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SCRUTINIZING MINING LAW AMENDMENT

Arifin Tasrif, Minister of Energy and Mineral Resources

Juga Tersedia Edisi Bahasa Indonesia

English Version

Indonesia's Electricity Power Supply Business Plan 2019-2028

DESCRIPTION

The Ministry of Energy and Mineral Resources (ESDM) has recently issued Ministerial Decree No. 39 K/20/MEM/2019 on the Legalization of Business Plan of PT PLN (Persero) on Rencana Usaha Penyediaan Tenaga Listrik or RUPTL for 2019-2028, to guide PLN in developing national power infrastructure.

The RUPTL is based on detailed calculations of electricity demand and the subsequent transmission and distribution requirements during the period. The proposed new RUPTL will adopt economic growth assumption at 6.45% with electricity demand projected by an average of 6.42% per year. During the period the sector is anticipated to build a total of 56.4 GW of power generations; 57,293 km of transmission network with a total of 124,341 MVA of station transformers; 472,795 km of medium-to-low voltage lines; and a total of 33,730 MVA of substation transformers.

This publication is aimed at disseminating information regarding PLN's electricity RUPTL 2019-2028 to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian electricity projects.

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contents

12

OPINION | Bill Sullivan

Is Covid-19 a force majeure event for indonesian industry?

The major problems caused, in Indonesia and elsewhere, by Covid-19 have resulted in some companies looking at the possibility of obtaining temporary relief from their ongoing contractual obligations by declaring force majeure.

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contents

72

MAIN STORY

Scrutinizing mining law amendment

The long-awaited amendment of Mining Law No 4/2009 was finally ratified by the House of Representative on 12 May 2020. The Law provides the central government greater authority to manage the mining industry, including permits issuance and production quota.










contents

90

We welcome opinions articles from experts, executives on coal industry. The article, either in Indonesian or English, should be sent to **coalasia@petromindo.com** and has between 1,000 and 1,500 words.

LIVE WEBINAR

Webinar by: coalasia Petromindo.Com

UNDERSTANDING NEW MINING LAW AND IMPACT TO INDUSTRY

JUNE 10 WEDNESDAY

14.00 – 15.30

Arfidea Dwi Saraswati,
Founding Partner,
AKSET LAW

Eva Djauhari,
Partner of Armila & Rako Law Firm

The webinar would explore:

- Analysis of major revision/changes in licensing regime under the new mining law
- The future of coal mining industry under New Mining Law
- What does the revisions mean to existing and new mining investors?
- How the new mining law could attract investors in mining.
- Will the new mining law could boost exploration on greenfield?

IMPLICATION OF NEW MINING LAW FOR FOREIGN INVESTORS

JUNE 12 FRIDAY

14.00 – 15.30

Key discussion points will includ:

- What are implications of new mining law for foreign investors?
- Is the new mining law attractive for new foreign investors to invest in Indonesian mining sector, including in Greenfield exploration?
- Overview and analysis on the new divestment obligation scheme.

Bill Sullivan,
Senior Foreign Counsel with Christian Teo & Partners.

Norman Bissett,
Foreign Legal Consultant,
Hadiputranto, Hadinoto & Partners (HHP) Law Office

WILL THE NEW MINING LAW BOOST SMELTER DEVELOPMENT?

JUNE 17 WEDNESDAY

14.00 – 15.30

Reggy Firmansyah,
Senior Partner
of UMBRA -Strategic Legal Solutions

Ali Mardi,
Tax Partner of Deloitte Touche Solutions

Key discussion points will include

- What are implications of new mining law for smelter development?
- What is the future of coal downstream projects? Such as the future of coal gasification?
- Understanding new licensing regime in smelter development
- What is the future of export of ores under the new mining law?
- Understanding various tax incentives to lure investments in smelter development.
- Exploring tax structure for mining company integrated with downstream facility vs the Non-integrated mining company with downstream project.

For registration, please contact:
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Compact excavator SDLG E660FL membuktikan ketangguhannya dalam pembangunan perumahan di Indonesia

PT Tanggamus Niaga Tama salah satu developer properti, mengerahkan excavator mini terbaru SDLG, yaitu E660FL untuk membangun perumahan di Sumatra, Indonesia.

