PT Medco Energi Internasional Tbk
and its subsidiaries

The consolidated financial statements
as of December 31, 2013
and for the year then ended
with independent auditors' report

PT Medco Energi Internasional Tbk
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MEDCOENERGI

FORM No. VIII.G.11-1

DIRECTORS' STATEMENT ON THE RESPONSIBILITY FOR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND FOR THE YEAR THEN ENDED WITH INDEPENDENT AUDITOR'S REPORT PT MEDCO ENERGI INTERNASIONAL TBK AND ITS SUBSIDIARIES

We the undersigned,

1.	Name	: Lukman Ahmad Mahfud
	Id Number	: 09.5304.260254.0142
	Office Address	: The Energy Building 53rd Floor, SCBD Lot 11A Jl. Jendral Sudirman, Jakarta 12190
	Home Address	: Tanjung Mas Raya Blok.B 8/16 Rt. 002 / Rw. 001 Tanjung Barat, Jagakarsa, Jakarta Selatan
	Telephone	: 021-2995 3000
	Title	: President Director
2.	Name	: Lany Djuwita
	Id Number	: 32.7103.630769.0008
	Office Address	: The Energy Building 53rd Floor, SCBD Lot 11A Jl. Jendral Sudirman, Jakarta 12190
	Home Address	: GG Sepatu No.6, RT002/002, Pabaton, Kota, Bogor Tengah
	Telephone	: 021-2995 3000
	Title	: Finance Director

hereby declare :

1. We are responsible towards the preparation and presentation of the Consolidated Financial Statements as of December 31, 2013 And For The Year Then Ended With Independent Auditor's Report PT Medco Energi Internasional Tbk And Its Subsidiaries ("The Annual Consolidated Financial Statements of the Company and Its Subsidiaries");

2. The Annual Consolidated Financial Statements of the Company and Its Subsidiaries has been prepared in accordance with the generally accepted accounting principles in Indonesia;

3. a. All the information in The Annual Consolidated Financial Statements of the Company and Its Subsidiaries have been fully and accurately disclosed;

   b. The Annual Consolidated Financial Statements of the Company and Its Subsidiaries does not contain any false information or material fact, and does not omit any information or material fact;

4. We are responsible towards the internal control system of the Company and Its Subsidiaries.

In witness whereof, the undersigned have drawn up this statement truthfully.

Jakarta, March 21, 2014
PT Medco Energi Internasional Tbk

METERAI TEMPEL
E5702ABF761479473
6000 DJP

Lukman Ahmad Mahfud
President Director

Lany Djuwita
Finance Director

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Table of Contents

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These consolidated financial statements are originally issued in the Indonesian language.

EY
Building a better working world

Purwantono, Suherman & Surja

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-5179/PSS/2014

The Stockholders and the Boards of Commissioners and Directors
PT Medco Energi Internasional Tbk

We have audited the accompanying consolidated financial statements of PT Medco Energi Internasional Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-5179/PSS/2014 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Medco Energi Internasional Tbk and its subsidiaries as of December 31, 2013, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of a matter

As disclosed in Note 35 to the accompanying consolidated financial statements, the Company restated its consolidated statement of comprehensive income for the year ended December 31, 2012 in connection with the Company's plan to sell its subsidiary, in accordance with the Statement of Financial Accounting Standards No. 58, "Non-Current Assets Held for Sale and Discontinued Operations".

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

March 21, 2014

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,2e,2f,2q,4, 39,41,42	263,973,998	523,651,774
Short-term investments	2f,2q,5, 41,42,44	253,437,152	311,668,012
Restricted cash in banks	2e,2q,11, 39,41,42	5,593,518	1,343,426
Trade receivables	2g,2q,6,41,42		
Related parties	2e,24,39	18,982,522	32,701,117
Third parties - net of allowance for impairment of US$4,369,739 as of December 31, 2013 and US$144,495 as of December 31, 2012		124,651,998	114,428,181
Other receivables			
Third parties - net of allowance for impairment of US$11,596,365 as of December 31, 2013 and US$28,454,825 as of December 31, 2012	2g,2q,7,41,42	75,940,543	79,157,762
Inventories - net of allowance for obsolescence and decline in value of US$6,610,703 as of December 31, 2013 and US$6,969,074 as of December 31, 2012	2h,8	37,164,353	36,503,594
Non-current assets held for sale	35	24,989,685	-
Prepaid taxes	2s,9	11,413,219	9,379,589
Prepaid expenses	2i,10	3,758,125	4,066,007
Advance for purchase of shares of stock	17	1,380,823	30,080,481
Other current assets	18	160,194	1,682,237
Total Current Assets		821,446,130	1,144,662,180

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
NON-CURRENT ASSETS			
Other receivables	2g,2q,7,42		
Related parties	2e,39,41	142,600,440	101,615,237
Third parties - net of allowance for impairment of US$47,169 as of December 31, 2013 and US$52,506 as of December 31, 2012		1,532,380	4,505,896
Restricted cash in banks	2f,2q,11,39 41,42	7,834,751	10,898,277
Deferred tax assets - net	2s,34	42,600,507	59,541,169
Long-term investments	2e,2q,12,42	319,458,987	200,540,593
Investment in project	2q,13	30,324,414	30,324,414
Property, plant and equipment - net of accumulated depreciation and allowance for impairment of US$92,380,776 as of December 31, 2013 and US$81,627,315 as of December 31, 2012	2j,2k,2v, 14,31c,32	85,700,769	120,410,982
Mining properties - net of accumulated amortization and allowance for impairment of US$1,185,552 as of December 31, 2013 and US$204,682 as of December 31, 2012	16a	610,264	708,795
Exploration and evaluation assets	2l,2v,15	155,729,959	112,434,713
Oil and gas properties - net of accumulated depreciation, depletion, and amortization and allowance for impairment of US$927,464,165 as of December 31, 2013 and US$1,001,514,489 as of December 31, 2012	2c,2l,2p, 2v,16b,31c	902,468,908	849,387,645
Other assets - net	18,42	21,371,961	20,810,803
Total Non-current Assets		1,710,233,340	1,511,178,524
TOTAL ASSETS		**2,531,679,470**	**2,655,840,704**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

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PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	2q,24,39,41,42	60,000,000	60,000,000
Trade payables	2q,19,41,42		
Related parties	2e,39	359,576	69,936
Third parties		94,193,530	95,194,668
Other payables	2k,2q,20b,42	50,795,338	43,589,966
Taxes payable	2s,21	25,348,897	32,800,113
Liabilities directly associated with the non-current assets classified as held for sale	35	3,393,361	-
Accrued expenses and other provisions	2q,22,42	70,696,891	72,224,141
Post-employment benefits obligations - current portion	2o,38	449,582	9,153,439
Derivative liabilities	2q,2u,23,42	10,520,221	-
Current maturities of long-term debt	2q,42		
Bank loans	24,41	928,203	62,855,699
Medium-term notes	25	-	40,386,422
Rupiah bonds	25	80,768,414	-
Advances from customers - third parties	20a	12,599,877	15,897,995
Total Current Liabilities		410,053,890	432,172,379
NON-CURRENT LIABILITIES			
Long-term debt - net of current maturities	2q,42		
Related party	2e,25,39,41	130,947,913	125,735,136
Bank loans	24,41	374,867,214	654,384,407
Rupiah bonds	25	285,711,915	307,542,144
US Dollar bonds	25	98,466,256	99,334,607
Other payables	2k,2q,20b,42	9,698,707	13,849,625
Deferred tax liabilities - net	2s,34	99,150,300	90,167,043
Post-employment benefits obligations	2o,38	13,065,752	15,769,959
Derivative liabilities	2q,2u,23,42	162,135,400	17,985,673
Asset abandonment and site restoration obligations and other provisions	2p,46	50,825,708	55,675,546
Total Non-Current Liabilities		1,224,869,165	1,380,444,140
Total Liabilities		**1,634,923,055**	**1,812,616,519**

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PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012
EQUITY			
Capital stock - Rp100 par value per share			
Authorized - 4,000,000,000 shares			
Issued and fully paid - 3,332,451,450 shares	1b,27	101,154,464	101,154,464
Treasury stock - 390,454,500 shares	2n,27	-	(5,574,755)
		101,154,464	95,579,709
Additional paid-in capital	28	183,439,833	108,626,898
Effects of changes in equity transactions of subsidiaries/associated entities	29	107,870	107,870
Translation adjustments	2d	1,440,163	454,785
Fair value adjustment on cash flow hedging instruments	2u	(53,728,265)	(13,244,181)
Retained earnings			
Appropriated		6,492,210	6,492,210
Unappropriated		646,302,520	637,054,429
Total equity attributable to the equity holders of the parent company		885,208,795	835,071,720
Non-controlling interests	2b,26	11,547,620	8,152,465
Total Equity		**896,756,415**	**843,224,185**
TOTAL LIABILITIES AND EQUITY		**2,531,679,470**	**2,655,840,704**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
CONTINUING OPERATIONS			
SALES AND OTHER OPERATING REVENUES	2e,2r,30,39,40		
Net oil and gas sales		826,842,368	873,031,964
Revenue from coal		42,959,147	9,085,540
Revenue from services		16,719,719	17,842,472
Revenue from chemical and other petroleum products		2,426,172	4,422,632
TOTAL SALES AND OTHER OPERATING REVENUES		**888,947,406**	**904,382,608**
COST OF SALES AND OTHER DIRECT COSTS			
Production and lifting costs	2r,31a	(307,763,720)	(326,942,634)
Depreciation, depletion and amortization	2j,2l,14,16,31c	(101,609,714)	(82,776,970)
Cost of crude oil purchases	2r,31e	(44,378,789)	(43,166,575)
Cost of services	2r,31b	(29,717,463)	(24,408,947)
Coal production costs	2r,31f	(24,179,183)	(7,838,219)
Exploration expenses	2l,2r,31d	(14,079,817)	(17,306,526)
TOTAL COST OF SALES AND OTHER DIRECT COSTS		**(521,728,686)**	**(502,439,871)**
GROSS PROFIT		**367,218,720**	**401,942,737**
Selling, general and administrative expenses	2r,32	(121,485,761)	(141,593,062)
Finance costs	24,25	(77,083,376)	(95,352,726)
Loss on impairment of assets - net	6,7,14,16	(27,244,234)	(12,149,708)
Share of net income of associated entities - net	2e,12	4,554,295	1,188,018
Finance income		11,751,425	21,572,559
Gain on disposal of a subsidiary		-	5,362,723
Other income	33	49,676,093	25,319,919
Other expenses		(13,650,350)	(9,082,457)
PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS		**193,736,812**	**197,208,003**
INCOME TAX EXPENSE	2s,34	**(153,860,688)**	**(156,339,016)**

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PT MEDCO ENERGI INTERNASIONAL Tbk
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**39,876,124**	**40,868,987**
DISCONTINUED OPERATIONS			
LOSS AFTER INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	35	**(23,897,548)**	**(22,014,930)**
PROFIT FOR THE YEAR		**15,978,576**	**18,854,057**
OTHER COMPREHENSIVE INCOME			
Translation adjustments		985,378	478,642
Fair value adjustment on cash flow hedging instruments		(40,484,084)	(13,244,181)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(23,520,130)**	**6,088,518**
PROFIT ATTRIBUTABLE TO			
Equity holders of the parent company			
Profit for the year from continuing operations		36,480,969	34,608,218
Loss for the year from discontinued operations		(23,897,548)	(22,014,930)
Profit for the year attributable to owners of the parent company		12,583,421	12,593,288
Profit for the year from continuing operations attributable to non-controlling interests	2b,26	3,395,155	6,260,769
		15,978,576	**18,854,057**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in the Indonesian language.

(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the parent company			
Comprehensive income (loss) for the year from continuing operations		(3,017,737)	21,842,679
Comprehensive loss for the year from discontinued operations		(23,897,548)	(22,014,930)
Comprehensive loss for the year attributable to owners of the parent company		(26,915,285)	(172,251)
Comprehensive income for the year attributable to non-controlling interests	2b,26	3,395,155	6,260,769
		(23,520,130)	**6,088,518**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	2z,36	**0.0041**	**0.0043**

PT MEDCO ENERGI INTERNASIONAL Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

		Attributable to the equity holders of the parent company									
				Retained Earnings							
	Notes	Capital Stock	Additional Paid-in Capital	Appropriated	Unappropriated	Effect of Changes in Equity Transactions of Subsidiaries/ Associated Entities	Translation Adjustments	Fair Value Adjustment on Cash Flow Hedging Instruments	Total	Non-controlling Interests	Total Equity
Balance, December 31, 2011		**95,579,709**	**108,626,898**	**6,492,210**	**646,992,913**	**107,870**	**(23,857)**	**-**	**857,775,743**	**9,891,696**	**867,667,439**
Comprehensive income (loss) for the year		-	-	-	12,593,288	-	478,642	(13,244,181)	(172,251)	6,260,769	6,088,518
Cash dividends	37	-	-	-	(22,531,772)	-	-	-	(22,531,772)	-	(22,531,772)
Payment of cash dividends by a subsidiary		-	-	-	-	-	-	-	-	(8,000,000)	(8,000,000)
Balance, December 31, 2012		**95,579,709**	**108,626,898**	**6,492,210**	**637,054,429**	**107,870**	**454,785**	**(13,244,181)**	**835,071,720**	**8,152,465**	**843,224,185**
Comprehensive income (loss) for the year		-	-	-	12,583,421	-	985,378	(40,484,084)	(26,915,285)	3,395,155	(23,520,130)
Cash dividends	37	-	-	-	(3,335,330)	-	-	-	(3,335,330)	-	(3,335,330)
Sale of treasury stocks	27	5,574,755	74,812,935	-	-	-	-	-	80,387,690	-	80,387,690
Balance, December 31, 2013		**101,154,464**	**183,439,833**	**6,492,210**	**646,302,520**	**107,870**	**1,440,163**	**(53,728,265)**	**885,208,795**	**11,547,620**	**896,756,415**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole

These consolidated financial statements are originally issued in the Indonesian language.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
Cash Flows from Operating Activities			
Cash receipts from customers		923,326,504	968,082,910
Cash paid to suppliers and employees		(536,912,825)	(609,921,043)
Cash generated from operations		386,413,679	358,161,867
Income tax paid		(124,698,686)	(149,149,273)
Net cash provided by operating activities		**261,714,993**	**209,012,594**
Cash Flows from Investing Activities			
Additions to short-term investments	5	(115,000,000)	(143,690,189)
Proceeds from redemption of short-term investments	5	183,867,199	90,531,714
Additions to oil and gas properties	16	(154,528,904)	(161,171,764)
Addition to exploration and evaluation assets		(67,130,523)	(28,041,570)
Investment in shares of stock	44	(100,290,982)	(67,736,590)
Proceeds from dividend payment of associated entity	12	143,135	-
Additions to other assets		(1,538,483)	(1,943,176)
Acquisitions of property, plant and equipment	14	(5,984,016)	(52,796,573)
Increase in other receivables from related parties		(40,985,204)	(48,140,400)
Interest received		11,987,987	20,955,675
Proceeds from disposals of property and equipment		124,928	10,153,998
Advance payment		-	(31,762,718)
Proceeds from disposal of a subsidiary - net		-	9,396,007
Proceeds from redemption of investment in convertible bonds		-	11,878,871
Net cash used in investing activities		**(289,334,863)**	**(392,366,715)**
Cash Flows from Financing Activities			
Proceeds from:			
- Bank loans	24	110,000,000	252,224,879
- Other long-term debt	25	123,061,777	230,750,818
- Related party		5,214,374	50,704,500
Payments of:			
- Bank loans	24	(421,517,764)	(329,970,969)
- Other long-term debt	25	(41,450,000)	(119,651,633)
Proceeds from sale of treasury stock		80,387,690	-
Payment of financing charges		(77,992,144)	(91,317,218)
Withdrawal of (increase in) restricted cash in banks		(1,186,566)	28,013,957
Payment of cash dividends		(3,335,330)	(22,531,772)
Payment of cash dividends by a subsidiary		-	(8,000,000)
Net cash used in financing activities		**(226,817,963)**	**(9,777,438)**

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These consolidated financial statements are originally issued in the Indonesian language.

(Expressed in United States Dollars, unless otherwise stated)

	Notes	2013	2012 (As Restated - Note 35)
NET DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		**(254,437,833)**	**(193,131,559)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS		**(502,449)**	**11,222,673**
NET FOREIGN EXCHANGE DIFFERENCE		**(4,737,494)**	**1,609,493**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**523,651,774**	**703,951,167**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**263,973,998**	**523,651,774**

1. GENERAL

a. General Information

PT Medco Energi Internasional Tbk ("the Company") was established within the framework of the Domestic Capital Investment Law No. 6 Year 1968 as amended by Law No. 12 Year 1970, based on notarial deed No. 19 of Imas Fatimah, S.H., dated June 9, 1980. The deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its decision letter No. Y.A.5/192/4 dated April 7, 1981 and was published in State Gazette No. 102, Supplement No. 1020 dated December 22, 1981.

The Company's Articles of Association has been amended several times, the latest amendments of which were made to comply with the current Limited Liability Company Law No. 40 issued in 2007. The latest amendments were covered by notarial deed No. 33 dated August 8, 2008, which were approved by the Ministry of Law and Human Rights in its decision letter No. AHU-69951.AH.01.02 TH 2008 and were published in the State Gazette of the Republic of Indonesia No. 12 dated February 10, 2009, Supplement No. 4180/2009.

The Company is domiciled in Jakarta and its head office is located at 52^{nd} Floor, The Energy Building, SCBD lot 11A, Jl. Jenderal Sudirman, Jakarta 12190.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities comprises, among others, exploration for and production of oil and natural gas and other energy activities, onshore and offshore drilling, and investing (direct and indirect) in subsidiaries. The Company started its commercial operations on December 13, 1980.

The Company and its Subsidiaries ("the Group") have approximately 1,875 (unaudited) and 2,135 (unaudited) employees as of December 31, 2013 and 2012, respectively.

b. Company's Public Offering

The Company's shares of stock were initially offered to the public and listed on the Jakarta Stock Exchange (JSE) (now Indonesia Stock Exchange) on October 12, 1994. The Company's initial public offering of 22,000,000 shares with a par value of Rp1,000 per share, was approved for listing on September 13, 1994 by the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK, formerly Capital Market Supervisory Agency/BAPEPAM) in its letter No. S-1588/PM/1994.

The Company also made a Limited Public Offering I of a maximum of 379,236,000 shares which were approved for listing on November 16, 1999 by the Chairman of BAPEPAM-LK through letter No. S-2244/PM/1999. 321,730,290 new shares were issued and listed on the JSE on November 19, 1999.

As of December 31, 2013 and 2012, all of the Company's 3,332,451,450 shares are listed on the Indonesia Stock Exchange.

Encore International Ltd, incorporated in British Virgin Islands, is the ultimate holding company of the Group. The immediate holding company of the Group is Encore Energy Pte Ltd, a company incorporated in Singapore.

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

c. Boards of Commissioners and Directors, and Audit Committee

The members of the Company's Boards of Commissioners and Directors and Audit Committee as of December 31, 2013 and 2012 are as follows:

2013		2012	
President Commissioner	: Hilmi Panigoro	President Commissioner	: Hilmi Panigoro
Independent Commissioners	: Gustiaman Deru Marsillam Simandjuntak	Independent Commissioners	: Gustiaman Deru Marsillam Simandjuntak
Commissioners	: Yani Yuhani Rodyat Retno Dewi Arifin Junichi Iseda	Commissioners	: Yani Yuhani Rodyat Retno Dewi Arifin Mazayuki Mizuno
President Director	: Lukman A. Mahfud	President Director	: Lukman A. Mahfud
Directors	: Lany Djuwita Wong Frila Berlini Yaman Akira Mizuta	Directors	: Syamsurizal Frila Berlini Yaman Akira Mizuta Dasril Dahya
Chairman of Audit Committee	: Marsillam Simandjuntak	Chairman of Audit Committee	: Marsillam Simandjuntak
Members of the Audit Committee	: Jul Azmi Ida Anggrainy Sarwani	Members of the Audit Committee	: Hilmi Panigoro Gustiaman Deru Zulfikri Aboebakar Djoko Sutardjo

The Annual General Meeting of Stockholders (AGMS) held on April 26, 2013 approved the resignations of Mr. Mazayuki Mizuno as Commissioner and Mr. Syamsurizal as Finance Director. Furthermore, the AGMS approved the appointments of Mr. Junichi Iseda as Commissioner and Ms. Lany Djuwita Wong as Finance Director of the Company.

Based on the Board of Commissioners' resolution dated May 22, 2013, the Board of Commissioners has decided to discharge all of the previous Audit Committee members consisting of Mr. Marsillam Simandjuntak, Mr. Hilmi Panigoro, Mr. Gustiaman Deru, Mr. Zulfikri Aboebakar and Mr. Djoko Sutardjo and has appointed new Audit Committee members for the next five-year period starting on May 22, 2013 consisting of Mr. Marsillam Simandjuntak, Mr. Jul Azmi and Mrs. Ida Anggrainy Sarwani.

Effective on August 1, 2013, Mr. Dasril Dahya has resigned from his position as Director of Human Resources of the Company.

The total short-term compensation of the Commissioners and Directors amounted to US$5.7 million for the years ended December 31, 2013 and 2012, respectively. Severance payments paid to key management personnel for the year ended December 31, 2013 amount to US$1.1 million (no severance payments were made to the key management personnel for the year ended December 31, 2012).

d. Subsidiaries

i. As of December 31, 2013 and 2012, the Company has consolidated all of its subsidiaries in line with its accounting policy as described in Note 2b, "Principles of Consolidation". For disclosure purposes, only subholding entities or subsidiaries which are material in terms of total assets/liabilities and/or revenue/net income to the Company's consolidated financial statements are presented in the table below:

1. GENERAL (continued)

d. Subsidiaries (continued)

	Start of commercial operations	Date of exploration/ exploitation permit obtained	Effective percentage of ownership December 31, 2013	Effective percentage of ownership December 31, 2012	Total assets (before elimination) in millions December 31, 2013	Total assets (before elimination) in millions December 31, 2012
Exploration and production of oil and gas						
PT Medco E & P Tarakan [5] Indonesia	1992	Jan' 14, 2002	100.00	100.00	33.61	59.0
PT Medco E & P Kalimantan [4) 5)] Indonesia	1992	-	100.00	100.00	3.01	7.9
PT Medco E & P Indonesia [5] Indonesia	1995	Nov' 28,1993	100.00	100.00	399.6	591.9
PT Medco E & P Tomori Sulawesi [2) 5)] Indonesia	2005	Dec' 4,1997	100.00	100.00	166.66	288.8
PT Medco E & P Sembakung [5] Indonesia	2005	Dec' 22, 1993	100.00	100.00	12.55	22.0
Medco Far East Limited [2) 5)] Cayman Islands	Inactive	-	100.00	100.00	77.1	77.6
PT Medco E & P Simenggaris [5] Indonesia	2009	Feb' 24, 1998	100.00	100.00	47.9	29.5
PT Medco E & P Bengara [5] Indonesia	Exploration stage	Sept' 27, 1999	95.00	95.00	10.4	9.8
PT Medco E & P Lematang [5] Indonesia	2003	Apr' 6, 1987	100.00	100.00	101.3	154.0
Medco Energi Global Pte Ltd [1) 2) 12)] Singapore	Inactive	-	100.00	100.00	418.9	329.1
PT Medco CBM Sekayu [11] Indonesia	Exploration stage	May 27, 2008	100.00	100.00	8.8	4.5
PT Medco E & P Merangin [5] Indonesia	Explration stage	Oct' 14, 2003	100.00	100.00	0.14	0.6
PT Medco E & P Malaka [5] Indonesia	Exploration and development stage	Sept' 1, 1991	100.00	100.00	102.81	4.5
PT Medco E & P Rimau [5] Indonesia	2005	Apr' 23, 2003	100.00	100.00	266.10	495.9
PT Medco E & P Nunukan [5] Indonesia	Exploration stage	Dec' 12, 2004	100.00	100.00	4.9	4.5
PT Medco E & P Bangkanai [1) 5)] Indonesia	Exploration stage	-	100.00	100.00	13.4	13.1
Medco Bawean (Holdings) Pte Ltd [1) 5)] Singapore	2008	Feb' 12, 2011	100.00	100.00	84.6	98.4
Medco Yemen Malik Ltd [14] Yemen	2012	-	100.00	100.00	105.9	106.03
Mining						
PT Duta Tambang Rekayasa [21)**] Indonesia	-	2010	100.00	100.00	37.6	30.3
PT Duta Tambang Sumber Alam [21)**] Indonesia	-	-	100.00	100.00	0.78	0.70
Support services for oil and gas activities						
PT Exspan Petrogas Intranusa [1) 5)] Indonesia		1999	100.00	100.00	72.9	74.9
PT Medco Gas Indonesia [1) 5)] Indonesia		2009	100.00	100.00	18.4	18.4
Production and trading of chemicals						
PT Medco Downstream Indonesia [1) 2) 5)] Indonesia		2004	100.00	100.00	27.1	185.2
PT Medco Niaga Internasional [5] Indonesia		2006	100.00	100.00	0.3	0.8
Liquefied Natural Gas (LNG)						
PT Medco LNG Indonesia [5] Indonesia		2007	100.00	100.00	235.6	139.3

1. GENERAL (continued)

d. Subsidiaries (continued)

	Start of commercial operations	Date of exploration/ exploitation permit obtained	Effective percentage of ownership December 31, 2013	Effective percentage of ownership December 31, 2012	Total assets (before elimination) in millions December 31, 2013	Total assets (before elimination) in millions December 31, 2012
Others						
MEI Euro Finance Limited [2) 5)] Mauritius		2002	100.00	100.00	1.9	1.9
Medco CB Finance BV [2) 5) 22)] The Netherlands		2006	100.00	100.00	0.4	0.3
PT Medco Energi Mining Internasional [1) 5)] Indonesia		2009	100.00	100.00	40.04	35.6
Medco Straits Services Pte Ltd [1) 2) 5)] Singapore		2007	100.00	100.00	915.1	759.3

The subsidiaries that are not active, or not significant or owned indirectly by the Company in December 31, 2013 and 2012 are as follows:

	Date of exploration/exploitation permit obtained	Effective percentage of ownership December 31, 2013	Effective percentage of ownership December 31, 2012
Exploration and production of oil and gas			
Bangkanai Petroleum (L) Berhad [7)]	December 30, 2003	100.00	100.00
BUT Medco Madura Pty Ltd [5)]	-	51.00	51.00
PT Medco E & P Bawean [5)]	-	100.00	100.00
PT Medco E & P Madura [5)]	-	100.00	100.00
Medco Simenggaris Pty Ltd [5)]	-	100.00	100.00
PT Medco E & P Yapen [1) 5)]	-	100.00	100.00
Camar Bawean Petroleum Ltd [7)]	February 12, 2011	100.00	100.00
Perkasa Equatorial Sembakung Ltd [9)]	-	100.00	100.00
Exspan Cumi-cumi (L) Inc [8)]	-	100.00	100.00
Sulawesi E & P Limited [5) 22)]	-	100.00	100.00
Lematang E & P Limited [10)]	April 6, 1987	100.00	100.00
Medco Arabia [13)]	-	100.00	100.00
Medco International Services Pte Ltd [13)]	-	100.00	100.00

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

	Date of exploration/exploitation permit obtained	Effective percentage of ownership	
		December 31, 2013	December 31, 2012
Exploration and production of oil and gas			
Medco International Ventures Ltd [13)]	March 12, 2005	100.00	100.00
Medco Yemen Holding Ltd [1) 13)]	-	100.00	100.00
Medco Yemen Amed Ltd [14)]	April 13, 2008	100.00	100.00
Medco Yemen Arat Ltd [14)]	April 13, 2008	100.00	100.00
Medco Cambodia Holding Limited [13)]	-	100.00	100.00
Medco Cambodia Tonle Sap [15)]	September 2007	100.00	100.00
Medco International Enterprise Ltd [1) 13)]	-	100.00	100.00
Medco LLC [16)]	January 2006	68.00	68.00
Medco International Petroleum Ltd [13)]	July 2, 2007	100.00	100.00
Medco Energi USA Inc [1) 13)]	-	100.00	100.00
Medco Energi US LLC [16)]	*)	100.00	100.00
Medco Petroleum Management LLC [16)]	-	100.00	100.00
Medco Energi (BVI) Ltd [13)]	-	100.00	100.00
Support services for oil and gas activities			
PT Sistim Vibro Indonesia [18) 20)]		100.00	100.00
PT Medco Integrated Resources [18) 20)]		100.00	100.00
PT Medco Energi Gas Sumatra [19)]		100.00	100.00
PT Medco Energi CBM Indonesia [1) 5)]		100.00	100.00
PT Medco CBM Pendopo [11)]		100.00	100.00
PT Medco CBM Bengara [11)]		100.00	100.00
PT Medco CBM Lematang [11)]		100.00	100.00
PT Medco CBM Rimau [11)]		100.00	100.00
Medco Petroleum Services Ltd [12)]		100.00	100.00

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

	Effective percentage of ownership	
	December 31, 2013	**December 31, 2012**
Production and trading of chemicals		
PT Medco LPG Kaji [17)]	100.00	100.00
PT Medco Methanol Bunyu [17)]	100.00	100.00
PT Medco Ethanol Lampung [1) 17)]	100.00	100.00
PT Usaha Tani Sejahtera [3)]	100.00	100.00
PT Medco Services Indonesia [17)]	100.00	100.00
PT Bumi Agro Lampung [3)]	100.00	100.00
PT Medco Sarana Balaraja [5)]	100.00	100.00
PT Mahakam Raksa Buminusa [20)]	99.00	99.00
Petroleum Exploration & Production Int Ltd [1) 12)]	100.00	100.00
Synergia Trading International Pte Ltd [12)]	100.00	100.00
Fortico International Limited [10)]	100.00	100.00
PT Satria Raksa Buminusa [20)]	100.00	100.00
PT Musi Raksa Buminusa [20)]	100.00	100.00
PT Medco Energi Nusantara [5)]	100.00	100.00
PT International Power Venture [7) 22)]	100.00	100.00

1) and subsidiary/subsidiaries
2) 90%-95% of the assets are intercompany accounts within the Group which were eliminated in the consolidated financial statements
3) Medco Ethanol Lampung has sold its ownership in PT Usaha Tani Sejahtera and PT Bumi Agro Lampung to a Subsidiary of PT Medco Downstream Indonesia, PT Medco Services Indonesia, each in September and December 2012.
4) Technical Assistance Contract (TAC) of Kalimantan was relinquished in 2008
5) Subsidiary of PT Medco Energi Internasional Tbk
6) Subsidiary of PT Medco E & P Bangkanai
7) Subsidiary of Medco Bawean (Holding) Pte Ltd
8) Subsidiary of PT Medco E & P Kalimantan
9) Subsidiary of Medco Far East Limited
10) Subsidiary of Petroleum Exploration & Production Int Ltd
11) Subsidiary of PT Medco Energi CBM Indonesia
12) Subsidiary of Medco Strait Services Pte Ltd
13) Subsidiary of Medco Energi Global Pte Ltd
14) Subsidiary of Medco Yemen Holding Ltd
15) Subsidiary of Medco Cambodia Holding Ltd
16) Subsidiary of Medco Energi USA, Inc
17) Subsidiary of PT Medco Downstream Indonesia
18) Subsidiary of PT Exspan Petrogas Intranusa
19) Subsidiary of PT Medco Gas Indonesia
20) Subsidiary of PT Medco Sarana Balaraja
21) Subsidiary of PT Medco Energi Mining Internasional
22) In process of liquidation
*) Date of exploration/exploitation varied from 2005-2009
**) Date of exploration/exploitation permit is February 2, 2010
***) Date of exploration/exploitation permit is May 6, 2008

(Expressed in United States Dollars, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

ii. The Group has interests in the following overseas petroleum joint venture operations or Service Contracts/Participation and Economic Sharing Agreements as of December 31, 2013 and 2012:

Joint Venture	Country	Interest (%) 2013	2012
Brazos Block 437/451	USA	100.00	100.00
East Cameron (EC) 317/318 lease	USA	75.00	75.00
East Cameron (EC) 316	USA	100.00	100.00
Main Pass (MP) 64/65 lease	USA	75.00	75.00
Mustang Island Block 758	USA	66.25	66.25
West Delta 52	USA	53.84	53.84
Walker Ranch lease	USA	58.96	58.96
West Cameron 557	USA	100.00	100.00
Block E offshore*)	Cambodia	41.25	41.25
Block 12*)	Cambodia	52.50	52.50
Nimr - Karim Area	Oman	51.00	51.00
Block 47 Ghadames Basin	Libya	50.00	50.00
Block 82	Yemen	38.25	38.25
Block 83	Yemen	38.25	38.25
Block 9	Yemen	21.25	21.25

*) In process of relinquishment

iii. The Group has undertaken acquisitions and divestments of assets as disclosed in Note 44a.

iv. Medco Yemen Malik Limited was incorporated under the British Virgin Islands (BVI) Business Companies Act 2004, on February 7, 2012 with Registration No. 1694649 and with registered address in Palm Grove House P.O. Box 438 Road Town, Tortola, VG 1110 British Virgin Islands. Medco Yemen Malik Limited has an authorized capital stock of 50,000 shares, with no par value, and is one hundred percent (100%) owned by Medco Yemen Holding Limited.

v. Based on the Certificate of Company Incorporation No. ET-265735 dated January 19, 2012 by Joy A. Rankine, Company Registration Assistant of Cayman Islands, Medco Strait Services Pte Ltd established Medco Petroleum Services Ltd with a paid-up capital of US$50,000. The equity investment of Medco Strait Services Pte Ltd amounting to US$50,000 represents 100% share ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (SAK), which comprise the Statements of Financial Accounting Standards (PSAK) and Interpretations of Financial Accounting Standards (ISAK) issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants and the Regulations and the Guidelines on Financial Statements Presentation and Disclosures No. VIII.G.7 (Appendix to the Chairman of Bapepam-LK Decree No. Kep-06/PM/2000 dated March 13, 2000, as amended by the Chairman of Bapepam-LK Decree No. Kep-347/BL/2012 dated June 25, 2012) issued by Bapepam-LK.

