

COMMUNITY PROGRAMS IN INDONESIA'S COAL MINING INDUSTRY

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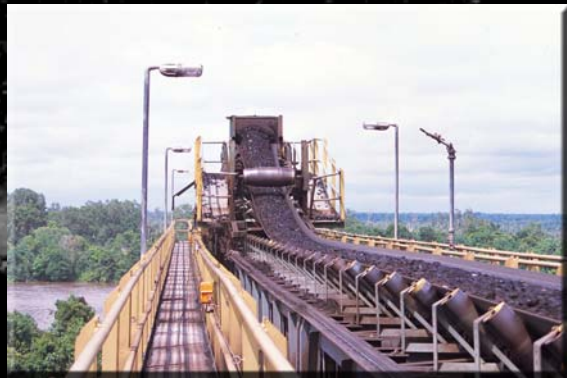


INDONESIA'S COAL MINING INDUSTRY





- Until the 1970's Indonesian's coal mining industry was in decline because of cheap oil and gas
- The 1970's OIL SHOCKS forced the Government to re-assess its energy policy
- Coal was established as the primary fuel for the domestic power industry
- Foreign investment to develop Indonesia's coal reserve base of 38 billion tonnes was actively promoted by the Government
- A number of internationally recognised mining groups signed contracts of work with the Government in the early 1980's
- Extensive exploration programs were carried out primarily in Kalimantan which contains the highest quality reserves
- Mining from the first of these COW's started in 1987 and was quickly followed by production from operating units of BHP and Rio Tinto amongst others



- By the end of the 1980's coal production had surpassed pre-war levels
- The first five years of Indonesia's coal exports was a trial period as its coal entered international markets
- Global recognition was quickly gained as the industry established a reputation for reliable supply
- From the mid 1990's onwards production and exports climbed rapidly
- During this period port and transport infrastructure was also being put in place to handle the increasing production from the Kalimantan mines
- Indonesia's port and transshipment facilities can now handle the largest cape size bulk carriers in the international coal trade
- Today Indonesia is the 3rd largest exporter of steam coal in the world with a 2002 production forecast of 105 million tonnes

PT ADARO INDONESIA





- **PT Adaro Indonesia commenced mining in 1991 from a coal resource area in Indonesia's South Kalimantan Province**
- **Adaro operates under a Coal Cooperation Agreement with the Government of Indonesia which is valid until 2022**
- **There are rights to extend this Agreement by mutual consent**
- **The deposit contains nearly 2 billion tonnes of sub-bituminous coal in seams of up to 50 meters in thickness**
- **The coal has been trademarked internationally as envirocoal because of its ultra low ash and sulphur and low nox**
- **The mining operations have a current capacity of 23 million tonnes per year with sales in 2002 forecasted at 21.5 million tonnes**
- **Adaro will maintain this output for the foreseeable future**



- Since 1997 all production has come from the Tutupan deposit which has multiple seams up to 50 meters in thickness with no intermediate partings
- Coal is extracted by face shovels and transported by off highway dump trucks to a run of mine stockpile
- Wheelloaders load multiple trailer road trains of up to 170 tonne capacity for the 75 km haul to the Kelanis bargeloading facility
- At Kelanis on the Barito River coal is dumped into 4 crushing stations for sizing and stockpiled in two 400,000 tonne stockpile areas
- Coal is reclaimed and loaded onto barges through two independent barge loading berths which can independently load at up to 2000 tonnes per hour
- The Kelanis terminal has a capacity of 23 million tonnes per annum



- After loading tug and barge sets of up to 14,000 dwt transport the coal down the Barito River either direct to domestic customers or to transshipment facilities
- At the Banjarmasin anchorage coal is loaded onto bulk carriers either using ship's gear or by floating cranes
- These floating cranes can load cape size bulk carriers up to 225,000 dwt at rate up to 30,000 tonnes per day
- Coal is also transhipped through the Pulau Laut Coal Terminal operated by PT Indonesia Bulk Terminal
- This modern terminal can discharge two barges simultaneously and feeds coal into stockpile areas with a capacity of 800,000 tonnes
- The export wharf can berth panamax vessels up to 80,000 dwt and can load at rates in excess of 30,000 tonnes per day