Posturnya yang mungil tak membuat E660FL kehilangan performa besarnya. Mini excavator rilisan terbaru SDLG ini dipercaya PT Tanggamus Niaga Tama mengerjakan proyek pembangunan perumahan baru yang berlokasi di Lampung.

"Tingkat urbanisasi masyarakat Indonesia yang pesat telah direspons oleh perusahaan kami dengan makin dibutuhkannya alat berat yang mampu bekerja optimal di medan sempit," ujar Deky Asitky, Direktur PT Tanggamus Niaga Tama. "Excavator mini E660FL ini, meskipun kecil, namun performanya luar biasa dan cocok digunakan untuk proyek kami."

Sejak digunakan dari Juli 2019, E660FL bekerja selama delapan jam per hari untuk menyiapkan tanah yang akan dibangun perumahan di Kabupaten Tanggamus, Lampung. Compact excavator ini juga berperan dalam pembuatan drainase dan lanskap. Performanya yang bagus diharapkan dapat terus bekerja hingga akhir 2019.

"Kami sangat puas dengan pembelian E660FL. Meskipun kerap bersinggungan dengan material keras seperti batu, E660FL terbukti tetap ampuh," ungkap Deky. "Untuk urusan konsumsi bahan bakar, E660FL sangat irit. Ditambah dengan bucket yang besar, excavator mini ini jelas sangat efisien dan andal."

E660FL berada di kelas 6 ton dengan dibekali mesin bertenaga 38,3 kW dan volume bucket sebesar 0,22 m3. Compact excavator ini juga memiliki fitur reinforced four-valve structure dan multistate air intake filter yang memberikan performa memuaskan saat digunakan di semua kondisi iklim dan lingkungan.

E660FL juga dibekali dengan opsi tambahan, yaitu X1 hydraulic function yang memudahkan pemasangan rock breaker dan berbagai attachment tambahan. Hydraulic breaker pada umumnya sangat berguna untuk memecahkan batuan, aspal, dan permukaan keras lainnya. Track pad berbahan karet juga disediakan sebagai opsi jika excavator dioperasikan di lapisan aspal maupun beton sehingga tidak merusak permukaan.

"Sebagai operator, hal yang paling kami cari adalah kenyamanan saat mengoperasikan mesin karena turut meningkatkan efisiensi kerja," tutur Ringgo, operator alat berat PT Tanggamus Niaga Tama. "E660FL menurut saya sangat mudah dioperasikan. Joystick sangat responsif sehingga memudahkan pengoperasian. Kabinnya juga nyaman sekali. Bagi saya, E660FL adalah excavator paling ideal."

PT Tanggamus Niaga Tama, merupakan perusahaan pengembang properti di Sumatra. Perusahaan yang sudah beroperasi sejak 2016 itu membeli E660FL dari PT Indotruck Utama, yang merupakan dealer resmi SDLG di Indonesia.

"Di luar urusan performa excavator, kami sangat mengapresiasi kinerja PT Indotruck Utama dalam melayani pelanggan. Mereka sangat responsif ketika dibutuhkan dan selalu bisa kami andalkan, seperti halnya E660FL," kata Deky.

Untuk informasi lebih lanjut, hubungi:

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Tentang SDLG:

Shandong Lingong Construction Machinery Co., Ltd., (yang dikenal sebagai Lingong) adalah salah satu pelopor manufaktur alat berat di China, yang diproduksi dengan brand SDLG. Salah satu pemasok terkemuka di industri wheel loader yang berpusat di Linyi, China. Kini SDLG mengembangkan sayapnya dengan memiliki fasilitas pabrik baru di Pederneiras, Brasil.

Produk-produk SDLG difokuskan pada ketersediaan dan kepraktisan, serta dikenal karena keandalan dan performanya yang tangguh di lokasi proyek. Perusahaan ini memiliki jaringan penjual berpengalaman yang terjamin dalam pasar ekspor, dimana segmen produk ini beroperasi. Jaringan ini didedikasikan untuk menjamin ketersediaan bagian mesin yang berkualitas. Lingong didirikan pada tahun 1972 dan saat ini mempekerjakan 3.150 orang.

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[PUBLISHER'S LETTER]

New Mining Law

After around 11 years from its enactment, the House of Representatives (DPR) passed the bill on the amendment of Mining Law on May 12, 2020, awarding greater authority to the central government to manage and supervise the country's mining industry.