As disclosed further in the relevant succeeding notes, other amended and issued accounting standards were adopted effective January 1, 2013, prospectively or retrospectively.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended December 31, 2012.

The consolidated financial statements have been prepared on the accrual basis using historical cost concept, except for certain accounts which are measured on the bases described in the relevant notes herein.

The consolidated statements of cash flows present cash receipts and payments classified into operating, investing and financing activities using the direct method.

The reporting currency used in the preparation of the consolidated financial statements is the United States Dollar (US Dollar), the Company's functional currency.

b. Principles of Consolidation

The Group adopts PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements". PSAK No. 4 (Revised 2009) provides the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and the accounting for investments in subsidiaries, jointly controlled entities and associated entities when separate financial statements are presented as additional information.

The consolidated financial statements include the accounts of the subsidiaries in which the Company has more than 50% share ownership, either directly or indirectly.

All material intercompany accounts and transactions, including unrealized gains or losses, if any, are eliminated to reflect the financial position and the results of operations of the Group as one business entity.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continues to be consolidated until the date such control ceases. Control is presumed to exist if the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

Control also exists when the parent company owns half or less of the voting rights of an entity when there is:

a. Power over more than half of the voting rights by virtue of an agreement with other investors;
b. Power to govern the financial and operating policies of the entity under a statute or an agreement;
c. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
d. Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Losses of a non-wholly owned subsidiary are attributed to the non-controlling interests (NCI) even if such losses result in a deficit balance for the NCI.

In case of loss of control over a subsidiary, the Group:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of the component previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

NCI represents the portion of the profit or loss and net assets of the subsidiaries attributable to equity interests that are not owned directly or indirectly by the Company, which are presented in the consolidated statements of comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

c. Business Combinations

The Group adopts PSAK No. 22 (Revised 2010), “Business Combinations”, which stipulates the nature of a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are directly expensed and included in “Selling, General and Administrative Expenses”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PSAK No. 55 (Revised 2011) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

d. Foreign Currency Transactions and Balances

The Group adopts PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", which describes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency. The Group considers the primary indicators and other indicators in determining its functional currency. If indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign Currency Transactions and Balances (continued)

The consolidated financial statements are presented in US Dollar, which is the Company's functional currency and the Group's presentation currency. Transactions during the year involving currencies other than US Dollar are recorded in US Dollars at the rates of exchange in effect on the date of the transactions.

At the reporting date, all monetary assets and liabilities denominated in currencies other than US Dollar are translated to US Dollar at the middle exchange rates prevailing on that date. The resulting net foreign exchange gains or losses are credited or charged to current operations.

For consolidation purposes, assets and liabilities of Subsidiaries which maintain their books/ accounts in Indonesian Rupiah and whose functional currency is Indonesian Rupiah, are translated into US Dollars using the rates of exchange prevailing at the reporting date, equity accounts are translated using historical rates of exchange, while revenues and expenses and cash flows are translated using average rates of exchange. The resulting foreign exchange differences are credited or charged to the account "Translation Adjustments", under the Equity section of the consolidated statements of financial position. For entities that maintain their books/accounts in Indonesian Rupiah and in Euro, but their functional currency is the US Dollar, for consolidation purposes, the accounts of these entities are remeasured into the US Dollar in order to reflect more closely their economic substance. The resulting foreign exchange differences are credited or charged to current operations.

As of December 31, 2013 and 2012, the rates of exchange used for significant foreign currency-denominated balances are as follows:

	2013	2012
Rupiah/US$1	0.000082	0.000103
Euro/US$1	1.3801	1.3247
Australian Dollar/US$1	0.8923	1.0368
Singapore Dollar/US$1	0.7899	0.8177
British Poundsterling/US$1	1.6488	1.6111
Japanese Yen 100/US$1	0.9531	1.1579

Certain Subsidiaries maintain their books in Indonesian Rupiah and remeasure their books into their functional currencies for the purpose of preparing the consolidated financial statements.

Such Subsidiaries remeasure their non-monetary assets and liabilities into their functional currencies using historical rates, while monetary assets and liabilities are translated into functional currencies using the current exchange rate at the statement of financial position date.

Revenues and expenses are remeasured into functional currencies using the original functional currencies amount or using weighted average exchange rates every month which approximate the exchange rates prevailing at the date of transactions. Foreign exchange gains or losses from the remeasurement process are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Transactions with Related Parties

The Group adopts PSAK No. 7 (Revised 2010), “Related Party Disclosures”, which requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, and also applies to individual financial statements.

A party is considered to be related to the Group if:

a. directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or, (iii) has joint control over the Group;
b. the party is an associate of the Group;
c. the party is a joint venture in which the Group is a venturer;
d. the party is a member of the key management personnel of the Group or its parent;
e. the party is a close member of the family of any individual referred to in (a) or (d);
f. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g. the party is a post-employment benefit plan for the benefit of employees of the Group or of any entity that is a related party of the Group.

The transactions are made based on terms agreed by the parties. Such terms may not be the same as those of the transactions between unrelated parties.

All significant transaction and balances with related parties are disclosed in the notes to the consolidated financial statements.

f. Cash Equivalents

Time deposits and other short-term investments with a maturity date of three months or less at the time of placement which are not used as collateral or are not restricted as to use, are classified as “Cash Equivalents”.

Restricted cash in banks which will be used to pay currently maturing obligations is presented under current assets. Other current accounts and time deposits which are pledged or restricted as to use are presented under non-current assets.

g. Allowance for Impairment of Receivables

An allowance for impairment of receivables is provided based on a review of the status of the individual receivable accounts at the end of the year.

h. Inventories

Inventories of crude oil, coal, chemicals and other petroleum products, spare parts and supplies used for operations are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method or the average method. Allowance for decline in value and obsolescence of inventories is provided based on a review of the individual inventory items at the end of the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

j. Property, Plant and Equipment

The Group adopts PSAK No. 16 (Revised 2011), "Property, Plant and Equipment", which impacts the recognition of assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Property, plant and equipment acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair values unless:
(i) The exchange transactions lack commercial substance, or
(ii) The fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired assets are measured this way even if the Group cannot immediately derecognize the assets given up. If the acquired assets cannot be reliably measured at fair value, their fair value is measured at the carrying amount of the assets given up.

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

	Years
Buildings and land improvements	20
Machinery	8 - 20
Control panel equipment	4 - 20
Drilling rigs and equipment	8 - 16
Telecommunication equipment	5
Vehicles	4 - 10
Leasehold improvements	3 - 8
Office and other equipment	3 - 5
Aircraft	20

Land is stated at cost and is not depreciated.

An item of property, plant and equipment is derecognized from the consolidated statement of financial position upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Property, Plant and Equipment (continued)

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial reporting date.

Construction in progress is stated at cost. The accumulated costs are reclassified to the appropriate property, plant and equipment accounts when the construction is substantially completed and the asset is ready for its intended use.

k. Assets under Finance Lease

The Group adopts PSAK No. 30 (Revised 2011), "Leases". Based on this revised PSAK, when a lease includes both land and building elements, an entity should assess the classification of each element separately as finance or operating lease. As the result of separate assessment performed by an entity by considering the comparison between the lease period and the economic life which is reassessed from each element and other relevant factors, each element may result in a different classification of lease.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Group as lessee

Under a finance lease, the Group recognizes assets and liabilities in its consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred. Finance charges are reflected in profit or loss. Capitalized leased assets (presented under the account property, plant and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Under an operating lease, the Group recognizes lease payments as an expense on the straight-line method over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Assets under Finance Lease (continued)

The Group as lessor

Under an operating lease, the Group presents assets subject to operating leases in its consolidated statement of financial position according to the nature of the asset. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases is recognized as income on the straight-line method over the lease term.

Under a finance lease, the Group recognizes an asset in the form of finance lease receivable in its consolidated statement of financial position in the amount of the net investment in finance lease which is the aggregate amount of (i) the minimum lease payments to be received by the lessor under the finance lease and (ii) unguaranteed residual value which becomes a right of the lessor, discounted at interest rate implicit in the lease. The difference between the net investment in finance lease and the gross investment in finance lease (representing the aggregate amount of the minimum lease payments to be received by the lessor under the finance lease and unguaranteed residual value which becomes the right of the lessor) is allocated as finance income over the term of the lease so as to produce a constant periodic rate of return on the net investment.

Gain or loss on sale-and-leaseback transactions where the leaseback is a finance lease, is deferred and amortized using the straight-line method over the lease term.

l. Oil and Gas Properties and Mining Properties

The costs of drilling development wells and development-type stratigraphic test wells, platforms, well equipment and attendant production facilities, are capitalized as uncompleted wells, equipment and facilities. Such costs are transferred to wells and related equipment and facilities upon completion.

Depreciation, depletion and amortization of oil and gas properties, except uncompleted wells, equipment and facilities, is calculated based on the unit-of-production method, using the gross production divided by gross proved developed reserves. Depreciation for support facilities and equipment is calculated using straight-line method over 4 (four) to 20 (twenty) years.

The Subsidiaries engaged in oil and gas exploration and production apply PSAK No. 64, “Exploration and Evaluation of Mineral Resources”. Under this PSAK, exploration and evaluation expenditures including geological and geophysical costs, costs of drilling exploratory wells, including the costs of drilling exploratory-type stratigraphic test wells, and other costs in relation to evaluating the technical feasibility and commercial viability of extracting oil and gas are capitalized and presented separately as Exploration and Evaluation Assets in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Oil and Gas Properties and Mining Properties (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of such assets may exceed their recoverable amount (Note 2v). Exploration and evaluation assets are reclassified to oil and gas properties when technical feasibility and commercial viability of extracting oil and gas are demonstrable.

The Subsidiaries engaged in coal mining also adopt PSAK No. 64, " Exploration and Evaluation of Mineral Resources".

The costs incurred before the acquisition of mining license are expensed when incurred.

The expenditures for exploration and evaluation activities are capitalized and recognized as "Exploration and Evaluation Assets" for the mining area (area of interest) when the mining licenses are acquired and still valid and : (i) the expenditures for exploration and evaluation activities are expected to be recovered through the successful development and exploitation of the mining area, or (ii) when the exploration activities in the mining area have yet to determine the technical feasibility and commercial viability of extracting the coal reserves and the activities are still active and significant in the related area of mining (area of interest). Those expenditures consist of general inspection, licenses and administration, geological and topographical studies, exploration drilling and evaluation costs incurred to explore, find, and evaluate proven coal reserves in the area of mining within a certain period of time set forth in the applicable regulation. After the initial recognition, the evaluation and exploration assets are measured at cost and classified as tangible assets, except when these assets meet the criteria for recognition as intangible assets.

The recoverability of exploration and evaluation assets depends on the successful development and commercial exploitation in such area (area of interest). Exploration and evaluation assets are tested for impairment if certain facts and circumstances indicate that the carrying amount of the assets may exceed the recoverable value. In such conditions, the entity must measure, present and disclose the impairment loss as required under PSAK No. 48 (Revised 2009), "Impairment of Assets".

The exploration and evaluation assets are transferred to "Mining Development" in the "Mining Properties" account after the mining area is determined to have commercial reserves for further development.

m. Intangible Assets

Cost to acquire and prepare software for use is recorded as intangible asset and amortized over four (4) to five (5) years using the straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Treasury Stock

Reacquisition of capital stock to be held as treasury stock for future reissuance is accounted for under the par value method. Under this method, the par value of treasury stock is presented as a reduction from the capital stock account. If the treasury stock had been originally issued at a price above par value, the related additional paid-in capital account is adjusted. Any excess of the reacquisition cost over the original issuance price is adjusted to retained earnings.

o. Pension and Other Post-employment Benefits

The Group applies PSAK No. 24 (Revised 2010), “Employee Benefits”.

i. Defined Contribution Pension Plan

Subsidiaries involved in oil and gas exploration and production have established defined contribution pension plans covering all of their local permanent employees. The plans are funded by contributions from both the subsidiaries and their employees based on a certain percentage of the employees’ salaries.

The costs of the defined contribution plans are accrued when incurred.

ii. Labor Law No. 13/2003 and Other Post-employment Benefits

The Group recognizes post-employment benefit liabilities for its employees in accordance with the requirements of Labor Law No. 13 Year 2003 and for its key management personnel in accordance with the Group policy.

The cost of providing post-employment benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, if any. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees. Furthermore, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the years until the benefits concerned become vested.

p. Asset Abandonment and Site Restoration Obligation

The Group recognizes its obligations for future dismantlement and transfer of assets, and site restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provisions in the production sharing contracts or in line with applicable regulations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Asset Abandonment and Site Restoration Obligation (continued)

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

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

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

The Group also adopts PSAK No. 33 (Revised 2011), “Stripping Activity and Environmental Management in Mining”.

The costs related to restoration, rehabilitation and environment which occurred in the production phase are expensed as part of production cost.

The Group has certain obligations to restore and rehabilitate its mining areas as well as withdrawal of its assets after the completion of production. In determining the existence of such liability, the Group refers to the liability recognition criteria in accordance with applicable accounting standards. The obligation is calculated using the unit-of-production method throughout the useful life of the mine in order to determine the sufficient amount for such obligations after the completion of production stage. Changes in estimated costs of environmental restoration are prospectively recognized over the remaining useful life of the mine.

Stripping costs are expensed as cost of production based on the average stripping ratio over the mine’s useful life. If the actual stripping ratio exceeds the average ratio of covered soil over the mine’s useful life, the excess stripping costs are capitalized as deferred stripping cost as part of mining properties. Collectively, these assets reflect the combined investment in the relevant cash-generating units, which are tested for impairment when events and circumstances indicate that the carrying amount may not be recovered.

Change in the average stripping ratio is a change in estimate and is applied prospectively. The balance of deferred stripping costs are expensed as cost of production in the period/year when the actual stripping ratio is smaller than the estimated stripping ratio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Asset Abandonment and Site Restoration Obligation (continued)

The Group adopts:

i. PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”, which aims to provide the appropriate recognition criteria and measurement bases that are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to the financial statements to enable the users to understand the nature, timing and amount related to the information.

ii. Interpretation of Statement of Financial Accounting Standards (ISAK) No. 9, “Changes in Existing Decommissioning, Restoration and Similar Liabilities”, which applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognized as part of the cost of an item of property, plant and equipment in accordance with PSAK No. 16 and as a liability in accordance with PSAK No. 57.

q. Financial Instruments

The Group adopts PSAK No. 50 (Revised 2010), “Financial Instruments: Presentation and Disclosure”, PSAK No. 55 (Revised 2011), “Financial Instruments: Recognition and Measurement”, and PSAK No. 60, “Financial Instruments: Disclosure”.

PSAK No. 50 (Revised 2010) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity’s future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK No. 55 (Revised 2011) established the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

Financial assets within the scope of PSAK No. 55 (Revised 2011) are classified into four types: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets.

PSAK No. 60 requires disclosure of significance of financial instruments for financial position and performance, and the nature and extent of risks arising from financial instruments to which the Group is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets

Initial recognition

The Group determines the classification of its financial assets at initial recognition and, if allowed and appropriate, re-evaluates the classification of those assets at each financial reporting date.

Financial assets are recognized initially at fair value of the consideration given plus, in the case of financial assets not classified at fair value through profit or loss, directly attributable transaction cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as assets at fair value through profit or loss upon initial recognition.

  Derivative assets are classified as held for trading unless they are designated as effective hedging instruments.

  Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with gains or losses from changes in fair value recognized in profit or loss.

  Short-term investments and derivative assets are classified under this category.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not quality as assets for trading, and have not been designated “at fair value through profit or loss”, as “available-for-sale” or as “held-to-maturity” investments.

  After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains or losses are recognized in profit or loss when the loan and receivable is derecognized or impaired, as well as through the amortization process.

  The Group has cash and cash equivalents, restricted cash in banks, trade and other receivables under this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Subsequent measurement (continued)

- Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payment and fixed maturity other than loans and receivables, for which there is a positive intention and ability to hold to maturity and which have not been designated as at fair value through profit or loss or as available-for-sale.

- Available-for-sale (AFS) financial assets

  AFS financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholders' equity in the consolidated statement of financial position. When the asset is derecognized, the cumulative gain or loss previously recorded in the shareholders' equity shall be recognized in profit or loss.

  The investments classified as AFS are as follows:

- Investments in shares of stock that do not have readily determinable fair value in which the equity interest is less than 20% and other long-term investments which are carried at cost.

- Investments in equity shares that have readily determinable fair value in which the equity interest is less than 20% are recorded at fair value.

The Group does not have any financial assets under this category as of December 31, 2013 and 2012.

Derecognition of financial assets

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

i. The contractual rights to receive cash flows from such financial asset have expired; or

ii. The Group retains the right to receive cash flows from such financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

iii. The Group has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an “incurred loss event”) and that loss event has an impact on the estimated future cash flows from the financial asset or the group of financial assets that can be reliably estimated.

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a ”loans and receivables” financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

  The carrying amount of the financial asset is reduced through the use of an allowance for impairment account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Assets (continued)

Impairment of financial assets (continued)

- AFS financial assets

  In the case of equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

  Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is reclassified from shareholders' equity to profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in shareholders' equity.

  In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest Income" account in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2011) are classified as financial liabilities at fair value through profit or loss and other financial liabilities that are not held for trading or not designated at fair value through profit or loss.

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at the fair value of the consideration received and, in the case of loans and borrowings, less directly attributable transaction cost.

The Group's financial liabilities consist of trade and other payables, accrued expenses, bank loans, long-term liabilities and derivative liabilities.

Subsequent measurement

The measurement of financial liabilities depends on the classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Financial Liabilities (continued)

Subsequent measurement (continued)

Financial liabilities are classified as held for trading if they are acquired for the purposes of selling or repurchasing in the near term. Derivatives liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At financial reporting date, the accrued interest is recorded separately from the respective principal amount of loans as part of current liabilities. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently an enforceable legal right to set off the recognized amounts and there is an intention either to settle on a net basis, or to realize the assets and the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at each reporting date.

For financial instruments where there is no active market, fair value is determined using valuation techniques permitted by PSAK No. 55 (Revised 2011), which may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

Credit risk adjustment

The Group adjusts the price in the observable market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Group's own credit risk associated with the instrument is taken into account.

r. Revenue and Expense Recognition

The Group applies PSAK No. 23 (Revised 2010), “Revenue”. PSAK No. 23 (Revised 2010) identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition.

Revenue from sales of crude oil and gas is recognized upon delivery to the customer. For lifting imbalances with the Government, wherein the volume of oil lifted is less/greater than the Group entitlement, a receivable or payable is accrued.

Revenues from drilling and other related services are recognized when the service is rendered. Mobilization revenue is recognized when the rig has arrived in the drilling area and is ready to operate. Demobilization revenue is recognized when the drilling service has been completed and the rig has been moved from the last well drilled.

Revenue from sales of chemical and other petroleum products is recognized upon delivery to the customer.

Revenue from chemical and oil and gas products is recognized when the goods are delivered to the customer.

Revenue from coal is recognized when the following conditions are met:

- The Group has transferred the significant risks and rewards of ownership of coal to the customer;
- The Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the coal sold;
- The amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in relation to the sales transaction can be measured reliably.

The fulfillment of the above conditions depends on the requirements of the respective selling terms and conditions of the customer. In certain instances, the coal sales recognized depend on the adjustments made by the customer based on its inspections of the coal shipments. In this case, the sale is recognized based on the Group's best estimate on the quality and/or quantity at the time of delivery, and subsequent adjustments are recorded in profit or loss. Historically, the difference between estimated and/or actual quality and quantity is insignificant.

Other income/revenues are recognized when earned.

Expenses are recognized as incurred on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Income Tax

The Group adopts PSAK No. 46 (Revised 2010), "Income Taxes", which prescribes the accounting treatment for income tax to account for the current and future tax consequences of the recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the consolidated statements of financial position and transactions and other events of the current year that are recognized in the consolidated financial statement. This revised PSAK also prescribes an entity to record the underpayment/overpayment of income tax as part of "Current Tax" in the consolidated statement of comprehensive income.

Current tax

Income tax expense represents the sum of the corporate income tax currently payable and deferred tax.

Current tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Taxable profit is different from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the financial and the tax bases of assets and liabilities at the financial reporting date.

Deferred tax assets are recognized for all deductible temporary differences and accumulated tax losses that have not been utilized, if taxable income is likely to be available so that the temporary differences can be deducted and the unutilized tax losses can be utilized.

Deferred tax liabilities and deferred tax assets (if they meet the criteria) are recognized for temporary differences associated with investments in subsidiaries and associates, unless the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to enable some or all of the benefits of the deferred tax assets to be realized. Deferred tax assets that have not been recognized previously are reviewed at each reporting date and recognized to the extent that it has become probable that sufficient taxable income will be available to enable the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to apply to the year when the assets are realized and liabilities are settled based on the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Income Tax (continued)

Deferred tax (continued)

Changes in the carrying value of deferred tax assets and liabilities due to changes in tax rates are charged in the current year, except for transactions that were previously charged or credited directly to equity.

Deferred tax relating to transactions recognized in other comprehensive income or directly in equity, is recorded in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to off-set deferred tax assets against deferred tax liabilities and the deferred tax assets and liabilities pertain to the same entity, or the Group intends to settle its deferred tax assets and liabilities on a net basis.

Subsidiaries involved in oil and gas exploration and production in Indonesia are subject to income tax at rates ranging from 36% to 48%.

Subsidiaries involved in oil and gas exploration and production outside Indonesia are subject to various corporate income tax rates, up to a maximum rate of 50%.

Subsidiaries involved in non-oil and gas activities in Indonesia are subject to corporate income tax at 25%.

t. Capitalization of Borrowing Costs and Foreign Exchange Losses

In accordance with PSAK No. 26 (Revised 2011), “Borrowing Costs”, interest charges and foreign exchange differences (to the extent such differences constitute an adjustment of interest) and other costs incurred on borrowings to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the construction or installation is substantially completed and the asset is ready for its intended use.

u. Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments such as cross currency interest rate swaps, foreign currency forward contracts and cross-currency swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group applies hedge accounting to hedging transactions that meet the criteria for hedge accounting.

For the purpose of hedge accounting, hedges are classified as fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Derivative Financial Instruments and Hedge Accounting (continued)

Cash flow hedge

Cash flow hedge is used to hedge the exposure to variability in cash flows that is attributable to foreign currency risk or interest rate risk associated with a recognized asset or liability.

The effective portion of the gain or loss on the cash flow hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss.

The Company entered into cross-currency swap contracts that are used as a hedge for the exposure to changes in cash flows relating to interest payments and bonds repayment due to changes in foreign exchange rates. Such swap contracts are accounted for under hedge accounting.

v. Impairment of Asset Value

The Group applies PSAK No. 48 (Revised 2009) “Impairment of Assets”, which prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is considered impaired and PSAK No. 48 (Revised 2009) requires the entity to recognize an impairment loss. PSAK No. 48 (Revised 2009) also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Group assesses at end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of the asset’s or CGU’s fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in profit or loss as “impairment losses”. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation techniques or other available fair value indicators.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses of continuing operations, if any, are recognized in profit or loss under expense categories that are consistent with the functions of the impaired assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Impairment of Asset Value (continued)

An assessment is made at end of each reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in profit or loss. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Impairment losses relating to goodwill cannot be reversed in future periods.

w. Accounting for Restructuring of Entities Under Common Control

Effective on January 1, 2013, the Group adopts PSAK No. 38 (Revised 2012), "Business Combination between Entities Under Common Control", which prescribes the accounting treatment for business combination transactions between entities under common control. PSAK No. 38 (Revised 2012) supersedes PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

The scope of PSAK No. 38 (Revised 2012) is confined only to the accounting treatment by an acquirer and acquiree, in business combination of commonly controlled entities, clearly excluding any other types of transactions between them.

Under PSAK No. 38 (Revised 2012), since the business combination of entities under common control does not result in a change of the economic substance of the ownership of assets, liabilities, shares or other instruments of ownership which are exchanged, the assets or liabilities transferred are recorded at book values as a business combination using the pooling of interests method.

In applying the pooling of interests method, the components of the financial statements for the period when the business combination occurred and for any comparative periods, are presented as if the entities have been combined from the period in which the merging entities were placed under common control. The difference between the carrying values of investments at the effective date and the transfer price is recognized as additional paid-in capital.

The new PSAK No. 38 (Revised 2012) is applied prospectively. The balance of the "Difference in Value from Restructuring Transactions between Entities Under Common Control" under the superseded PSAK No. 38 (Revised 2004) will be presented in equity as additional paid-in capital on the initial application of the revised standard and should not be accounted for in profit or loss nor reclassified to retained earnings.

The adoption of PSAK No. 38 (Revised 2012) did not have a significant impact on the consolidated financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Joint Venture

The Group applies PSAK No. 12 (Revised 2009), "Financial Reporting of Interests in Joint Ventures". The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and gain from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associated entity.

y. Segment Information

The Group applies PSAK No. 5 (Revised 2009), "Operating Segments", which requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.

A segment is a distinguishable component of the Group that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets, and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intragroup balances and intragroup transactions are eliminated.

In accordance with the Group's organizational and management structure, the primary segment reporting of financial information is presented based on business segment as the risks and returns are dominantly affected by the different business activities. The secondary segment reporting is defined based on geographical location of the Group's business activities.

z. Earnings per Share

The Group applies PSAK No. 56 (Revised 2011), "Earnings per Share", which requires performance comparisons between different entities in the same period and beween different reporting periods for the Group.

Diluted earnings per share is computed by dividing net income by the weighted-average number of shares outstanding as adjusted for the effects of all potential dilutions.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

The following judgments are made by management in the process of applying the Group's accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements:

Income Tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognizes liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due.

Classification of Financial Assets and Liabilities

The Group determines the classifications of certain assets and liabilities as financial assets and liabilities if they meet the definition set forth in PSAK No. 55 (Revised 2011) based on the Group's judgment.

Accordingly, the financial assets and liabilities are accounted for in accordance with the Group's accounting policies disclosed in Note 2q.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes in the assumptions are reflected when they occur.

Purchase Price Allocation and Goodwill Impairment

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the reliable fair market values of the assets and liabilities purchased, including intangible assets. Under PSAK No. 22 (Revised 2010), "Business Combinations", goodwill is not amortized and is subject to an annual impairment testing.

Impairment test is performed when certain impairment indicators are present. In case of goodwill, such asset is subject to annual impairment test and whenever there is an indication that such asset may be impaired; management uses its judgment in estimating the recoverable value and determining the amount of impairment.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Allowance for Impairment of Receivables

The Group evaluates specific accounts where it has information that certain customers and debtors are unable to meet their financial obligations. In these cases, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer or debtor and or the customer's or debtor's current credit status based on third party credit reports and known market factors, to record specific provisions for customers or debtors against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment of receivables. The carrying amounts of the Group's trade receivables before allowance for impairment as of December 31, 2013 and 2012, are US$148,004,259 and US$147,273,793, respectively. Further details are presented in Note 6 to the consolidated financial statements. The carrying amounts of the Group's other receivables before allowance for impairment as of December 31, 2013 and 2012 inclusive of current and non-current portions, are US$231,716,897 and US$213,786,226, respectively. Further details are presented in Note 7 to the consolidated financial statements.

Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually, while other non-financial assets are tested for impairment when there are indicators that carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Pension and Other Post-Employment Benefits

The determination of the Group's obligations and cost for pension and other post-employment benefits is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Group believes that its assumptions are reasonable and appropriate, due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. The carrying amounts of the Group's estimated liabilities for post-employment benefits as of December 31, 2013 and 2012 are US$13,065,752 and US$15,769,959, respectively. Further details are disclosed in Note 38 to the consolidated financial statements.

Depreciation of Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 20 years. These are common expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amounts of the Group's property, plant and equipment as of December 31, 2013 and 2012 are US$85,700,769 and US$120,410,982, respectively. Further details are disclosed in Note 14 to the consolidated financial statements.

(Expressed in United States Dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions (continued)

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Allowance for Decline in Value and Obsolescence of Inventories

Allowance for decline in value and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amounts of the Group's inventories before allowance for obsolescence and decline in value as of December 31, 2013 and 2012 are US$43,775,056 and US$43,472,668, respectively. Further details are disclosed in Note 8 to the consolidated financial statements.

Asset Abandonment and Site Restoration Obligations

The Group has recognized provision for asset abandonment and site restoration obligations associated with its oil and gas wells, facilities and infrastructure. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove all the structures from the site and restore the site. The carrying amounts of the provision as of December 31, 2013 and 2012 are US$50,825,708 and US$55,675,546, respectively. Further details are disclosed in Note 46 to the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2013	2012
Cash on hand	44,081	86,239
Cash in banks		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	1,697,788	7,045,315
United States Dollar		
PT Bank Himpunan Saudara 1906 Tbk	3,475,149	23,465,320
Third parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk	1,453,062	8,292,605
PT Bank Negara Indonesia (Persero) Tbk	1,053,825	788,910
PT Bank Internasional Indonesia Tbk	275,141	336,343
PT Bank CIMB Niaga Tbk	200,464	215,446
Citibank, NA	191,189	354,914
Others	63,211	118,110

(Expressed in United States Dollars, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

	2013	2012
Cash in banks (continued)		
Third parties (continued)		
United States Dollar		
PT Bank Negara Indonesia (Persero) Tbk	37,138,666	36,258,481
PT Bank Mandiri (Persero) Tbk	33,250,639	2,622,793
PT Bank Danamon Indonesia Tbk	25,422,965	70,746,271
Muscat Bank	19,899,762	8,088,699
Standard Chartered Bank	15,000,039	39,405,382
Bank of Tokyo Mitsubishi - UFJ	5,265,078	41,055,280
PT Bank CIMB Niaga Tbk	4,969,572	2,185,195
Capital One	4,371,282	3,534,929
Citibank, NA	3,795,691	4,852,698
Libyan Foreign Bank	2,090,023	2,090,023
PT Bank DBS Indonesia	1,388,272	345,656
PT Bank Internasional Indonesia Tbk	1,271,527	1,097,316
Cooperative and Agricultural Credit Bank	1,049,544	546,134
Bank of Commerce and Development (BOCD)	951,960	951,960
Morgan Stanley & Co International PLC	563,653	-
PT Bank Central Asia Tbk	7,406	5,054,886
Bank Julius Baer & Co Ltd	-	769,996
Others (each below US$500,000)	702,621	1,274,140
Other foreign currencies	300,335	305,493
Sub-total - cash in banks	165,848,864	261,802,295
Cash equivalents		
Time deposits		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	2,420,215	9,320,770
United States Dollar		
PT Bank Himpunan Saudara 1906 Tbk	45,264,395	23,000,000
Third parties		
Rupiah		
PT Bank Muamalat Indonesia Tbk	-	1,155,739
United States Dollar		
PT Bank DKI	10,000,000	10,000,000
PT Bank QNB Kesawan Tbk	10,000,000	-
PT Bank UOB Buana Tbk	5,010,712	40,000,000
PT Bank DBS Indonesia	5,000,000	60,000,000
PT Bank Muamalat Indonesia Tbk	5,000,000	25,000,000
PT Bank Bukopin Tbk	5,000,000	10,000,000
PT Bank Permata Syariah	5,000,000	-
Barclays Bank PLC	3,094,761	435,064
UBS AG	2,290,970	2,285,624
PT Bank ICBC Indonesia	-	40,053,094
PT Bank Rakyat Indonesia (Persero) Tbk	-	30,000,000
PT Bank CIMB Niaga Tbk	-	10,000,000
PT Bank Negara Indonesia (Persero) Tbk	-	100,000

(Expressed in United States Dollars, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

	2013	2012
Cash equivalents (continued)		
Time deposits (continued)		
Third parties (continued)		
Others	-	412,949
Sub-total - cash equivalents	98,081,053	261,763,240
Total	**263,973,998**	**523,651,774**
Interest rate per annum		
Time deposits		
Rupiah	5.00% - 8.75%	3.50% - 9.25%
United States Dollar	0.05% - 3.75%	0.05% - 3.25%

5. SHORT-TERM INVESTMENTS

This account consists of:

	2013	2012
Marketable securities - for trading		
Rupiah		
Mutual fund units	2,926,250	3,919,455
Bonds	324,258	430,972
United States Dollar		
Managed funds	250,186,644	307,317,585
Total	**253,437,152**	**311,668,012**

The marketable securities for trading (bonds) earned interest for the years ended December 31, 2013 and 2012 at rates ranging from 7.35% to 10.85% per annum.

