Model Triple E supporting facility.

To increase the use of non-organic waste, beside plastic that was first developed, training on "Processing Used Newspaper Waste into Handcrafts" was held on 20-24 December 2009. This program is in cooperation with SEMESTA Recycling, Yogyakarta. As a follow up, some of the participants will be selected to join further training. It is hoped that they will be able to produce products that can fulfill the company's demand for Idul Fitri souvenirs.

To maintain the spirit of the Gerak Bersemi cadre and to increase the number of people who care about environmental issues in Sangatta, KPC has done several series of events. On 26 April 2009, KPC celebrated Earth Day by holding various activities such as a health walk, tree planting, and several competitions with an environmental theme and the handing out of aid in the form of a garbage truck and three tricycles to UPTD (Sanitation, Landscaping, and Funerals) On that occasion, there was the signing of a mutual initiative of the Triple E in the three model areas done by representatives from the communities from the three areas, the Regent of East Kutai, KPC and Ministry of Environment.

Meanwhile, on 26-27 June 2009, in order to celebrate Environment Day, a variety of competitions and exhibitions were held involving various community groups, the government and KPC contractors while on the second day there was a seminar with a theme of Integrated Waste Management System for Sustainable Development in Sangatta. In the culture conservation sector, KPC, through its MSH-CSR Forum provided assistance in establishing the Lamin Adat Dayak by Bapemas in Kaliorang, and building livable housing for the Dayak Basaf ethnic group by the Social Welfare Service in Sandaran.





Cocoa agribusiness development continues to be enhanced by encouraging the active participation of farmers through training and regular meetings



The form of KPC's commitment to keep on renewing the HSE system performance is realized by stating the parameters of the environmental performance indicators as described in Table 16. The environmental performance indicators are stated annually based on an assessment on important impacts of mining operations and prevailing environmental regulations. The indicators involved the fulfillment of rehabilitation activities in ex-mining areas, water quality, air quality and waste/rubbish and hydrocarbon treatment. Improvement efforts were conducted for individual parameters as the commitment of KPC management to fulfill provisions in the existing environment regulations.

To measure the environmental performance, monitoring was conducted (internally and externally

by an accredited laboratory) concerning the parameters for water quality, air quality, reclamation target achievement, and also waste and hydrocarbon management. Environment parameters that were monitored and its monitoring frequency were related to Environment Impact Analysis RKL-RPL and prevailing government regulations. Evaluation toward target achievement that is expressed in the form of the compliance level is conducted every year in a management review forum as one of the requirements of Standard ISO 14001. The KPC management then establishes improvement actions for the coming year in every individual environment indicator parameter. Thus environmental performance will be revised from time to time to achieve maximum compliance levels with the result that the environmental impacts of the operations are managed. (4.12)

		Achievement in Level of Compliance					
No	Parameters	Achievement 2007	Achievement 2008	Achievement 2009	Achievement 2009		
1.	Area Reklamasi (ha)	230,00	439,58	450	451,11		
2.	Kualitas Air						
	TSS (%)	99	100	95	100		
	рН (%)	100	100	95	100		
	Mn (%)	90	100	100	100		
	Fe (%)	97	100	100	100		
3.	Kualitas Udara						
	Emisi cerobong PLTU (%)	100	100	100	100		
	Konsentrasi Debu Total (TSP)	100	100	100	100		
	Getaran Tanah dan Getaran Suara	100	100	100	100		

Table 16. 2009 Environmental Performance Indicators

Source: Data of internal and external laboratory measurement results



In relation to KPC's plan to increase coal production to 70 million tons per year, KPC has obtained approval on the Feasibility Study on Production Increase from the Directorate of Minerals and Coal Company Advisory by letter No. 2771/30.01/DBM/2008 dated 9 December 2008. With the approval of the feasibility study and in order to meet the requirements of the provision in PP No.27 Year 1999, KPC revised its AMDAL to increase its product to 70 million tons per year. KPC has started the process of the preparation of AMDAL revision to produce 70 million tons per year since the first trimester 2009. Activities related with the AMDAL revision performed during 2009 are as follows:

- Public socialization/consultation regarding the plan to revise AMDAL to representatives of the community, people from the executive and legislative sphere in East Kutai District as well as environmentalists in Sangatta and Bengalon, facilitated by the Environmental Agency of East Kutai District. The socialization was done in the first and the second trimester of 2009 consecutively in North Sangatta sub-district on 16 March 2009, Bengalon sub-district on 18 March 2009, in South Sangatta sub-district on 5 May 2009 and in Rantau Pulung sub-district on 19 June 2009.
- Deliver and present the Terms of Reference of Environment Impact Analysis (KA-ANDAL) on 14 April 2009 at the Environmental Agency of East Kutai District. Approval of the KA-ANDAL has been obtained through a letter from the Head of East Kutai Environmental Agency No. 529/660.1/2.1/ LH/V/2009 dated 18 May 2009, regarding the Approval of KA Andal for Increase in Coal Production Capacity to 70 million tons/ year in PT. Kaltim Prima Coal in sub-districts Sangatta, Rantau Pulung and Bengalon of East Kutai District.
- In the third and fourth trimester of 2009, KPC continued the process of preparing AMDAL Documents assisted by the LAPI ITB Consultant Team and other people as resources. Planned for the first trimester of 2010, the revision of AMDAL Documents can be delivered and presented to the AMDAL Commission of East Kutai District for approval.

Environment Policy

The environment policy as the formulation of KPC's commitment in maintaining the environment was issued on 1 December 1998. The policy then was modified in line with the fulfillment of ISO 14001 Standard requirements. The current policy includes the management of occupational health and safety and environment (K3L), sustainable development policy, and security policy signed by the President Director on 1 September 2009.

Considering that mining activities result in modified landscapes, then biodiversity and reclamation have turned out to be significant issues. Therefore, in the environment policy statement, KPC emphasizes a commitment to preserve biodiversity and reclaim exmining land to become an area that is stable, safe and productive.

Environment Management Responsibility

Structurally, environment management is carried out by the Environment Department which is part of the Health Safety & Environment Division. But, responsibly every division is devoted to the management of the environment. In accordance with the Minister Decree (*Kepmen*) 555.K/M.PE/1995-1, and then the Technical Chief of the Mine (*Kepala Teknik Tambang*) has functional responsibility for the compliance of HSE regulations.

Training

In terms of improving employees' knowledge and skill, KPC develops some in-house training programs. Those cover the EMS ISO 14001 material, important environment aspects (hydrocarbons, waste, reclamation including water quality, mine acid water, and revegetation. 359 employees have followed that training during 2009. The provision to create or formulate training needs for individual position holders in KPC was regulated according to MSE 2.03 (Selection, Training, Competency & Authorization).

Monitoring and Follow Up

Environmental performance monitoring activities were

performed internally to measure the achievement of environmental objectives and targets. Internal monitoring activities involve key parameters for environmental quality standard fulfillment, audits, inspections and visual monitoring. The monitoring procedure was regulated according to MSE 3.01 (HSE performance measurement and monitoring). Whereas the frequency and location for monitoring related to key parameters were regulated according to the Environmental Impact Assessment (AMDAL) document. Inspections and audit monitoring were done according to the ERA (Environment Risk Assessment) list. Besides monitoring on the key parameters, some inspections and audits were conducted as per the stated schedule. In 2007, an integrated audit program was commenced (waste, hydrocarbon and Environment Management System) in all work units in the areas of KPC and contractors, and during 2009 integrated audits were performed on 32 workshops.

In case during the monitoring activities, inappropriate systems, procedures and quality standards were found, the team would issue a CPAR (Corrective/Preventive Action Request). The procedure for the issuing and settlement cycle is defined in MSE 3.2 Investigation, Nonconformity, Corrective Action & Preventive Action.

Besides that, KPC was also audited by an independent party in relation to the maintenance of EMS ISO 14001 certification. KPC acquired certification from GS on 24 September 2004. The second certificate was issued on 24 September 2007 and is valid through 23 September 2010. ISO 14001 Audit Surveillance was performed by SGS on 12-15 October 2009, recommending that the ISO 14001 certificate for KPC be maintained.