As of May 27, the mining bill was still awaiting President Joko Widodo's signature, which is a legal requirement to make it effective as a law.

The mining bill, which was approved by 8 factions and rejected by 1 faction of the House of Representatives, amends 83 articles, adds 52 new articles and removes 18 articles from the 2009 Mining Law.

Under the mining bill, the central government holds greater authority to manage mining industry, including issuing business license known as Perizinan Berusaha. The 2009 Mining Law distributed the authority on the management and supervision of mining sector to central government, provincial and regency administrations based on their relevant jurisdiction.

The mining bill also specifically describes the conversion of Contract of Work (CoW) and the Coal Contract of Work (CCoW) into a form of IUPK as a continuation of contract/agreement, as such the bill provides greater certainty for holders of CoW and CCoW to continue their investments.

Another long-standing concern is the divestment obligation. The mining bill states the divestiture requirement is 51 percent and may be carried out in stages with qualified Indonesian parties. Many have previously said that the greatest impediments to foreign investment in the Indonesian mining sector is divestiture obligation that applies to foreign-owned mining companies.

"The divestment obligation may not hamper the investment," said Minister of Energy and Mineral Resources in the plenary meeting with the lawmakers on May 12, 2020.

Other major revisions include the obligations of mining license holders to allocate fund for discovery of reserve and community development for locals, reclamation and post-mining obligation, and the obligation of governor to submit the mining license to the minister.

CoalAsia has chosen the mining bill issue as main story for this edition. We also invite noted experts to analyse the new mining bill and enrich content of *CoalAsia* Magazine.

CoalAsia will also run series of webinar on new mining law with topics of understanding new mining law and impact to industry on Wednesday, June 10, 2020; Implication of new mining law for foreign investors on Friday, June 12, 2020 and on June 17 with topic of will the new Mining Law boost smelter development?

Happy reading

Adianto P. Simamora
Editor in Chief

9th EDITION INDONESIAN COAL BOOK 2020/2021

IN OUR STORES NOW

Description

"Indonesian Coal Book 2020/2021", which is the ninth edition of the Indonesian Coal Book series, is the most comprehensive source of information on coal mining industry in Indonesia. It is an invaluable source of information on more than 300 coal mining companies operating in Indonesia, including maps of their locations, mining methods, production activities and coal specification and business plans. It also contains information about the existing common-user coal terminals, statistical data on the sector and directories of industry and government contacts.

This full color book provides a comprehensive and easy-to-use reference containing detailed and up-to-date information on Indonesian coal industry. This edition is definitely a must-buy reference book for not only business executives, prospective coal investors, players, but also research centers and consultants.

Content

- Profiles of more than 300 coal mining companies
- Profiles of services companies, Government, Provincial and Organization contacts
- Indonesian coal statistics: Coal Resources/Reserves; Production; Domestic Sales; Export;
- Updated list of PKP2Bs; coal IUPs 'clean and clear' (concession holder, location, area, status)

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OPINION

By Bill Sullivan
Christian Teo & Partners (in asscociation with Stephenson Harwood LLP)

Is Covid-19 a force majeure event for indonesian industry?[1][2][3][4]

Introduction

The major problems caused, in Indonesia and elsewhere, by Covid-19 have resulted in some companies looking at the possibility of obtaining temporary relief from their ongoing contractual obligations by declaring force majeure.

The temptation to declare force majeure has been noticeably present in the Indonesian energy, infrastructure and mining industries where the fall-out from Covid-19 has delayed important projects, cast doubt on the financial viability of other projects and resulted in much reduced revenue for many companies.

Force majeure is, however, a complicated subject that is often misunderstood, especially in the context of financial difficulty and what to do about employee obligations. Accordingly and without in any way seeking to downplay the problems caused by Covid-19, it would be a serious mistake to assume that companies will necessarily be able to rely on force majeure as legally excusing contractual non-performance merely because they are operating in the financially hard-hit, Indonesian energy, infrastructure and mining industries. The reality is it depends on multiple considerations which will differ from contract to contract.

In this article, the writer will look at what is meant by force majeure for Indonesian law purposes and whether or not Covid-19, together with the Government's response to the same, should properly be classified as force majeure for companies operating in the local energy, infrastructure and mining industries.