Investments in managed funds comprise of shares of publicly-listed companies, fixed income/notes payable, money market and other financial instruments. For the year ended December 31, 2013, gain from short-term investments amounted to US$9.3 million (December 31, 2012: gain of US$10.1 million).

(Expressed in United States Dollars, unless otherwise stated)

6. TRADE RECEIVABLES - Net

The details of this account are as follows:

a. By Customer

	2013	2012
Related parties		
Petro Diamond Singapore Pte Ltd	18,923,991	32,636,901
PT Medco Sarana Kalibaru	32,793	64,216
PT Api Metra Graha	25,738	-
Sub-total	18,982,522	32,701,117
Third parties		
Local customers	75,907,431	33,758,871
Foreign customers	53,114,306	80,813,805
Sub-total	129,021,737	114,572,676
Allowance for impairment	(4,369,739)	(144,495)
Net	124,651,998	114,428,181
Total	**143,634,520**	**147,129,298**

b. By Aging Category

	2013	2012
Not yet due	40,511,104	39,399,658
1 - 30 days past due	95,986,253	88,129,194
31 - 60 days past due	1,976,630	12,644,614
61 - 90 days past due	4,301,966	6,677,127
91 - 120 days past due	13,424	136,404
More than 120 days past due	5,214,882	286,796
Total	148,004,259	147,273,793
Allowance for impairment	(4,369,739)	(144,495)
Net	**143,634,520**	**147,129,298**

c. By Currency

	2013	2012
United States Dollar	143,445,452	146,839,842
Rupiah	4,558,807	433,951
Total	148,004,259	147,273,793
Allowance for impairment	(4,369,739)	(144,495)
Net	**143,634,520**	**147,129,298**

(Expressed in United States Dollars, unless otherwise stated)

6. TRADE RECEIVABLES - Net (continued)

The changes in the allowance for impairment are as follows:

	2013	2012
Balance at beginning of year	144,495	3,790,311
Provision during the year	4,225,244	144,495
Write-off during the year	-	(3,790,311)
Balance at end of year	**4,369,739**	**144,495**

Management believes that there are no significant concentrations of credit risk involving third party receivables.

Based on the review of the status of the individual receivable accounts at the end of the year, management is of the opinion that the allowance for impairment of receivables is adequate to cover possible losses on uncollectible accounts.

As of December 31, 2013, trade receivables substantially consist of receivables from Petroleum Development Oman LLC and Petro Diamond Pte Ltd representing 21% and 13%, respectively, of the total trade receivables.

7. OTHER RECEIVABLES - Net

This account consists of:

a. By Party/Nature

	2013	2012
Related parties		
PT Donggi Senoro LNG	142,351,092	101,615,237
PT Medco Power Indonesia	222,657	-
Tomori E & P Ltd	26,691	-
Total	**142,600,440**	**101,615,237**
Long-term portion	142,600,440	101,615,237
Current portion	**-**	**-**
Third parties		
Reimbursable value added tax (VAT)	43,943,747	25,073,279
Tax Office	21,194,142	32,297,299
Receivables from Joint Venture	14,217,639	15,054,985
Underlifting receivable	1,390,145	26,058,534
PT Unitrada Komutama	1,249,344	989,683
Loans to employees	1,203,432	3,975,377
Interest receivable	536,719	773,282
PT Pertamina EP	-	4,204,201
Salamander Energy	-	1,317,417
Others (each below US$1,000,000)	5,381,289	2,426,932
Total before allowance for impairment	**89,116,457**	**112,170,989**

(Expressed in United States Dollars, unless otherwise stated)

7. OTHER RECEIVABLES - Net (continued)

a. By Party/Nature (continued)

	2013	2012
Long-term portion	1,579,549	4,558,402
Allowance for impairment	(47,169)	(52,506)
Long-term portion - net	**1,532,380**	**4,505,896**
Current portion	87,536,908	107,612,587
Allowance for impairment	(11,596,365)	(28,454,825)
Current portion - net	**75,940,543**	**79,157,762**

b. By Currency

	2013	2012
United States Dollar	165,643,610	160,700,911
Rupiah	66,073,287	53,085,315
Total	**231,716,897**	**213,786,226**
Long-term portion	144,179,989	106,173,639
Allowance for impairment	(47,169)	(52,506)
Long-term portion - net	**144,132,820**	**106,121,133**
Current portion	87,536,908	107,612,587
Allowance for impairment	(11,596,365)	(28,454,825)
Current portion - net	**75,940,543**	**79,157,762**

Receivables from PT Donggi Senoro LNG (DSLNG) as of December 31, 2013 and 2012, mainly represent advances to finance the ongoing liquefied natural gas project. The receivable is charged interest at cost of funds plus 3.75% per annum.

Reimbursable Value Added Tax (VAT) represents VAT paid by subsidiaries involved in oil and gas exploration and production in Indonesia which is reimbursable from Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (SKK Migas) (formerly BPMigas).

Receivables from Joint Venture represent receivables from joint venture partners relating to oil and gas exploration and production activities.

The underlifting receivable as of December 31, 2013 and 2012 from SKK Migas relates to Tarakan and Tomori Blocks.

Based on the review of other receivables at the end of the year, management is of the opinion that the allowance for impairment of other receivables is adequate to cover possible losses from uncollectible accounts.

(Expressed in United States Dollars, unless otherwise stated)

8. INVENTORIES - Net

Inventories consist of:

	2013	2012
Spareparts, well supplies and others	40,351,516	41,646,388
Chemical and other petroleum products	-	241,972
Coal inventory	3,423,540	1,584,308
Total	43,775,056	43,472,668
Allowance for obsolescence and decline in value	(6,610,703)	(6,969,074)
Net	**37,164,353**	**36,503,594**

The movement in the allowance for obsolescence and decline in value is as follows:

	2013	2012
Balance at beginning of year	6,969,074	3,143,430
Provision (reversal) during the year	(358,371)	3,825,644
Balance at end of year	**6,610,703**	**6,969,074**

Coal inventory in 2013 and 2012 is produced by PT Duta Tambang Rekayasa, a subsidiary of PT Medco Energi Mining Internasional (MEMI).

As of December 31, 2013, all inventories were insured with various insurance companies (Note 14). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Based on the review of the physical condition and net realizable values of inventories at year-end, management is of the opinion that the allowance for obsolescence and decline in value is adequate.

9. PREPAID TAXES

The details of this account are as follows:

	2013	2012
<u>Company</u>		
Value added tax (VAT)	757,257	1,344,522
Corporate income tax overpayments	4,358,104	1,199,018
Sub-total	5,115,361	2,543,540
<u>Subsidiaries</u>		
VAT	5,099,998	5,990,802
Corporate income tax overpayments	1,197,860	845,247
Sub-total	6,297,858	6,836,049
Total	**11,413,219**	**9,379,589**

10. PREPAID EXPENSES

The details of this account are as follows:

	2013	2012
Insurance	3,136,344	3,005,723
Rental	274,512	440,065
Others	347,269	620,219
Total	**3,758,125**	**4,066,007**

11. RESTRICTED CASH IN BANKS

The details of this account are as follows:

	2013	2012
Current		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	-	33,587
Third parties		
United States Dollar		
Morgan Stanley & Co International PLC	5,593,518	-
PT Bank Central Asia Tbk	-	1,309,839
Total	**5,593,518**	**1,343,426**
Non-current		
Related party		
Rupiah		
PT Bank Himpunan Saudara 1906 Tbk	4,551,668	6,368,332
Third parties		
Rupiah		
PT Bank CIMB Niaga Tbk	1,783,083	2,780,455
United States Dollar		
PT Bank Mandiri (Persero) Tbk	1,500,000	1,749,490
Total	**7,834,751**	**10,898,277**

Restricted cash account (US Dollar) with PT Bank Mandiri (Persero) Tbk as of December 31, 2013 and 2012, represents the performance bond in relation to oil production of Camar Resources Canada, Inc.

Restricted cash accounts (Rupiah) with PT Bank Himpunan Saudara 1906 Tbk and PT Bank CIMB Niaga Tbk mainly represent the Subsidiaries' time deposits used as collaterals for employee loans.

Restricted cash account (US Dollar) with PT Bank Central Asia Tbk represents the debt service account of PT Medco E & P Lematang required under the loan agreement with this bank. On February 28, 2013, the loan has been fully repaid.

Restricted time deposit accounts (US Dollar) in Morgan Stanley & Co International PLC represent collaterals ("top-up") in connection with cross currency swap transactions between the Company and this bank.

(Expressed in United States Dollars, unless otherwise stated)

11. RESTRICTED CASH IN BANKS (continued)

	2013	2012
Interest rate per annum		
Restricted cash in banks		
Rupiah	5.25% - 9.75%	5.25% - 7.25%
United States Dollar	0.16%	0.20% - 0.50%

12. LONG-TERM INVESTMENTS

This account consists of the following:

	2013			
	Percentage of Ownership (%)	Cost	Accumulated Share in Net Income	Net Carrying Value
Investments in shares of stock				
Equity Method				
Kuala Langsa (Block-A) Limited (KLL), formerly ConocoPhillips Aceh Ltd	50	216,000	792,397	1,008,397
PT Medco Power Indonesia (MPI)	49	111,052,676	7,491,067	118,543,743
PT Api Metra Graha (AMG)	49	101,965,293	4,024,453	105,989,746
Cost Method				
PT Donggi Senoro LNG (DSLNG) - Indonesia	11.1	93,917,101	-	93,917,101
Total		**307,151,070**	**12,307,917**	**319,458,987**

	2012			
	Percentage of Ownership (%)	Cost	Accumulated Share in Net Income (Losses)	Net Carrying Value
Investments in shares of stock				
Equity Method				
Kuala Langsa (Block-A) Limited (KLL), formerly ConocoPhillips Aceh Ltd	50	216,000	686,451	902,451
PT Medco Power Indonesia (MPI)	49	111,052,676	2,878,674	113,931,350
PT Medco Sarana Kalibaru (MSK)	36.12	20,355,739	(1,826,148)	18,529,591
Cost Method				
PT Donggi Senoro LNG (DSLNG) - Indonesia	11.1	67,177,201	-	67,177,201
Total		**198,801,616**	**1,738,977**	**200,540,593**

(Expressed in United States Dollars, unless otherwise stated)

12. LONG-TERM INVESTMENTS (continued)

The share of net income or losses of associated companies are as follows:

	2013	2012
MPI	4,612,393	2,878,674
AMG	4,024,453	-
KLL	105,946	135,490
MSK	(4,188,497)	(1,826,148)
DSLNG	-	(4)
Net	**4,554,295**	**1,188,012**

On May 23, 2013, PT Api Metra Graha distributed cash dividends to the Company amounting to Rp1,470,000,000 or equivalent to US$143,135.

13. INVESTMENT IN PROJECT

Investment in project as of December 31, 2013 and 2012 represents the Jeruk Project-Indonesia amounting to US$30,324,414. This account represents disbursements for the Jeruk Project made by the Group to Cue Sampang Pty Ltd (Cue) and Singapore Petroleum Company Ltd (SPC), in accordance with the Jeruk Economic Agreement entered into by the Group with Cue and SPC on January 4, 2006 [Note 44(a)]. Under the agreement, the Group is entitled to recover such disbursements from Cue and SPC once the Oyong Field in the Sampang Block of which both parties are participating owners, starts producing oil, and Cue and SPC have recovered their own costs.

14. PROPERTY, PLANT AND EQUIPMENT - Net

This account consists of the following:

	2013						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Ethanol Lampung	Ending Balance
Cost							
Land	1,439,662	-	-	-	-	(518,800)	920,862
Buildings and land improvements	18,738,630	1,014,986	-	-	(1,559)	(8,092,495)	11,659,562
Machinery	36,142,004	2,204,887	-	-	-	-	38,346,891
Control panel equipment	42,953,014	5,430	(3,170,113)	-	(1,492)	(9,670,668)	30,116,171
Drilling rigs and equipment	64,489,813	2,348,137	(1,350,332)	-	-	-	65,487,618
Vehicles	6,965,948	258,481	(301,425)	-	(49,279)	(245,940)	6,627,785
Office and other equipment	10,119,446	180,817	(614,956)	-	(17,795)	(150,569)	9,516,943
Leasehold improvements	6,762,517	-	(5,651,925)	-	-	-	1,110,592
Aircraft	14,004,200	-	-	-	-	-	14,004,200
Assets under finance lease	423,063	77,583	(44,863)	-	(164,862)	-	290,921
Total Cost	202,038,297	6,090,321	(11,133,614)	-	(234,987)	(18,678,472)	178,081,545

(Expressed in United States Dollars, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT - Net (continued)

	2013						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Ethanol Lampung	Ending Balance
Accumulated Depreciation							
Buildings and land improvements	5,737,537	1,194,280	-	-	(1,066)	(1,850,444)	5,080,307
Machinery	14,662,305	2,442,377	-	-	-	-	17,104,682
Control panel equipment	21,954,061	1,673,267	(3,170,113)	-	(583)	(7,113,717)	13,342,915
Drilling rigs and equipment	11,074,803	4,935,983	(1,350,332)	-	-	-	14,660,454
Vehicles	4,865,920	756,316	(301,425)	-	(31,953)	(181,039)	5,107,819
Office and other equipment	8,468,175	397,295	(463,632)	-	(13,036)	(137,552)	8,251,250
Leasehold improvements	6,519,157	197,349	(5,649,329)	-	-	-	1,067,177
Aircraft	1,400,421	700,209	-	-	-	-	2,100,630
Assets under finance lease	333,220	44,749	(44,863)	-	(140,581)	-	192,525
Total Accumulated Depreciation	75,015,599	12,341,825	(10,979,694)	-	(187,219)	(9,282,752)	66,907,759
Allowance for impairment	6,611,716	18,861,301	-	-	-	-	25,473,017
Net Book Value	**120,410,982**						**85,700,769**

	2012						
	Beginning Balance	Additions	Deductions	Reclassi-fications	Translation Adjustments	Effects from Divestment of PT Medco Sarana Kalibaru	Ending Balance
Cost							
Land	4,098,032	41,296	-	-	-	(2,699,666)	1,439,662
Buildings and land improvements	24,132,599	2,347,675	-	162,443	-	(7,904,087)	18,738,630
Machinery	25,049,248	11,092,756	-	-	-	-	36,142,004
Control panel equipment	49,723,848	397,542	-	285,484	-	(7,453,860)	42,953,014
Drilling rigs and equipment	25,790,350	37,997,168	-	702,295	-	-	64,489,813
Vehicles	6,015,455	1,263,279	(253,941)	94,365	(4,358)	(148,852)	6,965,948
Office and other equipment	11,066,348	738,523	(1,399,316)	(20,134)	(3,497)	(262,478)	10,119,446
Leasehold improvements	6,518,121	244,396	-	-	-	-	6,762,517
Telecommunication equipment	74,230	-	-	(74,230)	-	-	-
Aircraft	14,004,200	-	-	-	-	-	14,004,200
Assets under finance lease	569,857	12,223	(120,993)	-	(38,024)	-	423,063
Construction in progress	3,504,109	213,941	(2,567,827)	(1,150,223)	-	-	-
Total Cost	170,546,397	54,348,799	(4,342,077)	-	(45,879)	(18,468,943)	202,038,297
Accumulated Depreciation							
Buildings and land improvements	6,829,063	1,330,866	-	-	-	(2,422,392)	5,737,537
Machinery	12,597,327	2,064,978	-	-	-	-	14,662,305
Control panel equipment	16,642,759	7,487,783	-	-	-	(2,176,481)	21,954,061
Drilling rigs and equipment	8,614,604	2,460,199	-	-	-	-	11,074,803
Vehicles	4,133,760	993,217	(205,246)	57,140	(2,147)	(110,804)	4,865,920
Office and other equipment	8,450,588	795,116	(512,805)	(15,901)	(2,447)	(246,376)	8,468,175
Leasehold improvements	6,067,639	451,518	-	-	-	-	6,519,157
Telecommunication equipment	41,239	-	-	(41,239)	-	-	-
Aircraft	700,212	700,209	-	-	-	-	1,400,421
Assets under finance lease	316,657	96,346	(56,463)	-	(23,320)	-	333,220
Total Accumulated Depreciation	64,393,848	16,380,232	(774,514)	-	(27,914)	(4,956,053)	75,015,599
Allowance for impairment	-	6,611,716	-	-	-	-	6,611,716
Net Book Value	**106,152,549**						**120,410,982**

(Expressed in United States Dollars, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT - Net (continued)

Allocation of depreciation expense is as follows:

	2013	2012
Continuing Operations		
Cost of sales	8,419,235	10,371,680
Operating expenses (Note 32)	1,805,298	2,922,795
Sub-total	10,224,533	13,294,475
Discontinued Operations		
Cost of sales	1,385,981	2,576,695
Operating expenses	731,311	509,062
Sub-total	2,117,292	3,085,757
Total	**12,341,825**	**16,380,232**

PT Medco Methanol Bunyu (MMB) owns land located in Pondok Indah, Jakarta, respectively with Building Use Rights (Hak Guna Bangunan or HGB) for 20 years which will expire in 2019. Management believes that the HGB certificates can be extended upon their expiration.

No borrowing costs were capitalized as part of property, plant and equipment as of December 31, 2013 and 2012.

Property, plant and equipment amounting to US$3.4 million as of December 31, 2013 and US$37.9 million as of December 31, 2012 are used as collateral to the loans obtained by the Subsidiaries (Note 24).

All inventories and property, plant and equipment, except land, were insured against fire, theft and other possible risks for US$139 million and Rp125 billion as of December 31, 2013, and US$66 million and Rp37 billion as of December 31, 2012 (Note 8). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Disposals of property, plant and equipment are as follows:

	2013	2012
Net proceeds	124,928	996,396
Net book value	(153,920)	(1,030,122)
Loss	**(28,992)**	**(33,726)**

As of December 31, 2013, the acquisition value of property, plant and equipment that have been fully depreciated but are still being used by the Group amounted to US$14.3 million, consisting of drilling rigs and equipment, vehicles, and office and other equipment.

As of December 31, 2013, the carrying value of property, plant and equipment that have been temporarily idle amounted to US$27.7 million, consisting of drilling rigs and equipment.

Based on the review of individual fixed assets as of December 31, 2013, the Group recognized impairment losses of fixed assets mainly from PT Medco Ethanol Lampung (MEL) and PT Exspan Petrogas Intranusa (EPI), Subsidiaries, in 2013 amounting to US$15.5 million and US$3.3 million, respectively, and management believes that the impairment loss for property, plant and equipment recognized is adequate.

(Expressed in United States Dollars, unless otherwise stated)

15. EXPLORATION AND EVALUATION ASSETS

	Amount
Beginning balance, December 31, 2011	**90,802,201**
Additions	30,923,541
Impairment and dry hole	(9,291,029)
Ending balance, December 31, 2012	**112,434,713**
Additions	65,976,725
Transfer to oil and gas properties	(316,298)
Impairment and dry hole	(22,365,181)
Ending balance, December 31, 2013	**155,729,959**

As of December 31, 2012, the exploration and evaluation assets for subsidiaries engaged in the coal mining are recorded as part of "Other Non-Current Assets" in the consolidated statement of financial position. In 2013, management presented the coal mining business as a separate business segment and reclassified the carrying amount of exploration and evaluation assets to "Exploration and Evaluation Assets" account in the consolidated statement of financial position. Thus, the addition of exploration and evaluation assets includes the reclassification of coal mining assets amounting to US$2,881,971 and US$674,133 in 2013 and 2012, respectively.

Management believes that the above reclassification has no significant impact on the consolidated financial statements as a whole.

In 2013 and 2012, the Group recognized impairment losses for the exploration and evaluation of oil and gas business amounting to US$17.7 million and US$7.1 million, respectively.

16. OIL AND GAS ASSETS AND MINING PROPERTIES

a. Mining Properties - Net

Subsidiaries - producing mines:

	2013	2012
South Block:		
Abah	608,033	606,726
Ganggoro	721,851	306,751
Kris	465,932	-
Total	1,795,816	913,477
Accumulated amortization	(1,169,161)	(194,837)
Allowance for impairment	(16,391)	(9,845)
Net	**610,264**	**708,795**

Amortization expense of mining properties charged to production costs for the years ended December 31, 2013 and 2012 amounted to US$1,169,161 and US$194,837, respectively.

(Expressed in United States Dollars, unless otherwise stated)

16. OIL AND GAS ASSETS AND MINING PROPERTIES (continued)

b. Oil and Gas Properties - Net

This account consists of the following:

	2013	2012
Wells and related equipment and facilities	1,294,421,360	1,439,839,786
Finance lease assets	18,976,754	15,302,380
Uncompleted wells, equipment and facilities	424,390,084	302,118,349
Operated acreage	74,265,892	72,902,882
Office equipment	16,811,248	19,671,003
Vehicles	1,067,735	1,067,734
Total	1,829,933,073	1,850,902,134
Accumulated depreciation, depletion, and amortization and impairment reserves	(927,464,165)	(1,001,514,489)
Net Book Value	**902,468,908**	**849,387,645**

The movements in oil and gas properties are as follows:

		2013			
Area of Interest	**Location**	**Beginning Balance December 31, 2012**	**Additions**	**Deductions**	**Ending Balance December 31, 2013**
Block A	Aceh	61,556,326	2,050,667	-	63,606,993
Kampar/S.S. Extension	South Sumatera	96,343,959	10,374,147	20,844,742	85,873,364
Rimau	Sumatera	152,506,415	18,261,221	19,028,843	151,738,793
Senoro Toili	Sulawesi	33,990,924	99,133,041	2,768,388	130,355,577
Lematang	Sumatera	104,696,464	2,210,445	20,703,990	86,202,919
Tarakan	Kalimantan	16,768,835	7,634,907	5,648,596	18,755,146
Bawean	East Java	51,399,280	214,745	4,606,582	47,007,443
Simenggaris	Kalimantan	16,057,860	-	676,882	15,380,978
Main Pass	USA	40,610,909	-	2,272,935	38,337,974
East Cameron	USA	24,162,609	30,187	2,200,000	21,992,796
Area 47 Libya	Libya	154,894,062	4,149,388	-	159,043,450
Malik 9	Yemen	85,832,399	3,992,789	13,726,777	76,098,411
Other blocks in Yemen	Yemen	10,567,603	4,281,044	6,773,583	8,075,064
		849,387,645	**152,332,581**	**99,251,318**	**902,468,908**

(Expressed in United States Dollars, unless otherwise stated)

16. OIL AND GAS ASSETS AND MINING PROPERTIES (continued)

b. Oil and Gas Properties - Net (continued)

		2012			
Area of Interest	**Location**	**Beginning Balance December 31, 2011**	**Additions**	**Deductions**	**Ending Balance December 31, 2012**
Block A	Aceh	57,250,932	4,305,394	-	61,556,326
Kampar/S.S. Extension	South Sumatera	109,632,112	4,678,330	17,966,483	96,343,959
Rimau	Sumatera	142,878,678	27,329,668	17,701,931	152,506,415
Senoro Toili	Sulawesi	20,804,137	15,245,510	2,058,723	33,990,924
Lematang	Sumatera	116,626,020	-	11,929,556	104,696,464
Tarakan	Kalimantan	17,630,931	2,537,682	3,399,778	16,768,835
Bawean	East Java	57,401,654	1,528,853	7,531,227	51,399,280
Simenggaris	Kalimantan	13,237,821	2,820,039	-	16,057,860
Sembakung	Kalimantan	2,129,528	-	2,129,528	-
Main Pass	USA	39,639,937	970,972	-	40,610,909
East Cameron	USA	26,821,322	-	2,658,713	24,162,609
Area 47 Libya	Libya	155,070,593	-	176,531	154,894,062
Malik 9	Yemen	-	91,187,711	5,355,312	85,832,399
Other blocks in Yemen	Yemen	1,823,489	10,567,603	1,823,489	10,567,603
		760,947,154	**161,171,762**	**72,731,271**	**849,387,645**

In 2013, the Group revised the estimated proved reserves (P1) in Yemen Malik Block 9 based on the report of McDaniel & Associates Consultants Ltd dated February 28, 2014. As a result, the depletion expense decreased by US$1.95 million.

In 2012, the Group revised its proved reserves (P1) estimation in Kampar, South Sumatera Extension, Tarakan, Rimau, Senoro Toili, Lematang, Sembakung and Bawean Blocks, based on the reports of Netherland, Sewell & Associates Inc dated April 27, 2012. As a result, depletion expense decreased by US$8.81 million.

Based on the review of the individual oil and gas properties at the end of the year, the management is of the opinion that no further impairment in value of oil and gas properties is necessary.

As of December 31, 2013, all wells, mining area and related equipment and facilities of Subsidiaries involved in oil and gas exploration and production and coal mining are insured for US$1.71 billion.

17. ADVANCE FOR PURCHASE OF SHARES OF STOCK

As of December 31, 2013, this account pertains to advance payment for the acquisition of shares of Medco Trada Tebat Agung Ltd, while as of December 31, 2012, this account pertains to advance payment for the acquisition of the shares of PT Api Metra Graha (Note 44a).

(Expressed in United States Dollars, unless otherwise stated)

18. OTHER ASSETS

This account consists of the following:

	2013	2012
Current		
Advances	160,194	1,682,237
Non-current		
Signing bonuses - net	6,749,768	9,750,000
Advance payments for purchase/rental	5,600,209	5,421,605
Security deposits	2,663,435	2,658,730
Others	6,358,549	2,980,468
Total	**21,371,961**	**20,810,803**

Advances consist of advance payments to employees for official business purposes and for project advances. In 2013, the Group implemented a new policy which requires the employee advances to be settled not more than 3 months after the advances were given to the employees. Advances for projects in 2012 have been recognized as expenses in the year 2013.

Advance payments for purchase/rental of property and equipment represent payments made in relation to the acquisition/rental of various assets.

The signing bonuses above are related to a service contract entered into with Petroleum Development Oman LLC (Note 43b).

19. TRADE PAYABLES

This account consists of the following:

a. By Supplier

	2013	2012
Related parties		
PT Api Metra Graha	339,699	-
PT Medco Inti Dinamika	13,584	69,936
Others	6,293	-
Sub-total	359,576	69,936
Third parties		
Local suppliers	69,176,091	67,454,572
Foreign suppliers	25,017,439	27,740,096
Sub-total	94,193,530	95,194,668
Total	**94,553,106**	**95,264,604**

(Expressed in United States Dollars, unless otherwise stated)

19. TRADE PAYABLES (continued)

b. By Aging Category

	2013	2012
Up to 1 month	48,956,701	36,560,230
1 - 3 months	13,097,850	39,354,142
3 - 6 months	30,108,142	16,918,022
6 months - 1 year	1,465,954	2,045,225
More than 1 year	924,459	386,985
Total	**94,553,106**	**95,264,604**

c. By Currency

	2013	2012
United States Dollar	79,357,905	79,381,397
Rupiah	15,111,314	15,856,392
Others	83,887	26,815
Total	**94,553,106**	**95,264,604**

Trade payables to both local and foreign suppliers are unsecured and generally have credit terms less than 30 days.

20. OTHER LIABILITIES

a. Advances from customers

	2013	2012
Third parties		
PT Perusahaan Listrik Negara (Persero)	12,599,877	14,470,500
PT Molindo Raya Industrial	-	1,427,495
Total	**12,599,877**	**15,897,995**

b. Other payables

	2013	2012
Overlifting payable	27,278,156	31,642,509
Tax payable on First Tranche Petroleum	13,085,147	3,560,491
Payables to Joint Ventures	6,605,574	6,615,045
BP West Java Ltd	4,536,217	4,536,217
Cityview Energy Corp Ltd	1,008,980	1,008,980
Insurance payable	866,484	1,155,805
Others (each below US$1,000,000)	7,113,487	8,920,544
Total	60,494,045	57,439,591

(Expressed in United States Dollars, unless otherwise stated)

20. OTHER LIABILITIES (continued)

b. Other payables (continued)

	2013	2012
Current portion	(50,795,338)	(43,589,966)
Long-term portion	**9,698,707**	**13,849,625**

The overlifting payable to SKK Migas related primarily to Rimau, Tarakan and Bawean Blocks.

Payables to Joint Ventures represent payables for exploration and production activities related to joint ventures, where the Group is not the operator.

Payable to BP West Java Ltd represents the amount to be paid by PT Medco E & P Tomori Sulawesi, a Subsidiary, once the production from the Senoro Block has reached certain volume as stipulated in the agreement.

Tax payable on First Tranche Petroleum (FTP) is part of underpayment of income tax and dividend tax on FTP from PT Medco E & P Lematang for fiscal years 2008 until 2013 and from Camar Resources Canada Inc. for fiscal years 1994 until 2013. The Subsidiaries will pay the tax if there is “Equity to be split” from the sale of gas.

21. TAXES PAYABLE

This account consists of:

	2013	2012
<u>Company</u>		
Income tax		
Article 4(2)	102,115	116,573
Article 15	21,396	13,975
Article 21	575,037	451,915
Article 23	186,555	164,397
Article 26	1,338,537	5,957,658
Sub-total	2,223,640	6,704,518
<u>Subsidiaries</u>		
Corporate income tax	12,679,453	18,683,424
Income tax		
Article 4(2)	1,080,615	91,810
Article 15	9,630	1,276
Article 21	1,286,089	1,642,408
Article 23	1,759,041	635,553
Article 25	-	11,949
Article 26	12,264	42,525
Value added tax (VAT)	6,298,165	4,986,650
Sub-total	23,125,257	26,095,595
Total	**25,348,897**	**32,800,113**

21. TAXES PAYABLE (continued)

Tax Assessments

Summarized below are the current status of significant tax audits and tax assessments within the Group:

a. The Company

For fiscal year 2005, the Tax Court has partially granted the Value-Added Tax (VAT) appeal for Rp1.1 billion and rejected the income tax article 26 appeal. The Indonesian Tax Office (ITO) has filed to the Supreme Court a Reconsideration Request on the Tax Court Decision on the 2005 VAT dispute amounting to Rp707 million. No decision letter from the Supreme Court has yet been received as of the completion date of the consolidated financial statements.

For fiscal year 2007, the Tax Court has rejected the VAT appeal amounting to Rp11.1 billion and accepted the corporate income tax appeal amounting to US$65 million as tax deduction. The Company has filed a Reconsideration Request to Supreme Court for the Tax Court Decision on the 2007 VAT amounting to Rp10.8 billion which was rejected by the Tax Court. On the other hand, the ITO has filed a Reconsideration Request to Supreme Court against the decision of the Tax Court regarding the corporate income tax in 2007 amounting to US$65 million. No decision letter from the Supreme Court has yet been received as of the completion date of the consolidated financial statements.

The tax audits by the ITO for fiscal years 2005 until 2010 have been closed.