The performance of environment management in KPC was also audited by the government, both the central government (Ministry of Environment and Directorate General of Minerals, Coal and Geothermal) and the local government (Environment Agency of East Kalimantan and East Kutai District). For ten consecutive years from 2000 to 2009, KPC has won the Gold Certificate Award from the Coal PROPER assessment for East Kalimantan Region for the mine area in Sangatta while the Bengalon mine area got the Green Certificate Award in 2008 and 2009. The result of national level PROPER assessment made by KLH for the time period of January 2008 to March 2009 gave the GREEN rating to KPC. In December 2009, KPC also won six (6) Aditama awards from the Directorate General of Minerals, Coal and Geothermal, Department of Energy and Mineral Resources for the category of mining environment observation, management of ex-mine area reclamation, overburden management, cultivation management, supporting facility activity management, and management of erosion and sedimentation control.

Environmental Indicators

In running the mining operation, KPC needs some type of materials such as for explosives, materials for coal washing and lubricants for heavy equipment, as shown in Table 14. (EN 1)

No	Type Material	Use	Unit	Amount	
				2008	2009
1.	Amonium Nitrat	Blasting Material	Ton	91,081	119,844
2.	Magnetite	Coal Washing	Ton	620	1,460
3.	Flocculant	Coal Washing	Ton	25,8	61,2
4.	Lime	Coal Washing	Ton	195	325
5	Lime	Acid water calcification	Ton	1,036	2,787
6.	Oli (lubricating oil)	Lubricant	kL	4,157	5,128

Table 14. Material Consumption for Mining Operation 2009

Source: PT KPC Ellipse System Supply Department



To fulfill electricity needs, KPC operates 2 PLTU (steam power electricity generating plant) with the capacity of 5 MW each as the main electricity generator and several supporting diesel generators in case the PLTU is experiencing problems, periodical maintenance or repairs, and if the electricity usage is bigger than the PLTU power. The total electricity production in 2009 was 101,997 MWh (see Table 16). The electricity is used for KPC mine operations in Sangatta which include the process of processing and washing of coal, shipment of coal from the mines to the ship, all offices and housings. In operating the PLTU and diesel generator, KPC can supply its internal electricity needs so that it does not need to buy from or sell to other parties. Bengalon mine is operated by PT Darma Henwa and there hasn't been calculation on electricity production by the genset operated in Bengalon mine area during 2009.

In 2009, KPC had the initiative to conserve energy by implementing an electricity saving program (see Table 15) in KPC fixed plants and main buildings in the KPC area and other KPC supporting operation buildings. Besides aiming to reduce the consumption of electrical energy, this program is also one of KPC's efforts to overcome the effects of global warming and climate change that's occurring around the world now. (EN 5; EN 7)

One of the things done in 2009 is the installation of AC timers in building C8. The AC will automatically turn off after work hours. Besides that, KPC has also prepared other programs that will be performed in 2010. Several programs that have been prepared to be implemented in 2010 can be seen in the following table.

No	Program	Perkiraan Konservasi Energi (KWH/tahun)
1	Installation of KWH Meter	
2	Campaign to save electrical energy	
3	Installation of timer for several Air Conditioning Centers	657,000
4	Installation of photocell switch on the lighting system in several workshop and fixed plant areas	588,322
5	Gradual replacement of all lights in KPC building areas with energy saving light	525,600
6	Setting up an SOP (Standard Operational Procedure) to turn off unused lamps in KPC employee camp	481,800
7	Reducing the lights in areas that are overly lit	14,016
8	Review the technical design process to ensure that energy conservation becomes an important consideration in the technical design process	
9	Review KPC's Objective, Target, Program (OTP) to ensure that there is enough attention put on the conservation of electrical energy	
10	Replace window type AC with split AC gradually	17,987
	Total energy conservation	2,284,725

Table 15. Energy Conservation Program Plan 2010

Source: Data from the Processing and Infrastructure Division

Another energy source used besides electricity is gasoline (solar and Pertamax) used to generate KPC and contractor operational equipment (small vehicles, heavy equipment in the mines, employee buses, etc.). The consumption of gasoline in 2009 can be seen in Table 17.

		Produksi Listrik (MWh)		Konsumsi Bahan Bakar			Jenis		
No	Energy	Sumber	2007	2008	2009	2007	2008	2009	bahan bakar
1.	Electricity	PLTU KPC	68,069.2	60,931.2	68,736	41,119.6 (ton)	37,686 (ton)	42,553.5 (ton)	Batu bara
2.	Electricity	Genset	34,256.64	36,298.77	33,261.14	9,384.5 (kL)	9,924.55 (kL)	9,040.53 (kL)	Solar
3.	Electricity	PLN	Nil	Nil	Nil	Nil	Nil	Nil	

Table 16. Direct and Indirect Energy Consumptioin 2007-2009 (EN 3)

Source: Data of PLTÚ and genset electricity production, Coal Terminal OLC & Power Department, PT. KPC

Table 17. Consumption of Gasoline 2007-2009 (EN 4)

No	Jenis	Gasoline Consumption (L)				
		2007	2008	2009		
1.	Solar	420,521,491 L	530,255,451 L	518,46,.664 L		
2.	Pertamax	682,037 L	607,711 L	564,557 L		

Source: Ellipse System, Supply Department, PT. KPC

The increase in the number of vehicles resulted in the rise in fuel consumption. For that reason, KPC has made efficiency attempts, particularly in the use of solar on heavy equipment which started since 2008 through various programs, among others there is improvement in control and socialization of fuel saving through training and pertinent SOP applications (SOP on Turning Off Machines when Not Productive and SOP on Maintain the Match Factor of Truck-Shovel in Optimum Operations). During 2009, the amount of solar that can be saved reached 11.79 million liters. (EN 5; EN 6; EN 7)

Regarding the consumption of solar and oil that is quite high, KPC already has the procedure and team to handle solar or oil spills (oil spill response team) since 2004 so that the process of dealing with spills can be done immediately. As an addition, every workshop has been equipped with an 'oil spill kit' as emergency tools in case there is a spill in the workshop. Hydrocarbon spills occurred five times during 2009 in workshop areas, gas stations, and the mine area with an estimated \pm 13,117 liter of total spilt. However, all the spills could be isolated and cleaned up so that there were none that went out of the mine area. (EN 23)



Used tire utilizing for drop structure



Water Requirements for Production and Drinking

are drawn from the river and bore wells which are treated in the Water Treatment Plant. The total water resulting and used during 2009 is shown in Table 18. (EN 8; EN 9)

Requirements for fresh water and drinking water

Table 18. Water Production and Consumption 2008-2009

No	Description	2008 Volume (m3)	2009 Volume (m3)
1.	Surface Water & Ground Water (as raw water)		
	Sangatta Raw Water (taken from Papa Charlie)	2,420,330	2,478,422
	Tanjung Bara Surface and Bore Water	517,424	619,189
	Total Raw Water Usage	2,937,754	3,097,611
2.	Total Raw Water Processed (Pre-Treatment)	2,200,056	2,478,422
3.	Water Treatment Plant (WTP)		
	WTP Swarga Bara	1,651,110	1,762,181
	WTP Tanjung Bara	434,846	438,860
	Total Potable Water Production	2,085,956	2,201,041
4.	Total Potable Water Consumption	1,997,365	2,102,992

Source: Data of clean water production PT. KPC Department of Infrastructure

In terms of conserving water usage, the water for coal washing process purposes at CPP was recycled from the

sedimentation pond. For watering the mine and CPP area roads this utilized water coming from the sediment pond.

Table 19. Recycled Water for Coal Washing Process (EN 2; EN 10)

Ye	ear	Water Discharge entering the wash (m3/jam)	Water Discharge leaving sediment pond (m3/jam)	Water Discharge recycled (m3/jam)	Washed Coal (ton)	Recycled Water / ton coal (m3/ton)
20	07	280	210	89.1	1,081,679	0.372
20	800	280	210	89.1	1,130,642	0.356
20)09	280	210	89.1	1,130,124	0.401

Source: Data of CPP washing water, Coal Processing Plant Department, PT. KPC (incoming water debit calculation with the approach of pump capacity, calculation of water discharge leaving sediment pond and recycled by mean of a flow meter).