- Adaro's sales in 2001 were 18.7 million tonnes and are forecasted at 21.5 million tonnes this year
- During 2001 exports made up 61% of the total production with 39% being consumed domestically
- Envirocoal is exported to 18 countries in Asia, Europe and the Americas
- There is now wide international acceptance of envirocoal and consumers obtain significant benefits from its use
- Envirocoal is used -
 - As a blend in power stations
 - As direct feed in power stations
 - In cement and other industrial plants
- Since the commencement of mining operations Adaro has mined and shipped in excess of 100 million tonnes to global customers

COMMUNITY DEVELOPMENT





- PT Adaro Indonesia operates primarily in South Kalimantan however its barge loading facilities at Kelanis are in Central Kalimantan Province
- These operations cover an area in excess of 1000 km² and encompass four regencies and more than 50 villages with a population in excess of 500,000 people
- There are two major ethnic groups in the area with a third smaller grouping of transmigrants from Java and other islands making up this population
- These groups are culturally and ethnically diverse with different languages, religions and customs



- In 1991 when Adaro commenced operations it made the commitment to integrate with the community and create a sustainable community program
- The aim was to address social and economic issues and environmental impacts created by the mining operations
- The goal was to provide positive benefits to the community both during and after the life of the mine
- The basis for this was by communication :
 - Informing all levels of the community of development planning
 - Listening to the expectations and requirements of the community
 - Developing a support structure to ensure a two way communication process
- From this process strategies were developed to maximise the benefits of programs through employment opportunity, social programs and business assistance



- An essential element of the program has been people development through maximising local recruitment for the mining operations
- Employment policies have focussed on the provision of long term training and education programs for a largely unskilled labour pool
- Adaro also provides assistance and scholarships to local schools and technical colleges to ensure that educational standards are continually being upgraded
- Currently Adaro and its sub-contractors employ more than 4000 personnel of which in excess of 75% are Kalimantan born
- Adaro's target is for this percentage to increase to 90% within the next 10 years
- This will be achieved by continuous review and upgrading of educational and training policies



- The key to the community services program is the annual review of the community development plan which addresses the areas of :
 - Community business development
 - Education programs
 - Religious programs
 - Social welfare assistance
- The stated objective of these programs is that they eventually become self-sustaining
- During each planning stage requests for assistance are directed to Adaro either through community representatives and individuals or from the Adaro community relations team
- This team conducts regular visits to the surrounding communities meeting religious and governmental leaders and cross sections of the communities



