

ANNUAL REVIEW 2008

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Special points of interest:

- Total production and sales near the 300 million tonne mark after another record breaking year
- New contracts signed for supply to Asia and South America
- Wara mine development on schedule to commence production late in 2009
- New Barito River sea channel increases the Company's logistics capacity
- Company honoured with prestigious environmental award

OVERVIEW

Production for 2008 was 38.5 million tonnes, 2.4 million tonnes more than in 2007. This increase continues the annual production growth since the start of operations.

Total production from Adaro's mine is now nearly 290 million tonnes since mining began in 1991. The 2008 result was obtained even though there was a long wet season and unusually heavy rains during November and December.

Sales for the year were 39.8 million tonnes. The features of the market were rising prices in the first half of the year, falling prices in the second half of the year and very strong demand.

During the year production and shipping records continued to be broken. Coal production in July was 3.73 million tonnes breaking the old record by 6% while in August a new record was set for total

shipments which reached 3.75 million tonnes.

Daily records were also set with coal production of 127,878 tonnes on 9th November while barge loading was 149,748 tonnes on 15th August

Of major importance was the completion of dredging of the new Barito River channel to the sea in December which will give 24 hour per day access to coal barges transiting the channel. This will allow Adaro to meet the major production increases it has planned for coming years.

In July, the Company's parent, PT Adaro Energy Tbk was listed on the Jakarta Stock Exchange in the second largest IPO in the exchange's history. Quarterly reports and other investor data are available through Adaro's website at www.adaro.com

Annual Production Increases Since 1991

	Tonnes	Increase	%
1991	248,587	-	
1992	950,183	701,596	-
1993	1,372,690	422,507	44%
1994	2,414,913	1,042,223	76%
1995	5,553,146	3,138,233	130%
1996	8,635,115	3,081,969	55%
1997	9,408,379	773,264	9%
1998	10,930,042	1,521,663	16%
1999	13,600,893	2,670,851	24%
2000	15,481,196	1,880,303	14%
2001	17,707,964	2,226,768	14%
2002	20,804,232	3,096,261	17%
2003	22,492,448	1,688,216	8%
2004	24,352,966	1,860,518	8%
2005	26,691,545	2,338,579	9%
2006	34,285,374	7,593,829	28%
2007	36,077,534	1,792,160	5%
2008	38,515,044	2,437,510	7%
Total	289,522,251		



Dredging of the Barito River sea channel in November 2008 by the trailer dredge Ham 312

PRODUCTION

2008 was another unusually wet year with both November and December rainfall being some of the highest monthly totals on record. Under these circumstances the overburden removed of 160 million bank cubic meters (BCM) and coal production of 38.5 million tonnes in the year were very satisfactory results.



One of the newly surfaced haul ramps within the Tutupan mine

During the year a number of projects were carried out to improve mining performance and productivity, and to prepare for future years increased production:

- ◆ surfacing of the major ramps for access in and out the mine. The surfacing material being used is andesite rock from Java which allows all weather use of the road.
- ◆ commencement of extension of the low-wall haul road to the north for mining in the northern part of the Tutupan deposit.
- ◆ continuation of the slope dewatering



Slope monitoring by robotic theodolites



Slope dewatering continues to be a priority to ensure slope stability within the Tutupan mine

program of drilling drain holes to reduce water pressure in and around the mining area.

- ◆ slope monitoring by robotic theodolites around the mine to give early warning of any ground movement so preventive measures can be quickly taken.
- ◆ fitting GPS units to the coal hauling trailer rigs. Over 200 units had been fitted by the end of the year allowing truck monitoring and performance assessment.
- ◆ evaluation of a mechanized overburden disposal system involving either in-pit or ex-pit crushing with conveyor transport and disposal.
- ◆ assessment of an overland conveyor system to transport coal in conjunction with the current road haulage, essentially to reduce haulage costs. Various alternative scenarios for this system are being considered. Land purchase for this conveyor system started.
- ◆ optimization of the life of mine plan using external consultants.