Land Opening and Ex-Mining Area Rehabilitation (EN 11; MM 1)

In order to improve the coal production, an area of 1,492 hectares was opened for mining operations including overburden rock dump areas during 2009. The volume of soil moved for the purpose of reclamation in Sangatta mine area in 2009 was 14,389 kbcm, and from Bengalon area 1,442 kbcm. The piling up of overburden is done in mine holes (backfilling method) and outside the mine pits. This backfilling method is mostly used right now because it is the most efficient and thrifty alternative in mining sequence so it becomes the first alternative if the situation and condition calls for it. During 2009, as much as 238,130 kbcm of overburden has been *backfilled* into the mine pits from the planned amount of 200,976 kbcm (18% above the plan). The status of land use until the end of 2009 can be seen in Table 20. In accordance with Decree of Minister of Energy and Mineral Resources Number 1.K/40.00/DJB/2007 dated







Water quality analysis in Environmental Laboratory

1 January 2007 on an area contraction of 22 ha, so the width of the concession area became 90,938 ha from the original width of 90,960 ha.

Tabel 20. Penggunaan Lahan untuk Kegiatan Pertambangan KPC

	No	Area	Extent (ha)
	1.	Concession Area (ha)	90.938
	2.	Disturbed area (ha)	14.124,68
	 Infrastructure Area Reclamation Area (ha) 		348,34
			3.732,97

Source: reclamation data of PT. KPC Environment Department

Ex-mine area reclamation in Sangatta and Bengalon during 2009 (January-December 2009) reached a total of 451.1hectares, exceeding the planned reclamation for 2009 which was 450 hectares. Plants used for reclamation are local and non local plants, fruits and tropical rain forest plants (Dipterocarpaceae). Commodity plants are also planted in the reclamation area such as oil palm and rubber. Until the end of 2009, the oil palm planting project has planted 33.68 hectares of land in the Belut, Melawan and Taman Rusa areas, while rubber is planted in the Belut area with a total of 63.63 hectares of land. The oil palm and rubber planting project is intended to research the post-mining use of land in the plantation sector. Plant maintenance in reclamation area was also done routinely during 2009. The extent of the plantation reached 724.8 hectares, consisting of reclamation plants (local and non local plants, fruits and *Dipterocarpaceae*), as well as special commodity plants such as rubber and oil palm.

One Hydroseeder unit was used to spray the hill slopes with mixtures of seeds, fertilizer, mulch, bonding material and compost to create a stable slope and reduce erosion. Reclamation by this way covered an area of 74.47 hectares during January to December 2009.

Biodiversity Project for Rehabilitation Area (EN 12; EN 13; EN 14; EN 25; MM 2)

We realize that open cut mining will cause changes in the environment's original condition including the entire disappearance of biodiversity. To maintain biodiversity, KPC developed local rare plants in a 3-hectare nursery in Tango Delta area of which will be planted in the reclamation area. Besides that, KPC also worked with the seedling supplier, particularly local plant seedlings in Bengalon, namely Mitra Tani Bengalon Cooperative as part of the effort to develop the community. Reclamation is done in three stages: planting of covering plants to reduce erosion, planting of fast-growing plants to form a canopy and tropical rain forest plants (rainforest species).

Besides those efforts, since 2006 KPC has established an ex-mining reclamation area of 22 ha in D2 Surya as an arboretum area. Up to the end of 2009 there were 110 species of plants which have been planted in the arboretum area, consisting of local plants, non-local plants, fruits and Dipterocarpaceae species tropical lowland rainforest trees.

To guarantee the execution of the management of biodiversity, we have a biodiversity management SOP (Standard Operating Procedure). The scope of the SOP is to manage the flora and fauna from several stages of the activities, namely: a pre-mining flora and fauna survey (to find out the flora and fauna diversity which will be the basis to providing seeds), seeding, cultivation, monitoring and the evaluation of the reclamation success in the ex-mining reclamation area. To maintain the flora diversity, 30 types of plants have been cultivated in each reclamation area.

The monitoring activity for the flora and fauna is done by the Environment Department based on a monitoring schedule that is divided into 2 groups, namely initial monitoring (plant age of 1, 3, 9 and 12

months) and long-term monitoring (3, 6, 9, and 12 months). Besides to know about the development of the reclamation area, the observation results also provide information on the types of flora that can grow and proliferate well in the reclamation area, and information on the types of fauna that stay to live and breed there or ones that just pass through the reclamation area. The observation parameter in the initial monitoring is emphasized on the viability of the plants, whether or not it can survive well in the area, to be the basis of determining the necessary treatment to be given to the area such as fertilizing, weeding or replacing with new plants. In the next analysis, the Shannon diversity index of the reclamation area is calculated. The Shannon index shows the level of variety types either between types or number of each type and its domination. Observation during 2009 for initial monitoring was done in 22 locations according to plant age. The average number of plants was 436 for each hectare, with average diversity index 1.08.

Observation during the long term monitoring was done on 4 plot levels, namely:

- Understory: to observe the covering of earth surface by vegetation
- Tree Height: to observe natural seedlings
- Subplot: to observe stands with a diameter of less than 20 cm
- Primary Plot: for trees with a diameter of over 20 cm.

The data obtained will then be compared with the standard of average stand condition in the reclamation area of PT. KPC at a certain age to know the areal condition including imbalance, recovered or complete.



Nursery Facilities

One of the areas observed in 2009 was DS 2, with observation results categorized as recovered with a 89.88 score, this means if the area does not experience material damage, it will undergo natural succession at the age of observation.

A research team from the Center for Research and Development of Forestry and Nature Conservation of the Forestry Department has conducted studies in relation to the Mine Closure Plan. The objective of this research is to redesign the layout of post mine area in KPC that already has vegetation in the form of zones and to design vegetation restoration in each zone to increase the function and use of the ecosystem. The studies have been commenced on the fourth trimester of 2008 until the first trimester of 2009 and continued with the cooperation for zone implementation strategy in the field.

Besides the ex-mine reclamation area, KPC also conducted a biodiversity survey in water areas (rivers) influenced by mining activities every two years according to KPC AMDAL requirements. Observation on water biota was done in every river and creek in Sangatta and Bengalon that are influenced by mining activities. Those observation activities have been done in the third and fourth trimester of 2009 by consultants from Mulawarman University, Samarinda. Several important points obtained from the survey are:

- The number of water biota captured during the sampling in the Sangatta water areas was 633, among that, 623 fish came from 17 families with 32 species while the rest were not fish such as shrimp and crabs. The *Batrachocephalus mino* species was the most kind of fish captured which was 201 fish.
- The number of water biota captured during the sampling in Bengalon water areas is 398 types, among that, 369 fish came from 14 families with 33 species while the rest were non fish such as shrimp and crabs. The *Batrachocephalus mino* represented the species that was the most captured with 66 fish.
 - The type of plankton mostly found in the water area in Sangatta and Bengalon was from the *Bacciallriophyta* class with an appearance percentage of 46–47%, while the type of benthos

that was most abundant came from the gastropode class (*Pleurocera acula*).

 The results of heavy mineral analysis of the biota from all of the research locations was still under the maximum concentration set by the National Indonesian Standard (SNI) and National Research Council (NRC) so it was still safe to be consumed by humans.

Orangutan Relocation (EN 15)

The Orangutan is a special Kalimantan animal which is included in the IUCN Red List categorized "endangered", sometimes it is found in the mining activity area. Paying attention its endemic nature, KPC earnestly tries to move them from the mining area to a safer place. The relocations are performed in collaboration with the local Office of Natural Resources Conservation and BOSF (Borneo Orangutan Survival Foundation), a foundation that saves Orangutans and is located in Samboja, Balikpapan. To support the Orangutan relocation project, KPC has a temporary relocation site before the Orangutan is released to the wild. The number of orangutans that have been moved during 2009 was 4, which were moved to the Melawan forest.

Water Quality Management

As required in AMDAL 2005 and also the standard environment management on mining operations, all water discharges from the mining activity are managed through sedimentation pools (see Table 26) so that it meets the standard quality. Every discharge is monitored regularly to identify the water quality.

To ensure that the water discharge meets the quality

standard, management efforts continue to be made such as dredging sediments by using dredge ships (KK) and a long arm excavator, and constructing new sedimentation pools. Sediment dredging during 2009 was done by 2 dredge ships, which were KK LP068 (operating in CPP, Sisi Danau, Kedapat, and Keny J ponds) and KK LP125 (operating in Lower Murung and Melaso ponds). A long arm excavator was operating in Tango Delta Pond in the first trimester of 2009 to clean out sediment so that it could reduce the sediment burden to the Sisi Danau pond.