Background

The human tragedy, personal hardship and economic cost caused by Covid-19, in Indonesia, is undeniable.

In terms of human tragedy and personal hardship, Indonesia had officially recorded as of Mid-May (i) some 15,000 cases of Covid-19 and (ii) more than 1,000 deaths attributed to Covid-19 but with the actual numbers of Covid-19 cases and deaths believed to be much higher. In addition, the Ministry of Manpower is reporting that more than 2 million Indonesians have already lost their jobs, with this number predicted to rise to between 2.9 million and 5.2 million over the coming months.

The economic cost of Covid-19 has also be very great indeed. Indonesia's economy has slowed very significantly, with the Ministry of Finance reporting economic growth of only 2.97 percent in the first quarter of 2020, compared to previous projections of above 4 percent. Economic growth projections for 2020 as a whole vary widely but one international forecasting group is predicting year on year economic contraction of 1.3 percent for Indonesia in 2020. Consumer confidence has been badly affected, with a recent Bank Indonesia survey showing the lowest level of consumer confidence in at least 12 years. Indonesia is now clearly at risk of surrendering much of the progress that has been made over the last 10 years in terms of poverty reduction.

The impact of Covid-19 on the energy, infrastructure and mining industries has been particularly severe. Bank Indonesia has reported large declines in the market prices of many of Indonesia's most important mineral exports including coal, copper concentrate and nickel. Lockdowns in

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1. *Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood LLP.*
2. *Bill Sullivan is the author of "Mining Law & Regulatory Practice in Indonesia – A Primary Reference Source" (Wiley, New York & Singapore 2013), the first internationally published, comprehensive book on Indonesia's 2009 Mining Law and its implementing regulations.*
3.
4.

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some of Indonesia's most important export destinations, notably China and India, have also disrupted mineral exports from Indonesia, particularly of coal, Likewise, restrictions imposed by Provincial and Regional Governments, on the movement of people into areas of Kalimantan and Papua as a response to Covid-19, have caused significant problems for energy, infrastructure and mining companies operating in these areas. Finally, the government-ordered closure of many offices in Jakarta and elsewhere has caused serious administrative challenges for numerous companies operating in the local energy, infrastructure and mining industries.

Human tragedy, personal hardship and economic cost does not, however, automatically equate to force majeure.

Law No. 24 of 2007 re Disaster Management ("Disaster Management Law") is meant to provide a legal framework for the Government to deal with disasters like Covid-19. The Disaster Management Law draws a clear distinction between "Natural Disasters" and "Non-natural Disasters".

Article 1.2 of the Disaster Management Law provides that a "Natural Disaster" is a disaster caused by natural events or a series of natural events such as earthquake, tsunami, volcanic eruption, flood, hurricane, drought or landslide. Meanwhile, Article 1.3 of the Disaster Management Law provides that a "Non-natural Disaster" is a disaster caused by non-natural events or a series of non-natural events such as failure of technology, failure of modernization, epidemic and plague.

Notwithstanding the existence of the Disaster Management Law, the Government has been undeniably slow and inconsistent in dealing with the Covid-19 crisis.

In an endeavor to address the Covid-19 crisis, the Government recently issued Government Regulation No. 21 of 2020 re Large Scale Social Limitations ("PSBB") to Expedite the Handling of Covid-19 ("GR 21/2020"). The elucidation to GR 21/2020 states that Covid-19 is a "Non-natural Disaster" consistent with Article 1.3 of the Disaster Management Law.

By way of implementation of GR 21/2020, the Minister of Health ("MoH") has issued MoH Regulation No. 9 of 2020 re Guidelines for PSBB to Expedite the Handling of Covid-19 ("MoHR 9/2020").

Specifically focusing on the need to address employment related issues in light of Covid-19, the Minister of Manpower ("MoM") has issued MoM

Circular Letter No. M/3/HK.04/III/2020 of 2020 re Protection of Employees/ Workers and Business Continuity in connection with the Prevention and Management of Covid-19 ("MoM Circular M3/2020").

MoM Circular M3/2020 recognizes that companies, which are forced to limit/shut down their operations due to the Covid-19 situation, may have to adjust (i) employee salary amounts and/or (ii) the terms of salary payment otherwise due to their employees for the purpose of ensuring business continuity.