For fiscal year 2011, based on the result of the tax audit, the Company's tax loss amounting to US$43.5 million has been corrected to become taxable income of US$16.8 million which is compensated with the Company’s tax losses. The correction relates to the financing costs incurred for the loans that are not directly related to the Company’s business. The Company has filed an objection to the tax assessment on July 5, 2013 and until the completion date of the consolidated financial statements, no decision letter from the ITO has been received.

b. PT Exspan Petrogas Intranusa (EPI)

For the fiscal year 2008, EPI has submitted its objection letter on the tax assessment for underpayment of corporate income tax amounting to Rp5.9 billion which was rejected by the ITO in June 2011. EPI filed an appeal to the Tax Court, however, no decision letter from the Tax Court has yet been received as of the completion date of the consolidated financial statements.

The objection letter of EPI for the assessment of underpayment of VAT for the period January-June 2010 amounting to Rp1.7 billion has been rejected by the ITO. EPI filed an appeal to the Tax Court, however, no decision letter from the Tax Court has yet been received as of the completion date of the consolidated financial statements.

The tax audit by the ITO for the restitution of VAT for the period July-December 2010 has been completed. EPI received a tax letter for overpayment of VAT for fiscal year 2010 amounting to Rp3.8 billion which was paid by the ITO to EPI on May 15, 2012.

EPI submitted its objection letter for the tax assessment on underpayment of VAT for the period July-November 2010 amounting to Rp1.1 billion. The ITO has issued its decisions on the objection letter of EPI as follows:

- July 2010 underpayment: Decision was issued on December 28, 2012 which accepted partially EPI’s objection amounting to Rp122.7 million and rejected the remaining amount of Rp70.4 million.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

b. PT Exspan Petrogas Intranusa (EPI) (continued)

- August 2010 underpayment: Decision was issued on February 6, 2013 which accepted partially EPI's objection amounting to Rp70.9 million and rejected the remaining amount of Rp262.1 million.
- September 2010 underpayment: Decision was issued on January 9, 2013 which accepted partially EPI's objection amounting to Rp5.9 million and rejected the remaining amount of Rp139.7 million.
- October 2010 underpayment: Decision was issued on February 15, 2013 which accepted partially EPI's objection amounting to Rp6.9 million and rejected the remaining amount of Rp185.9 million.
- November 2010 underpayment: Decision was issued on December 28, 2012 which accepted partially EPI's objection amounting to Rp35.5 million and rejected the remaining amount of Rp240.6 million.

Regarding the objections that were rejected by the ITO above, EPI has filed an appeal to the Tax Court. No decision letter from the Tax Court has yet been received up to the completion date of the consolidated financial statements.

The tax audit for VAT for the period January-June 2011 was completed in October 2012. EPI received the assessment letter on overpayment (SKPLB) of VAT for June 2011 amounting to Rp5.5 billion. The amount of the overpayment has been received by EPI on July 12, 2012. In addition, EPI also received the assessment letter on VAT underpayment for the period January-May 2011 amounting to Rp161 million. The underpayment has been paid by EPI to the State Treasury on December 7, 2012.

The tax audit for VAT for the period July-December 2011 was completed in May 2013. EPI has received the assessment letter on overpayment of VAT for September 2011 and December 2011 amounting to Rp3.4 billion and Rp3.1 billion, respectively. The amount of the overpayment has been received by EPI on June 3, 2013. In addition, EPI also received the assessment letter on VAT underpayment for the period July-August 2011 and October-November 2011 amounting to Rp10.4 million and Rp10.3 million, respectively. The underpayment has been paid by EPI to the State Treasury on June 3, 2013.

The tax audit of corporate income tax for fiscal year 2011 has been completed in July 2013. EPI has received an overpayment assessment amounting to Rp1.8 billion. The amount of the overpayment has been received by EPI on August 20, 2013 . EPI also received tax assessment on the underpayment for income tax article 4(2) amounting to Rp70 million, Tax Collection Letter (STP) of income tax article 4(2) amounting to Rp1.4 million, and STP of income tax article 23 amounting to Rp65.9 million. The underpayment has been paid by EPI to the State Treasury on August 20, 2013.

The tax audit for VAT for the period January-June 2012 has been completed in December 2013. EPI has received the tax letter on overpayment of VAT for June 2012 amounting to Rp5.2 billion. The overpayment has been received by EPI on December 30, 2013. In addition, EPI also received the assessment letter on VAT underpayment for the period January-May 2013 amounting to Rp49.8 million. The underpayment has been paid by EPI to the State Treasury on December 30, 2013.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

b. PT Exspan Petrogas Intranusa (EPI) (continued)

The tax audit for VAT for the period July-December 2012 and corporate income tax for fiscal year 2012 are still on-going. Until the completion date of the consolidated financial statements, there has been no assessment letter issued by the Tax Office.

c. PT Medco Downstream Indonesia (MDI) and its Subsidiaries

PT Medco Downstream Indonesia (”MDI”)

The tax audit by the ITO for fiscal year 2009 has been closed and MDI received tax letter for overpayment of corporate income tax amounting to Rp478.5 million.

PT Medco LPG Kaji (”MLK”)

On April 29, 2010, MLK received a decision letter SKP No. 0009/206/08/062/10 from the ITO disallowing the claim for tax refund of corporate income tax for fiscal year 2008 amounting to Rp2,763,933,735 and additionally assessing underpayment of corporate income tax amounting to Rp4,524,425,565 with administrative sanctions amounting to Rp1,447,816,181. MLK has paid all tax due including the administrative sanction in 2010. On July 26, 2010, MLK filed an objection letter to the ITO regarding the remaining corrections and claimed for a refund of Rp2,341,359,580. On June 27, 2011, the ITO has rejected the objection letter and MLK filed an appeal to the Tax Court.

On August 22, 2011, MLK has submitted its objection letter to the ITO on the assessment on VAT underpayment for the period April, May, June and September 2009 amounting to Rp7,625,721 and the ITO has accepted partially the objection on VAT for June 2009 amounting to Rp1,973,720 on May 15, 2012. On the remaining balance of Rp5,652,001 rejected by the ITO, MLK has filed an appeal to the Tax Court.

On April 25, 2013, MLK received from the Tax Court the result of tax appeals which granted the claim for corporate income tax refund of Rp2,452,189,213 and VAT of Rp4,474,000 for fiscal year 2008. The remaining amounts rejected by the Tax Court are recorded as expense in the consolidated financial statements.

On December 9, 2013, MLK received the assessment letter on VAT underpayment for fiscal year 2006 amounting to Rp48,606,084 and the underpayment has been paid by MLK on December 20, 2013.

PT Medco Methanol Bunyu (“MMB”)

The tax audit by the ITO on PT Medco Methanol Bunyu (MMB) until fiscal year 2008 has been closed. For fiscal year 2009, MMB filed the objection letters on October 12, 2011 for the assessment on underpayment of income tax article 23 and VAT on goods and services for November 2009 amounting to Rp3,140,668,090 and Rp3,267,259,402, respectively.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

c. PT Medco Downstream Indonesia (MDI) and its Subsidiaries (continued)

PT Medco Methanol Bunyu ("MMB") (continued)

On September 28, 2012, MMB received a tax assessment letter from the ITO for the underpayment of VAT for the fiscal year 2009 (period January-April 2009) amounting to Rp47,747,940. MMB has paid the VAT underpayment on November 2, 2012 and filed objection letter to the ITO. As of the completion date of the consolidated financial statements, MMB has not yet received any decision from the ITO.

PT Medco Ethanol Lampung ("MEL")

The tax audits by the ITO on PT Medco Ethanol Lampung (MEL) for fiscal years 2008 and 2009 have been completed. For fiscal year 2009, MEL has received the overpayment of corporate income tax amounting to Rp71.1 million.

The tax audit by the ITO on MEL for fiscal year 2010 has been completed. MEL has received the assessment letter for overpayment of VAT, underpayment of income tax article 23, underpayment of income tax article 21, nil tax assessment for income tax article 4(2), nil tax assessment for corporate income tax and STP on VAT for a net amount of Rp170,567,059 and this amount has been fully paid by MEL on April 10, 2013.

The tax audit by the ITO on MEL for fiscal year 2011 is still on-going, and no tax assessment letter has been received as of the completion date of the consolidated financial statements.

PT Usaha Tani Sejahtera ("UTS")

The tax audits by the ITO on PT Usaha Tani Sejahtera ("UTS") for fiscal years 2007, 2008 and 2009 have been closed. For fiscal year 2007, UTS has received tax assessment for underpayment of corporate income tax, STP on corporate income tax, and STP on income tax article 21 amounting to Rp1.4 million, Rp700,000, and Rp700 000, respectively. For fiscal year 2008, UTS has received tax assessment letter for underpayment of income tax article 23, income tax article 21, income tax article 4(2) amounting to Rp342.4 million and STP on corporate income tax, income tax article 21, income tax article 23, income tax article 4(2) and VAT amounting to Rp114.9 million which all have been paid on February 7, 2013. For fiscal year 2009, UTS received tax assessment for underpayment of corporate income tax amounting to Rp367.8 million which has been paid on December 27, 2012 and STP on corporate income tax, income tax article 21, income tax article 23 and income tax article 4(2) and VAT amounting to Rp132.7 million which has been paid on February 7, 2013.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

d. PT Medco E & P Lematang (MEPL)

The tax audit by the ITO for fiscal years 2011 and 2012 is still on-going and no tax assessment letter has been received as of the completion date of the consolidated financial statements.

The tax audit by the ITO for fiscal year 2008 has been closed.

e. PT Medco E & P Tarakan (MEPT)

The tax audit by the ITO for fiscal year 2005 is still on-going and no tax assessment letter has yet been received. The tax audit by the ITO for fiscal year 2006 has been completed. MEPT received tax assessment letter for the underpayment of income tax article 21 amounting to Rp8,625,992 which has been paid on February 10, 2014. The tax audit by the ITO for fiscal years 2007 and 2008 has been closed.

The tax audit by the ITO for fiscal year 2009 has been completed. MEPT received assessment letter for underpayment of income tax article 21 amounting to Rp10,911,040 which has been paid on February 25, 2014 and STP on VAT amounting to Rp7,352,359 which has been paid on February 27, 2014. The tax audit by the ITO for fiscal years 2011 and 2012 are still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

f. PT Medco E & P Simenggaris (MEPS)

The tax audits by the ITO for fiscal years 2009, 2010, 2011 and 2012 have been closed.

g. PT Medco Energi Nusantara (MEN)

The tax audits by the ITO for fiscal years 2005, 2006, 2007 and 2008 are still on-going and no tax assessment letter has yet been received as of the completion date of the consolidated financial statements.

h. PT Medco LNG Indonesia (MLI)

The tax audit by the ITO for fiscal year 2011 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

i. PT Medco E & P Kalimantan (MEPK)

The tax audit by the ITO for fiscal year 2006 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

j. PT Medco E & P Rimau (MEPR)

The tax audits by the ITO for fiscal years 2005, 2011 and 2012 are still on-going and no tax assessment letter has yet been received as of the completion date of the consolidated financial statements. The tax audit by the ITO for fiscal year 2006 has been closed.

The tax audit by the ITO for fiscal year 2007 has been completed. MEPR received STP for income tax article 23 amounting to Rp188,865,547 which was paid on January 21, 2014.

For fiscal year 2009, the ITO has rejected MEPR objection for the tax assessment on underpayment of income tax article 21, article 23 and article 4(2) amounting to Rp5.1 billion, Rp703 million and Rp2.7 billion, respectively. MEPR will file for appeal to the Tax Court.

k. PT Medco E & P Malaka (MEPM)

The tax audit by the ITO for fiscal year 2008 is still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

l. PT Medco E & P Indonesia (MEPI)

The tax audit by the ITO for fiscal year 2009 has been closed.

The tax audits by the ITO for fiscal years 2011 and 2012 are still on-going and no assessment letter has yet been received as of the completion date of the consolidated financial statements.

m. Exspan Airsenda Inc (EAS) and Exspan Airlimau Inc (EAL)

The tax audits by the Internal Revenue Service of the United States (IRS) on EAS and EAL have been officially closed for fiscal years 2004, 2005, 2006 and 2007. The IRS has issued nil tax assessment letters for such audits.

The tax audits by the ITO for fiscal years 2005 and 2006 have been closed.

n. Exspan Cumi-Cumi Inc and Medco Lematang Ltd

Exspan Cumi-Cumi Inc (ECCI) and Medco Lematang Ltd (MLL), Subsidiaries, received tax assessment letters (SKP) amounting to Rp17.4 billion in 2002, for the underpayment of VAT for the years prior to the acquisition of these working interests from the previous operators of the respective production sharing contracts (PSCs). Subsequently, ECCI has relinquished the PSC to the Government of Indonesia.

The Sales and Purchase Agreements with the previous PSC working interest owners stipulate that obligations incurred prior to the acquisition by ECCI and MLL, remain the responsibility of the previous owners. Accordingly, no provision or payment has been made by ECCI and MLL for these tax assessments.

(Expressed in United States Dollars, unless otherwise stated)

21. TAXES PAYABLE (continued)

Tax Assessments (continued)

No provisions were recognized for tax assessments for which the Group has filed a tax appeal as it believes those assessments have no merit.

Under the taxation laws of Indonesia, the Company and Subsidiaries compute, determine and pay their tax liabilities on the basis of self-assessment. Consolidated tax returns are not allowed under the Indonesia taxation laws. The ITO may assess or amend taxes for 2007 tax obligation and prior years not later than 2013. Starting January 1, 2008, the statute of limitation for tax assessment is amended to 5 years which was previously 10 years. Management believes the Group has fully complied with the tax requirements in Indonesia.

For other tax jurisdictions, management also believes the Group has substantially complied with the applicable laws in regard to tax reporting requirements.

22. ACCRUED EXPENSES AND OTHER PROVISIONS

This account consists of:

	2013	2012
Contract services	31,850,820	25,795,980
Rentals	16,209,544	16,464,866
Joint Ventures	6,940,891	7,482,085
Repairs and maintenance of property, plant and equipment	5,839,269	5,644,090
Other operating expenses	4,809,641	10,223,723
Interest	4,051,650	4,998,116
Labor supply	813,213	389,140
Others	181,863	1,226,141
Total	**70,696,891**	**72,224,141**

23. DERIVATIVES

		2013			2012		
Counterparties	Type	Derivative Assets	Derivative Liabilities	Gain (Loss)	Derivative Assets	Derivative Liabilities	Gain (Loss)
Company							
PT DBS Bank Indonesia	Cross-currency swap	-	72,661,811	(63,628,434)	-	9,033,377	(9,033,377)
Standard Chartered Bank	Cross-currency swap	-	54,928,797	(46,983,322)	-	7,945,475	(7,945,475)
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	-	24,269,544	(23,718,182)	-	551,362	(551,362)
PT ANZ Panin Bank	Cross-currency swap	-	-	-	-	-	(1,467,320)
Morgan Stanley & Co International PLC	Cross-currency swap	-	6,980,642	(6,525,183)	-	455,459	746,811
PT Bank Permata Tbk	Cross-currency swap	-	13,814,827	(13,814,827)	-	-	-
Total		-	172,655,621	(154,669,948)	-	17,985,673	(18,250,723)
Other comprehensive income		-	-	144,724,352	-	-	17,411,048
Total		**-**	**172,655,621**	**(9,945,596)**	**-**	**17,985,673**	**(839,675)**
Less current portion		-	10,520,221		-	-	
Long-term portion		-	**162,135,400**		-	**17,985,673**	

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

The Company entered into cross-currency interest rate swaps, cross-currency swaps, and forward exchange contracts as hedging instruments to manage its interest rate and foreign currency risks. All contracts entered into by the Group have underlying obligations.

Further information relating to the derivatives undertaken by the Company is as follows:

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
PT Bank DBS Indonesia	Cross-currency swap	71,794,871	700,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT Bank Permata Tbk	Cross-currency swap	41,025,641	400,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	20,512,820	200,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	20,512,820	200,000,000,000	March 15, 2013 *	March 15, 2018	The Company shall receive a fixed interest rate of 8.85% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.65% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT Bank DBS Indonesia	Cross-currency swap	31,088,083	300,000,000,000	December 19, 2012 *	December 19, 2017	The Company shall receive a fixed interest rate of 8.80% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.60% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	20,725,389	200,000,000,000	December 19, 2012 *	December 19, 2017	The Company shall receive a fixed interest rate of 8.80% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.60% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	15,000,000	143,100,000,000	September 10, 2012 *	June 16, 2014	The Company shall receive a fixed interest rate of 14.25% per annum on the Rupiah notional amount and pay a fixed interest rate of 9.20% per annum on the US Dollars notional amount every March 16, June 16, September 16 and December 16. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
PT Bank DBS Indonesia	Cross-currency swap	41,731,873	400,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 25, June 25, September 25 and December 25. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Standard Chartered Bank	Cross-currency swap	52,164,841	500,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 24, June 24, September 24 and December 24. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Bank of Tokyo Mitsubishi - UFJ	Cross-currency swap	52,164,841	500,000,000,000	September 27, 2012 *	September 24, 2015	The Company shall receive a fixed interest rate of 9.00% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.22% per annum on the US Dollars notional amount every March 24, June 24, September 24 and December 24. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT DBS Bank Indonesia	Cross-currency swap	78,947,368	750,000,000,000	June 19, 2012 *	June 19, 2017	The Company shall receive a fixed interest rate of 8.75% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.85% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.

(Expressed in United States Dollars, unless otherwise stated)

23. DERIVATIVES (continued)

Counterparties	Type	Notional amount		Effective date	Final exchange date	Terms and conditions
		In US$	In IDR			
Standard Chartered Bank	Cross-currency swap	78,947,368	750,000,000,000	June 19, 2012 *	June 19, 2017	The Company shall receive a fixed interest rate of 8.75% per annum on the Rupiah notional amount and pay a fixed interest rate of 4.85% per annum on the US Dollars notional amount every March 19, June 19, September 19 and December 19. Initial exchange occurred on the Effective Date in which the Company paid the Rupiah notional amount and received the US Dollars notional amount. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
PT ANZ Panin Bank	Cross-currency swap	20,000,000	202,400,000,000	September 8, 2009 *	June 15, 2012 Settled in June 2012	The Company shall receive a fixed interest rate of 13.375% per annum on the Rupiah notional amount and pay a fixed interest rate of 6.00% per annum on the US Dollars notional amount every March 15, June 15, September 15 and December 15. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount.
Morgan Stanley & Co International PLC, Singapore	Cross-currency swap	35,000,000	323,750,000,000	January 19 and 28, 2011 *	June 17, 2014	The Company shall receive a fixed interest rate of 14.25% per annum on the Rupiah notional amount and pay a fixed interest rate of 10.35% and 10.75% per annum on the US Dollars notional amount every March 17, June 17, September 17 and December 17. On the final exchange date, the Company pays the US Dollars notional amount and receives the Rupiah notional amount with conditions applied.

Note:

* initial exchange date

24. BANK LOANS

	2013	2012
Short-term Bank Loans	60,000,000	60,000,000
Long-term Bank Loans - current portion	928,203	62,855,699
	60,928,203	122,855,699
Long-term Bank Loans - long-term portion	374,867,214	654,384,407
Total	**435,795,417**	**777,240,106**

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans

Lenders	Total	2013 Current	2013 Maturing Within One Year	2013 Non-current
US Dollar				
Third parties				
PT Bank Mandiri (Persero) Tbk	245,000,000	50,000,000	-	195,000,000
PT Bank Negara Indonesia (Persero) Tbk	65,000,000	-	-	65,000,000
PT Bank ICBC Indonesia	10,909,091	10,000,000	909,091	-
Sub-total	320,909,091	60,000,000	909,091	260,000,000
Rupiah				
Third parties				
PT Bank Negara Indonesia (Persero) Tbk (in original currency: Rp1.4 trillion)	114,857,658	-	-	114,857,658
PT Bank Rakyat Indonesia (Persero) Tbk (in original currency: Rp350 million)	28,668	-	19,112	9,556
Sub-total	114,886,326	-	19,112	114,867,214
Total	**435,795,417**	**60,000,000**	**928,203**	**374,867,214**

Lenders	Total	2012 Current	2012 Maturing Within One Year	2012 Non-current
US Dollar				
Third parties				
PT Bank Mandiri (Persero) Tbk	245,000,000	50,000,000	-	195,000,000
PT Bank Negara Indonesia (Persero) Tbk	165,000,000	-	50,000,000	115,000,000
Syndicated loan from PT Bank Central Asia Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk	30,934,223	-	12,399,996	18,534,227
PT Bank CIMB Niaga Tbk	19,388,027	-	-	19,388,027
PT Bank ICBC Indonesia	11,980,006	10,000,000	-	1,980,006
Lembaga Pembiayaan Ekspor Indonesia (LPEI) (formerly PT Bank Ekspor Indonesia (Persero))	382,311	-	382,311	-
PT Bank Danamon Indonesia Tbk	4,611,973	-	-	4,611,973
PT Bank Rakyat Indonesia (Persero) Tbk	110,000,000	-	-	110,000,000
PT Bank DKI	25,000,000	-	-	25,000,000
Bank of Tokyo - Mitsubishi UFJ	20,000,000	-	-	20,000,000
Sub-total	632,296,540	60,000,000	62,782,307	509,514,233
Rupiah				
Third parties				
PT Bank Negara Indonesia (Persero) Tbk (in original currency: Rp1.4 trillion)	144,777,663	-	-	144,777,663
PT Bank Rakyat Indonesia (Persero) Tbk (in original currency: Rp1.6 billion)	165,903	-	73,392	92,511
Sub-total	144,943,566	-	73,392	144,870,174
Total	**777,240,106**	**60,000,000**	**62,855,699**	**654,384,407**

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Information relating to bank loans effectivity date and repayment schedule is as follows:

Lenders	Loan effectivity date	Repayment schedule	Security
Company			
PT Bank Mandiri (Persero) Tbk			
Working Capital Credit Facility	March 2013	March 2014	The loan facility is unsecured.
Investment Credit Facility	December 2007	December 2012 Fully paid in December 2012	The loan facility is unsecured.
Special Transaction Credit Facility	April 2011	April 2016	The loan facility is unsecured.
Special Transaction Credit Facility	September 2011	September 2016	The loan facility is unsecured.
PT Bank Negara Indonesia (Persero) Tbk			
Term Loan Facility	July 2007	July 2012 Fully paid in July 2012	The loan facility is unsecured.
General Financing Facility	June 2010	June 2013 Fully paid in June 2013	The loan facility is unsecured.
Term Loan Facility	February 2011	July 2012 Fully paid in July 2012	The loan facility is unsecured.
Revolving Working Capital Loan Facility	July 2011	July 2016 Partially paid in February and July 2013	The loan facility is unsecured.
Term Loan Facility	September 2012	September 2015	The loan facility is unsecured.
PT Bank DKI			
Special Transaction Credit Facility	May 2011	June 2014 Fully paid in May 2013	The loan facility is unsecured.
PT Bank ICBC Indonesia			
Fixed Loan on Demand	February 2013	February 2014	The loan facility is unsecured.
PT Bank Rakyat Indonesia (Persero) Tbk			
Standby Loan Credit Facility	June 2011	June 2016 Fully paid in March and April 2013	The loan facility is unsecured.

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Lenders	Loan effectivity date	Repayment schedule	Security
Company (continued)			
Bank of Tokyo - Mitsubishi UFJ Standby Loan Credit Facility	May 2011	May 2016 Fully paid in January 2013	The loan facility is unsecured.
PT Medco E & P Lematang			
PT Bank Central Asia Tbk PT Bank Mandiri (Persero) Tbk PT Bank Negara Indonesia (Persero) Tbk Syndicated Loan for financing the Singa Project	June 2010	Fully paid in March 2013	Collateralized by pledge over the debt service account and operational account, and fiduciary security over the receivables.
PT Usaha Tani Sejahtera			
PT Bank Himpunan Saudara 1906 Tbk Working Capital Credit Facility	May 2011	August 2013 Fully paid in December 2012	Secured by cessie over accounts receivable from all sales and time deposit (Note 11).
Working Capital Credit Facility	May 2011	August 2013 Fully paid in December 2012	Secured by cessie over accounts receivable from all sales from cassava
PT Mitra Energi Gas Sumatera			
PT Bank CIMB Niaga Tbk Project Financing	October 2009	Fully paid in October 2012	Secured by machinery and equipment, proceeds from the pipeline lease contract, shares, escrow account, and assignment of rights and interests (Notes 7 and 14).

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

a. Bank Loans (continued)

Lenders	Loan effectivity date	Repayment schedule	Security
PT Exspan Petrogas Intranusa (EPI)			
Lembaga Pembiayaan Ekspor Indonesia (LPEI) (previously known as PT Bank Ekspor Indonesia (Persero))			
Financing for purchase of Rig 11	April 2010	5 monthly installments (2010 - 2013) Fully paid in May 2013	Collateralized by fiduciary right over rig, all receivables of EPI related to the work contract and limited corporate guarantee from MEI.
PT Bank CIMB Niaga Tbk			
Financing for purchase of Rig DPC #11, DPC#01, DPC #02, DPC #03, DPC #04, DPC #05, DPC #06	September 2012	August 2019 Fully paid in March 2013	Collateralized by 1 unit Drilling Rig Ex Energy Tata Persada Rig DPC#11 1500 HP with serial number Mast Sn No. 172004 & Sub Structure Sn No. 172001 and accessories, 6 units of Workover Rig and accessories (Rig DPC#01, DPC#02, DPC#03, DPC#04, DPC#05, DPC#06), with fiduciary right amounting to US$30,268,027.51.
PT Bank Danamon Indonesia Tbk Financing for purchase of Rig AR7 capacity 450 HP	September 2012	September 2019 Fully paid in March 2013	Collateralized by 1 unit Heavy Equipment 450 HP Rig and receivables from the use of Heavy Equipment.
PT Bank ICBC Indonesia Financing for purchase of Rig 8	December 2012	21 monthly installments (2012 - 2014)	Collateralized by 1 unit Heavy Equipment 450 HP Rig and receivables from the use of Heavy Equipment.

	2013	2012
Interest rate per annum		
Rupiah	9%	8.00% - 12.00%
United States Dollar	4.66% - 6.25%	3.31% - 6.75%

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

b. Bank Facilities

As of December 31, 2013, the Group has the following outstanding bank facilities:

Bank	Facility	Maximum Facility Amount	Unused Portion of the Facility as of December 31, 2013
General Banking Facility			
Standard Chartered Bank, Jakarta	Banking Facility	US$50,000,000	US$28,262,107
Citibank, NA, Jakarta	Letter of Credit Facility	US$8,500,000	US$8,500,000
PT Bank Mandiri (Persero) Tbk	Non-Cash Loan Facility	US$100,000,000	US$95,701,491
PT Bank DBS Indonesia	Banking Facility	US$10,000,000	US$10,000,000
PT Bank Danamon Indonesia Tbk	Bank Guarantee Facility, Standby Letter of Credit Facility, Import Letter of Credit Facility	US$10,000,000	US$10,000,000

The Group, under its loan agreements, is subject to various covenants, among others to obtain written approval from the lenders before entering into certain transactions such as mergers, acquisitions, liquidation or change in status and Articles of Association, reducing the authorized, issued and fully paid capital; restrictions on lending money to third parties; negative pledges, with certain exceptions; restrictions on change in core business activities and payments of dividends; and requirement to comply with certain financial ratios.

On January 31, 2013, the Company made an early repayment of and cancelled the Standby Loan Credit Facility from Bank of Tokyo-Mitsubishi UFJ (“BTMU”) amounting to US$20,000,000. With this cancelation, the Company has no more liabilities to BTMU.

On February 1, 2013, the Company made an early partial repayment of the 2011 Working Capital Credit Facility (“Credit Facility”) from PT Bank Negara Indonesia (Persero) Tbk amounting to US$50,000,000.

In February 2013, the Company signed a Credit Agreement with PT Bank ICBC Indonesia to extend the matured Working Capital Credit Facility amounting to US$10.9 million. This facility will mature on February 25, 2014.

On March 3, 2013, PT Medco E & P Lematang made an early repayment of the remaining Credit Facility Syndicated Loan Tranche A from PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk and PT Bank Central Asia Tbk amounting to US$30 million.

In March 2013, the Company signed a Credit Agreement with PT Bank Mandiri (Persero) Tbk to extend the matured Working Capital Credit Facility amounting to US$50 million. This Facility will mature on March 12, 2014.

(Expressed in United States Dollars, unless otherwise stated)

24. BANK LOANS (continued)

b. Bank Facilities (continued)

On March 18, 2013, PT Exspan Petrogas Intranusa made an early repayment of its loan to PT Bank Danamon Indonesia Tbk amounting to US$4,611,973 and PT Bank CIMB Niaga Tbk amounting to US$19,380,027. Based on the loan agreements with PT Bank Danamon Indonesia Tbk and PT Bank CIMB Niaga Tbk, the loans will mature on May 26, 2019 and September 6, 2019, respectively.

On March 28, 2013, the Company made an early partial repayment of the 2011 Standby Loan Credit Facility ("Credit Facility") from PT Bank Rakyat Indonesia (Persero) Tbk ("BRI") amounting to US$60,000,000 and repaid the remaining amount of US$50,000,000 on April 15, 2013. With these settlements, the Company's debt to BRI with total amount of US$110,000,000 has been fully settled.

On May 3, 2013, the Company made an early repayment of the Special Transaction Credit Facility from PT Bank DKI amounting to US$25,000,000.

On June 28, 2013, the Company made a drawdown of US$50,000,000 from the 2011 Working Capital Credit Facility from PT Bank Negara Indonesia (Persero) Tbk.

On July 1, 2013, the Company made an early partial repayment of the 2011 Working Capital Credit Facility ("Credit Facility") from PT Bank Negara Indonesia (Persero) Tbk amounting to US$50,000,000. After the settlement, the remaining Credit Facility amounted to US$65,000,000 and will mature in July 2016.

On July 31, 2013, PT Medco E & P Tomori Sulawesi signed a Facility Agreement with the lenders, which are Standard Chartered Bank, Singapore branch and PT Bank Mandiri (Persero) Tbk, for obtaining revolving credit facility up to the amount of US$260,000,000. The purpose of this facility is, among others, to fund operational expenditure and capital expenditure of PT Medco E & P Tomori Sulawesi under the Production Sharing Contract for Senoro Toili block.

25. OTHER LONG-TERM DEBT

	2013	2012
Related Party		
Mitsubishi Corporation		
Due in 2015	130,947,913	125,735,136
Third Parties		
Medium-Term Notes		
Due in 2013	-	40,450,000
Less unamortized discount	-	63,578
Net	-	40,386,422

(Expressed in United States Dollars, unless otherwise stated)

25. OTHER LONG-TERM DEBT (continued)

	2013	2012
Rupiah Bonds		
Due in 2014	80,933,629	102,016,545
Due in 2017	164,082,369	206,825,233
Due in 2018	123,061,777	-
	368,077,775	308,841,778
Less unamortized discount	1,597,446	1,299,634
Net	366,480,329	307,542,144
Less current portion	80,768,414	**-**
Long-term portion	**285,711,915**	**307,542,144**
US Dollar Bonds		
Due in 2016	99,000,000	80,000,000
Due in 2017	-	20,000,000
Less unamortized discount	533,744	665,393
Net	**98,466,256**	**99,334,607**
Interest rates per annum		
Rupiah	8.75% - 14.25%	8.75% - 14.25%
United States Dollar	3.99% - 6.05%	4.10% - 8.00%

Further information relating to other long-term debt is as follows:

Long-Term Debt	Principal	Rating	Listed	Maturity	Coupon	Security
Company						
Rupiah Bonds II Year 2009	Rp1,500,000,000,000 Tranche A amounting to Rp513,500,000,000 (Fully paid in June 2012) Tranche B amounting to Rp986,500,000,000	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	Tranche A: June 2012 Tranche B: June 2014	Tranche A: 13.375% Tranche B: 14.25% Payable quarterly	These bonds are unsecured.
Medium-Term Notes I	US$50,000,000 Tranche A amounting to US$28,000,000 (Fully paid in December 2011 and February 2012) Tranche B amounting to US$22,000,000 (Fully paid in December 2012 and February 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	Tranche A: December 2011 and February 2012 Tranche B: December 2012 and February 2013	Tranche A: 7.25% Tranche B: 8.00% Payable quarterly	These notes are unsecured.