KPC has committed to build a sedimentation pond first before mining or backfilling activity is done in a certain location. Therefore, several new sedimentation ponds have been built during 2009 to prepare for mine area expansion. Pelican West (Pewe) sedimentation pond and AB103 pond have been constructed in the first trimester of 2009. AB103 pond will replace AB Far North pond as an outer sedimentation pond. In the second trimester of 2009, Meruya pond (to contain the flow from the west side of Pit Melawan) and Tiung pond (to contain the flow from Pit Inul and Pit K West) was completed in the Sangatta mine area. As the outer sedimentation pond, both ponds have also been proposed to be the water quality organizing point. Inspection by BLH (Environment Agency) of East Kutai on Meruya and Tiung ponds has been done in November 2009. In the fourth trimester of 2009, there was also the construction of new sedimentation ponds in Meranti and Mahoni which will contain the flow from Pit Mustahil. In the Bengalon mine area, there was also the construction of the Apokayan new pond (in a section downstream of New Pond) in the fourth trimester of 2009. Those new sedimentation ponds will then be proposed to be water quality compliance points.



Picture 7. Pengerukan sedimen di kolam CPP



The fulfillment of the water quality compliance points was availed through the permission of the Regent of East Kutai. Based on the Regent of East Kutai Decree No. 188.4.45/225/HK/V/2009, KPC obtained the renewal of

permit to dump liquid waste from mine water runoff into 11 compliance points as stated in Table 21 as follows: The water discharged from the sedimentation would then flow into public water ways (river and ocean). (EN 21)

т	Titik Penaatan Tahun 2008		tik Penaatan Tahun 2009	Badan Air penerima	
Lokas	si Sangatta				
1	MSW02				
2	Melaso	1	Lower Melaso	Sangatta River	
3	WQ06	2	WQ06	Sangatta River	
4	WQ27D	3	WQ27D	Sangatta River	
5	WQ33	4	WQ33	Sangatta River	
6	AB Far North	5	AB 103	Pinang Bengalon River	
7	Keny J	6	Keny J	Kenyamukan River	
8	WQ19	7	WQ19	Tanjung Bara Shore	
		8	Pewe (Pelikan West)	Sangatta River	
Lokas	si Bengalon				
9	NWD02	9	NWD02	Lembak River	
10	New Pond	10	New Pond	Lembak River	
11	Kelawitan	11	Kelawitan	Lembak River	

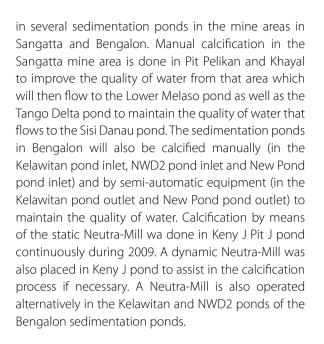
Table 21. Coordinate Points of Mine Runoff Water Waste

Post-Mine Void Water (Pond) Usage Study (EN 14)

In relation to the Mine Closure Plan, a study was conducted by a research team from the Agency for Studies and Implementation of Technology (BPPT) in the fourth trimester of 2008. The objective of this research was to analyze the condition of the quality and quantity of post-mine pond water that will be formed at the end of mining period in 2021. A number of big ponds that will be formed after the mine activities have ended in 2021 will be studied by comparing them with the two ponds that already exist, the North Sangatta and Surya ponds. The result of the study will determine whether or not the water quality in Sangatta North and Surya ponds meet the standard of first class water according to PP 82/2001, which will be used for drinking water. The potential of rainfall that is quite high in the Sangatta area and the presence of the ponds that remain can also function as water containment for drinking water, water for agriculture, industry and plantations besides the use of river water around it. In the fourth trimester of 2009, there is preparation of infrastructure to utilize Sangatta North pond as a pool for water recreation.

Acid Rock Water Management

Acid Rock Water Management is done by calcification both manually and by a device called a Neutra-Mill,



The classification and separation of overburden rock was conducted based on the potential acid rock water creation, i.e. through the use of NAG (Net Acid Generation) geochemical analysis conducted in the KPC Environment Laboratory. This analysis was conducted on rock samples taken from the exploration area (diamond core or geology drill chips), blast holes and final dump. 101,107 rock samples had been NAG analyzed during 2009.

Air Quality Management and Air Emission Observation (EN 16; EN 17; EN 20)

The effort to manage air quality that arises due to mining activity is done by several methods, namely: spraying the mine road with a water truck; planting trees in industrial areas; a dust suppression system in coal processing plants (CPP) by using water and chemical called Vinasol; and maintaining a power generating station and PLTU chimney. Ambient air quality monitoring was conducted every six months at the housing area in Sangatta and Bengalon, and it indicated the results complied with the quality standard during 2009.

The results of the ambient air monitoring from the exhaust flue of the coal fired power plant (PLTU) and the genset exhausts showed they complied with the quality standard during 2009. The coal fired power plant and genset are the main energy sources from

KPC to provide electricity, hence, it becomes the main emission source. Besides the PLTU, KPC also operated an incinerator to destroy waste contaminated by hydrocarbons (filter and rags) as well as clinical waste. The result of air emission observation from the incinerator chimney also met the standard during 2009.

Management of Greenhouse Gases (EN 18; EN 19)

In the supplying of new equipment (especially trucks and other heavy equipment), KPC has purchased those which fulfill the standards of EPA emission (Environmental Protection Agency) Tier 1 and Tier 2. Several units/equipment that have been bought during 2009: 5 Liebherr T282 trucks and 26 Euclid EH4500 trucks which comply with the Tier 1 emission and 3 units of Komatsu HD785 which comply with the Tier 2 emission standard. KPC has made efforts to minimize the greenhouse gas emission, but has not calculated the reduction of that emission yet.

Management of Waste (EN 22)

General waste coming from the KPC housing area and industrial area is disposed of at the Final Dump (TPA) in Hatari East dumping area.

Paper waste coming from offices is collected and processed as compost material. Composting is done in the KPC Nursery. Besides paper, compost material also comes from wet waste from the kitchen in the employee mess. The compost produced is used as a mixture for a planting medium, both in pots or for planting around the reclamation area. Paper waste coming from offices is also used as mulch which will be mixed with other substances such as seeds, fertilizer and glue to be used in spraying slopes by means of the Hydroseeder.

Used tires from heavy equipment (truck) are used to make drainage systems (drop structure) in the reclamation area. During 2009, a number of 834 used tires have been used in the Panel 4 Dump, Panel 8 Dump, Mentari Dump reclamation areas; and in roads of Sangatta North, C North, and Dump 570.

Toxic and hazardous waste (B3) from KPC's operations is managed according to existing government



provisions. B3 waste is sent to third parties to be processed according to the permit determined by the Ministry of Environment (KLH). The third parties referred to here are B3 waste processors in Indonesia or those that are permitted by the KLH to process various wastes or all sorts of waste from producers. KPC does not send B3 waste overseas. The amount of B3 waste managed during 2009 is stated in the table below. (EN 24)

No	Kategori	Jenis Limbah	Lokasi	Satuan	Jumlah Timbulan	Pengolahan
1	B3	Used Oil		Liter		
			Sangatta		8,008,420.00	Utilized internally + Sent to 3rd Party
			Bengalon		833,029.00	
			Total Used Oil		8,841,449.00	
2	B3	Contaminated Items		Ton		Incinerated + Sent to 3rd Party
			Sangatta		409.89	
			Bengalon		77.64	
			Total Contaminated Items		487.53	
3	B3	Oily Filters		Ton		Incinerated + Sent to 3rd Party
			Sangatta		346.21	
			Bengalon		61.05	
			Total Oily Filters		407.26	
4	B3	Oily Hoses		Ton		Sent to 3rd Party
			Sangatta		359.00	
			Bengalon		5.18	
			Total Oily Hoses		364.18	
5	B3	Used Batteries		Ton		Sent to 3rd Party
			Sangatta		105.75	
			Bengalon		20.79	
			Total Used Batteries		126.54	
6	B3	Used Grease		Ton		Sent to 3rd Party
			Sangatta		59.20	
			Bengalon		5.56	
			Total Used Grease		64.76	
7	B3	Hidrogen Peroxide		Ton	10.25	Sent to 3rd Party
8	B3	Incinerator ash		Ton	17.44	Sent to 3rd Party
9	B3	Oily Sludge		M ³	1,052.58	Bioremediation