The Jakarta Provincial Government has been the most proactive in terms of giving effect to PSBB through the issuance of Governor of DKI Jakarta Regulation No. 33 of 2020 re Implementation of PSBB to Handle Covid-19 in DKI Jakarta Province, which introduces specific PSBB measures for Jakarta by way of the implementation of MoHR 9/2020.

Analysis and discussion

1. Force Majeure - General Indonesian Law

The Indonesian law concept of force majeure is dealt with in Articles 1244 and 1245 of the Indonesian Civil Code ("ICC") which provide that:

"A debtor shall be liable for compensation, losses and interest if he/she cannot prove that the non-performance of a legal obligation or the late performance of such legal obligation is caused by something unforeseeable, for which he/she cannot be held liable, even in the absence of his/her bad faith".

"There is no compensation for costs, losses or interest if, because of uncontrollable circumstances or because of coincidence, the debtor is prevented from delivering or performing his/her obligation or committing a prohibited action."

Having regard to ICC Articles 1244 and 1245, an event must fulfil the following criteria in order to qualify as "force majeure" for Indonesian law purposes:

(a) be an unforeseeable event;
(b) have prevented a party from performing his/her contractual obligations; and
(c) the party's inability to perform his/her contractual obligations must not be due to that party's fault.

ICC Articles 1244 and 1245 are particularly notable for their lack of specificity as to just what particular events qualify as force majeure. It is not an overstatement to say that, in fact, any event will qualify as a force majeure event, for the purposes of ICC Articles 1244 and 1245, so long only as the above three criteria are met.

Provided the three criteria are met, there is nothing, in principle, to prevent an economic or financial crisis qualifying as a force majeure event for general Indonesian law purposes. In Judicial Review Decision No. 285PK/Pdt/2010, a Judicial Review Panel of Judges accepted that the 2008 global financial crisis or "Great Recession" had sufficiently adversely affected certain Indonesian borrowers, being palm oil companies with businesses involving thousands of traditional farmers, so as to excuse the failure of these borrowers to fulfil their loan obligations to domestic banks.

2. Force Majeure – Contract

Notwithstanding 1 above, commercial contracts governed by Indonesian law typically seek to very much limit the scope of force majeure otherwise recognized by ICC Articles 1244 and 1245. The relevant contract's definition, if any, of force majeure will prevail over ICC Articles 1244 and 1245. This is because Indonesian law recognizes the principle of freedom of contract (see ICC Article 1338) which allows parties a great deal of latitude in setting their contract terms and then treats the same as being enforceable between the parties subject only to a couple of minor exceptions.

Well-drafted commercial contracts will, at a minimum, typically specify:

(a) a detailed list of particular events which, if they occur and prevent/ materially impede a party from carrying out part or all of its contractual obligations, will be regarded as force majeure events for the purposes of the relevant contract only;
(b) the consequences of the occurrence of the specified force majeure event, being (i) temporary suspension of the relevant contractual obligation and possibly (ii) a right to early termination of the relevant contract by the counterparty if the force majeure event continues to prevent/ materially impede performance by the other party for longer than a certain period; and
(c) the procedures that must be followed in order to establish the occurrence of a force majeure event and benefit from the suspension of performance, such as the party declaring the force majeure event must (i) notify the other party within X days of the occurrence of the event of force majeure, (ii) be able to evidence that its non-performance is directly caused by the force majeure event and (iii) take all reasonable steps to overcome the event of force majeure and resume performance of its contractual obligations as soon as possible.

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The list of events specified as force majeure events in commercial contracts (i) can and does vary considerably from contract to contract but, typically, includes a mixture of particular natural events (eg, earthquakes, hurricanes, tsunamis etc) and particular non-natural events (eg, war, acts of terrorism, industrial action, changes in law etc) as well as (ii) sometimes a "catch all" inclusion along the lines of "and any other event that materially impedes or prevents a party from performing part or all of its obligations under this contract."