(Expressed in United States Dollars, unless otherwise stated)

25. OTHER LONG-TERM DEBT (continued)

Long-Term Debt	Principal	Rating	Listed	Maturity	Coupon	Security
Company (continued)						
Medium-Term Notes II	US$50,000,000 Tranche A amounting to US$40,000,000 (Fully paid in March 2012) Tranche B amounting to US$10,000,000 (Fully paid in March 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	Tranche A: March 2012 Tranche B: March 2013	Tranche A: 7.25% Tranche B: 8.00% Payable quarterly	These notes are unsecured.
Medium-Term Notes III	US$50,000,000 (Fully paid in October 2013)	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	-	October 2013	6.375% Payable quarterly	These notes are unsecured.
US$ Shelf Registered Bonds I	US$100,000,000 First phase amounting to US$50,000,000 Second phase amounting to US$30,000,000 Third phase amounting to US$20,000,000	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	July 2016 November 2016 July 2017	6.05% Payable quarterly	These bonds are unsecured.
Rupiah Bonds III Year 2012	Rp1,500,000,000,000 and swapped into US$157,894,737	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	June 2017	8.75% Payable quarterly	These bonds are unsecured.
Rupiah Shelf Registered Bonds I	First phase amounting to US$500,000,000,000 and swapped into US$51,813,471	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	December 2017	8.80% Payable quarterly	These bonds are unsecured.
Rupiah Shelf Registered Bonds I Phase II	First phase amounting to US$1,500,000,000,000 and swapped into US$153,846,154	PT Pemeringkat Efek Indonesia (PEFINDO) : AA- (2012)	Indonesia Stock Exchange	March 2018	8.85% Payable quarterly	These bonds are unsecured.
PT Medco LNG Indonesia						
Mitsubishi Corporation	Term loan facility amounting to US$120,000,000	-	-	January 2015	3 months LIBOR + margin	This liability is collateralized by pledge of DSLNG shares.

25. OTHER LONG-TERM DEBT (continued)

a. Debt Covenants

Under the terms and conditions of these long-term obligations, the Group is subject to various covenants, among others, obtaining approval from the lenders/designated trustees prior to undertaking certain actions such as: mergers or acquisitions, reducing the authorized, issued and fully paid capital stock of the Company, changing the main business activities of the Company; restrictions on granting loans to third parties, pledging and transferring the Company's assets, issuing senior debt, filing for bankruptcy or delaying loan payments prior to the payment of bond interest and principal, and declaring and paying dividends in excess of a certain percentage of consolidated net income, and requirement to comply with certain financial ratios.

As of December 31, 2013 and 2012, in management's opinion, the Group is in compliance with the covenants of all long-term obligations.

Management represented that during the reporting periods and as of the date of the consolidated financial statements, the Group has never defaulted on paying its maturing bonds.

b. Trustees

The Group engaged Trustees to act as the intermediaries between the Group and the Bondholders. The Trustee for Rupiah Bonds II Year 2009 is PT Bank CIMB Niaga Tbk and for Shelf Registered USD Bonds I, Rupiah Bonds III Year 2012, and Shelf Registered Rupiah Bonds I is PT Bank Mega Tbk.

c. Others

Signing of the Loan Facility Agreement

In December 2010, the Group, through PT Medco LNG Indonesia (MLI), a Subsidiary, entered into a term loan facility agreement in the amount of US$120 million with Mitsubishi Corporation (MC), an indirect shareholder of the Group. MLI holds a minority equity investment in PT Donggi Senoro LNG (DSLNG) which will build, own and operate a Liquefied Natural Gas (LNG) plant at Senoro, Sulawesi. This term loan facility will be used for funding MLI's share in the capital expenditures of DSLNG for the construction of the LNG plant.

Based on the agreement, this facility will be repaid in full or partially through amortizations subject to conditions to be met by DSLNG.

Although MC is an affiliate of the majority shareholder of the Group, the Group's management believes that the transaction does not constitute a conflict of interest because it was made on reasonable terms.

Repayment of Medium-Term Notes Payable

On February 3, 2012, the Company repaid the principal of Medium-Term Notes I Phase 2 Tranche A amounting to US$7,400,000, including treasury notes of US$2,900,000.

On March 22, 2012, the Company repaid the principal of Medium Term Notes II Tranche A amounting to US$40,000,000, including treasury notes of US$1,000,000.

On December 23, 2012, the Company repaid the principal of Medium Term Notes I Phase I Tranche B amounting to US$21,500,000.

25. OTHER LONG-TERM DEBT (continued)

c. Others (continued)

Repayment of Medium-Term Notes Payable (continued)

On February 3, 2013, the Company repaid the principal of Medium Term Notes I Phase II Tranche B amounting to US$500,000.

On March 22, 2013, the Company repaid the principal of Medium Term Notes II Tranche B amounting to US$10,000,000.

On October 29, 2013, the Company repaid the principal of Medium Term Notes III amounting to US$50,000,000.

Repayment of Rupiah Bonds

On June 15, 2012, the Company repaid in full the principal of Rupiah Bonds Medco Energi Internasional II Year 2009 with principal amount of Rp513,500,000,000.

Issuance of Rupiah Bonds III

On June 19, 2012, the Company issued Rupiah Bonds III Year 2012 amounting to Rp1,500,000,000,000. The obligation will mature after 5 (five) years from the issuance date.

Issuance of Shelf Registered US$ Bonds I Phase III

On July 30, 2012, the Company issued the Shelf Registered US$ Bonds I Phase III amounting to US$20 million. The bonds will mature on August 1, 2017.

Issuance of Shelf Registered Rupiah Bonds I

On December 19, 2012, the Company issued Shelf Registered Rupiah Bonds I amounting to Rp4,500,000,000,000. Up to December 31, 2012, the Company has released on December 19, 2012 Shelf Registered Rupiah Bonds I Phase I in the amount of Rp500,000,000,000. The bonds will mature on December 19, 2017.

Issuance of Shelf Registered Rupiah Bonds I Phase II

On March 18, 2013, the Company issued Shelf Registered Rupiah Bonds I Phase II amounting to Rp1,500,000,000,000 as part of the Shelf Registered Rupiah Bonds Phase I issued in December 2012. The bonds will mature on March 18, 2018.

26. NON-CONTROLLING INTERESTS

Non-controlling interests in subsidiary pertains to Medco Oman LLC.

27. CAPITAL STOCK

	2013			
			Amount	
Shareholders	Number of Shares	Ownership Percentage	Rp'000	US$
Encore Energy Pte Ltd	1,689,393,006	50.70%	168,939,301	51,285,313
PT Medco Duta	3,489,500	0.10%	348,950	105,921
PT Multifabrindo Gemilang	2,000,000	0.06%	200,000	60,693
Credit Suisse	690,813,800	20.73%	69,081,380	20,969,218
Public (each below 5%)	946,755,144	28.41%	94,675,514	28,733,319
Total	**3,332,451,450**	**100.00%**	**333,245,145**	**101,154,464**

	2012			
			Amount	
Shareholders	Number of Shares	Ownership Percentage	Rp'000	US$
Encore Energy Pte Ltd	1,689,393,006	57.42%	168,939,301	51,285,313
PT Medco Duta	413,000	0.01%	41,300	12,536
PT Multifabrindo Gemilang	2,000,000	0.07%	200,000	60,693
Public (each below 5%)	1,250,190,944	42.50%	125,019,094	44,221,167
Sub-total	2,941,996,950	100.00%	294,199,695	95,579,709
Treasury stock	390,454,500		39,045,450	5,574,755
Total	**3,332,451,450**		**333,245,145**	**101,154,464**

On May 5, 2006, in an Extraordinary Shareholders' Meeting, the shareholders approved the changes to the resolutions of the Company's Extraordinary Shareholders' Meetings dated June 23, 2000 and June 25, 2001 with regard to the sale of the Company's treasury stocks.

As decided in the Extraordinary Shareholders' Meeting, the shareholders granted authority to the Company's Board of Directors to carry out necessary actions related to the assignment, sale and exchange of the Company's treasury stocks in compliance with applicable laws and regulations, including capital market regulations.

In May 2008, in an Extraordinary Shareholders' Meeting, the shareholders approved a buy-back of the Company's issued and fully paid shares up to a maximum of 3.29% of the total shares issued with maximum cost of US$80 million within 18 months, which ended in November 2009.

As stipulated in the Decision Letter of the Chairman of BAPEPAM-LK No. KEP-401/BL/2008 dated October 9, 2008 with respect to the buy-back of shares issued by a public company during potential market crisis conditions, a company is allowed to buy back its shares up to a maximum of 20% of its paid-up capital during potential market crisis conditions. The shares buy-back should be executed within 3 months from the submission of the disclosure of such plan to the BAPEPAM-LK.

In light of the above regulation, on October 13, 2008, the Company announced its plan to buy back 333,245,145 shares or equivalent to 10% of its paid-up capital. In order to implement its buy-back program, the Company set aside funds in the amount of US$100 million. The buy-back program was conducted within a period of 3 months from the announcement.

At the conclusion of the buy-back program, the Company bought back a total of 166,857,500 shares or 5.01% of its total issued and fully paid shares at a total cost of approximately Rp508 billion or equivalent to US$51.8 million consisting of:

a. 85,561,000 shares or 2.57% of the total issued and fully paid share capital purchased at an average price of Rp3,869 for shares buy-back program based on Extraordinary Shareholders' Meeting in May 2008;

(Expressed in United States Dollars, unless otherwise stated)

27. CAPITAL STOCK (continued)

b. 81,296,000 shares or 2.44% of the total issued and fully paid share capital purchased at an average price of Rp2,178 for the second share buy-back program based on Decision Letter of the Chairman of BAPEPAM-LK No. KEP-401/BL/2008.

On May 27, 2010, the shareholders, in their Extraordinary Shareholders' Meeting, approved the utilization of treasury stock for employee and management stock option program at the maximum of 5%.

Based on Article 37 paragraph 4 of Law No. 40 Year 2007 regarding Limited Liability Company that repurchased shares may be owned up to maximum of 3 years. Accordingly, on August 15, 2013, the Company sold all its treasury stock of 390,454,500 shares to Clio Capital Ventures Limited.

The Company adopted the par value method in recording its treasury stock transactions (Note 2n).

28. ADDITIONAL PAID-IN CAPITAL

This account consists of:

	2013	2012
Issuance of 321,730,290 shares through rights offering I to stockholders in 1999	139,908,988	139,908,988
Sale of 22,000,000 shares through public offering in 1994	33,500,000	33,500,000
Resale of shares	1,073,325	1,073,325
Distribution of bonus shares in 1998	(32,254,579)	(32,254,579)
Deduction of additional paid-in capital on treasury stock	(33,600,836)	(33,600,836)
Resale of treasury stock	74,812,935	-
Total	**183,439,833**	**108,626,898**

29. EFFECTS OF CHANGES IN EQUITY TRANSACTIONS OF SUBSIDIARIES/ASSOCIATED ENTITIES

This account mainly represents the effects of capital injection in a Subsidiary.

30. SALES AND OTHER OPERATING REVENUES

The breakdown of the sales and other operating revenues of the Group is as follows:

a. By nature of revenues

	2013	2012
Net oil and gas sales	826,842,368	873,031,964
Revenue from coal	42,959,147	9,085,540
Revenue from chemical and other petroleum products	2,426,172	4,422,632
Revenue from services	16,719,719	17,842,472
Total	**888,947,406**	**904,382,608**

(Expressed in United States Dollars, unless otherwise stated)

30. SALES AND OTHER OPERATING REVENUES (continued)

b. By customer

	2013	2012
Related parties		
Petro Diamond Singapore Pte Ltd	325,921,128	369,038,531
Petro Diamond Co Ltd, Hong Kong	21,624,222	25,368,778
Third parties		
Local customers	298,254,971	327,689,214
Foreign customers	243,147,085	182,286,085
Total	**888,947,406**	**904,382,608**

The details of revenues from customers which exceeded 10% of the total reported revenues, are as follows:

	2013	2012
Petro Diamond Singapore Pte Ltd	325,921,128	369,038,531
Petroleum Development Oman LLC	109,489,694	103,035,442
Total	**435,410,822**	**472,073,973**

31. COST OF SALES AND OTHER DIRECT COSTS

The Group incurred the following costs to operate, process and sell its products and services:

a. Production and Lifting Costs

This account consists of:

	2013	2012
Field operations overhead	146,392,340	148,315,792
Cost for oil and gas contracts	106,113,016	90,132,689
Operations and maintenance	38,126,118	55,067,980
Pipeline and transportation fees	8,054,316	23,207,490
Operational support	9,077,930	10,218,683
Total	**307,763,720**	**326,942,634**

b. Cost of Services

This account mainly represents operational costs of EPI.

(Expressed in United States Dollars, unless otherwise stated)

31. COST OF SALES AND OTHER DIRECT COSTS (continued)

c. Depreciation, Depletion and Amortization

This account represents depreciation, depletion and amortization for the following:

	2013	2012
Oil and gas operations	93,121,453	72,405,290
Other contracts and related services	5,078,956	4,998,332
Chemical and other petroleum products	26,626	1,900,090
Coal mining	3,382,679	3,473,258
Total	**101,609,714**	**82,776,970**

d. Exploration Expenses

This account consists of:

	2013	2012
Exploration overhead	9,486,786	15,170,361
Dry hole	4,593,031	2,136,165
Total	**14,079,817**	**17,306,526**

e. Cost of Crude Oil Purchases

This account consists of cost of crude oil purchased by the Group from SKK Migas and Pertamina. There were no purchases from a single vendor which exceeded 10% of revenues for the years ended December 31, 2013 and 2012.

f. Coal Production Costs

This account mainly consists of direct and indirect costs.

32. OPERATING EXPENSES

	2013	2012
General and administrative		
Salaries, wages and other employee benefits	56,458,600	62,893,207
Professional fees	11,685,547	14,129,081
Rental	8,386,508	10,816,691
Contract charges	4,165,398	5,886,165
Office supplies and equipment	3,852,411	3,923,287
Insurance	3,518,854	4,170,146
Repairs and maintenance	2,481,461	3,736,743
Services	2,189,710	1,959,148
Depreciation (Note 14)	1,805,298	2,922,795
Education	1,389,067	2,472,973
Transportation	1,185,003	884,638
Impairment loss on receivable	63,218	1,515,762
Others (each below US$100,000)	6,680,713	5,171,461
Sub-total	103,861,788	120,482,097

(Expressed in United States Dollars, unless otherwise stated)

32. OPERATING EXPENSES (continued)

	2013	2012
Selling		
Export expenses	11,731,419	13,187,286
Business travel	2,819,173	3,904,324
Advertising and promotion	2,812,372	3,515,188
Entertainment	261,009	504,167
Sub-total	17,623,973	21,110,965
Total Operating Expenses	**121,485,761**	**141,593,062**

33. OTHER INCOME

Other income for the years ended December 31, 2013 and 2012 mainly consist of income from short-term investments amounting to US$11,429,758 and US$11,403,365, respectively and reversal of impairment of receivables amounting to US$13,950,677 and US$2,072,767, respectively.

34. INCOME TAX

a. Income tax expense of the Company and Subsidiaries consists of the following:

	2013	2012
Continuing Operations		
Current income tax expense		
Subsidiaries	(128,219,371)	(136,792,080)
Deferred tax expense		
Company	(3,141,838)	(13,755,622)
Subsidiaries	(22,499,479)	(5,791,314)
Sub-total	(25,641,317)	(19,546,936)
Total Income Tax Expense from Continuing Operations	**(153,860,688)**	**(156,339,016)**

b. Current Income Tax

A reconciliation between profit before income tax expense per consolidated statements of comprehensive income and the Company's tax loss is as follows:

	2013	2012
Consolidated profit before income tax expense from continuing operations	193,736,812	197,208,003
Less income before income tax expense of Subsidiaries	(257,167,608)	(264,073,442)
Loss before income tax of the Company	(63,430,796)	(66,865,439)
Dividend from Subsidiaries	366,457,981	243,728,075
Profit before income tax of the Company	**303,027,185**	**176,862,636**

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

b. Current Income Tax (continued)

	2013	2012
Temporary differences		
Unrealized loss from derivative transactions	9,945,595	2,217,045
Depreciation of property, plant and equipment	67,027	(826,737)
Amortization of deferred charges	(17,112)	103,312
Employee benefits	485,532	1,087,426
Unrealized (gain) loss on marketable securities	3,954,579	(11,158,854)
Loss on translation adjustment from employee benefits	(468,823)	-
Fair value adjustment of investment in associated entity	-	(2,878,674)
Permanent differences		
Non-deductible expenses	32,369,788	3,946,494
Non-taxable income	(366,457,981)	(243,745,535)
Income subjected to final income tax	(5,803,323)	(9,712,217)
Tax loss of the Company for the year	**(22,897,533)**	**(84,105,104)**
Prior years tax losses	(320,680,988)	(227,731,046)
Adjustment to prior year tax loss	56,061,985	(8,844,838)
Accumulated tax loss carry-forward at end of year - Company	**(287,516,536)**	**(320,680,988)**

c. Deferred Tax

The details of the Group's deferred tax assets and liabilities are as follows:

	2013			
	December 31, 2012	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2013
Company				
Deferred Tax Assets				
Employee benefit liabilities	2,164,770	-	2,164,770	-
Amortization of deferred expenses	1,792,502	-	1,792,502	-
Depreciation of property, plant and equipment	772,923	-	772,923	-
Unrealized loss from derivative transactions	143,656	-	143,656	-
Sub-total	4,873,851	-	4,873,851	-
Deferred Tax Liabilities				
Unrealized income on marketable securities	(4,947,407)	-	(1,012,344)	(3,935,063)
Fair value adjustment of investment in associated entity	(8,210,214)	-	(719,669)	(7,490,545)
Sub-total	(13,157,621)	-	(1,732,013)	(11,425,608)
Net Deferred Tax Liabilities - Company	(8,283,770)	-	3,141,838	(11,425,608)
Deferred Tax Assets - Subsidiaries	59,541,169	-	16,940,662	42,600,507
Deferred Tax Liabilities - Subsidiaries	(81,883,273)	-	5,841,419	(87,724,692)

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

c. Deferred Tax (continued)

	2013			
	December 31, 2012	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2013
Net Deferred Tax Assets of the Group	59,541,169	-	16,940,662	42,600,507
Net Deferred Tax Liabilities of the Group	(90,167,043)	-	8,983,257	(99,150,300)
Deferred Tax Expense from Continuing Operations			**25,923,919**	
Effect of foreign exchange rate			**(282,602)**	
Net Deferred Tax Expense from Continuing Operations			**25,641,317**	

	2012			
	December 31, 2011	Cumulative deferred tax assets/liabilities of divested subsidiaries	Charged (credited) to consolidated statement of comprehensive income	December 31, 2012
Company				
Deferred Tax Assets				
Tax losses	10,891,500	-	10,891,500	-
Employee benefit liabilities	1,892,914	-	(271,856)	2,164,770
Amortization of deferred expenses	1,766,674	-	(25,828)	1,792,502
Depreciation of property, plant and equipment	979,607	-	206,684	772,923
Unrealized loss from derivative transactions	-	-	(143,656)	143,656
Sub-total	15,530,695	-	10,656,844	4,873,851
Deferred Tax Liabilities				
Unrealized income on marketable securities	(2,157,693)	-	2,789,714	(4,947,407)
Unrealized loss from derivative transactions	(410,605)	-	(410,605)	-
Fair value adjustment of investment in associated entity	(7,490,545)	-	719,669	(8,210,214)
Sub-total	(10,058,843)	-	3,098,778	(13,157,621)
Net Deferred Tax Assets (Liabilities) - Company	5,471,852	-	13,755,622	(8,283,770)
Deferred Tax Assets - Subsidiaries	59,868,138	-	326,969	59,541,169
Deferred Tax Liabilities - Subsidiaries	(76,253,828)	(374,208)	5,255,237	(81,883,273)
Net Deferred Tax Assets of the Group	65,339,990	-	5,798,821	59,541,169
Net Deferred Tax Liabilities of the Group	(76,253,828)	(374,208)	13,539,007	(90,167,043)
Deferred Tax Expense from Continuing Operations			**19,337,828**	
Effect of foreign exchange rate			**209,108**	
Net Deferred Tax Expense from Continuing Operations			**19,546,936**	

(Expressed in United States Dollars, unless otherwise stated)

34. INCOME TAX (continued)

c. Deferred Tax (continued)

A reconciliation between the income tax expense and the amount computed by applying the statutory tax rate to profit before income tax expense, is as follows:

	2013	2012
Consolidated profit before income tax expense from continuing operations	193,736,812	197,208,003
Less profit before income tax expense of Subsidiaries	(257,167,608)	(264,073,442)
Loss before income tax of the Company	(63,430,796)	(66,865,439)
Dividend from Subsidiaries	366,457,981	243,728,075
Profit before income tax of the Company	**303,027,185**	**176,862,636**
Tax expense using statutory tax rate	(75,756,796)	(44,215,659)
Tax effects of permanent differences:		
Non-taxable income	91,614,495	60,936,384
Income already subjected to final income tax	1,450,831	2,428,054
Adjustment to tax loss	(12,357,921)	(31,917,776)
Non-deductible expenses	(8,092,447)	(986,625)
Tax expense from continuing operations:		
Company	(3,141,838)	(13,755,622)
Subsidiaries	(150,718,850)	(142,583,394)
Income Tax Expense - Net	**(153,860,688)**	**(156,339,016)**

The management is of the opinion that the deferred tax assets of the Company and Subsidiaries are fully recoverable.

35. DISCONTINUED OPERATIONS

a. On October 16, 2013, the Group has closed down the operations of PT Medco Ethanol Lampung (MEL), a subsidiary engaged in ethanol production, due to insufficiency of sustainable feedstock supply, i.e. cassava and molasses, for the ethanol production. MEL has been classified as a discontinued operation. As a result, for 2013 and 2012, the loss after tax of MEL was presented as single line item in the consolidated statement of comprehensive income, and the assets and liabilities of MEL as of December 31, 2013 are also presented as single line item as assets and liabilities held for sale in the consolidated statement of financial position.

Moreover, as of December 31, 2013, the Group also recorded its investment in PT Medco Sarana Kalibaru (MSK), Associated Entity, as asset held for sale, which the Group plans to divest fully.

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

The profit and loss accounts for MEL are presented below:

	2013	2012
Revenue from chemical and other petroleum products	3,474,079	4,666,885
Cost of sales of chemical and other petroleum products	(8,548,004)	(10,376,281)
Gross loss	(5,073,925)	(5,709,396)
Selling, general and administrative expenses	(2,331,425)	(1,449,753)
Finance costs	(5,324)	(580,163)
Loss recognized on the measurement to fair value less cost to sell	(15,456,057)	(6,581,330)
Finance income	1,037	1,009
Other income	87,066	-
Other expenses	(1,118,920)	(2,362,824)
Loss before income tax from discontinued operations	(23,897,548)	(16,682,457)
Income tax expense	-	-
Loss after income tax from discontinued operations	**(23,897,548)**	**(16,682,457)**

The statement of financial position accounts for MEL and MSK are presented below:

	December 31, 2013
ASSETS	
Cash and cash equivalents	30,301
Receivables - third parties	14,459
Inventories	1,549,627
Prepaid taxes	179,936
Prepaid expenses	31,650
Other assets	26,677
Property, plant and equipment	24,729,598
Assets from discontinued operations	26,562,248
Impairment loss on assets recognized at fair value less cost to sell	(15,394,967)
Sub-total	11,167,281
Investment in associated entity - PT Medco Sarana Kalibaru (Note 48i)	13,822,404
Net assets classified as held for sale	**24,989,685**

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

	December 31, 2013
LIABILITIES	
Trade payables - third parties	55,575
Other payables	7,245
Taxes payable	71,765
Accrued expenses	2,962,806
Advance payment from customer	295,970
Liabilities directly associated with assets of discontinued operations	3,393,361
Net assets directly associated with discontinued operations	**21,596,324**

The major accounts in the statement of cash flows for MEL are presented below:

	2013	2012
CASH FLOWS		
Operating activities	(7,321,154)	(7,175,723)
Investing activities	(54,203)	(251,606)
Financing activities	6,872,908	7,139,320
Net cash flows	**(502,449)**	**(288,009)**

b. On July 4, 2012, the Group signed the Head of Agreement with Puma Energy (Singapore) Pte Ltd to dispose 63.88% ownership in PT Medco Sarana Kalibaru (MSK). The business of MSK has been operating in an unpredictable environment, making it difficult for management to derive real growth and profitability from this business segment. The disposal of MSK was completed on December 3, 2012 [Note 44(a)]. MSK has been classified as a discontinued operation. As a result, in 2012, the loss after tax of MSK was presented as single line item in the consolidated statement of comprehensive income.

The profit and loss accounts for MSK are presented below:

MSK

	2012
Revenue from from chemical and other petroleum products	190,489,554
Cost of sales of chemical and other petroleum products	(183,201,168)
Gross profit	7,288,386
Selling, general and administrative expenses	(9,920,702)
Finance costs	(1,824,507)
Other income	336,529
Other expenses	(837,971)
Loss before income tax	(4,958,265)
Income tax expense	(374,208)
Loss after income tax	**(5,332,473)**

(Expressed in United States Dollars, unless otherwise stated)

35. DISCONTINUED OPERATIONS (continued)

In connection with the application of PSAK No. 58, "Non-current Assets Held for Sale and Discontinued Operations", the Group restated its consolidated statement of comprehensive income in relation to the discontinued operation of PT Medco Ethanol Lampung for the year ended December 31, 2012.

The following presents the effects of the above mentioned restatements:

	2012		
	As previously reported	**Restatements**	**As restated**
Consolidated statement of comprehensive income			
Revenue from chemical and petroleum products	9,089,517	(4,666,885)	4,422,632
Depreciation, depletion and amortization	(85,353,665)	2,576,695	(82,776,970)
Cost of sales of chemical and other petroleum products	(7,799,586)	7,799,586	-
Selling, general and administrative expenses	(143,042,815)	1,449,753	(141,593,062)
Finance costs	(95,932,889)	580,163	(95,352,726)
Finance income	21,573,568	(1,009)	21,572,559
Other expenses	(11,445,281)	2,362,824	(9,082,457)
Loss on impairment of assets - net	(18,731,038)	6,581,330	(12,149,708)
Profit before income tax expense from continuing operations	180,525,546	16,682,457	197,208,003
Profit from continuing operations for the year	24,186,530	16,682,457	40,868,987
Loss after income tax expense from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Profit attributable to equity holders of the parent company from continuing operations	17,925,761	16,682,457	34,608,218
Loss attributable to equity holders of the parent company from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Comprehensive income attributable to equity holders of the parent company from continuing operations	5,160,222	16,682,457	21,842,679
Comprehensive loss attributable to equity holders of the parent company from discontinued operations	(5,332,473)	(16,682,457)	(22,014,930)
Consolidated statement of cash flows			
Cash receipts from customers	974,044,011	(5,961,101)	968,082,910
Cash paid to suppliers and employees	(615,457,083)	5,536,040	(609,921,043) *)
Acquisition of property, plant and equipment	(53,048,179)	251,606	(52,796,573)
Payment of financing charges	(91,778,682)	461,464	(91,317,218)
Net decrease in operating cash flows from discontinued operations	(193,419,568)	288,009	(193,131,559)

*) The restated figures above include reclassifications for both continuing and discontinued operations.

(Expressed in United States Dollars, unless otherwise stated)

36. EARNINGS PER SHARE

a. Earnings per share

The computation of basic earnings per share is based on 3,088,417,387 shares and 2,941,996,950 shares for the years ended December 31, 2013 and 2012, respectively, representing the weighted average number of shares for each year.

	2013	2012
Profit for the year	12,583,421	12,593,288
Basic earnings per share	0.0041	0.0043

b. Diluted earnings per share

The Company did not compute diluted earnings per share since there were no potentially dilutive ordinary shares (anti-dilutive).

37. CASH DIVIDENDS

On April 26, 2013, the shareholders, in their Annual General Meeting (AGM) approved the distribution of cash dividends pertaining to book year 2012 in the amount of US$0.00113 per share or equivalent to approximately US$3.3 million. The dividends were paid in June 2013.

On May 9, 2012, the shareholders, in their Annual General Meeting (AGM) approved the distribution of cash dividends pertaining to book year 2011 in the amount of US$0.00766 per share or equivalent to approximately US$22.5 million. The dividends were paid in June 2012.

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS

a. Defined Contribution Pension Plan

Subsidiaries involved in oil and gas exploration and production activities have established defined contribution pension plans covering all their local permanent employees. These plans provide pension benefits based on salaries and years of service of the employees.

The pension plans are managed by Dana Pensiun Lembaga Keuangan (DPLK), PT Bank Negara Indonesia (Persero) Tbk and DPLK Jiwasraya whose deeds of establishment were approved by the Minister of Finance of the Republic of Indonesia in his decision letters No. Kep. 1100/KM.17/1998 dated November 23, 1998 and No. Kep.171-KMK/7/1993 dated August 16, 1993, respectively. The pension plans are funded by contributions from both the Subsidiaries at 6% and 7% of gross salaries and their employees at 2% and 3% of gross salaries, respectively.

The defined contribution pension cost of Subsidiaries involved in oil and gas exploration and production amounted to US$2,503,305 for December 31, 2013 and US$2,673,594 for December 31, 2012.

b. Defined Benefit Pension Plan

The Group also recognizes defined benefit obligation for employees involved in oil and gas operations in accordance with applicable regulations. The defined benefit pension plan is being funded by placing funds in PT AIG Life, PT Asuransi Allianz Life Indonesia and PT Asuransi Jiwa Manulife Indonesia.

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

b. Defined Benefit Pension Plan (continued)

The Group also recognizes post-employment benefits expense for non-members of the defined benefit pension plan in accordance with Labor Law No. 13 Year 2003 and the prevailing Group policy.

The number of people eligible for the benefits is 1,181 and 1,198 personnel as of December 31, 2013 and 2012, respectively.

Post-employment benefit obligations are determined based on the calculation of an independent actuary, PT Sentra Jasa Aktuaria, set out in its report dated March 19, 2014.

i. An analysis of defined benefit obligations recognized in the consolidated statements of financial position is as follows:

	2013	2012
Present value of defined benefit obligations	70,476,777	122,313,973
Fair value of plan assets	(86,172,625)	(113,139,579)
Unfunded defined benefit obligations	(15,695,848)	9,174,394
Unrecognized actuarial loss	16,145,430	(20,955)
Defined benefit obligations - net	**449,582**	**9,153,439**

ii. An analysis of the defined benefit costs in the consolidated statements of comprehensive income is as follows:

	2013	2012
Current service cost	8,270,851	13,376,839
Interest expense	6,776,245	7,104,980
Actuarial loss (gain) recognized	(25,577,110)	13,581,250
Expected return on plan assets	(6,290,632)	(6,093,224)
Limitation on asset recognition based on PSAK No. 24 (Revised 2010)	18,809,120	-
Others	721	6,345
Total	**1,989,195**	**27,976,190**

iii. An analysis of the movements of defined benefit obligations in the consolidated statements of financial position is as follows:

	2013	2012
Balance at beginning of year	9,153,439	217,708
Employee benefit costs	1,989,195	27,976,190
Curtailment	1,976,917	-
Contributions for the year	(8,399,648)	(18,000,844)
Benefits paid	(2,087,539)	(188,199)
Effect of foreign exchange differences	(2,182,782)	(851,416)
Balance at end of year	**449,582**	**9,153,439**

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

b. Defined Benefit Pension Plan (continued)

iv. Movements of present value of obligations:

	2013	2012	2011
Balance at beginning of year	122,313,973	105,616,686	92,721,383
Current service cost	8,270,851	13,376,839	10,447,942
Interest expense	6,776,245	7,104,980	8,207,118
Benefits paid	(6,735,276)	(12,540,608)	(101,115)
Actuarial loss (gain) on obligation	(38,170,700)	16,473,399	(5,552,226)
Effect of foreign exchange differences	(21,978,316)	(7,717,323)	(106,416)
Balance at end of year	**70,476,777**	**122,313,973**	**105,616,686**

v. Movements of fair value of plan assets:

	2013	2012	2011
Balance at beginning of year	113,139,579	105,052,194	84,042,022
Expected return on plan assets	6,290,632	6,093,224	4,988,700
Contributions for the year	8,399,648	18,000,844	15,148,253
Actuarial loss (gain) on plan assets	(12,519,197)	3,163,690	873,219
Benefits paid	(6,625,525)	(12,338,586)	-
Effect of foreign exchange differences	(22,512,512)	(6,831,787)	-
Balance at end of year	**86,172,625**	**113,139,579**	**105,052,194**

vi. The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2013	2012
Government bonds	40%	39%
Time deposits	60%	61%
Total	**100%**	**100%**

vii. The defined benefit obligations as of December 31, 2013 and 2012 were calculated using the following assumptions:

	2013	2012
Discount rates	5.0% - 9.0%	5.0% - 6.0%
Expected rate of return on assets:		
- Rupiah Portfolio	0% - 6%	0% - 6%
Salary increment rate	9.5% - 10%	9.5% - 10%
Mortality rate	TMI 2011 and GAM 71	TMI 2011 and GAM 71
Morbidity rate (disability rate)	0.75% - 10% mortality rate	0.75% - 10% mortality rate
Resignation rate	0.028% - 6% primarily in line with age profile	0.028% - 6% primarily in line with age profile
Proportion of normal retirements	100%	100%

As of December 31, 2013, if the annual discount rate is increased or decreased by 1% with all variables held constant, the employment benefit liability would have been lower/higher by US$7,738,086/US$9,228,542.