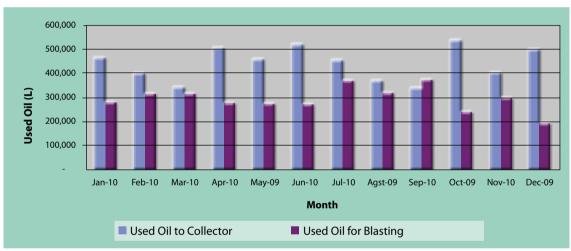
Table 22. Amount of B3 Waste Managed during 2009

10	B3	Coal ash :	Ton		Pemanfaatan
		Fly Ash		6,976.00	
		Bottom Ash		1,376.20	
		Total Coal Ash		8,352.20	
11	B3	Medics	Ton	3.83	Incinerated
12	B3	Used Toner	Ton	0.11	Sent to 3rd Party
13	B3	Chemical waste	Ton	3.69	Sent to 3rd Party
14	Non B3	General waste	M3	18,218.00	Sent to Waste Disposal Place

Source: waste statement of PT KPC

The used oil that KPC produced was utilized as auxiliary blasting fuel (ANFO emulsion) with the composition of 80% used oil and 20% fresh diesel, as per Decree of the State Minister for the Environment No. 560 Year 2008. During 2009,

the amount of used oil was 8,841,449 liters coming from KPC and its contractors. From that amount, 3,536,072 liters (40%) was used as a mix for explosives and the rest amounting to 5,305,377 liters (60%) was sent to the permitted manager. (EN 2)



Graph 14. Used Oil Utilization

Source: database of used oil utilization, Environment Department PT. KPC

Fly ash and bottom ash that the power plant produced were collected in the Tanjung Bara B3 waste area. The fly ash waste was utilized internally as a mix for road base according to the permit from Kep MENLH No. 403 Year 2007. The implementation of coal ash for road base was done in 2008 but in 2009 there was no use of coal ash.

The management of hydrocarbon contaminated waste is done by burning in an incinerator located in Sangatta North Dump, according to the permit on Kep MENLH No. 789/2008. The type of waste allowed to be incinerated is used oil filter waste, dust cloth contaminated by oil, and medical waste from the company clinic. Ash from the incineration is then sent to the permitted waste manager.

Oil contaminated soil from all workshops particularly the intercept or facility was biologically treated using Petrophylic bacteria. Such treatment was conducted at the BTU (Biological Treatment Unit) area in the Sangatta North Dump, according to permit Kep MENLH No. 318/2006. In relation to the expiration of the permit to process oil contaminated soil in BTUs on 8 September 2009, in August 2009, KPC has applied for a permit extension to the State Ministry of Environment of which is still under process by the end of 2009.





Total Cost of Environment Management (EN 30)

The total cost spent for environmental management and monitoring during 2009 was as follows::

Table 23. Total Cost of Environment Management

	PROGRAM	Cost (USD)
1	General Environment Management	870,499
2	Reclamation and Revegetation	
	- Planting and plant maintenance	1,983,529
	- Soil management and hauling, drainage, etc	9,266,724
	- Rehabilitation fleet maintenance	7,193,232
3	Environment Monitoring	
	- Water and air quality monitoring	552,849
	- Sediment Management	403,492
	- Pond construction	2,535,931
	- Mine Acid Water Management	396,396
4	Waste and hydrocarbon management	178,300
	TOTAL	23,380,952

Source data: Financing report, Accounting Department KPC

The sustainable development commitment in the case of environment management has been shown through KPC's performance in 2009 environment management. The waste and air quality monitoring data have fulfilled the quality standards stated by the government, and also the land reclamation target has been achieved. On that account, during 2009 KPC did not receive any administrative sanctions related to quality standard infractions. This represents the KPC commitment to fulfill environment policy that will be conducted in every KPC operational phase in the future. (SO 8; EN 28)



Geochemical NAG analysis in Environmental Laboratory



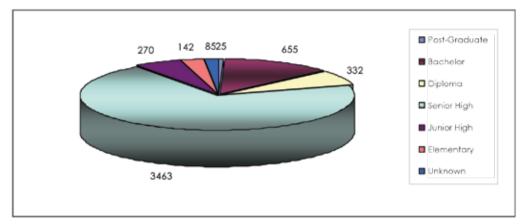
Human Resources (LA 1; LA 13)

In 2009, KPC hired 4,973 employees who consisted of 4,959 Indonesian employees and 14 foreign employees. Based on the employment status, there are 3,927 permanent Indonesian employees and 1,032 on contract, while all the foreign workers are on contract. There are no part time workers in KPC. The number of employees in 2009 increased to 4,973 employees as compared with the previous year of 4,347. Employees' distribution based on position level, educational level, employment status and gender can be seen as follows.



Graphic 15. Distribution of employees based on position level

Data Source: Human Resources Division



Graphic 16. Distribution of employees based on educational level

Data Source: Human Resources Division

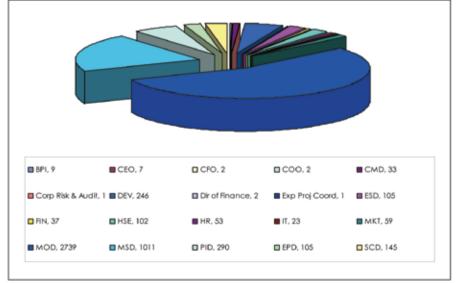
	c , , ,	
Table 24 Distribution	of employees based	on employment status
Tuble 2 1. Distribution	or employees bused	on employment status

Status	Number
Permanent	3,941
Contract (<i>fixed-term</i>)	1,032
Total	4,973

Table 25. Distribution of employees based on gender

Sex	Number
Male	4,624
Female	349
Total	4,973

The Mining Operation Division is the division with the largest number of employees, it is in line with KPC's core business as an open coal mining company which operates many fleets and is a world class operator. The composition of the employees of each division can be seen in the following graphic.

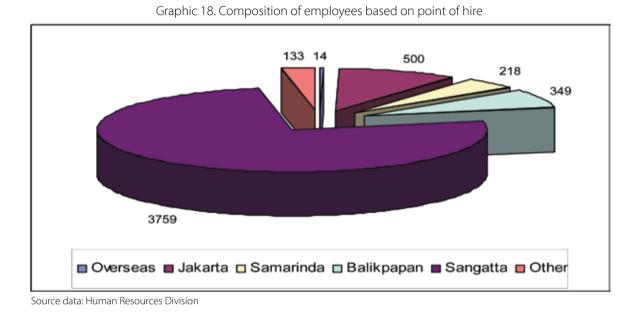


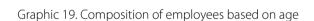
Graphic 17. Composition of employees based on division

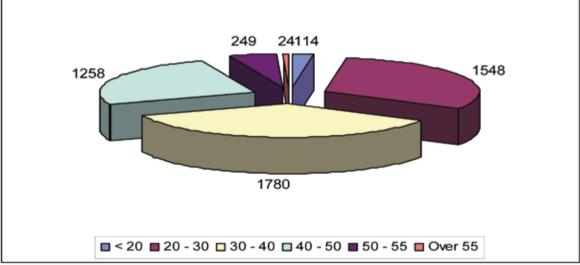
Source data: Human Resources Division



In employee recruitment, the largest composition of the points of hire is Sangatta where KPC runs its mining operation. Meanwhile, if viewed from the age composition, the largest number is the employees among 30-40 year olds of 1,780 employees. KPC also has 13 foreign/expatriate employees which is 0.28 % of all the employees.







Source data: Human Resources Division

No	Divisi	Komposisi	Karyawan
INO	DIVISI	Indonesia	Asing
1	Business Perf. Improvement	9	0
2	CEO	7	0
3	CFO	1	1
4	COO	2	0
5	Contract Mining	33	0
6	Development	244	2
7	Dir of Finance	1	1
8	Head of Project Exp.Team	1	0
9	ESD	105	0
10	Finance	37	0
11	HSE	102	0
12	Human Resource	53	0
13	Information Technology	23	0
14	Marketing	57	2
15	Mining Operation Division	2.739	0
16	Mining Support Division	1.006	5
17	Processing & Inf Div	290	0
18	Project Expansion Team	103	2
19	Supply Chain Divison	145	0
20	Technical Director	0	1
	Total	4.959	14

Table 26. Composition of Indonesian and Foreign Employees

Industrial Relationship (4.4)

The Collective Agreement (PKB) used in 2009 is the PKB of 2009–2011 period signed by representatives of the management and chairmanship of the labor unions and authorized by the Directorate General of Industrial Relations and Labor Social Security Advisory of the Department of Labor and Transmigration on 22 May 2009 in Jakarta. The Co-Working Agreement (PKB) of July 2009 – June 2011 period becomes a guideline because it contains employees' rights and responsibilities based on their work relationship status. Some of the points of change in the new PKB include items on food money, housing allowance, work period reward, death compensation and several other adjustments on labor regulations.