It is also not uncommon, in well drafted commercial contracts, to find a specific exclusion for financial difficulties and/or a provision that a party's payment obligations cannot be postponed due to the occurrence of a force majeure event other than when the relevant force majeure event is a payment transfer system problem. This type of exclusion highlights the typical reluctance of drafters of commercial contracts to accept that the increased cost of performing contractual obligations or reduced revenues derived from a contractual relationship should ever, in and of themselves only, excuse continued performance of contractual obligations. The underlying idea is that commercial contract parties should not be easily relieved from the consequences of having made what proves to have been a "bad bargain" in light of changing economic or financial conditions. When present in a commercial contract, an exclusion for financial difficulties and/or payment obligation problems caused by force majeure will mean that a party suffering financial difficulties cannot rely on the reasoning in Judicial Review Decision No. 285PK/Pdt/2010 to successfully invoke force majeure as excusing its non-performance of payment obligations.

Having regard to the above, it is important to carefully review the force majeure clause in the contract documenting a particular commercial relationship, project or transaction in order to determine (i) whether or not a certain occurrence qualifies as a force majeure event for that contract and (ii) if it does, what are the consequences of the occurrence of the same in the case of that contract. In other words, in commercial contracts there is no such thing as "one size fits all" when it comes to what qualifies/what does not qualify as a force majeure event and, if it is a recognized force majeure event, what are the consequences of its occurrence in the case of that contract. It all depends on the relevant contract and the relevant party.

It is also critically important to remember that establishing the existence of force majeure essentially involves a two-part enquiry. First, is the event that has occurred recognized as a potential force majeure event for the purposes of

the particular contract (eg, pandemic or government decree)? Second, even if the event in question is recognized as a potential force majeure event for the purposes of a particular contract, is it a relevant force majeure event in the sense that its occurrence and continuation has prevented/materially impeded a certain party from carrying out part or all of its obligations under the particular contract? At the risk of belabouring the point, a certain event may be both a potential force majeure event and a relevant force majeure event in the case of a particular party to a particular contract while the very same event may only be a potential force majeure event but not a relevant force majeure event in the case of another party to the same contract or neither a potential force majeure event nor a relevant force majeure event in the case of a different party to another contract. Again, it all depends on the relevant contract and the relevant party.

3. Covid-19 as Force Majeure Event

The fact that the Government has declared Covid-19 to be a "Non-natural Disaster" does not mean that it will not be a force majeure event in some cases.

For general Indonesian law purposes (i.e., ICC Articles 1244 and 1245), the categorization of Covid-19 as a "Non-natural Disaster" is irrelevant in terms of whether or not Covid-19 meets the three requirements of force majeure as set out in 1 above. It can scarcely be doubted that Covid-19 and the Government's response to the same (i) was unforeseeable, (ii) will have caused some (but definitely not all) parties to be unable to perform their contract obligations and (iii) needless to say, this inability to perform is not the fault of the parties concerned.

For commercial contract purposes, the categorization of Covid-19 as a "Non-natural Disaster" is perhaps somewhat more relevant, than for general law purposes, in terms of whether or not Covid-19 amounts to force majeure but is still far from conclusive. At most, this categorization means that parties to commercial contracts cannot rely on any of the natural events specified in their commercial contracts in order to establish Covid-19 as a force majeure event. These parties are, however, still left with the non-natural events specified in their commercial contracts as well as with any all-inclusive language along the lines of "and any other event that materially impedes or prevents a party from performing part or all of its obligations under this contract."

Regardless of whether force majeure is governed by general Indonesian law or by commercial contract, the correct approach to analysing whether or not Covid-19 has given rise to a force majeure event is the same in each case. It is necessary to ask in each case:

(a) Which party is claiming Covid-19 as a force majeure event?
(b) What is the obligation that the relevant party says it cannot perform or is materially impeded from performing as a result of Covid-19?
(c) Has the relevant party been prevented/materially impeded from performing the relevant obligation as a result of Covid-19?

4. Covid-19 and the Energy, Infrastructure & Mining Industries

4.1 Preliminary Remarks: There are undoubtedly many genuine cases of force majeure in the Indonesian energy, infrastructure and mining industries as a result of Covid-19 and the draconian (but necessary) response of various levels of government to the same.

4.2 Producers: Coal and metal mineral producers, which have been unable to meet their coal and metal mineral supply obligations, to domestic or foreign buyers, as a result of the shutdown of or reduction in production due to Covid-19 manpower shortages, disruptions to shipping or temporary import restrictions, should be able to claim force majeure as these are commonly recognized force majeure events in well-drafted commercial contracts for the sale and purchase of commodities. There should be no penalties for non-performance in these cases unless the relevant contract is particularly restrictive.