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

c. Labor Law No. 13/2003 and Other Post-employment Benefits

The Group also recognizes post-employment benefits for non-members of the defined benefit plan in accordance with Labor Law No. 13 Year 2003 and the prevailing Group policy.

The number of people eligible for the benefits is 414 and 912 as of December 31, 2013 and 2012, respectively.

Post-employment benefits obligations are determined based on the calculation of an independent actuary, PT Dayamandiri Dharmakonsilindo, for employees other than directors and PT Sentra Jasa Aktuaria for directors, as set forth in their reports dated March 19, 2014. The actuarial valuation is performed at each reporting date or as necessary.

i. An analysis of the Labor Law No. 13/2003 and other post-employment benefits obligations recognized in the consolidated statements of financial position is as follows:

	2013	2012
Present value of post-employment benefits obligations	12,980,708	18,250,667
Unrecognized past service cost-non-vested	(270,485)	(301,755)
Unrecognized actuarial loss	355,529	(1,923,261)
Effect of deconsolidating subsidiaries	-	(255,692)
Total post-employment benefits obligations	**13,065,752**	**15,769,959**

ii. An analysis of the Labor Law No. 13/2003 and other post-employment benefits costs in the consolidated statements of comprehensive income is as follows:

	2013	2012
Current service cost	2,763,455	3,556,501
Interest expense	832,655	754,099
Termination expense	976	128,524
Past service cost recognized	(1,297,482)	579,246
Amortization of actuarial losses	1,082,000	721,419
Curtailments	(751,734)	(202,690)
Others	1,479,940	(65,702)
Total	**4,109,810**	**5,471,397**

(Expressed in United States Dollars, unless otherwise stated)

38. POST-EMPLOYMENT BENEFITS OBLIGATIONS (continued)

c. Labor Law No. 13/2003 and Other Post-employment Benefits (continued)

iii. An analysis of the movements of Labor Law No. 13/2003 and other post-employment benefits obligations in the consolidated statements of financial position is as follows:

	2013	2012
Balance at beginning of year	15,769,959	12,370,076
Labor Law No. 13/2003 and other post-employment benefit costs for the year	4,109,810	5,471,397
Benefits paid	(1,236,627)	(488,261)
Termination of employees	(1,732,082)	-
Effect of deconsolidating subsidiaries	-	(255,692)
Effect of foreign exchange differences	(3,845,308)	(1,327,561)
Balance at end of year	**13,065,752**	**15,769,959**

iv. Movements of present value of obligation:

	2013	2012	2011
Beginning balance	18,250,667	17,200,174	14,952,802
Current service cost	2,763,455	3,556,501	3,348,932
Interest expense	832,655	754,099	990,899
Termination expense	976	128,524	184,996
Effect of deconsolidating subsidiaries	-	(255,692)	(1,758,603)
Curtailment	(645,877)	-	-
Benefits paid	(1,236,627)	(488,261)	(2,701,396)
Actuarial loss (gain) on obligation	(1,861,247)	(202,690)	3,517,184
Effect of foreign exchange differences	(4,024,020)	(1,327,560)	4,843
Others	(1,099,274)	(1,114,428)	(1,339,483)
Ending balance	**12,980,708**	**18,250,667**	**17,200,174**

v. The Labor Law No. 13/2003 and other post-employment benefits obligations as of December 31, 2013 and 2012 were calculated using the following assumptions:

	2013	2012
Discount rates	2% - 9%	4% - 7%
Salary increment rate	6% - 10%	6% - 10%
Mortality rate	TMI 2011	TMI 2011
Morbidity rate (disability rate)	10% of mortality rate	10% of mortality rate
Resignation rate	0.05% - 1% primarily in line with age profile	0.05% - 1% primarily in line with age profile
Proportion of normal retirements	100%	100%

As of December 31, 2013, if the annual discount rate was increased/decreased by 1% with all variables held constant, post-employment liability as of December 31, 2013 will be lower/higher by US$964,777/US$349,739.

(Expressed in United States Dollars, unless otherwise stated)

39. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

a. Nature of Relationships

i. PT Bank Himpunan Saudara 1906 Tbk has the same majority shareholder with the Company.

ii. Mitsubishi Corporation (MC) is one of the indirect shareholders of the Company through Encore Energy Pte Ltd. Petro Diamond Co Ltd, Hong Kong, Petro Diamond Singapore Pte Ltd and Tomori E & P Ltd are subsidiaries of MC.

iii. PT Donggi Senoro LNG (DSLNG) is an entity under significant influence of the Group as of December 31, 2010 in which the Group owned 20% equity as of that date. As of December 31, 2011, the Group ownership was reduced to 11.1%.

iv. PT Medco Inti Dinamika (INTI) has the same controlling shareholder as the Company.

v. PT Medco Duta (DUTA) is a stockholder of the Company.

vi. PT Api Metra Graha is 49%-owned by the Group.

vii. PT Medco Sarana Kalibaru (MSK) is 35.28%-owned by the Group.

viii. PT Medco Power Indonesia (MPI) is 49%-owned by the Group.

b. Transactions with Related Parties

In the normal course of business, the Group entered into certain transactions with its related parties.

It is management’s policy that transactions with related parties are undertaken on an arm’s length basis, at similar prices and conditions as those done with third parties. A summary of related party accounts and transactions is as follows:

	2013	
	Amount	**Percentage to related totals (%)**
Assets		
Cash and cash equivalents		
PT Bank Himpunan Saudara 1906 Tbk	52,857,547	2.09
Trade receivables		
Petro Diamond Singapore Pte Ltd	18,923,991	0.75
PT Medco Sarana Kalibaru	32,793	0.0013
PT Api Metra Graha	25,738	0.0010
Restricted cash in bank		
PT Bank Himpunan Saudara 1906 Tbk	4,551,668	0.18
Other receivables		
PT Donggi Senoro LNG	142,351,092	5.62
Tomori E & P Limited	26,691	0.0010
PT Medco Power Indonesia	222,657	0.01
Liabilities		
Trade payables		
PT Api Metra Graha	339,699	0.021
PT Medco Inti Dinamika	13,584	0.001

(Expressed in United States Dollars, unless otherwise stated)

39. NATURE OF RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	2013	
	Amount	Percentage to related totals (%)
Liabilities		
Other long-term debt		
Mitsubishi Corporation	130,947,913	8.01
Transactions		
Net oil sales		
Petro Diamond Singapore Pte Ltd	325,921,128	36.66
Petro Diamond Co Ltd, Hong Kong	21,624,222	2.43

	2012	
	Amount	Percentage to related totals (%)
Assets		
Cash and cash equivalents		
PT Bank Himpunan Saudara 1906 Tbk	62,831,405	2.37
Trade receivables		
Petro Diamond Singapore Pte Ltd	32,636,901	1.23
PT Medco Sarana Kalibaru	64,216	0.002
Restricted cash in bank		
PT Bank Himpunan Saudara 1906 Tbk	6,401,919	0.24
Other receivables		
PT Donggi Senoro LNG	101,615,237	3.83
Liabilities		
Trade payable		
PT Medco Inti Dinamika	69,936	0.004
Other long-term debt		
Mitsubishi Corporation	125,735,136	6.94
Transactions		
Net oil sales		
Petro Diamond Singapore Pte Ltd	369,038,531	40.81
Petro Diamond Co Ltd, Hong Kong	25,368,778	2.81

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION

The Group classifies and evaluates its financial information into two major reportable segments which are the business segment as the primary segment and the geographical segment as the secondary segment.

a. Business Segment

The Group is engaged in the following business activities:

i. Exploration for and production of oil and gas;

ii. Services;

iii. Chemicals;

iv. Coal mining;

v. Trading;

vi. Funding for Group operations.

Segment information of the Group is as follows:

	2013								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
External sales	479,297,018	16,719,719	5,900,252	42,959,147	347,545,349	-	(3,474,079)	-	888,947,406
Intersegment sales	327,170,542	19,214,943	2,417,775	-	-	-	-	(348,803,260)	-
Total revenues	806,467,560	35,934,662	8,318,027	42,959,147	347,545,349	-	(3,474,079)	(348,803,260)	888,947,406
Gross profit	336,786,961	2,023,032	(229,978)	15,311,514	8,253,266	-	5,073,925	-	367,218,720
Selling, general, and administrative expenses	(88,753,160)	(4,387,878)	(7,427,889)	(2,552,099)	(20,421,152)	(275,008)	2,331,425	-	(121,485,761)
Finance costs	(9,795,942)	(490,447)	(23,951,338)	(3,047,944)	(66,978,806)	(360)	5,324	27,176,137	(77,083,376)
Share in net income (loss) of associated entities - net	105,946	-	(4,188,497)	-	8,636,846	-	-	-	4,554,295
Finance income	5,322,675	28,224	5,146,744	71,468	28,359,488	-	(1,037)	(27,176,137)	11,751,425
Loss on impairment of assets - net	(26,858,577)	(208,993)	(15,524,991)	(107,730)	-	-	15,456,057	-	(27,244,234)
Other income	34,828,521	-	36,788,951	1,703,874	22,578,041	593	(87,066)	(46,136,821)	49,676,093
Other expenses	(3,597,182)	(683,262)	(1,118,921)	-	(55,506,726)	-	1,118,920	46,136,821	(13,650,350)
Profit (loss) before income tax expense from continuing operations	248,039,242	(3,719,324)	(10,505,919)	11,379,083	(75,079,043)	(274,775)	23,897,548	-	193,736,812
Income tax expense	(145,014,690)	(2,580,756)	-	(2,475,963)	(3,789,279)	-	-	-	(153,860,688)
Non-controlling interests	(3,395,155)	-	-	-	-	-	-	-	(3,395,155)
Loss after income tax from discontinued operations	-	-	-	-	-	-	(23,897,548)	-	(23,897,548)

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION (continued)

a. Business Segment (continued)

	2013								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**99,629,397**	**(6,300,080)**	**(10,505,919)**	**8,903,120**	**(78,868,322)**	**(274,775)**	**-**	**-**	**12,583,421**
Segment assets	2,267,908,447	76,694,801	168,904,915	34,492,356	2,636,340,192	2,230,417	-	(3,004,675,059)	2,181,896,069
Investment in shares	1,008,397	-	93,917,101	-	520,365,708	-	-	(295,832,219)	319,458,987
Investment in project	30,324,414	-	-	-	-	-	-	-	30,324,414
TOTAL ASSETS	**2,299,241,258**	**76,694,801**	**262,822,016**	**34,492,356**	**3,156,705,900**	**2,230,417**	**-**	**(3,300,507,278)**	**2,531,679,470**
LIABILITIES Segment liabilites	1,908,216,043	38,413,113	295,102,711	30,837,628	2,214,924,322	152,104,297	-	(3,004,675,059)	1,634,923,055
Capital expenditures	219,463,106	-	2,327,882	3,218,061	37,879	-	-	-	225,046,928
Depreciation, depletion and amortization	94,141,286	5,163,845	2,238,337	3,412,440	576,394	-	(2,117,292)	-	103,415,012
Non-cash expenses other than depreciation, depletion and amortization	34,515,096	631,141	15,620,816	590,937	11,172,704	-	(15,456,057)	-	47,074,637
Net cash provided by (used in) operating activities	258,151,618	2,046,029	(2,182,236)	15,066,250	(11,598,109)	(275,008)	502,449	-	261,714,993
Net cash provided by (used in) investing activities	(218,870,614)	(120,389)	(67,296,666)	(6,043,437)	2,996,243	-	-	-	(289,334,863)
Net cash provided by (used in) financing activities	(37,456,430)	(25,982,028)	4,487,422	-	(167,866,567)	(360)	-	-	(226,817,963)

	2012								
	Exploration for and production of oil and gas	Services	Chemicals	Coal mining	Trading	Funding for Group operations	Discontinued operations	Elimination	Consolidation
External sales	482,982,470	17,842,472	199,579,071	9,085,540	390,049,494	-	(195,156,439)	-	904,382,608
Intersegment sales	442,111,302	8,315,435	3,982,289	-	4,357,815	-	-	(458,766,841)	-
Total revenues	925,093,772	26,157,907	203,561,360	9,085,540	394,407,309	-	(195,156,439)	(458,766,841)	904,382,608
Gross profit	387,195,534	5,142,456	840,723	652,769	9,690,245	-	(1,578,990)	-	401,942,737
Selling, general and administrative expenses	(101,801,444)	(4,823,275)	(17,830,356)	(1,522,820)	(26,858,420)	(127,202)	11,370,455	-	(141,593,062)
Finance costs	(2,370,969)	(2,107,347)	(11,602,662)	(1,981,526)	(84,067,141)	(715)	2,404,670	4,372,964	(95,352,726)
Gain on disposal of a subsidiary	-	-	5,362,723	-	-	-	-	-	5,362,723
Share in net income (loss) from associated entities - net	135,492	-	(1,826,148)	-	2,878,674	-	-	-	1,188,018
Finance income	878,516	639,936	3,293,360	28,722	21,143,563	-	(38,574)	(4,372,964)	21,572,559
Other income	6,818,523	-	2,079,259	346,106	16,354,677	20,318	(298,964)	-	25,319,919
Other expenses	(5,918,033)	(1,937,806)	(3,200,795)	-	(1,226,618)	-	3,200,795	-	(9,082,457)

(Expressed in United States Dollars, unless otherwise stated)

40. SEGMENT INFORMATION (continued)

a. Business Segment (continued)

	2012								
	Exploration for and production of oil and gas	**Services**	**Chemicals**	**Coal mining**	**Trading**	**Funding for Group operations**	**Discontinued operations**	**Elimination**	**Consolidation**
Loss on impairment of assets - net	(9,126,565)	-	(9,604,473)	-	-	-	6,581,330	-	(12,149,708)
Profit (loss) before income tax expense from continuing operations	275,811,054	(3,086,036)	(32,488,369)	(2,476,749)	(62,085,020)	(107,599)	21,640,722	-	197,208,003
Income tax expense	(142,436,738)	(136,014)	(1,939,876)	759,350	(12,959,946)	-	374,208	-	(156,339,016)
Loss after income tax expense from discontinued operations	-	-	-	-	-	-	(22,014,930)	-	(22,014,930)
Non-controlling interest	(6,260,769)	-	-	-	-	-	-	-	(6,260,769)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	**127,113,547**	**(3,222,050)**	**(34,428,245)**	**(1,717,399)**	**(75,044,966)**	**(107,599)**	**-**	**-**	**12,593,288**
Segment assets	2,832,942,981	83,812,917	152,648,419	31,774,133	2,422,933,472	2,729,875	-	(3,101,866,100)	2,424,975,697
Investment in shares	902,451	-	85,706,792	-	344,159,577	-	-	(230,228,227)	200,540,593
Investment in project	30,324,414	-	-	-	-	-	-	-	30,324,414
TOTAL ASSETS	**2,864,169,846**	**83,812,917**	**238,355,211**	**31,774,133**	**2,767,093,049**	**2,729,875**	**-**	**(3,332,094,327)**	**2,655,840,704**
LIABILITIES									
Segment liabilities	2,196,262,725	55,805,531	284,022,992	36,889,033	2,189,558,086	-	151,944,252	(3,101,866,100)	1,812,616,519
Capital expenditures	189,209,206	37,653,735	847,609	12,408,836	66,871	-	(2,561,508)	(4,926,737)	232,698,012
Depreciation, depletion and amortization	73,664,115	3,634,492	8,789,699	1,990,301	706,915	-	(3,085,758)	-	85,699,764
Non-cash expenses other than depreciation, depletion and amortization	38,493,364	351,097	13,500,415	-	2,819,669	-	(3,895,943)	-	51,268,602
Net cash provided by (used in) operating activities	254,379,383	(987,276)	9,172,233	(3,859,407)	(19,714,727)	-	(29,977,612)	-	209,012,594
Net cash provided by (used in) investing activities	(189,592,918)	(24,528,136)	(71,012,353)	(14,097,187)	(93,535,576)	-	399,455	-	(392,366,715)
Net cash provided by (used in) financing activities	(22,156,984)	20,940,002	(13,058,448)	-	(13,857,493)	-	18,355,485	-	(9,777,438)

b. <u>Geographical Segment</u>

The following table shows the distribution of the Group's revenues by geographical market and the Group's assets by geographical location:

<u>Revenues</u>

	2013	**2012**
Indonesia	300,681,142	332,082,944
Overseas		
Asia	460,748,693	451,784,064
Africa and Middle East	109,489,694	103,035,442
United States of America	18,027,877	17,480,158
Total	**888,947,406**	**904,382,608**

40. SEGMENT INFORMATION (continued)

b. Geographical Segment (continued)

Total Assets

Geographical location	**2013**	**2012**
Indonesia	3,922,466,448	4,099,648,909
Overseas		
Asia	1,481,311,018	1,456,802,088
Africa and Middle East	345,182,930	331,930,099
United States of America	83,226,352	99,553,935
Total	5,832,186,748	5,987,935,031
Elimination	(3,300,507,278)	(3,332,094,327)
After elimination	**2,531,679,470**	**2,655,840,704**

The Group's activities are concentrated in several major geographic locations (Asia, United States of America, Africa and Middle East). The main concentration of activities is in Indonesia.

Intersegment transactions are set with normal terms and conditions as if conducted with third parties.

41. MONETARY ASSETS OR LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group has monetary assets and liabilities denominated in foreign currencies as follows:

	2013			
	In original currency (in million)			**US$ Equivalent (Full amount)**
	Rupiah	**Euro**	**Others**	
Assets				
Cash and cash equivalents	89,649	0.04	0.06	7,655,229
Short-term investments	39,620	-	-	3,250,508
Trade receivables	55,567	-	-	4,558,807
Other receivables	805,367	-	-	66,073,287
Restricted cash in banks	77,214	-	-	6,334,751
Liabilities				
Trade payables	(184,192)	(0.10)	-	(15,195,201)
Other long-term payables	(3,482,542)	-	-	(285,711,915)
Bank loans	(1,400,349)	-	-	(114,886,326)
Net Liabilities	**(3,999,666)**	**(0.06)**	**0.06**	**(327,920,860)**

41. MONETARY ASSETS OR LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

	2012			
	In original currency (in million)			US$ Equivalent (Full amount)
	Rupiah	Euro	Others	
Assets				
Cash and cash equivalents	267,164	0.03	-	27,933,645
Short-term investments	42,069	-	-	4,350,427
Trade receivables	4,196	-	-	433,951
Other receivables	513,335	-	-	53,085,315
Restricted cash in banks	88,794	-	-	9,182,374
Liabilities				
Trade payables	(153,331)	(0.03)	-	(15,883,207)
Bank loans	(1,401,604)	-	-	(144,943,566)
Other long-term payables	(2,973,933)	-	-	(307,542,144)
Net Liabilities	**(3,613,310)**	-	-	**(373,383,205)**

42. FINANCIAL INSTRUMENTS

a. Fair Values of Financial Instruments

The following table presents the classification of financial instruments and sets forth the carrying amounts and estimated fair values of the financial instruments of the Group that are carried in the consolidated statements of financial position as of December 31, 2013 and 2012:

	2013		2012	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Current Assets				
Cash and cash equivalents	263,973,998	263,973,998	523,651,774	523,651,774
Short-term investments	253,437,152	253,437,152	311,668,012	311,668,012
Restricted cash in banks	5,593,518	5,593,518	1,343,426	1,343,426
Trade receivables	143,634,520	143,634,520	147,129,298	147,129,298
Other receivables	75,940,543	75,940,543	79,157,762	79,157,762
Non-Current Assets				
Other receivables	144,132,820	144,132,820	106,121,133	106,121,133
Restricted cash in banks	7,834,751	7,834,751	10,898,277	10,898,277
Long-term investments	93,917,101	93,917,101	67,177,201	67,177,201
Other assets	2,663,435	2,663,435	2,658,730	2,658,730
Total Financial Assets	**991,127,838**	**991,127,838**	**1,249,805,613**	**1,249,805,613**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

a. Fair Values of Financial Instruments (continued)

	2013		2012	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial Liabilities				
Current liabilities				
Short-term bank loans	60,000,000	60,000,000	60,000,000	60,000,000
Trade payables	94,553,106	94,553,106	95,264,604	95,264,604
Other payables	50,795,338	50,795,338	43,589,966	43,589,966
Accrued expenses and other provisions	70,696,891	70,696,891	72,224,141	72,224,141
Current maturities of long-term debts				
Bank loans	928,203	928,203	62,855,699	62,855,699
Medium-term notes	-	-	40,386,422	40,386,422
Rupiah bonds	80,768,414	80,768,414	-	-
Derivative liabilities	10,520,221	10,520,221	-	-
Non-Current Liabilities				
Long-term debt				
Bank loans	374,867,214	369,879,624	654,384,407	684,303,957
Payable to a related party	130,947,913	128,189,001	125,735,136	125,735,136
Rupiah bonds	285,711,915	294,867,686	307,542,144	300,045,136
US Dollar bonds	98,466,256	97,722,256	99,334,607	112,260,381
Derivative liabilities	162,135,400	162,135,400	17,985,673	17,985,673
Other payables	9,698,707	9,698,707	13,849,625	13,849,625
Total Financial Liabilities	**1,430,089,578**	**1,430,754,847**	**1,593,152,424**	**1,628,500,740**

i. Financial instruments carried at fair value

Fair values of derivative instruments and short-term investments are determined by calculating the present value of future cash flows based on their terms and conditions.

ii. Financial instruments with carrying values approximating their fair values

All current assets and liabilities listed above, as well as non-current restricted cash in banks and other receivables approximate their fair values due to the short-term maturity and nature of such financial instruments.

iii. Financial instruments recorded at acquisition cost

Investments in common shares with no quoted market price representing ownership below 20%, are recorded at cost because fair value cannot be measured reliably.

iv. Financial instruments carried at amortized cost

The fair values of long-term debts (bank loans, medium-term notes and Rupiah and US Dollar bonds), are determined based on discounted cash flows method.

v. Other financial instruments

The fair values of non-current other receivables, other assets and other liabilities listed above are the same as their carrying amounts because their fair values cannot be measured reliably.

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

a. Fair Values of Financial Instruments (continued)

The fair value measurements of financial assets and liabilities are classified as a whole based on the lowest level of input that is significant to the fair value measurement as a whole. The assessment of the signficance of a particular input to the fair value measurement requires judgment and may affect the valuation of the financial assets and liabilities being measured and their level within the fair value hierarchy.

The best evidence of fair value is the price quotations in an active market. If the market for a financial instrument is not active, the Group establishes a fair value by using a valuation method. The objective of using a valuation method is to establish what the transaction price would have been on the measurement date in an arm's length transaction based on normal business considerations.

Valuation methods include the use of recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation method commonly used by market participants to determine the price of the instrument and the method has been demonstrated to provide reliable estimates on prices obtained from actual market transactions, the Group uses that method. Valuation methods are chosen to make the maximum use of market inputs and rely as little as possible on inputs that are specific to the Group. The method takes into account all the factors that will be considered by market participants in setting a price and in tune with the economic method for the assessment of a financial instrument. Periodically, the Group reviews the valuation methods and tests it for validity using prices from current market transactions that can be observed for the same instrument (i,e,, without modification and repackaging) or based on available market data and can be observed.

The hierarchy of fair value as of December 31, 2013 and 2012 is as follows:

	December 31, 2013			
	Total	Market value quotation for similiar assets and liabilities (Level 1)	Significant input and observable directly (Level 2)	Significant input but unobservable (Level 3)
Financial Assets				
Short-term investments	253,437,152	-	253,437,152	-
Financial Liabilities				
Derivative liabilities	172,655,621	-	172,655,621	-

	December 31, 2012			
	Total	Market value quotation for similiar assets and liabilities (Level 1)	Significant input and observable directly (Level 2)	Significant input but unobservable (Level 3)
Financial Assets				
Short-term investments	311,668,012	-	311,668,012	-
Financial Liabilities				
Derivative liabilities	17,985,673	-	17,985,673	-

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management

The principal financial liabilities of the Group consist of short-term and long-term borrowings, trade and other payables and accrued expenses. The main purpose of these financial liabilities is to raise funds for the operations of the Group. The Group has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange rate risk, price volatility risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's Directors review and approve the policies for managing these risks which are summarized below:

i. Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates on its short-term and long-term borrowings.

The Group policy relating to interest rate risk is to manage interest cost through a mix of fixed and variable rate debts. The Group evaluates the comparability of the fixed rate to floating rate of its short-term bank loans and long-term debts in line with movements of relevant interest rates in the financial markets. Based on management's assessment, new financing will be priced either on a fixed rate or floating rate basis.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term receivable and obligations with floating interest rates.

The following table sets out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	December 31, 2013				
Description	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Receivable from a related party	-	141,469,210	-	-	141,469,210
Payable to a related party	-	130,947,913	-	-	130,947,913
Short-term bank loans	60,000,000	-	-	-	60,000,000
Long-term bank loans	928,203	114,867,214	260,000,000	-	375,795,417
Derivative liabilities	10,520,221	39,195,318	122,940,082	-	172,655,621

	December 31, 2012				
Description	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Receivable from a related party	-	100,727,841	-	-	100,727,841
Payable to a related party	-	125,735,136	-	-	125,735,136
Short-term bank loans	60,000,000	-	-	-	60,000,000
Long-term bank loans	50,000,000	25,000,000	440,000,000	-	515,000,000
Derivative liabilities	-	574,625	17,411,048	-	17,985,673

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above table are either non-interest bearing or have fixed interest rates and are therefore not subject to interest rate risk.

As of December 31, 2013, if the borrowing rate increases/decreases by 0.5% with all variables held constant, the consolidated income before tax expense for the year will be lower or higher by US$2.1 million.

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

ii. Foreign exchange rate risk

The Group maintains its bookkeeping in US Dollars, therefore, a portion of its revenues, expenses, assets and liabilities which are denominated in currencies other than US Dollars are exposed to currency exchange rates against US Dollars. The oil and gas exploration and production activities of the Group in various countries are also exposed to the currency exchange fluctuations of the local currencies.

To manage currency risk, the Group entered into several swap and forward contracts. As of December 31, 2013, these contracts are accounted for as transactions that are not designated as hedging contracts except for eleven hedging contracts, in which the gain or loss arising from the effective portion of cash flow hedge is credited or charged to other comprehensive income (Note 23).

As of December 31, 2013, if the exchange rate of the US Dollars against foreign currencies increases/decreases by 10% with all variables held constant, consolidated income before tax expense for the year will be higher/lower by US$1.7 million primarily as a result of translations of bank loans and other long-term debt.

iii. Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge its obligation and will incur a financial loss to the other party. The Group is exposed to credit risk arising from the credit granted to its customers. The Group trades only with recognized and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the exposure to bad debts.

The most significant exposure to the credit risk is represented by the carrying amounts of financial assets as shown in Notes 6 and 7 of the consolidated statement of financial position.

As of December 31, 2013, a significant portion of the trade receivables of the Group is due from two debtors whose respective accounts constitute 21% and 13% of the total trade receivables as of that date.

The credit risk on trade receivables and other receivables as of Desember 31, 2013 and 2012 based on information provided by management is as follows:

a. By Geographical Area

	2013	
	Trade Receivables	**Other Receivables**
Indonesia	75,955,105	221,164,912
Singapore	29,967,366	128,003
Oman	31,800,162	494,456
United States of America	2,194,178	763,476
Yemen	-	7,996,613
Switzerland	8,087,448	-
Libya	-	906,252
Others	-	263,185
Total	**148,004,259**	**231,716,897**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

iii. Credit risk (continued)

a. By Geographical Area

	2012	
	Trade Receivables	**Other Receivables**
Indonesia	70,583,668	201,753,537
Singapore	37,029,844	431,856
Oman	29,869,199	1,196,595
Switzerland	4,309,566	-
United States of America	2,933,075	860,234
Yemen	2,548,441	7,948,127
Libya	-	1,282,412
Others	-	313,465
Total	**147,273,793**	**213,786,226**

b. By Debtor

	2013	
	Trade Receivables	**Other Receivables**
Related parties	18,982,522	142,600,440
Third parties:		
State - owned enterprises	67,472,780	498,612
Other companies	25,280,148	10,101,354
Government of Indonesia	2,255,442	66,735,010
Multinational companies	33,994,340	10,407,823
Individual	19,027	1,373,658
Total	**148,004,259**	**231,716,897**

	2012	
	Trade Receivables	**Other Receivables**
Related parties	32,701,117	101,615,237
Third parties:		
State - owned enterprises	55,229,825	4,634,037
Other companies	49,198,505	18,696,889
Government of Indonesia	10,144,346	83,722,876
Multinational companies	-	931,375
Listed companies in the Indonesia Stock Exchange	-	76,247
Individual	-	4,109,565
Total	**147,273,793**	**213,786,226**

(Expressed in United States Dollars, unless otherwise stated)

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

iv. Liquidity risk

The liquidity risk is defined as a risk where the cash flow position of the Group indicates that the short-term revenue is not sufficient to cover the short-term expenditures. The Group liquidity requirements have historically arisen from the need to finance investments and operational and capital expenditures.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group also regularly evaluates the projected and actual cash flows, including long-term loan maturity profiles, and continuously assesses the conditions in the financial market to maintain flexibility in funding by keeping committed credit facilities available. These activities may include bank loans and issuance of equity in the capital market.

The table below presents the carrying amount, by maturity period of the Group's financial instruments that are affected by liquidity risk:

	December 31, 2013				
Description	within 1 year	1-2 years	2-5 years	more than 5 years	Total
Trade payables					
- Related parties	359,576	-	-	-	359,576
- Third parties	94,193,530	-	-	-	94,193,530
Other payables	50,795,338	-	-	9,698,707	60,494,045
Accrued expenses and other provisions	70,696,891	-	-	-	70,696,891
Bank loans	60,928,203	114,867,214	260,000,000	-	435,795,417
US Dollar bonds	-	-	98,466,256	-	98,466,256
Rupiah bonds	80,768,414	-	285,711,915	-	366,480,329
Derivative liabilities	10,520,221	39,195,318	122,940,082	-	172,655,621
Payable to a related party	-	130,947,913	-	-	130,947,913

	December 31, 2012				
Description	within 1 year	1-2 years	2-5 years	more than 5 years	Total
Trade payables					
- Related parties	69,936	-	-	-	69,936
- Third parties	95,194,668	-	-	-	95,194,668
Other payables	43,589,966	-	-	13,849,625	57,439,591
Accrued expenses	72,224,141	-	-	-	72,224,141
Bank loans	122,855,699	26,997,305	603,387,102	24,000,000	777,240,106
Medium-term notes	40,386,422	-	-	-	40,386,422
Rupiah bonds	-	102,345,971	205,196,173	-	307,542,144
US Dollar bonds	-	-	99,334,607	-	99,334,607
Derivative liabilities	-	574,625	17,411,048	-	17,985,673
Payable to a related party	-	125,735,136	-	-	125,735,136

v. Price volatility risk

The selling price of the Group's oil is based on the price of Indonesian Crude Price (ICP) that is determined by the Ministry of Energy and Mineral Resources (ESDM) on a monthly basis. As a result, the price of oil that is produced by the Group will depend largely on factors beyond the control of the Group.

The natural gas produced in Indonesia is largely sold on contract basis with fixed price that allows certain level of escalation annually. There exists a potential risk of opportunity loss when the market price of oil and gas increases well above the escalation cap in the contract.

42. FINANCIAL INSTRUMENTS (continued)

b. Risk Management (continued)

v. Price volatility risk (continued)

The Group's gases produced in the United States are sold on the spot market on the basis of the Henry Hub market price. Therefore, the risk faced by the Group is similar to the effects of oil and gas price fluctuation.

c. Capital Management

The Group's objectives when managing capital are:

- To maintain a strong capital base so as to maintain investor, creditor and market confidence
- To sustain future development of the business.

The Group regularly reviews and manages their capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

For capital management purposes, management regards total equity attributable to the owners of parent company as capital. The amount of capital as of December 31, 2013 is US$896,756,415 which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities. Also, over the past recent years, earnings before income tax, interest, depreciation and amortization (EBITDA) has become an important control figure for the Group as well as for the lending banks. The continuing optimal development of the Group depends on its strong self-financing ability (EBITDA).