A significant step during the second half of the year was the purchase of most of the future land requirements surrounding the Tutupan and Wara deposits. Much of this land has commercial palm oil and rubber plantations which will continue to operate until the land is required for the mining operations. This land acquisition allowed the start of detailed drilling of the Wara deposit for reserve definition. The

Mine upgrades continued to be implemented to support production growth

PRODUCTION-CONT'D

land also provides for future overburden disposal as well as more road access through the area.



Reserve definition drilling in progress at Wara

The 80 km coal haul road from the mine to Kelanis remained at a high standard even with the increased haulage levels and the high rainfall for the year. No coal haulage stoppages because of rain were recorded. Upgrading and maintenance of the road continued throughout 2008.

The Kelanis operations maintained a high level of throughput and availability. A new crushing system was being installed at the end of the year and is scheduled to start operation in February 2009, increasing total throughput capacity of Kelanis to 55 million tonnes per year.



Installation of the new crusher system underway at Kelanis

Barge numbers continued to increase to both carry the increased tonnage during the year and planned for 2009. At the end of 2008 Adaro had 75 barges in operation

with an average barge size of 10,300 dwt.

Operation of the 12,000 dwt self propelled barge started and the increased productivity achieved resulted in further orders being placed for this type of barge.

A crucial step in Adaro's expansion plans as well as productivity improvements was



Dredging underway in the Barito River sea channel in November

the dredging of a new channel at the mouth of the Barito river. This was done over a four month period in the second half of the year. The new channel now allows 24 hours a day operation where previously the channel could only be used on the rising tide. A reduced transit time of 1.5 hours is also achieved compared with the 3 hours previously needed. Barging costs are reduced as assist tugs are no longer required in the channel.



12,000 dwt self-propelled barge berthing at Kelanis

A new Floating Loading Facility started operation in July at the Taboneo anchorage, offshore Banjarmasin. This facility

Dredging of the new Barito River sea channel dramatically increases logistics capacity

PRODUCTION (CONT'D)

can load vessels at up to 40,000 tonnes per day and allows Adaro to load more tonnage at Taboneo where greater efficiencies and cost reduction can be achieved through reduced barging and transshipment costs.



The FLF Ratu Barito which can load up to Cape size vessels at rates of 40,000 tonnes per day

In the first two months of 2008 unprecedented bad weather conditions were experienced offshore and a total of 12 days of barging and ship loading were lost.

Adaro made the decision not to declare Force Majeure and to maintain the ship loading schedules as best as could be achieved even though high demurrage costs were incurred.

Exploration and development drilling of the Tutupan and Wara deposits continued through the year. A total of 55,467 m of drilling was completed in the Tutupan area and 12,413 m at Wara in 2008.



Deep hole drilling program continues to delineate reserves at the Tutupan mine

New coal supply contracts continue to support production and sales growth

MARKETS

The demand for Adaro's Envirocoal remained strong through the year and is continuing firm through 2009 as evidenced by contracts covering all the planned 2009 production.

The year 2008 was characterized by a strong runup in international thermal coal prices in the first half of the year, in part a result of coal supply issues, and then a down turn in the second half of the year as the extent of international financial credit issues became apparent.

The freight market was particularly affected with record high freight rates in June changing to very low rates in December. This volatility though did not affect Adaro's international shipments

which increased to all overseas markets.

During the year three new long term contracts were signed covering much of the planned increased production in 2009. A number of existing customers also requested increased supply with the result that new customers are not being sought



A contract was signed to supply envirocoal to the new Jimah Power Station in Malaysia



Coal supply contract to PLN's Suralaya Power station

for 2009. A coal supply contract was signed for supply to a new power plant

starting in 2010.

Indonesia remained Adaro's largest market and in turn Adaro remained the largest supplier of coal to domestic consumers in all the markets of power, cement and other industries.

In the last quarter Adaro signed contracts for additional supply to a number of domestic power plants to supply coal over a four month period to meet the power plants stockpile requirements.