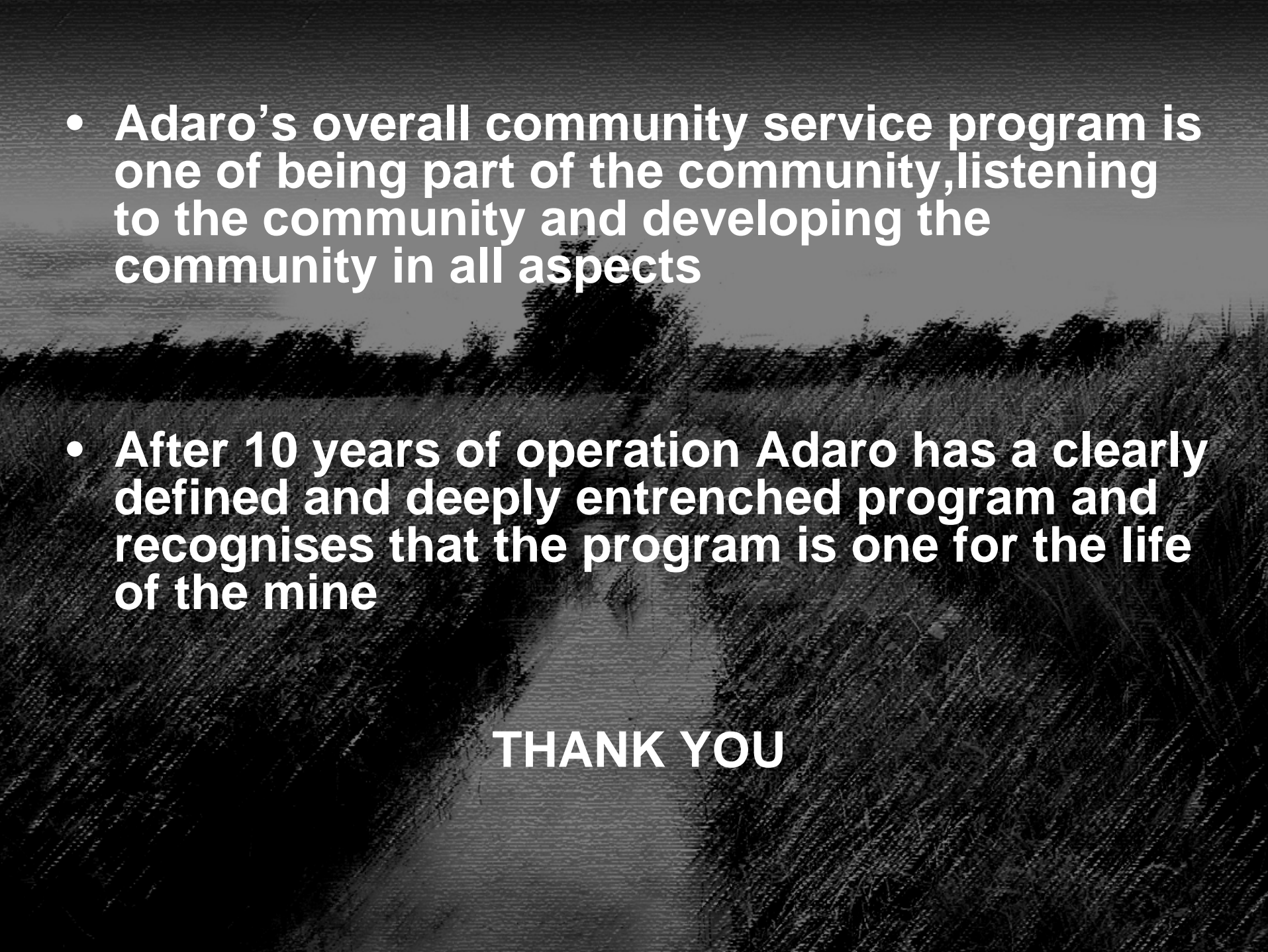
- Business assistance programs include establishment of farming and plantation activities, fish farming, automotive and light engineering businesses, light manufacturing and local cooperatives
- Adaro's input includes advice, training, loans and use of the products in their initial stages through a process of optimising use of local goods and services
- Assistance in upgrading community infrastructure is also provided in the areas of education and health
- Programs include equipping schools and hospitals, staff training, extensive scholarship programs for high school and university students and sponsorship of a local agricultural college
- Other projects included places of worship, sport and recreation facilities and home ownership loans for employees to stimulate the local building industry



- Requests for assistance are evaluated on a quarterly basis by a consultative process
- Adaro prioritises the requests of those communities that are most in need
- These request are also considered in relation to the needs of surrounding communities
- If a project is approved the distribution of funds commences in the next budget period
- Throughout the project duration, expenditure, progress and benefits are monitored by the relations team
- Evaluation reports on all phases of projects are prepared and used for monitoring as well as building a database for future projects
- These also allow Adaro to decide whether additional assistance and training may be required



- Adaro operates its environmental rehabilitation operations in conjunction with its community services programs
- Land affected by mining is reclaimed as soon as possible with replanting being undertaken by service companies from local co-operatives
- As soon as practical the reclaimed land is handed back to the local communities for ongoing development as part of the community programs
- Post reclamation includes planting of commercial crops, creating fish farms and developing recreational areas
- Treated water from settling ponds and dams is used to develop irrigated areas for more intensive farming
- Reclamation areas are also used as an opportunity agricultural training and trial farming

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- Adaro's overall community service program is one of being part of the community, listening to the community and developing the community in all aspects
 - After 10 years of operation Adaro has a clearly defined and deeply entrenched program and recognises that the program is one for the life of the mine

THANK YOU