There are no changes in the Group's approach to capital management during the year.

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS

a. Production Sharing Arrangements - Indonesia

The majority of the Group's oil and gas subsidiaries are located in Indonesia and operate under various production sharing arrangements with SKK Migas. A general description of those arrangements and applicable oil and gas law is as follows:

i. Production Sharing Contracts (PSC) - Indonesia

A PSC is awarded to explore for and to establish commercial hydrocarbon reserves in a specified area prior to commercial production. The contractor is generally required to relinquish specified percentages of the contract area on specified dates unless such designated areas correspond to the surface area of any field in which oil and gas has been discovered.

The responsibilities of a contractor under a PSC generally include financing all activities and preparing and executing the work program and budget. In return, the contractor may freely lift and dispose of its share of crude oil and gas production.

A sharing in the form of First Tranche Petroleum (FTP) of 20% out of total production before deduction of cost recovery is available to the Government and the contractor in line with their entitlement shares.

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS (continued)

a. Production Sharing Arrangements - Indonesia (continued)

The balance of production after FTP is available for cost recovery for the contractor which is calculated by reference to the prevailing Indonesian crude price and actual gas prices. After the contractor has recovered all allowable costs, the Government is entitled to a specified share of the remaining natural gas and crude oil production and the contractor is entitled to the balance as its equity (profit) share.

The contractor is obligated to pay Indonesian corporate taxes on its specified profit share, generally, at the Indonesian corporate tax rate in effect at the time the PSC is executed.

PSCs in Indonesia are subject to a Domestic Market Obligation (DMO) under which the contractor is required to supply the domestic market with the lesser of 25% of (i) the contractor's pre-tax share of total crude oil production and (ii) the contractor's profit share for oil.

ii. Joint Operating Body (JOB) - Indonesia

In a JOB, operations are conducted by a joint operating body headed by PT Pertamina (Persero) (Pertamina) and assisted by the contractor through their respective secondees to the JOB. In a JOB, 37.5%-50% of the production is retained by Pertamina, and the balance is the shareable portion which is split between the parties in the same way as for a PSC.

iii. Technical Assistance Contracts (TAC) - Indonesia

A TAC is awarded when a field has prior or existing production and is awarded for a certain number of years depending on the contract terms. The oil or gas production is first divided into non-shareable and shareable portions. The non-shareable portion represents the production which is expected from the field (based on historic production of the field) at the time the TAC is signed and accrues to Pertamina.

Under a TAC, the non-shareable portion of production declines annually. The shareable portion corresponds to the additional production resulting from the operator's investment in the field and is in general split between the parties in the same way as for a PSC.

Contractors are obliged to pay a production bonus to SKK Migas if certain production levels are attained.

Upon the expiration or termination of the contract, relinquishment of part of a contract area, or abandonment of any fields, the contractors may be required to remove all equipment and installation from the contract area, and perform site restoration activities in accordance with the terms of the contract or applicable government regulations. The cost of abandonment and site restoration work is cost recoverable under the respective contracts.

The Group currently has 11 PSCs and 2 JOBs in Indonesia.

The remaining commitment for exploration and development expenditures relating to the above contracts as of December 31, 2013 is US$179 million (unaudited).

(Expressed in United States Dollars, unless otherwise stated)

43. OIL AND GAS PRODUCTION SHARING ARRANGEMENTS (continued)

b. Production Sharing Arrangements - International

The Group has production sharing arrangements in Libya and Yemen and a service contract in Oman with the following fiscal arrangements:

Subsidiaries	Block Ownership	Country	Contract Term	Concession Production Sharing Agreement	
				Local Government	Subsidiaries
Medco Oman LLC	Karim Small Field	Oman	10 years	96.02% of profit from total production	3.98% of profit from total production
Medco International Venture Ltd	Block 47	Libya	30 years	86.3% of profit from total production	13.7% of profit from total production
Medco Yemen Amed Ltd	Block 82	Yemen	20 years	80% of profit oil (for production over 25,000 bopd)	20% of profit oil (for production over 25,000 bopd)
Medco Yemen Arat Ltd	Block 83	Yemen	20 years	75% of profit oil (for production over 25,000 bopd)	25% of profit oil (for production over 25,000 bopd)
Medco Yemen Malik Ltd	Block 9	Yemen	25 years	70% of profit oil (for production over 25,000 bopd)	30% of profit oil (for production over 25,000 bopd)

The total remaining commitment for exploration expenditures relating to the above contracts as of December 31, 2013 is US$38.5 million (unaudited).

The license of Medco Yemen Arat Ltd for the exploration phase of Block 83 expired on December 18, 2013 and Medco Yemen Arat Ltd has requested from the Ministry of Oil and Minerals (MOM) of Yemen for an extension of the license until March 31, 2014 to complete the technical assessment of the exploration results. The MOM has granted the license extension until March 31, 2014.

Medco Yemen Arat Ltd, with the assistance of PT Medco Energi Internasional Tbk (MEI), intends to obtain a further extension of this license to continue the exploration program in Block 83 after completing the technical assessment, which is expected to be completed by the end of March 2014. MEI has committed to provide sufficient funding to Medco Yemen Arat Ltd to continue the exploration activities.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS

a. Major Acquisitions and Disposals

i. In December 2013, the Technical Assistance Contract (TAC) of PT Medco E & P Sembakung, a wholly-owned subsidiary, at Sembakung, North Kalimantan, has ended.

ii. In October 2013, the Production Sharing Contract (PSC) of PT Medco E & P Merangin, a wholly-owned subsidiary, at Merangin-I, Jambi, has ended.

iii. On August 2, 2013, the Company through its wholly-owned subsidiary, Medco Energi (BVI) Ltd (Medco), signed a Shares Sale and Purchase Agreement with Trada Petroleum Pte Ltd (Trada), to acquire 60% ownership of Medco Trada Tebat Agung Ltd, a company incorporated in British Virgin Islands. The purchase price amounts to US$1.38 million.

iv. On January 28, 2013, the Company through its wholly-owned subsidiary, Medco International Ventures Ltd (MIVL), established a joint operating company (JOC), namely, Nafusah Oil Operations BV (Nafusah), with its partners, National Oil Corporation (NOC) and Libyan Investment Authority (LIA), with ownership of 24.5%, while NOC and LIA will have ownership of 51% and 24.5%, respectively.

   The establishment of the JOC is based on the requirement of the Exploration and Production Sharing Agreement (EPSA) entered into in 2005 by the parties. According to the EPSA, the parties shall enter into a shareholders agreement and form a JOC upon declaring the first Commercial Discovery. The JOC will act as the Operator under the EPSA and according to an operating agreement to be entered into by the parties.

   Nafusah Oil Operations BV has been formally registered and established in The Netherlands on March 18, 2013.

   On September 30, 2013, the Operating Agreement was executed by NOC, LIA, MIVL and Nafusah to establish the respective rights and obligations of the Parties and the Operator on the conduct of Petroleum Operations under the EPSA. The Operating Agreement states that Nafusah Oil Operations BV is appointed as the Operator to conduct all petroleum operations in particular to implement the Development Plan in accordance with the terms and conditions of the Operating Agreement and the EPSA. The Operating Agreement was signed by the Parties on March 9, 2014.

v. On December 20, 2012, the Company signed a Shares Sales and Purchase Agreement (SPA) for the purchase of 49% stake in PT Api Metra Graha (AMG) held by Jaden Holdings Limited (Jaden). As of December 31, 2012, an advance payment to Jaden of US$25 million, representing 24% of the purchase price has been made and US$5.1 million for income tax article 26 has been paid which are recorded as ”Advance for purchase of shares of stock” in the consolidated statement of financial position. This transaction has been completed on February 12, 2013. The Company has completed the payment of the remaining purchase commitment amounting to US$72 million including purchase price adjustment between the equity value from the signing date of Shares Sales and Purchase Agreement and the closing date.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

a. Major Acquisitions and Disposals (continued)

vi. On October 10, 2012, the Company, through its wholly-owned subsidiary, PT Medco Downstream Indonesia (MDI), signed a Share Purchase and Subscription Agreement (SPSA) with Puma Energy (Singapore) Pte Ltd ("Puma") for the sale of 63.88% or 1,852,520 shares of PT Medco Sarana Kalibaru (MSK) owned by MDI for the price of US$13,003,200, and subsequently, Puma together with MDI will subscribe to the issuance of new shares by MSK pro-rata in accordance with the ownership percentage of each shareholder, that is, Puma at 63.88% with subscription price of US$22,996,800 and MDI at 36.12% with subscription price of US$13,003,200. The transaction was completed on December 3, 2012.

Based on the above SPSA, MSK shall repay the following:

1. Under a loan agreement dated September 15, 2012 between MSK and MEI, MSK obtained a loan from MEI to finance the VAT payment on the cargo delivery to PT Freeport Indonesia amounting to US$8,000,000, plus interest.
2. Based on the Management Services Agreement with MDI, MSK has outstanding payable to MDI amounting to US$800,000 for the management services provided to MSK in fiscal years 2010 and 2011.
3. Based on the Intercompany Loan Agreements between MSK and MDI, MSK has an outstanding intercompany payable totaling Rp39,612,995,000 (including interest charged on the settlement date), which consists of payables to MEI and MDI amounting to Rp27,580,000,000 and Rp12,032,995,000, respectively, to be reduced by the intercompany receivables of MSK from MEI and MDI amounting to Rp8,898,243,643 and Rp232,565,688, respectively.

Since all the obligations above had been paid by MSK on December 5, 2012, MDI and Puma agreed on the following:

a. For purposes of calculating the "Sale Consideration", the MSK business is valued by Puma on the date of the agreement, at US$20,355,867 of which US$6,000,000 is attributable to the Tanjung Priok Lease Agreement. If the Tanjung Priok Lease Agreement is terminated or expires without renewal or extension at any time within 10 years starting from December 31, 2012, the value of the MSK business shall be deemed to have declined equivalent to the amortization amount under the Tanjung Priok Lease Agreement on the date of termination or expiration. MDI must transfer to Puma the additional shares issued by MSK.

b. MDI and Puma agree that if any portion of the unpaid receivables remains outstanding for 180 days after the transaction is completed, MDI must transfer to Puma additional shares issued by MSK. MSK agrees to promptly determine and pay its debts to MDI, or reduce it considering the conditions below:
   1. After the adjustment made by the shareholders, MSK shall pay back to MDI the unpaid receivables arising from such adjustment,
   2. After the transaction completion date, MSK shall pay back to MDI the receivables from PT Kiani Kertas Nusantara or PT Optima Enviro Resources, or
   3. After the transaction completion date, MSK shall pay less than a predetermined amount of claims against MSK by BPMigas (now SKK Migas), amounting to Rp4,678,000,000.

   Based on Notarial Deed No. 17 dated October 25, 2013 of Edwar, S.H., MDI transferred its 53,388 shares with par value of Rp100,000 ownership in MSK to Puma Energy (Singapore) Pte Ltd due to the conversion of unpaid receivables of MDI amounting to Rp7,174,027,271 as of June 3, 2013. As of December 31, 2013, MDI ownership in MSK is 2,241,489 shares or total amount of Rp224,148,900,000.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

a. Major Acquisitions and Disposals (continued)

vii. On July 5, 2012, Medco Yemen Malik Limited signed a Sale and Purchase Agreement (SPA) with Reliance Exploration and Production DMCC, to purchase 25% participating interest in Block 9 in Yemen at a cost of US$90 million. This agreement was completed on December 4, 2012. After the conditions precedent to the transaction are completed, including obtaining the approval of the Ministry of Oil and Minerals of Yemen, Medco has effective participating interest of 21.25% in Block 9. Besides Medco, the other parties holding participating interests in Block 9 are Calvalley Petroleum (Cyprus) Ltd, as operator with interest of 42.5%, Hood Oil Limited with interest of 21.25%, and Yemen Oil and Gas Company (YOGC) with interest of 15%.

viii. In early 2006, the Group entered into a commercial agreement (economic agreement) with the Singapore Petroleum Company (SPC) and Cue Energy Resources Limited (Cue) involving the transfer of 18.2% and 6.8% interest out of their respective 40% and 15% interests in the Jeruk Field, which enabled the Group to gain an undivided, 25% economic interest in the Jeruk Field of Sampang PSC. SPC and Cue are the direct holders of participating interest in Sampang PSC, in addition to Santos which is the operator of the PSC. In accordance with the economic agreement, the Group agreed to assume proportionate share of Jeruk costs.

Whilst the Indonesian Authorities have sanctioned the commercial agreement between the participants, Sampang PSC interests (including Jeruk Field interests) remain unchanged.

In early 2008, Santos, the operator of the Jeruk Field, disclosed that further drilling in the Jeruk Field had been put on hold pending the review of development scenarios and the resolution of commercial and technical issues that may impact the viability of any development.

Nevertheless, under the PSC, Jeruk costs represent part of overall Sampang PSC cost pool, and therefore Jeruk costs can be recovered from the production proceeds of other fields within Sampang PSC. The Group is also entitled to such recovery of Jeruk project costs under and through the mechanism as set out in the “economic agreement”.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia			
Perusahaan Daerah Pertambangan dan Energi (Jakabaring)	August 10, 2011	Commitment to supply and sell 3 BBTUD of gas at a gas price ranging from US$4.02/MMBTU to US$5.09/MMBTU.	9 years or until such quantity has been fully supplied, whichever occurs first.
PT Perusahan Daerah Kota Tarakan (PDKT)	April 6, 2011	Commitment to supply gas to meet the needs of household in Tarakan of 0.15 BBTUD at a gas price of US$3.00/MMBTU escalating by 2.5% per year.	5 years since June 2011 until such quantity in the agreement has been fully supplied.
PT Sarana Pembangunan Palembang Jaya (SP2J)	April 13, 2010	Commitment to supply gas involving 0.15 BBTUD - 1 BBTUD with an agreed gas price of US$2.73/MMBTU.	4 years or when such quantity has been fully supplied, whichever occurs first.
PT PLN Tarakan	April 1, 2010	Commitment to supply and sell 10,134 BBTU of gas at average gas price during contract period of US$3.98/MMBTU with total value of US$37.49 million.	5 years or until such quantity has been fully supplied, whichever occurs first.
PT Pertamina EP	February 19, 2010	Commitment to supply 1,359.96 MMSCF of gas per year at a gas price ranging from US$3.94/MMBTU to US$4.43/MMBTU.	4 years (April 27, 2009 up to November 27, 2013), or when such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Gas Negara (Persero) Tbk	December 4, 2009 and last amended on January 21,2013	Commitment to supply natural gas from Keramasan Field in South and Central Sumatera Block with total gas volume of 41,900 BBTU (last amendment) at a price range from US$4.17/MMBTU to US$7.32/MMBTU.	December 2009 up to October 15, 2014 or until such quantity has been fully supplied, whichever occurred first.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia (continued)			
Perusahaan Daerah Pertambangan dan Energi	August 4, 2009	Commitment to supply 729 BBTU of gas, with price of US$3.00 per MMBTU escalating by 2.5% per year. As of April 2013, the gas supply has just commenced due to the requirements to supply gas has just been fulfilled.	Until such quantity has been fully supplied.
Perusahaan Daerah Mura Energi	August 4, 2009	Commitment to supply 2.5 BBTUD of gas produced from the Temelat Field with contract value estimated at US$3/MMBTU, escalating by 2.5% per year.	10 years starting from April 2011. As of the completion date of the consolidated financial statements, the gas supply has not yet commenced because there are still some unfulfilled requirements.
Perusahaan Daerah Kota Tarakan	January 22, 2009	Commitment to supply 1-3 BBTUD of gas at a price of US$3/MMBTU, escalating by 2.5% per year.	10 years.
PT Pupuk Sriwidjaja (Persero)	August 7, 2007	Commitment to supply 45 BBTU of gas/day (BBTUD) at an average price of US$3.59/ MMBTU.	11 years and could be amended to 15 years in accordance with terms and conditions as stated in the agreement.
PT Mitra Energi Buana	July 24, 2006 last amended with agreement dated December 1, 2012	Commitment to supply and sell gas in the quantity of 2.5 BBTUD until November 2012 and 3.7 BBTUD until December 2017, at an agreed price ranging from US$2.65/MMBTU to US$7.00/MMBTU.	11 years or until such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Listrik Negara (Persero) (main electricity for Keramasan, Palembang, South Sumatera)	January 20, 2006 last amended with agreement dated December 16, 2013	Commitment to supply and sell gas in the quantity of 22.3 BBTUD until November 27, 2013 and 14 BBTUD until December 31, 2014. Price ranges from US$4.17/MMBTU to US$6.98/MMBTU.	Contract extensión until December 31, 2014 or until such quantity has been fully supplied, whichever occurs first.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Indonesia (continued)			
PT Metaepsi Pejebe Power Generation (MEPPO-GEN)	January 20, 2006 and last amended with agreement dated January 21, 2013	Commitment to supply gas in the quantity of 14.47 BBTUD until March 2013 and 17.32 BBTUD until May 2014. The total gas volume amounted to 36,904.60 BBTU (last amended) in the price of US$6.45/MMBTU (last amended) for the contract period escalating by 3% per year.	Until May 31, 2014 or when such quantity has been fully supplied, whichever occurs first.
PT Pertamina (Persero)	January 16, 2004 The agreement has been amended several times and the latest (the fifth amendment) on January 1, 2012	Commitment to deliver and sell LPG pursuant to the conditions set forth in the agreement.	Until such quantity has been fully supplied (February 2013).
PT Perusahaan Listrik Negara (Persero) (for PLTG Borang, Palembang, South Sumatera)	December 30, 2003 and last amended with agreement dated October 9, 2012	Commitment to supply and sell 7 BBTUD of gas from December 2009 to March 2010 and 12.5 BBTUD from April 2010 to September 2012 and 18.3 BBTUD from October 2012 to August 2014. Gas price ranges from US$4.32/MMBTU to US$6.36/ MMBTU.	10 years and 8 months or until such quantity has been fully supplied, whichever occurs first.
PT Perusahaan Listrik Negara (Persero) (for PLTG Simpang Tiga, Indralaya, Palembang, South Sumatera)	December 30, 2002 and last amended with agreement dated May 1, 2013	Commitment to supply and sell 56,182 BBTU of gas. The amount of daily supply is 17 BBTUD with the gas price changed to US$5.46/MMBTU until August 2013.	11 years or until such quantity has been fully supplied, whichever occurs first.
PT Medco E & P Lematang			
PT Perusahaan Gas Negara (Persero) Tbk	December 4, 2009 last amended on April 15, 2010	Commitment to supply natural gas from Singa Field in Lematang Block with a total gas volume of 53 thousand BBTU at an agreed price ranging from US$5.20/MMBTU to US$5.57/MMBTU.	3 years and 2 months starting in April 2010 (January 2014).
PT Perusahaan Listrik Negara (Persero)	March 21, 2007 last amended on February 8, 2010	Commitment to supply and sell gas of 48.6 BBTUD at an agreed price ranging from US$4.93/MMBTU to US$5.18/MMBTU.	Gas supply is expected to start from December 1, 2012 until April 1, 2017.
PT Medco E & P Malaka			
PT Perusahaan Listrik Negara (Persero)	April 9, 2008	Commitment to supply 15 BBTUD of gas for electricity in Nanggroe Aceh Darussalam at an agreed price of US$5.30/MMBTU escalating by 3% per year.	At the time when quantity in the agreement has been fully supplied, or gas no longer has an economic value or until the termination of Block A PSC (September 1, 2031), whichever occurs first.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

b. Gas Supply Agreements (continued)

Entity	Date of Agreement	Commitment	Contract Period
PT Medco E & P Malaka (continued)			
PT Pupuk Iskandar Muda (Persero)	December 10, 2007 last amended on November 12, 2010	Commitment to supply gas with the total gas volume 110 BBTUD with a total of 233 TBTU at an agreed selling price, calculated using a formula whereby the price will not be less than US$5.00 per MMBTU.	At the time when such quantity in the agreement has been fully supplied or gas no longer has an economic value, or until the termination of the Block A PSC (September 1, 2031), whichever occurs first.
PT Medco E & P Tomori			
PT Donggi Senoro LNG (through JOB Pertamina - Medco E & P Tomori Sulawesi)	January 22, 2009	Commitment to supply 227 BBTUD of gas with the price calculated based on certain agreed formula expressed in US$/MMBTU using the value of the Japan Crude Cocktail (JCC) as basis.	15 years (starting from the date of commercial operations of the LNG Plant). Until the completion of these consolidated financial statements, the gas supply has yet to be started since the construction is still on-gong.
PT Medco E & P Simenggaris			
Perusahaan Daerah Nusa Serambi Persada (melalui JOB P-MEPS)	October 29, 2012	Commitment to supply 5 MMSCFD from South Sembakung well at a gas price US$5.2/MMBTU with an escalation of 3% per year.	11 years starting from 2013. Until the completion of these consolidated financial statements, the gas supply has yet to be started.

(Expressed in United States Dollars, unless otherwise stated)

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements

i. Receivable Novation Agreement

Under the Receivable Novation Agreement dated December 20, 2013 between PT Medco Downstream Indonesia (MDI) and PT Medco Sarana Kalibaru (MSK), MSK agreed to novate its right to collect on certain receivables to MDI, as follows:

Customer	Amount (Rp)
PT Sapta Prima Adikarya	2,114,752,719
PT Pelayaran Nesitor Sakti Segara	2,912,685,540
PT Partner Resource Indonesia	1,539,589,006
H. Rahmat	181,700,000
PT Istaka Karya	89,270,000
PT Pillar Utama	70,555,006
PT Kertas Nusantara	37,673,744,440
PT Optima Enviro Resources	6,950,000,000
Total	51,532,296,711

ii. Temporary Relinquishment and Management of Kampar Area

In accordance with the Ministry of Energy and Mineral Resources letter No. 8837/13/MEM.M/2013 dated November 26, 2013, the Government approved the relinquishment of Kampar area, a part of South Sumatera Extension Area and Central Sumatera Kampar Area, to become an open area starting from November 28, 2013. In order to maintain the production in Kampar area, the Government assigned PT Medco E & P Indonesia (“MEPI”) to temporarily operate the Kampar area for a period of six (6) months starting from November 28, 2013 or until the Government has appointed a new operator (whichever occurs first), with the following service contract provisions:

a. Operating expense will be recovered from the selling of oil production.
b. The calculation of service fee is as follows:

	Before Tax*	Effective Tax **	After Tax
Oil	25%	40%	15%

*) 25% of sales less operating expenses
**) Corporate tax of 25% and dividend tax of 20%

c. All oil production belongs to the Government.
d. Other terms and conditions as previously determined in the PSC for South Sumatera Extension Area and Central Sumatera Kampar Area.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

iii. Oil and Gas Drilling Support Services

On January 30, 2013, EPI agreed to provide Electric Wireline Logging Perforation and Data Processing (EWLPP) services on the workover wells of PT Pertamina EP Java Region with total contract amount of US$3,573,422. The contract will end on February 2, 2015.

On March 4, 2013, EPI agreed to rent its workover rig with capacity of 350 HP - 450 HP for two (2) years to PT Pertamina EP Ubep Adera with total contract amount of US$4,062,909.72.

On July 29, 2013, EPI agreed to rent its workover rig with capacity of 350 HP to PT Pertamina EP Asset 3 Jatibarang with total contract amount of US$1,110,024. The contract has expired on January 17, 2014.

iv. Claim Settlement Agreement

Based on letter No. 042/MDI/DIR/BWS/VII/13 dated July 18, 2013, MDI agreed to the proposal for the settlement of MSK's receivable from PT Global Arta Borneo (GAB). Such settlement relates to the Letter No. 3/MSK-VII/2013 dated July 11, 2013 from MSK to MDI. MSK has proposed to pay the claim of GAB arising from the delay in the HSD shipment using the tanker MT Team Ace as well as GAB's receivable from PT Optima Enviro Resources amounting to Rp2,451,750,000 and Rp1,668,217,152, respectively, whereby Rp1,471,050,000 will be borne by MSK and Rp2,648,917,152 shall be borne by MDI. Part of the amount to be borne by MDI will be paid first by MSK and later claimed from MDI as a reduction of the business development cost amounting to Rp250,000,000 per month from July 2013 to May 2014 owed by MSK to MDI under the Business Development Agreement between them dated December 3, 2013.

On July 19, 2013, MSK has repaid all the amounts due to GAB. As of December 31, 2013, the remaining MDI obligation to MSK amounted to Rp1,148,917,152.

v. Supply of Service Agreement

Under the services agreement (Supply of Service Agreement) between MDI and MSK dated December 3, 2012, MDI as service provider must provide services to MSK for the stipulated period of one year renewable automatically on an annual basis until terminated by either party, through a written notice to be given three months prior to the expiration date.

Services to be provided under the agreement are as follows:

1. Business Development Services and Government Liaison Services at a cost of Rp3,000,000,000 per year;

2. IT Support Services at a cost of US$10,000 per month for a six month transition period with the number of users, types of systems, software, services, and conditions. The cost of IT service to access SAP system during the transition period for the purpose of the audit of government/local authorities amounts to US$3,000 per month with a maximum of 3 SAP IDs.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

vi. Extension of Plan Of Development (POD) for Bengara-I

On November 26, 2012, the Ministry of Energy and Mineral Resources (ESDM) in its letter has given approval to grant additional time in order to process the first POD in the Bengara I Work Area for one (1) year from November 27, 2012 to November 26, 2013 or approval of the first POD of South Sebuku Field by the Minister, whichever occurs first in accordance with the applicable terms and conditions.

The PSC of Bengara I Work Area was originally signed between PT Petroner Bengara and BPMigas (now SKK Migas) on September 27, 1999 to explore and develop Bengara-I Block in the province of East Kalimantan, Indonesia with exploration period up to September 26, 2009.

On March 22, 2013, the Ministry of Energy and Mineral resources (ESDM) in its letter has given approval to the first POD in South Sebuku Field Bengara I Work Area. If PT Medco E & P Bengara does not perform the activities as per Field Development Planning within 5 years from this approval date, then the PSC for Bengara-I Work Area has to be relinquished to the Government.

vii. Termination of Gas Sale and Purchase Agreement (PJBG) between JOB Simenggaris and the Bunyu Consortium for Methanol Refinery

On October 24, 2012, PT Medco Simenggaris received two letters from SKK Migas No. 0899/BPO2000/2012/S2 and No. 0900/BPO2000/2012/S2. The first letter No. 0899/BPO2000/2012/S2 stated that the Gas Sale and Purchase Agreement between Simenggaris JOB (PJBG JOB Simenggaris) and the Consortium for Bunyu Methanol Refinery (BMR) will be terminated, based on certain considerations. The letter stated that it would not be economical to buy gas to produce methanol due to the low efficiency of the refinery and the low selling price of methanol. In addition, the buyer has not obtained the licenses in principle and location permits from the Regent of Tana Tidung.

The second letter of SKK Migas No. 0900/BPO2000/2012/S2 stated that, with respect to the termination of the Gas Sale and Purchase Agreement between PJBG JOB Simenggaris and the Consortium, SKK Migas decided that the gas from South Sembakung, Simenggaris Block can be utilized to supply the needs of PLN in East Kalimantan.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

vii. Termination of Gas Sale and Purchase Agreement (PJBG) between JOB Simenggaris and the Bunyu Consortium for Methanol Refinery (continued)

Thus, the Joint Operating Agreement between PT Medco Methanol Bunyu (MMB) and PT Pertamina (Persero) shall be cancelled and MMB has the obligation to perform the reconditioning of the Bunyu methanol refinery until the refinery can be operated again under normal conditions.

Meanwhile, on May 17, 2013, PT Medco E & P Simenggaris, PT Pertamina Hulu Energi Simenggaris and PT Perusahaan Listrik Negara (PLN) Persero have entered into a gas sales and purchase agreement for the gas production at South Sembakung Field, Simenggaris Block.

viii. Gas Compression Service Agreement

On August 13, 2012, PT Mitra Energi Gas Sumatra (MEGS) signed the Agreement for Gas Compression Services for Soka Field with PT Medco E & P Indonesia. Based on this agreement, MEGS will lease out three reciprocating gas compressors to PT Medco E & P Indonesia with a contract value of approximately US$3,395,653 with a minimum volume of gas served of 21,900 MMSCF until August 13, 2015.

ix. Rig Sales Purchase Agreement

On August 10, 2012, PT Exspan Petrogas Intranusa (EPI), a wholly-owned subsidiary engaged in drilling services, signed a Rig Sale and Purchase Agreement with PT Antareja Resources (AR) and PT Deka Petrindo (DP).

The purchase of 6 workover rigs and 1 drilling rig chain from DP was completed on September 6, 2012, with total acquisition cost of US$30,268,027. The purchase of 1 workover rig from AR was completed on September 26, 2012, with acquisition cost of US$4,611,973.49.

x. Contract for Gas Extraction Services and Feed Gas Processing

On August 1, 2011, PT Medco LPG Kaji (MLK) and PT Medco E & P Indonesia (MEPI) signed a Contract for Gas Extraction Service around the Kaji-Semoga Field. Under this contract, MLK shall provide gas extraction services to MEPI. The contract is valid from August 1, 2011 until December 31, 2011 with a total contract value of US$1,575,000.

On December 13, 2011, MLK and MEPI signed the first amendment of the contract whereby the contract period was extended to January 31, 2012. In connection with the extension of the term of the contract, the contract value was increased by US$157,500 to become US$1,732,500.

On January 20, 2012, MLK and MEPI signed the bridging agreement for Gas Extraction Services around the Kaji-Semoga Field to extend the above mentioned contract to July 19, 2012.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

x. Contract for Gas Extraction Services and Feed Gas Processing (continued)

On July 20, 2012, MLK and MEPI signed the Agreement on Fee for Processing Feed Gas from Kaji-Semoga Field which is effective up to January 20, 2013. Based on the agreement, MLK agreed to provide gas processing services to MEPI with a contract value of US$1,889,415.

On December 6, 2012, MLK received a letter from MEPI stating that the supply of gas from the Rimau Block for the LPG refinery was terminated, therefore, the agreement between MEPI and MLK was also terminated on December 31, 2012 and was not renewed.

xi. Swap Agreement among Bangkanai, Simenggaris and Bengara

In July 2013, the Government of the Republic of Indonesia through the Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (SKK Migas) with:

1. Letter No. 7936/13/DJM.E/2013, approved the transfer of the Participating Interest in the Simenggaris Work Area;

2. Letter No. 7937/13/DJM.E/2013, approved the transfer of the Participating Interest in the Bangkanai Work Area; and

3. Letter No. 7938/13/DJM.E/2013, approved the transfer of the Participating Interest in the Bengara I Work Area.

With the above approvals, effective from July 22, 2013:

1. Salamander Energy Simenggaris transferred its 21% participating interest in Simenggaris PSC to PT Medco E & P Simenggaris;

2. Bangkanai Bhd transferred its 15% participating interest in the Bangkanai PSC to Salamander Bangkanai;

3. Salamander Energy Bengara transferred its 41.67% participating interest in Bengara PSC to PT Medco E & P Bengara.

The holders of the participating interests in the respective PSCs will be changed as follows:

(i) Bangkanai Bhd will no longer have a participating interest in the Bangkanai PSC;
(ii) Medco Simenggaris will own a 62.5% participating interest in the Simenggaris PSC; and
(iii) Medco Bengara will own a 100% participating interest in the Bengara PSC.

xiii. Joint Venture to Market LNG

In October 2010, the Group and its partners in the Senoro Downstream Gas Development Project which are also shareholders of DSLNG namely, PT Pertamina (Persero) (Pertamina) and Mitsubishi Corporation (MC), signed the Principles of Marketing Cooperation Agreement to do joint marketing of LNG (MJV HOA) with Chubu Electric Power Co, Inc (Chubu). Under the MJV HOA, Chubu, Pertamina, MC and the Group will cooperate to market LNG purchased by Chubu and to be transferred to other potential buyers.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xiv. Extension of PSCs

In October 2010, the Government of the Republic of Indonesia through the Badan Pelaksana Usaha Hulu Minyak dan Gas Bumi (BPMigas, now known as SKK Migas) approved the extension of the respective Production Sharing Contracts (PSC) of South Sumatera Working Blocks, Block A and Bawean.

The extension of South Sumatera PSC is valid for 20 (twenty) years, which will be effective from November 28, 2013 to November 27, 2033 with a commitment value of US$24 million.

The extension of PSC Bawean is valid for a period of 20 (twenty) years from February 12, 2011 to February 11, 2031 with a commitment value of US$50.5 million.