The rights and obligations of all KPC's employees including management are regulated in the PKB. The PKB team of 2009–2011 was 22 people consisting of 9 management representatives and 13 representing the

Worker/Labor Unions (SP/SB). Any matters which were not yet elaborated in the PKB were elaborated in detail in the Human Resources Policy, Staff Handbook, Code of Ethics, Corporate Governance, and other operational procedures.

Procedures and notifications regarding changes in company operations are also provided for in article 13.2 of the PKB where it is stated that in case there is a significant plan for a change related to operations it should be notified to all employees at least 7 (seven) days prior to that change (PKB Article 13.2).

a. Program Socialization

Regular communication is conducted either to management, admin staff or all employees in order to socialize the company's policies or regulations. Socialization of the points of changes in the PKB 2009–2011 has been made to all employees on 23 June 2009.

b. Worker/Labor Union (LA 4; HR 5)

The company acknowledges the existence of the Worker/Labor Unions including involving them in Collective Agreement negotiations in accordance with the prevailing regulations. The Bipartite Cooperation Institute (LKS) has been established, the functions and members of the institute consist of management and Labor Union representatives.

At this time the company manages 6 (six) Worker/ Labor Unions namely Coal Mining Employees Corps (*Korps Pegawai Pertambangan Batu Bara* – KORPPRA), Energy Chemical and Mining Employees Union (*Serikat Pekerja Kimia Energi dan Pertambangan – SP-KEP*) Mining and Energy Federation – Indonesian Prosperous Labor Union (*Federasi Pertambangan dan Energy Serikat Buruh Sejahtera Indonesia – FPE-SBSI*), Indonesian Moslem Workers Brotherhood (*Persaudaraan Pekerja Muslim Indonesia – PKMI*), Justice Workers Union (*Serikat Pekerja Keadilan – SPK*) and Mining Support Division Workers Union (SP-MSD) with the membership structure as in the following table:

Worker/Labor Union	Total Member (Persons)
KORPPRA	1,050
SP-KEP	1,205
SBSI	806
PPMI	250
SPK	663
SP-MSD	172
NON UNION	827
TOTAL EMPLOYEES	4,973

Table 27. Labor unions and total membership

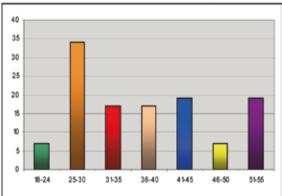
From the data above, can be seen that 83.3% of the employees joined a worker/labor union, while 16.6 % employees did not join it.

c. Employees Consultation Service

A consultation service is conducted anytime both by the supervisors in each workplace and the HRD staff for particular employees who need it. Superiors also regularly provide coaching and counseling for their subordinates as needed.

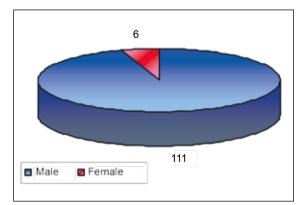
d. Number of Employee Turnovers (LA 2; LA 5)

The number of KPC's employees who underwent termination of employment (resigned, retired, etc.) in 2009 was 117 people. For the employees who lodged resignations according to Manpower Law no.13 and the Collective Agreement, each party presented his/her resignation letter a minimum of one month in advance. In addition, if there happens a change in an employee's work schedule then it will be given seven calendar days beforehand, except in an emergency.

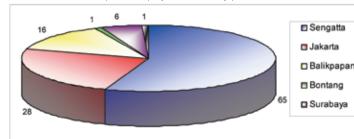


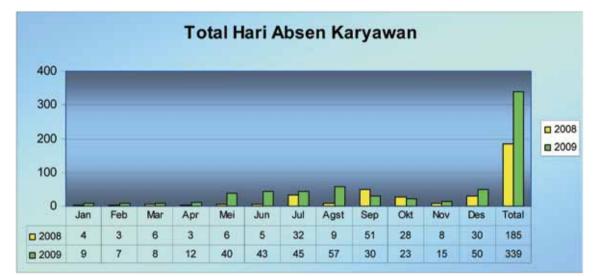
Graph 20. Employee turnover by age

Graph 21. Employee Turnover Resources Division









Grafik 23. Total Absent Worker Days (LA 7)

Training and Development

As a form of the company's social responsibility to the employees, PT.Kaltim Prima Coal is committed to continuously develop its human resources in order to be able to endure and compete within rapid global business changes particularly in the mining industry. KPC realizes that to be a world class competitor, competent human resources that are strong, professional and possess a high standard of etiquette is needed within each activity in the company. Human resources are the company's valuable asset that is expected to be able to respond to future challenges by contributing their best performance in managerial and technical aspects. KPC provides the training and development for employees to upgrade and to refresh the skills and the knowledge of its employees. During 2009, various training programs were given to KPC employees amounted to 356,252 hours of training. Besides that, KPC also provided training program to employees of KPC contractor companies which amounted to 99,498 hours of training.

No	Category	KPC Employee		Karyawan Kontraktor		Total	
NO	category	Participant	Hours	Participant	Hours	Participant	Hours
1	General	1,143	8,092	49	1,141	1,192	9,233
2	Management and Commercial	4,897	72,546	33	1,944	4,930	74,490
3	Health, Safety, Environment	12,283	40,913	28,431	73,216	40,714	114,129
4	Equipment Operation	16,755	174,419	5,665	14,769	22,420	189,188
5	Equipment Maintenance	6,899	57,534	832	8,428	7,731	65,962
6	Engineering	224	2,748	-	-	224	2,748
Total		42,201	356,252	35,010	99,498	77,211	455,750

Table 28. Training attended by KPC employees in 2009 (LA 10)

To develop new graduates, KPC runs a Graduate Development Program (GDP). The program participants get a variety of managerial and technical training, and follow a rotation in various relevant sectors within their background. For example, the program of employees' rotation can be seen in the following table.

Table 29. Rotation Area for Graduates of MiningEngineering

Rotation Area for Graduates of Mining Engineering	Estimated Duration	
Pit Technical	9 month	
Long Term Planning	6 month	
Drilling and Blasting	6 month	
Rehabilitation Project	3 month	
Dispatch/Reporting	4 month	
Coal Technical	4 month	
Contract Mining	4 month	

Retirement Preparation Period Training (LA 11)

This training program is given to employees and their wives to prepare themselves physically and mentally in facing their retirement, equip them with the skill and knowledge in maintaining good health and nutrition, harmonious family relationship, psychological consultation and how to manage their finances. This training provides practical knowledge on entrepreneurship, besides that there is a full day field visit to look around and share the knowledge with the retirees of KPC who have already started businesses. The number of participants who joined the Retirement Preparation Period (MPP) program on 15-19 Joni 2009 was 19 couples (38 participants) with 5 full days of training filled with 40 hours of activities.

Career Opportunities

All KPC employees are open to the same career opportunities based on their field, qualifications and knowledge. The employees who meet job qualifications may apply and follow the sequence of test through to internal selection. The job vacancies are made available and announced through the KPC internal media or externally through certain newspapers.

Employee Performance Assessment (LA 12)

All KPC employees receive a performance appraisal every year. Employee performance appraisals are done at the end of each quarter for non-staff employees and at the end of the year for staff employees. The results of the performance appraisal can be used as the basis of company policy and decisions in managing its human resources such as:

- a. Training and Development (managerial and technical)
- b. Career Plans
- c. Achievement and other policies related with employees

Employees Retention Program

To appreciate all the contributions and performances of the employees as well to maintain potential employees in order to keep working and give a valuable contribution in the business, the company takes up some initiatives such as:

- 1. Developing a functional Career Path through the Dual Career Ladder program.
- 2. Giving a variety of training that supports employees to work effectively, such as Fundamental Leadership and HR for Non-HR Professionals.



As a fulfillment of corporate social responsibility towards employees, KPC is committed to continuously develop its human resources to be able to survive and compete in the business world that is so rapidly changing, especially in the mining industry

- 3. Developing a competency system, that allows the implementation of human resources managing based on competency at KPC.
- 4. Giving a soft loan for housing ownership program for houses outside the area of company operations

Attract Potential Employees

KPC seeks and selects employee applicants through various approaches. Common methods used are advertising in the media, cooperation with university career centers and using head hunter advertising.