Sales continued to expand on the back of high demand for envirocoal and its environmental qualities

SALES

Envirocoal sales increased by 3.2 million tonnes or 9% over 2007 levels, reaching 39,797,764 million tonnes.

Geographic diversity in sales was maintained with envirocoal being supplied to 40 customers in 16 countries during the year with Adaro's top ten customers taking 25.1 million tonnes, 63% of the coal sold.

million tonnes to Indonesian customers of which 6.3 million tonnes went to power plants. PT Paiton Energy's 1,200 mw plant remained the largest consumer taking 3.3 million tonnes during the year

Adaro's Regional Sales			
Region	Tonnes	% of Total Sales	Increase/Decrease from 2007
Europe	7,788,157	18.0%	1,665,591
Asia	18,892,560	49.0%	1,283,794
Americas	3,493,883	4.0%	684,276
Indonesia	9,623,164	29.0%	-412,092
Total	39,797,764	100%	3,221,569

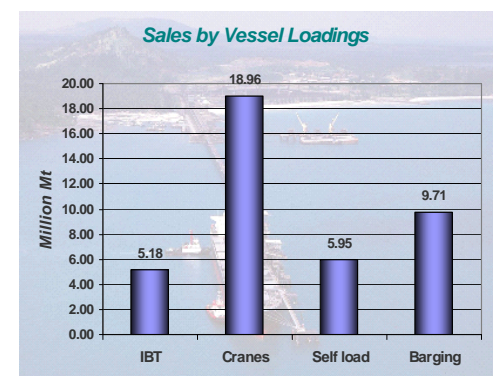
Spain remained Adaro's largest international customer, taking 3.8 million tonnes in the year, followed by Japan 3.7 million tonnes and USA 3.5 million tonnes. Other major supply was to Hong Kong with 3.1 million tonnes, Taiwan with 2.5 million tonnes and India with 2.3 million tonnes

Adaro remained the largest supplier of coal to the domestic market delivering 9.6



PT Paiton Energy's 1200 MW plant was the largest consumer of envirocoal in 2008

Adaro's planned sales for 2009 are all of which is already sold under term contracts.



adaro

envirocoal

*Tanjung Warukin
airport able to handle
larger aircraft after
certification from
Ministry of
Communications*

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PEOPLE, PLACES & EVENTS



PT Adaro Energy Logo representing the multi-faceted face of the Group

PT Adaro Energy, the parent company of PT Adaro Indonesia, was listed on the Jakarta Stock Exchange on July 16, 2008. After this Initial Public Offering Adaro Energy commenced a program of quarterly reporting. These reports are available on Adaro's web-site www.adaro.com. Following the listing Mr Andre J. Mamuya was appointed to the Board Directors of Adaro.

During the year a new Department was created in the Adaro organization, the logistics department headed by Mr Terry Ng. This department is responsible for all barging and shiploading as well as ship nominations and procedures, and was set up in response to the growing production levels of Adaro.



Dash 7 aircraft at Tg Warukin Airport

A major boost to communications came during the year when Adaro increased the number of scheduled Casa 212 flights between Tg Warukin and Banjarmasin to 12 per week with morning and evening flights 6 days a week. In another transport development, Tg Warukin airport was

certified to handle larger aircraft and, in August a 40 seat Pelita Air Dash 7 aircraft landed there with guests from Balikpapan



PROPER award for environmental excellence in rehabilitation

In September the Company was honoured to receive the prestigious green level PROPER award from the Ministry of the Environment for environmental rehabilitation excellence, the highest level ever attained by an Indonesian coal mining company. PROPER is an environmental evaluation program that is designed to be complimentary to environmental Law so that environmental quality improvements can be implemented more efficiently and effectively

For 16 days in June, our representative for Italy, Enrico Ercolani took part in the 12,000 kms Transorientale rally between St Petersburg and Beijing via Kazakhstan and the Gobi Desert. Out of the 350 participants who competed on



Adaro's Italian agent, Enrico Ercolani at the starting line of the Transorientale Rally

motorbikes, cars and trucks, Enrico on his 950cc KTM was amongst the 30% that completed the course.