For Block A PSC, the PSC extension has also been agreed to by the Government of Aceh in accordance with the provisions of Law No. 11 Year 2006 of the Government of Aceh. The extension of Block A PSC is for 20 (twenty) years effective from September 1, 2011 to August 31, 2031.

In addition to the rights and obligations of the contractors as set forth in the amended and restated Production Sharing Contract for Block A in Aceh, the contractors agreed, among other matters, to allocate, at the minimum 1% of the total revenues from the yearly production as their contribution to community development programs in accordance with the Memorandum of Agreement between PT Medco E & P Malaka and the Aceh Provincial Government dated April 5, 2010.

xv. LNG Purchase and Sell Agreement

In October 2010, PT Donggi Senoro LNG (DSLNG), which was 20% owned by the Group at that time, signed the amended and restated Agreement on the Principles for the Sale and Purchase of LNG (A&R LNG HOA) with Chubu Electric Power Co, Inc. Based on the A&R LNG HOA, Chubu will buy as much as 1 million tons of LNG per year from DSLNG for a period of 13 years starting in 2014. LNG will be produced by the LNG refinery to be owned by DSLNG starting in 2014.

xvi. Building Rental

The Group has a lease agreement with PT Api Metra Graha to rent office space at The Energy Building for 5 years starting in the middle of 2009. The rental is paid on a quarterly basis in advance.

On March 25, 2013, MDI and PT Api Metra Graha signed an early termination agreement for the building rental.

The remaining rental commitment on The Energy Building amounted to US$2 million which represents the rental cost for half year.

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xvii. Agreement for the Development of Coal Bed Methane (CBM)

In February 2009, the Group through PT Medco Energi CBM Indonesia and Arrow Energy (Indonesia) Holdings Pte Ltd (Arrow), signed a Head of Agreement (HOA). The Group and Arrow will cooperate to explore and develop Coal Bed Methane (CBM) over the Group's conventional oil and gas PSC working area. Each of the parties shall have a 50% participating interest.

The Group and Arrow will work together to expeditiously negotiate a CBM Production Sharing Contract with the Indonesian regulatory authorities aimed at commencing exploration operations as soon as possible.

On December 3, 2010, the Company through PT Medco CBM Pendopo, signed a CBM Production Sharing Contract with Dart Energy (Muralim) Pte Ltd (previously Arrow) and SKK Migas to carry out CBM development activities in Muralim Block, South Sumatera.

The Group and Dart Energy (Muralim) Pte Ltd have executed the Joint Operating Agreement in May 2011 aimed at commencing exploration operations as soon as possible.

Based on Notarial Deed No. 26 dated February 18, 2011 of Karlita Rubianti, S.H., PT Medco Energi CBM Indonesia established PT Medco CBM Bengara with initial paid-in capital amounting to Rp4,000,000,000. PT Medco Energi CBM Indonesia's investment together with share ownership of PT Medco Energi Nusantara's in PT Medco CBM Bengara amounting to Rp1,000,000,000, represents share ownership of 100%.

On August 1, 2011, the Company through PT Medco CBM Lematang, signed a CBM Production Sharing Contract with PT Methanindo Energy Resources, PT Saka Energi Indonesia and SKK Migas to carry out Coal Bed Methane (CBM) development activities in Lematang Block, South Sumatera.

Based on Notarial Deed No. 3 dated January 4, 2012 of Karlita Rubianti, S.H., PT Medco Energi CBM Indonesia established PT Medco CBM Rimau with initial paid-in capital amounting to Rp1,000,000,000. PT Medco Energi CBM Indonesia's investment together with that of PT Medco Energi Nusantara's in PT Medco CBM Rimau amounting to Rp1,000,000,000, represents equity interest of 100%.

xviii. Portfolio Investment Management Agreement

The Company entered into portfolio investment management agreements with Julius Baer and Barclays Wealth (acting as "Fund Managers"), whereby the Company appointed these Fund Managers to invest and manage the Company's investment portfolio. Based on such agreements, the investment portfolio will consist of cash and financial instruments, in the form of traded shares of stocks, commercial papers, mutual fund units and other marketable securities.

Under the agreements, the Fund Managers are required to report every month the net asset value of the Company's respective investment portfolios under their management. The Fund Managers are entitled to management fee based on the Net Asset Value of the investment portfolio. The total net asset value of the Company's funds managed by the Fund Managers amounted to about US$250.2 million as of December 31, 2013. These investments are presented as part of "Short-term Investments" in the consolidated statement of financial position (Note 5).

44. SIGNIFICANT CONTRACTS, AGREEMENTS AND COMMITMENTS (continued)

c. Other Agreements (continued)

xix. Crude Oil Transaction

On June 30, 2011, the Company through its wholly-owned subsidiary, Petroleum Exploration & Production International Limited (PEPIL), signed a Crude Oil Sale and Purchase Agreement (COSPA) with Petro-Diamond Singapore Pte Ltd (PDS).

The period for the sales of crude oil to PDS will be three (3) years, starting in January 2012 up to December 2014 at a price based on Indonesian Crude Price (ICP) of Sumatera Light Crude (SLC) plus a fixed premium per barrel as stated in the agreement. The first delivery occured in January 2012.

xx. Development of Potential Geothermal Energy Resources

(a) In April 2007, the Group and Kyushu Electric Power (KEP) signed the Development of Joint Business and Joint Cooperation Agreement that is a joint venture based in the future for electric power business.

(b) In April 2007, a non-institution Consortium formed by the Group together with Ormat International Inc and Itochu Corporation, entered into an agreement with PT PB Power Indonesia (PBPI), whereby PBPI agreed to provide certain services to the Sarulla Project.

45. CONTINGENCIES

a. Litigations

i. Partner Selection to Invest in the Donggi Senoro Project

The Commissioners’ Panel of Commission for the Supervision of Business Competition (KPPU) decided on January 5, 2011, that the Group, together with its business partners, PT Pertamina (Persero) (“Pertamina”) and Mitsubishi Corporation (“MC”), have allegedly violated Articles 22 and 23 of the Law No. 5 Year 1999 concerning Prohibition on Monopolistic Practices and Unfair Business Competition (Law No. 5/1999).

In its decision, the KPPU Commissioners’ Panel, among other matters, imposed on the Group an administrative penalty in the amount of Rp6 billion. However, the Commissioners’ Panel’s decision does not nullify or stop the ongoing business consensus and even recommends to the Government to encourage the Donggi Senoro Project to be accomplished within the planned project time frame.

In regard to the KPPU’s decision which is not yet legally final and binding (*in kracht van gewijsde*), on January 31, 2011, pursuant to the Law No. 5/1999, the Group officially filed an objection to the District Court. However, on November 17, 2011, the Central Jakarta District Court rejected the submission of the objection by the Group, Pertamina and Mitsubishi regarding the said KPPU’s decision.

In regard to the decision of the Central Jakarta District Court, which is also not final and binding (*in kracht van gewijsde*), on January 25, 2012, the Group officially submitted the memorandum of cassation to the Supreme Court through the Central Jakarta District Court.

Based on website *http://kepaniteraan.mahkamahagung.co.id*, it was known that on July 30, 2012, the Supreme Court has decided to grant the memorandum of cassation filed by the Group with Pertamina and MC. Thus, this Supreme Court decision cancels the decision of the District Court of Central Jakarta and the above decision of the KPPU.

45. CONTINGENCIES (continued)

a. Litigations (continued)

i. Partner Selection to Invest in the Donggi Senoro Project (continued)

As of the date of the completion of the consolidated financial statements, the Group has yet to receive the copy of the said Supreme Court decision. Nevertheless, management believes that the decision issued by the Commissioners' Panel on the Group has no strong legal merit, and as such, the Group has not made any provision for the litigation.

ii. Arbitration against Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue)

On August 10, 2012, Medco Strait Services Pte Ltd (Medco), a Subsidiary, served a Notice of Arbitration to Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue) to recover its claims from these two parties totaling about US$35.06 million relating to the Subsidiary's investment in the Jeruk Project. An Arbitral Tribunal has been formed and the parties have submitted the necessary procedural documentation to the Arbitral Tribunal.

All parties had appeared before the Arbitral Tribunal for hearing on September 3-5, 2013. The claim of Medco has been revised from US$35.06 million to US$33.16 million.

On March 6, 2014, the Arbitral Tribunal has issued an interim arbitration decision (Interim Award) to the parties, the decision of which contains the following key points:

1. The Arbitral Tribunal accepts the position of Medco that SPC and Cue should return the excess Jeruk investment fund retained to date by SPC and Cue.

2. The Arbitral Tribunal agreed that Medco is entitled to the recovery of its share of investment costs of Jeruk field, after SPC and Cue have each fully recovered all of their share of investment costs related to the Jeruk Field, although the source of the cost recovery is from the other fields in Sampang PSC.

   The Arbitral Tribunal is of the opinion that the cost recovery on Jeruk Field is not dependent on the cost recovery of SPC and Cue from other fields (which can be used as the source of cost recovery of Jeruk Field), which SPC and Cue deny.

3. The Arbitral Tribunal rejected the evidence presented by both parties in determining whether SPC and Cue have fully recovered all of their share of investment costs related to Jeruk field. The Arbitral Tribunal has set a separate calculation method to determine whether or not there has been recovery of the entire investment costs of Jeruk field.

4. Based on the calculation method set by the Arbitral Tribunal, SPC and Cue have not yet fully recovered all of their share of investment costs related to Jeruk Field prior to the start of arbitration. As a result, Medco is not yet entitled to get the amount it is claiming in its arbitration case.

5. However, the Arbitral Tribunal has indicated that it is possible such costs have been fully recovered from the State based on such calculation method.

45. CONTINGENCIES (continued)

a. Litigations (continued)

ii. Arbitration against Singapore Petroleum Sampang Ltd (SPC) and Cue Sampang Pty Ltd (Cue) (continued)

6. The Arbitral Tribunal has also established the method of calculating the amount withheld (the "withholding amount") related to the profit oil from costs recovered from the State. Although the calculation method for the withholding amount already been set, the Arbitral Tribunal is not yet able to determine its amount.

7. Based on the interim award, the Arbitral Tribunal provides an opportunity to the parties (Medco, SPC and Cue) to submit written documents necessary to assist the Arbitral Tribunal to issue a final arbitration decision, within 14 (fourteen) days or more from the date of the interim award by agreement of the parties.

iii. Muslim A. Gani Lawsuit for Land Acquisition - Matang Project

In December 2011, Muslim A. Gani and two other villagers (Plaintiff) filed a legal claim against PT Medco Energi Internasional Tbk (Defendant), relating to land acquisition by the Defendant in Matang. The legal claim was registered at Idi District Court, Aceh. The Plaintiff demanded that the Defendant pay compensation for the land acquisition totaling Rp1.05 billion.

Management believes that the claim has no strong legal basis, accordingly, no provision for the such claim was recognized in the consolidated financial statements.

iv. M. Nur AB and Jamaluddin Rani's Law Suit Relating to Land Clearing in Blang Simpo Village

On December 20, 2011, M. Nur AB and Jamaluddin Rani (Plaintiff) filed a legal claim against PT Medco E & P Malaka (Defendant) in Idi District Court. The Plaintiff claimed that the Defendant has committed unlawful act during the land clearing process in Blang Simpo Village, Peureulak, Matang-1 Aceh Timur. The Plaintiff demanded the Defendant to pay compensation in the amount of Rp1,050,000,000.

Management believes that the law suit filed by the Plaintiff has no strong legal basis and still in the investigation process by Idi District Court, therefore, no provision for the lawsuit was recognized in the consolidated financial statements.

v. Arbitration Against Soconord SA

On May 17, 2013, Soconord SA (Soconord or Petitioner) filed a petition against Joint Operation Body Pertamina - Medco Tomori Sulawesi (JOB or Respondent) with the Indonesian National Arbitration Body (BANI) in Jakarta. Soconord claimed that the JOB has committed an unlawful act in regard to the guarantee letter issued by the JOB to pay Soconord the amount of US$1,161,310 plus interest of 6% per annum.

BANI has issued the arbitration decision letter on January 10, 2014 partially accepting Soconord petition, and the JOB is required to pay Soconord the amount of US$1,161,310 plus interest of 6% per annum (interest is calculated from the payment due date as stated in the guarantee letter until the arbitration decision letter date). The Group has recognized a provision in the consolidated financial statements based on the arbitration decision letter.

45. CONTINGENCIES (continued)

a. Litigations (continued)

vi. Legal Claim of PT Mira Mirza Samudra Samarinda

On May 29, 2006, PT Mira Mirza Samudra Samarinda (Plaintiff) filed a legal claim against PT Medco E & P Indonesia (Defendant I) and Pertamina EP Region KTI (Defendant II) in Tenggarong District Court. The claim was filed when Defendant I acted as Operator under Technical Assistance Contract (TAC). This TAC has ended and the rights and obligations as Operator have been transferred to Pertamina EP in October 2008. The substance of the dispute is related to the Plaintiff's claim amounting to Rp1,180,000,000 on the incident in the boat rented by Defendant I from the Plaintiff for operational purposes under the TAC.

On May 3, 2007, Tenggarong District Court has decided that the claim filed by the Plaintiff is not acceptable and the Plaintiff filed an appeal on the decision made by Tenggarong District Court to Samarinda High Court. Until the date of the completion of the consolidated financial statements, the legal claim is still in the investigation stage in Samarinda High Court. The Group is of the opinion that the legal claim has no strong legal basis, therefore, no provision was recognized in the consolidated financial statements.

b. Government and Joint Venture Audit Claims

In relation with its oil and gas exploration and production activities, the Group is subject to periodic audits by governmental agencies and joint venture partners. Claims arising from these audits are either agreed by management and recorded in the accounting records, or are disputed.

Resolution of disputed claims may require a lengthy negotiation process extending over a number of years. As of December 31, 2013, management believes that the Group has strong position against these claims, and therefore no provisions have been made for these claims.

c. Surety Obligations

Medco Energy US LLC is contingently liable to a surety insurance company in the aggregate amount of US$18,035,000 as of December 31, 2013 relative to bonds issued on Medco's behalf to the Bureau of Ocean Energy Management (BOEM) [formerly United States Department of the Interior Minerals Management Service (MMS)] and certain third parties from whom oil and gas properties were purchased. The bonds are third party guarantees by the surety insurance company that the Medco Energy US LLC will operate in accordance with applicable rules and regulations and perform certain Plugging and Abandonment obligations as specified by applicable purchase and sale agreements.

(Expressed in United States Dollars, unless otherwise stated)

46. ASSET ABANDONMENT AND SITE RESTORATION OBLIGATIONS

The movements in site restoration and abandonment obligations are presented below:

	2013	2012
Indonesia		
Beginning balance	69,095,595	64,849,937
Additions during the year	709,666	4,245,658
Ending balance	69,805,261	69,095,595
Escrow accounts	(34,371,226)	(29,847,525)
Ending balance - net	35,434,035	39,248,070
United States of America (USA)		
Beginning balance	16,427,476	15,498,319
Additions during the year	562,889	929,157
Adjustment	(1,598,692)	-
Ending balance	15,391,673	16,427,476
Total	**50,825,708**	**55,675,546**

The current estimates for the asset abandonment and site restoration obligations were determined by management and not by an independent consultant. Management believes that the accumulated provisions as of the dates of the consolidated statements of financial position are sufficient to meet the environmental obligations resulting from future site restoration and asset abandonment.

The above escrow accounts are placed in PT Bank Negara Indonesia (Persero) Tbk and PT Bank Rakyat Indonesia (Persero) Tbk for the funding of abandonment and site restoration obligations (ARO) relating to oil and gas operations in Indonesia. Escrow accounts placed in PT Bank Mandiri (Persero) Tbk will be used to fund the reclamation area in connection with mining operations.

47. MIDDLE EAST AND NORTH AFRICA

The Group has oil and gas exploration and production joint venture contracts in Libya and Yemen and an oil and gas service contract in Oman. In early 2011, civil unrests were taking place in Libya, and to a lesser extent in Yemen and Oman. The situations in Yemen and Oman have not had any significant effects on the Group's operations in those countries.

After the civil unrest in Libya in early 2011, the Group has already resumed its operations with limited activities. Currently, the operational activity in Libya has recovered and normal activity has resumed. The Group has total capitalized exploration expenditures of US$159 million or 6% of the Group's total consolidated assets as of December 31, 2013. Those expenditures were substantially spent for the drilling activities involving primarily sub-surface well equipment, not in the form of tangible assets on land, that have resulted in the discovery of very significant volume of hydrocarbons that reside about 10,000 feet underground. Therefore, the assets (i.e., the hydrocarbon reserves and the associated sub-surface well equipment) had not been exposed to the disturbances during the civil unrest.

48. SIGNIFICANT SUBSEQUENT EVENTS

i. On March 20, 2014, the Company, through MDI, a wholly-owned subsidiary, signed the Shares Sale and Purchase Agreement with Puma Energy (Singapore) Pte Ltd (Puma), Puma Asia Pacific, BV (Puma Offshore) and MSK for the sale of 35.28% or 2,241,489 shares of MSK owned by MDI to Puma and Puma Offshore with total consideration of US$17,400,000. The shares will be allocated to Puma and Puma Offshore for 2,241,389 shares and 100 shares, respectively. This transaction is effective at the approval date of the resignation of Mr. Noorzaman Rivai and Mrs. Rahma Septiana (MSK's Directors) and the resignation of Mr. Budi Basuki (MSK's Commissioner) and the approval from Indonesia Investment Coordinating Board (BKPM). Six months after the transaction completion date, MSK is obliged to remove the name "Medco" from its registered company name. As a result of the transaction, MDI will no longer have ownership in MSK.

ii. On March 18, 2014, the shareholders of Medco LLC in their Annual General Meeting, approved the declaration of cash dividends amounting to US$17.5 million pertaining to financial year 2012.

iii. On March 5, 2014, the Company signed a Credit Agreement with PT Bank Mandiri (Persero) Tbk for the extension of matured Working Capital Facility amounting to US$50 million. The Credit Agreement will expire on March 13, 2015.

iv. On February 11, 2014, the Company signed a Credit Agreement with PT Bank ICBC Indonesia to amend the Working Capital Credit Facility from its maximum limit of US$10 million and with maturity of one year to new maximum limit of US$50 million and with maturity of three years. The facility is for general financing purposes for the years 2014 - 2016 and will mature in three (3) years after the first withdrawal date. On February 25, 2013, the Company has withdrawn the facility up to US$50 million.

v. On February 27, 2014, PT Pertamina Hulu Energi Metana Sumatera 7 ("PHE Metana Sumatera 7") issued a Letter of Intent (LOI) to PT Exspan Petrogas Intranusa to rent the Workover rig with capacity of 400 HP, complete with labor and supporting equipment, for the drilling of Coal Bed Methane gas exploration wells in Air Benakat Field, South Sumatera with maximum total contract value of US$3 million. The date of commencement based on the LOI is on March 1, 2014.

vi. On March 13, 2014, the joint venture of PT Pertamina Hulu Energy Tomori Sulawesi, PT Medco E & P Tomori Sulawesi and Tomori E & P Ltd (collectively referred to as JOB) signed a Gas Sales Agreement (GSA) with PT Panca Amara Utama (PAU). Based on the GSA, JOB will supply total gas volume of 248,200 MMSCF (million cubic feet) to PAU during the contract period.

   The GSA will expire when the total gas supply volume has been fully supplied to PAU or upon the expiration of the PSC, whichever occurs first.

   The gas sales is recognized at the point of delivery using the following formula and gas prices:
   (i) the floor price = US$4.00/MMBTU
   (ii) If the price of ammonia (HA) is less than or equal to US$500/MT = US$5.00+(HA-500)/50
   (iii) If the HA is more than US$500/MT = US$5.00+50%x(HA-500)/32

vii. On February 10, 2014, based on the Circular Resolution of the Shareholders, DTR increased its capital stock from Rp1,000,000,000 to Rp30,000,000,000 with par value of Rp1,000 per share. In addition, the issued and paid-up capital increased from Rp250,000,000 to Rp30,000,000,000 in which the additional issuance of shares is subscribed and fully paid by MEMI.

viii. Based on the Circular Resolution of the Shareholders, on February 10, 2014, MEMI increased its capital stock from Rp1,000,000,000 to Rp30,000,000,000 with par value of Rp1,000 per share. In addition, the issued and paid-up capital increased from Rp250,000,000 to Rp30,000,000,000 in which the additional issuance of shares is subscribed and fully paid by MEI.

48. SIGNIFICANT SUBSEQUENT EVENTS (continued)

ix. On January 16, 2014, the Company through its wholly-owned subsidiary, Medco Asia Pacific Ltd, signed a Shares Sale and Purchase Agreement to acquire 90% ownership in Moonbi Energy Ltd, a subsidiary of Moonbi Enterprises Ltd, for a total consideration of US$3,565,000. Also, on February 5, 2014, Medco Asia Pacific Ltd entered into a Joint Operating Agreement (JOA) with Moonbi Enterprises Ltd and Moonbi Energy Ltd for the exploration of oil and gas for six years in Juha Extension area designated as Petroleum Prospecting License No. 470 (“PPL 470”), located in West Province, Papua New Guinea.

x. In 2014, PT Medco E & P Tomori Sulawesi has used the credit facility from the Syndicate of Banks, namely Standard Chartered Bank - Singapore branch and PT Bank Mandiri (Persero) Tbk. As of the completion date of the consolidated financial statements, the drawdown from the credit facility amounted to US$44.8 million.

xi. Effective on January 15, 2014, Medco Cambodia Holding Ltd, a subsidiary incorporated under the laws of the British Virgin Islands, has changed its registered company name to Medco Asia Pacific Ltd.

49. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following are the accounting standards that have been approved by the Financial Accounting Standard Boards (DSAK) which are relevant to the Group’s financial reporting but are not yet effective as of December 31, 2013:

i. PSAK No. 1 (Revised 2013): Presentation of Financial Statements, adopted from IAS 1, effective on January 1, 2015
This PSAK changes the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss would be presented separately from items that will never be reclassified.

ii. PSAK No. 4 (Revised 2013): Separate Financial Statements, adopted from IAS 4, effective on January 1, 2015
This PSAK only prescribes the accounting requirements when a parent entity prepares separate financial statements as additional information. Accounting for consolidated financial statements is regulated in PSAK No. 65.

iii. PSAK No. 15 (Revised 2013): Investments in Associated Entity and Joint Venture, adopted from IAS 28, effective on January 1, 2015
This PSAK describes the application of the equity method to investments in joint ventures in addition to associated entities.

iv. PSAK No. 24 (Revised 2013): Employee Benefits, adopted from IAS 19, effective on January 1, 2015
This PSAK, among others, removes the corridor mechanism and contingent liability disclosures to simple clarification and disclosures.

v. PSAK No. 65: Consolidated Financial Statements, adopted from IFRS 10, effective on January 1, 2015
This PSAK replaces the portion of PSAK No. 4 (Revised 2009) that addresses the accounting for consolidated financial statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

49. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (continued)

vi. PSAK No. 66: Joint Arrangements, adopted from IFRS 11, effective on January 1, 2015
This PSAK replaces PSAK No. 12 (Revised 2009) and ISAK No. 12. This PSAK removes the option to account for jointly controlled entities using proportionate consolidation.

vii. PSAK No. 67: Disclosure of Interest in Other Entities, adopted from IFRS 12, effective on January 1, 2015
This PSAK includes all of the disclosures that were previously in PSAK No. 4 (Revised 2009), PSAK No. 12 (Revised 2009) and PSAK No. 15 (Revised 2009). The disclosures relate to an entity's interest in other entities.

viii. PSAK No. 68: Fair Value Measurement, adopted from IFRS 13, effective on January 1, 2015
This PSAK provides guidance on how to measure fair value when fair value is required or permitted.

ix. ISAK No. 27: Transfer of Assets from Customers, adopted from IFRIC 18, effective on January 1, 2014.

x. ISAK No. 28: Extinguishment of Financial Liabilities with Equity Instruments, adopted from IFRIC 19, effective on January 1, 2014.

xi. ISAK No. 29: Land Stripping Costs on Production Phase of a Surface Mining, adopted from IFRIC 20, effective on January 1, 2014.

xii. PPSAK 12: Revocation of PSAK No. 33, Stripping Activity and Environmental Management at General Mining, effective on January 1, 2014.

The Group is presently evaluating and has not yet determined the impact of these new and revised accounting standards on the Group's consolidated financial statements.

50. OPERATIONAL RISKS

The Group's operations in the oil and gas sector are subject to hazards and risks inherent in drilling and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipe line ruptures and spils, which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Group. Additionally, certain of the Group's oil and natural gas operations are located in areas that are subject to tropical weather disturbances, some of which can be severe enough to cause substantial damage to facilities and possibly interrupt production.

As protection against operating hazards, the Group maintains insurance coverage against some, but not all, potential losses. The Group's insurance coverage for its oil and gas exploration and production activities includes, but is not limited to, loss of wells, blowouts and certain costs of pollution control, physical damage to certain assets, employer's liability, comprehensive general liability, and automobile and workers compensation insurance.

51. APPROVAL AND AUTHORIZATION FOR THE ISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the consolidated financial statements of the Group was approved and authorized by the Board of Directors on March 21, 2014.

RESERVES ESTIMATION

The following information on proved developed, undeveloped and probable reserve quantities as well as contingent resources are estimates only, and do not purport to reflect realizable values or fair market values of the Group's reserves. The Group emphasizes that reserve estimates are inherently imprecise. Accordingly, these estimates are expected to change as future information becomes available. There are numerous uncertainties inherent in estimating oil and natural gas reserves including many factors beyond the control of the Group.

The following information on the Group's reserves and resources quantities are estimated either by the Group's engineers, an independent petroleum engineering consultant, i.e., Netherland, Sewell & Associates, Inc. or based on estimates by the operators of the respective blocks. Generally accepted petroleum engineering principles and definitions applied by the industry to proved and probable reserve categories and subclassifications as well as contingent resources were utilized in preparing the reserves and resources disclosures.

Management believes that the reserve quantities shown below are reasonable estimates based on available geological and engineering data.

Proved (in MBOE*)

			Proved (in MBOE*)				
			Beginning balance	**Addition or revision**	**Sale of assets**	**Production**	**Ending balance**
			December 31, 2012				December 31, 2013
Indonesia Assets							
1	Production	Rimau (1)	32,231	-	-	4,695	27,536
2	Production	Kampar/S.S. Extension (1)	53,563	-	-	10,085	43,478
3	Production	Lematang (Singa Field) (1)	7,379	-	-	2,163	5,216
4	Production	Tarakan (1)	3,237	-	-	795	2,442
5	Production	Sembakung (2)	1,176	(604)	-	572	-
6	Production	Senoro Toili (Tiaka Field) (1)	1,038	-	-	118	920
7	Production	Bawean (1)	5,396	-	-	293	5,103
8	Development	Senoro Toili (Senoro Gas Field) (3)	67,248	-	-	-	67,248
9	Development	Block A (4)	7,818	-	-	-	7,818
10	Development	Simenggaris(5)	1,366	(1,366)	-	-	-
11	Development	Bangkanai(6)	3,333	(3,333)	-	-	-
	Total		**183,785**	**(5,303)**	**-**	**18,721**	**159,761**

RESERVES ESTIMATION (continued)

Proved (in MBOE*)

			Proved (in MBOE*)				
			Beginning balance	Addition or revision	Sale of assets	Production	Ending balance
			December 31, 2012				December 31, 2013
International Assets							
1	Production	United States (7)	6,831	**-**	**-**	228	6,603
2	Development	Libya 47 (8)	30,612	**-**	**-**	-	30,612
3	Production	Yemen 9 (9)	5,871	(609)	**-**	390	4,872
	Total		**43,314**	**(609)**	**-**	**618**	**42,807**
	Total Proved Reserves		**227,099**	**(5,912)**	**-**	**19,339**	**201,848**

* MBOE: Thousand Barrel Oil Equivalent. Indonesia assets are using 5.85 as conversion factor while US and Libya assets are using 6 for Gas to Oil conversion factor.

Proved and Probable (in MBOE*)

			Proved and Probable (in MBOE*)				
			Beginning balance	Addition or revision	Sale of assets	Production	Ending balance
			December 31, 2012				December 31, 2013
Indonesian Assets Production							
1	Production	Rimau (1)	38,502	-	-	4,695	33,807
2	Production	Kampar/S.S. Extension (1)	59,991	-	-	10,085	49,906
3	Production	Lematang (Singa Field) (1)	8,980	-	-	2,163	6,817
4	Production	Tarakan (1)	3,902	-	-	795	3,107
5	Production	Sembakung (2)	1,286	(714)	-	572	-
6	Production	Senoro Toili (Tiaka Field) (3)	2,545	-	-	118	2,427
7	Production	Bawean (1)	7,270	-	-	293	6,977
8	Development	Senoro Toili (Senoro Gas Field) (3)	71,345	-	-	-	71,345
9	Development	Block A (4)	22,067	-	-	-	22,067
10	Development	Simenggaris(5)	1,366	(1,366)	-	-	-
11	Development	Bangkanai(6)	3,333	(3,333)	-	-	-
	Total		**220,587**	**(5,413)**	**-**	**18,721**	**196,453**

RESERVES ESTIMATION (continued)

Proved and Probable (in MBOE*)

			Proved and Probable (in MBOE*)				
			Beginning balance	**Addition or revision**	**Sale of assets**	**Production**	**Ending balance**
			December 31, 2012				December 31, 2013
International Assets							
1	Production	United States (7)	9,330	-	-	228	9,102
2	Development	Libya 47 (8)	51,974	-	-	-	51,974
3	Production	Yemen 9 (9)	12,063	(1,930)	-	390	9,743
	Total		**73,367**	**(1,930)**	**-**	**618**	**70,819**
	Total Proved and Probable Reserves		**293,954**	**(7,343)**	**-**	**19,339**	**267,272**
Contingent Resources							
1	Development	Senoro Toili (Senoro Gas Field) (3)	76,710	-	-	-	76,710
2	Exploration	Bangkanai (10)	305	(305)	-	-	-
3	Development	Simenggaris (11)	9,169	6,696	-	-	15,865
4	Exploration	Libya (8)	79,437	-	-	-	79,437
5	Exploration	Yemen 9	5,139	42	-	-	5,181

(1) The Group's reserves estimates per December 31, 2011 were certified in the Report of Netherland, Sewell & Associates, Inc. (NSAI) dated April 27, 2012, based on the Group's effective working interest.

(2) The Group's reserves estimates per December 31, 2011 were certified in the Report of Netherland, Sewell & Associates, Inc. (NSAI) dated April 27, 2012, based on the Group's effective working interest. Sembakung Block was effectively relinquished to the Government of the Republic of Indonesia in December 2013.

(3) The Group's reserves estimates for Senoro Toili Block Gas field were certified in the Report of Gaffney, Cline & Associates (GCA) dated February 1, 2010 with effective working interest of 30%.

(4) The Company's reserves estimates for Block A were certified in the Report of Gaffney, Cline & Associates as of December 31, 2007, with effective working interest of 41.67%. In 2010, PSC extension up to 2031 was obtained.

(5) Proved reserves estimates for Simenggaris Block are based on PERUSDA Nusa Serambi Persada Gas Sales Agreement (GSA) with working interest of 41.5%, which is still awaiting for the finalization of Gas Sales Agreement.

(6) The Company transferred its ownership in Bangkanai Block to Salamander Energy to obtain additional ownership from Salamander Energy in Simenggaris and Bengara Blocks, effective on September 30, 2013. Through this agreement, the Company's working interest will be 0% for Bangkanai Block, 100% for Bengara Block, and 62.5% for Simenggaris Block.

(7) The Group's reserves estimates for the US assets were derived from the NSAI Report as of December 31, 2010.

(8) The Company had already been granted the commercial rights at Area 47, Libya for A,D and F structure on December 14, 2011, therefore the Company decided to move the portion of contingent resources to Proved and Probable reserves with 25% participating interest (based on the Company's participating interest after the declaration of commerciality). The Company's contingent reserve estimates for Libya Block are based on DeGoyler MacNaughton's evaluation as of September 30, 2008 and in-house estimates, with effective working interest of 25%, which represents the estimated quantities of petroleum to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. There is no certainty as to what extent of the reserves will be commercially viable to produce. The best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities that can be recovered will be greater or less than the best estimate.

(9) The Group's reserves estimates for Yemen Malik Block 9 were certified in the report of McDaniel & Associates Consultants Ltd signed on February 28, 2014 with effective working interest of 21.25%.

(10) Contingent reserves estimates for the Bangkanai Block were based on the 2005 study by LAPI ITB with working interest of 15%.

(11) The remaining contingent reserve estimates for Simenggaris Block were based on POD of February 2008 with working interest of 62.5%.