Other methods to attract potential employees are: Giving Field Practice opportunities and Final Projects to university students of courses relevant with KPC's business.

Giving scholarships to achieving university students of courses relevant with KPC's business to undertake the last year of their study.

Working together with several well-know universities to detect prospective best graduates.

Scholarship Program for Employee's Children

This scholarship program has been going on since 2003. This scholarship is specifically given to employees' children who are at the higher level of education. This Program is routinely opened every year. Applicants who fulfill the requirements and pass the selection will receive scholarship money in the amount of Rp. 6,000,000/semester for a maximum of 8 semesters.

Up to now, KPC has given scholarship to 83 employees' children. At the beginning, the scholarship was only intended for 11 people per year but since 2009 the number has been increased to 19 people per year. The scholarship is not only given to employees' children who are attending schools in the country but also for those studying overseas.

This program is created in order to motivate children of employees so that they not only achieve well in their studies but it is also a way to appreciate the performance/ contribution of employees.



Internal and External trainings are conducted to increase and refresh employees' skills and knowledge



In each aspect of the company's operation, KPC respects human rights. According to the Constitution 1945 (UUD 1945) article 28, Freedom to assemble and join an association is given to all employees by establishing some worker/labor unions at the company's site as a communication medium and a means to pass on aspirations.

All employees both male and female have the same rights for safety, health and environmental aspects, career opportunities, training and development, rotation and variation, occupying a particular position in the company, and also benefits from the company.

It becomes an obligation for the contractors and suppliers that are in partnership with KPC to comply with the manpower regulations and standards of safety, health and environmental applied by KPC. It is written in each clause of the agreements between contractors and suppliers with KPC. Therefore the rights of employees at any company of KPC's contractors will also be protected.

Discriminative Attitude (HR 4)

As a world class coal mining operator, KPC does not discriminate its employees based on their religion, race or gender. The selection process of employees is based on the candidates' qualities, competencies and experience. With the result that female employees obtain the same benefits as male employees. Until late 2008, no incidences of discriminative attitudes have ever occurred at KPC. Of particular consideration, there is small disparity between the basic salary of males and females such as shown in Table 30 as follows:

Table 30 Male and Female Salari Ratio (LA 14)

Non Staff	1:0,87
Staff	1 : 0,91

Religious activity is absolutely supported by the company to increase the employees' quality in religious life. Some worship facilities that were built by the company are *Al Kautsar, Al Ikhlas, Baiturrahman, An Nur, Al Falah* Mosques, *Oukimene* and Catholic Churches, and a temple in *Bumi Etam* as a house of worship for Hindus. Religious ceremonies are celebrated by respective religion followers and the company assists by giving facilities as well as donations and permission to leave the workplace on days determined by the government.

Child Workers (HR 6)

In running its business, KPC does not hire workers under the age of 18 years. Internal company regulations strictly states that the minimum age that can be accepted to work is 18 years old.

Forced Labor (HR 7)

Since the commencement of its operations until late 2008, no cases of forced labor have ever occurred at KPC. Assignment of tasks always refer to the applicable labor regulations, including the decision to employ workers outside their normal working hours (overtime)

Security Practice

As many as 495 people or 98% from 505 members of the Security Unit in Group 4 and Global Arrow has



participated in Basic Training (DIKSAR) where in the curriculum there are subjects on human rights. This number has increased compared to last year's which was only 90.3%.

In regard to corruption acts, during 2009, there have been no acts of corruption that were carried out by KPC's employees. (SO 4)

Local Inhabitants (HR 9)

Until late 2009, no occurrence of violence has been made by KPC against the local inhabitants. A good relationship is always built through community programs oriented towards the prosperity of the local community.

Occupational Health and Safety

The formal agreement between KPC and Union's representatives regarding occupational health and safety as mentioned in the Collective Agreement 2007–2009 covers:

Rights and Obligations

The company and the employees will adhere to the prevailing Government Laws and Regulations concerning occupational safety and health. Prior to signing an Employment Agreement, the Company will require applicants undergo a pre-employment medical examination at the Company's or a nominated hospital. The Company will also carry out periodical medical checkups in accordance with the Company's regulations and standards for each type of work. Employees are obligated to undergo a medical checkup. All lines of management are obliged to always promulgate Occupational Health and Safety Regulations and Procedures, and Standard Regulations and Procedures. The Company personnel are subject to disciplinary action in accordance with Disciplinary Action Guidelines that apply in the company.

Medical Service

The company provides a health facility in the form of a

Clinic for employees and their families in Sangatta and cooperates with several well-known hospitals outside the operating area.

Personal Protective Equipment (PPE)

For work protection equipment is given to the employees while they perform their job. The company provides protective equipment in compliance with occupational health and safety standards. All employees are obliged to wear and maintain occupational safety equipment provided by the company. The safety equipment must be used by the employees, should not be misused and not transferred to other persons who are not entitled to it. An employee has the right to refuse to carry out any job that does not meet the company's health and safety requirement, including PPE equipment.

Work Accidents

All employees are obliged to report each accident to their supervisor and likewise the supervisors are obliged and responsible to report each work accident that happens in the area which is under their responsibility. Safety officers are obliged to assist collecting necessary data, so that the benefits section officer may draft a report to the Office of Manpower, PT. JAMSOSTEK and Group Life Insurance within less than 48 hours.

Occupational Diseases

The company provides a clinic which is managed professionally for the employees who are sick in the work place. An employee who is no longer able to work in his old position will be placed in a position which does not contravene limitations defined by the Doctor. Sickness permission arrangements as well as continuous sickness permissions are applied for those who cannot work. Severance of Work Relations (*Pemutusan Hubungan Kerja - PHK*) because of health matters is performed after the doctor's decision which states that the employee could not go back to work by following the regulations especially regarding the rights of employees who have been relieved of their duties due to health reasons.





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	LABOR PRACTICES AND

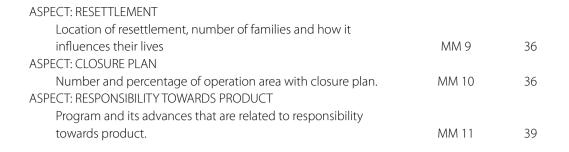
EN30 **DECENT WORK : PTPM** PTPM Labor Practice LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS ASPECT: LABOR LA1 Total Workforce Employee Turnover LA2 Employee Allowances [Benefits] LA3 ASPECT : LABOR/ MANAGEMENT RELATIONS Collective Bargaining Coverage LA4 Notice Period LA5



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ABBREVIATION GLOSSARY

Singkatan	Kepanjangan
AMDAL	Analisa Mengenai Dampak Lingkungan
ANU	Australian National University
APBI	Asosiasi Pertambangan Batu Bara Indonesia
API	Asosiasi Pertambangan Indonesia
B3	Bahan Berbahaya dan Beracun
BOSF	Borneo Orangutan Survival Foundation
BPMT	Blok Penggandaan Mata Tempel
BPPT	Badan Pengkajian dan Penerapan Teknologi
BTU	Biological Treatment Unit
CE	Community Empowerment
CEO	Chief Executive Officer
CFCD	Corporate Forum on Community Development
CMS	Contract and Contractor Management System
COC	Code of Conduct
COO	Chief Operating Officer
CPAR	Corrective/Preventive Action Request
CPP	Coal Processing Plant
CSSR	Center for Strategic Study of Resources
DRD	Dewan Riset Daerah
EPA	Environmental Protection Agency
ERA	Environmental Risk Assessment
ESD	External Affairs and Sustainable Development
FKPL	Forum Komunitas Peduli Lingkungan
FOB	Free On Board
FPE-SBSI	Federasi Pertambangan dan Energi Serikat Buruh Sejahtera Indonesia
FRA	Fraud Risk Assessment
GCG	Good Corporate Governance
GERDABANGAGRI	Gerakan Daerah Pembangunan Agribisnis
GM	General Manager
GPL	Griya Prima Lestari
GRI	Global Report Initiative
GWP	Gema Wana Prima
HKTI	Himpunan Kelompok Tani Indonesia
HR	Human Resource
HRCR	Human Resources and Community Relations
HRD	Human Resource Division
HSE	Health, Safety, and Environment
IBL	Indonesia Business Link
IPB	Institut Pertanian Bogor
ITB	Institut Teknologi Bandung
K3	
CЛ	Kesehatan, Keselamatan Kerja



K3L	Kesehatan, Keselamatan Kerja dan Lingkungan	
KADIN	Kamar Dagang dan Industri	
KNPI	Komite Nasional Pemuda Indonesia	
KONI	Komite Olah raga Nasional Indonesia	
KORPPRA	Korps Pegawai Pertambangan Batu Bara	
KPC	Kaltim Prima Coal	
KSDM	Kebijaksanaan Sumber Daya Manusia	
KSU	Koperasi Serba Usaha	
KUKM	Koperasi, Usaha Kecil, dan Menengah	
LBD	Local Business Development	
LKS	Lembaga Kerja Sama	
LTIFR	Lost Time Injury Frequency Rate	
MDGs	Millennium Development Goals	
MEI	Morphoe Edaphic Index	
MOD	Mining Operation Division	
MSD	Mining Service Division	
MSH CSR	Multi-Stakeholder for Corporate Social Responsibility	
NAF	Non Acid Forming	
NAG	Net Acid Generation	
NCSR	National Centre for Sustainability Reporting	
PAD	Pendapatan Asli Daerah	
PAF	Potential Acid Forming	
PDRB	Pendapatan Domestik Regional Brutto	
PID	Processing and Infrastructure Division	
PKB	Perjanjian Kerja Bersama	
PKP2B	Perjanjian Kontrak Karya Pengusahaan Pertambangan Batu bara	
PPMI	Persaudaraan Pekerja Muslim Indonesia	
PW	Pendamping Wilayah	
RUPS	Rapat Umum Pemegang Saham	
SCD	Supply Chain Division	
SDR	Sustainable Development Report	
SGS	Societe Generalle de Surveillance	
SML	Sistim Manajemen Lingkungan	
SOP	Standard Operating Procedure	
SPK	Serikat Pekerja Keadilan	
SP-KEP	Serikat Pekerja Kimia Energi dan Pertambangan	
SP-MSD	Serikat Pekerja Mining Support Division	
STIPER	Sekolah Tinggi Ilmu Pertanian	
THR	Tunjangan Hari Raya	
TNK	Taman Nasional Kutai	
TPA	Tempat Pembuangan Akhir	
UGM	Universitas Gajah Mada	
UMSK	Upah Minimum Sektor Kabupaten	
UNGC	United Nations Global Compact	
	Universitas Mulawarman	
Unmul	L UNIVERSITAS MUTAWATTIAN	



Feedback

PT Prima Coal Sustainable Development Report 2009

Thank you for your willingness to read our sustainable development report this year. We value your attention and appreciation on our report.

To improve our service and for the development of future sustainability reports, we humbly ask that you fill in the following questionnaire and send it back to us. We are expecting your thoughts, opinion, suggestion and criticism.

Statement

1. This report provides useful information on the policy, impact and implementation of PT. Kaltim Prima Coal in the fields of economics, environment, and social within the context of sustainable development.





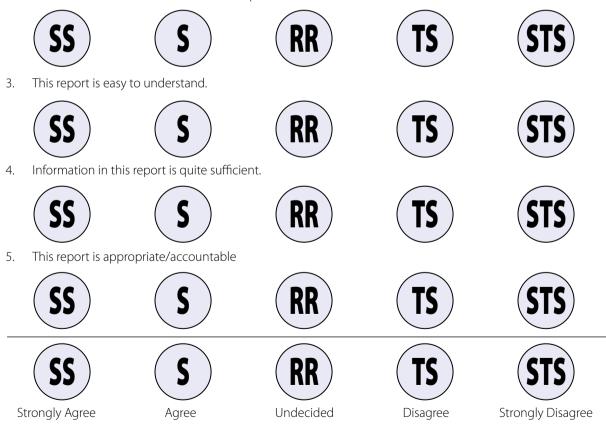








2. This report provides a description and summary on the performance of PT. Kaltim Prima Coal that is in line with the effort to achieve a sustainable development.





6. Information that is useful is :

a. b.

- D.
- C.
- 7. Information that is less useful is:
 - a.
 - b.
 - C.
- 8. Suggestion about the content, design, layout, etc. are:
 - a.
 - b.
 - C.
- 9. Information that can be added is
 - a.
 - b.
 - C.

Your Profile

Name	:		
Age and Sex	:		
Institution/Company	:		
Type of institutioin/com	ipany		
O Government		O Industry	O Media
O NGO		O Community	O Other

Thank you for your willingness to take the time to fill out this feedback sheet.

We kindly request that you send this back to us.

External Affairs & Sustainable Development

PT.Kaltim Prima Coal M2 Building, Mine Site Sangatta, Kutai Timur, Kalimantan Timur Indonesia Phone. 62 549 52 1451 • Facs. 62 549 52 1701



ASSURANCE STATEMENT

PT SGS INDONESIA'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE PT KALTIM PRIMA COAL'S SUSTAINABLE DEVELOPMENT REPORT 2009 FOR ISSUED DATE OCTOBER 2010

NATURE AND SCOPE THE ASSURANCE/VERIFICATION

PT SGS Indonesia was commissioned by PT Kaltim Prima Coal to conduct an independent assurance of the Sustainable Development Report for issued date October 2010. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in the whole of this report. Earlier data were not included in this assurance process.

The information in the Sustainable Development Report 2009 of PT Kaltim Prima Coal and its presentation are the responsibility of the management of PT Kaltim Prima Coal. PT SGS Indonesia has not been involved in the preparation of any of the material included in the Sustainable Development Report 2009.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all PT Kaltim Prima Coal's stakeholders.

This report has been assured at a high level of scrutiny using our protocols for:

- evaluation of content veracity;
 evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (2006); and Mining Sector Supplement Final Version

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at Sangata Head Office; documentation and record review and validation with external bodies and/or stakeholders where relevant, such as site visit to Water Treatment Plant at Singa Geweh Village, Eco-Tourism at Kabo Village and Cow Ranch at ex-mining site area.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. PT SGS Indonesia affirms our independence from PT Kaltim Prima Coal's Sustainable Development Report 2009, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with Sustainability Assurance Practitioner, OHSMS Lead Assessor, EMS Lead Assessor, QMS Lead Assessor with audit experience in mining and quarry operation.



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VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within PT Kaltim Prima Coal's Sustainable Development Report 2009 verified is accurate, reliable and provides a fair and balanced representation of PT Kaltim Prima Coal sustainability activities in 2009.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2006) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

We are satisfied that the report content meets the requirement of level A+ of the GRI (2006) as declared. At the same time PT Kaltim Prima Coal's Sustainable Development Report 2009 also referred to Mining and Metal Sector Supplement Final Version.

The overall report is well presented and the content covers all major issues and has scored in term of alignment with the GRI Principle Indicators.

Materiality

Material issues that reflect the company's significant economic, environmental and social impacts and that significantly affect the decision making of stakeholders have been included in the report, meeting the requirements of the GRI G3 Materiality principle. In our opinion, materiality in terms of global issues such as global warming may well be responded by organisation to confirm commitment of organisation towards global issues.

Completeness

For improving the completeness in the next report, organization should report completely the compilation on GRI G3 Performance Indicator and data performance of mining sub-contractors as part of mining operation.

Balance

The information in the report is presented in a format that allows users to see positive and negative trends in performance on year-to-year basis. In our opinion, discloses for unfavourable topics need to be responded such as issues of land dispute and royalty payment.

Accuracy

Information and data in the report were evaluated and where necessary to ensure accurate reporting, were amended accordingly. In our opinion, collation and internal checking of some data to be reported could be improved for future reporting.

Reliability

The information and data included in the report is supported by internal controls and could be examined from the source of data. However the company need to ensure to present actual data in the report such as data regarding payment to suppliers.

Top management has good commitment for consistency to report sustainability activities every year by sending 12 employees to training Certified Sustainability Reporting Specialist (CSRS). This is showed as commitment of the Management to always improve their sustainability report.

Signed:

For and on behalf of PT SGS Indonesia - System and Service Certification





External Affairs & Sustainable Development PT.Kaltim Prima Coal M2 Building, Mine Site Sangatta, Kutai Timur, Kalimantan Timur Indonesia Phone. 62 549 52 1451 Facs. 62 549 52 1701