4.3 Goods & Services Providers: Goods and services providers, which have been prevented by restrictions on the movement of people into areas of Kalimantan and Papua, from delivering goods and performing services contracted for by operators and owners of energy, infrastructure and mining projects, should also be able to make out a good claim of force majeure and thereby avoid any penalties for non-performance subject to individual contract peculiarities.

4.4 Building Owners & Landlords: Similarly, building owners in Jakarta and elsewhere, who have been obliged to temporarily prevent or restrict access by energy, infrastructure and mining company tenants to their leased/rented office space as a result of mandatory PSBB measures, can surely make out a good claim of force majeure as well and thereby avoid any penalties for non-performance

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unless the relevant contract contains some unusual exclusions.

4.5 Borrowers & Debtors: More problematic, however, are energy, infrastructure and mining companies seeking debt relief from their bankers or wanting to avoid/delay paying their goods suppliers and service providers on the basis of claimed force majeure in the form of financial difficulties as a result of reduced revenue from disrupted operations or falling mineral commodity prices. Financial difficulties (short of bankruptcy) are often (but not always) expressly excluded in commercial contracts from qualifying as force majeure because financial difficulties do not usually make it legally or physically impossible to repay loans/pay interest on loans or pay suppliers and services providers but, rather, merely make it more onerous and, hence, less attractive to do so given the relevant party's changed financial position. Likewise, as previously pointed out in 2 above, it is not uncommon for well drafted commercial contracts to make clear that force majeure can never excuse non-performance of payment obligations.

In the event, however, that the relevant loan agreement or goods supply/services agreement has not been carefully drafted to exclude financial difficulties or make clear that payment obligations can never be excused on the grounds of force majeure, energy, infrastructure and mining companies may still be able to rely on the reasoning in Judicial Review Decision No. 285PK/Pdt/2010.

4.6 Tenants: Energy, infrastructure and mining companies, which are tenants of leased/rented premises temporarily closed to them as a result of Covid-19, are also unlikely to be able to claim force majeure as justifying their non-payment or reduced payment of the agreed rent. The reality is that Covid-19 is not preventing them or materially impeding them from performing their fundamental obligation, as tenants, to pay the agreed rent.

The fact that tenants are being denied access to their leased/rented premises is not a force majeure situation at all from the tenant's perspective as opposed to from the landlord/owner's perspective. There is a tendency, in this type of situation, to confuse force majeure with another legal concept which is likely to be much more applicable/relevant; namely, frustration or impossibility. Article 1254 of the ICC provides:

"All conditions that are intended

to do something that cannot be done, something that is contrary to morality, or something that is prohibited by law are void and render agreements conditioned upon them not in effect."

Tenants may be able to rely on ICC Article 1254 to have their leases set aside on the grounds that government mandated closure of offices means that it is impossible for them to have the benefit of what they have contracted for; namely, occupancy of the leased/rented premises. This, however, will often not provide tenants with what they actually want; that is, relief from paying the agreed rent until such time as they are able to, once again, occupy their leased premises and business returns to normal. It is, no doubt, with this in mind that the Jakarta Government has encouraged landlords and tenants to negotiate a reduced rental arrangement until such time as the Covid-19 crisis passes and business returns to normal.

4.7 Employers: Non-payment of employee salaries and termination of employees on the basis of claimed force majeure, as a consequence of Covid-19, is particularly problematic.

MoM Circular M3/20202 allows adjustments to (i) salary amounts and/or (ii) the terms of salary payments to employees so long as the employees consent to the same. In other words, employers may not unilaterally decrease salary amounts or change the terms of salary payments and without prior notice to or discussions with the employees concerned. More particularly, employees must agree (i.e., "consent") to the proposed reduced salary amounts or proposed extended salary payment terms.

MoM Circular M3/2020 is silent on the issue of permitted labour downsizing or employee termination due to increased efficiency needs in the time of Covid-19. Accordingly, MoM Circular M3/2020 will not assist employers wanting to terminate employees on the basis of claimed force majeure.

Article 164 of Indonesia's Manpower Law, however, allows employers/companies to terminate an employment relationship due to permanent business/company closure ("Permanent Business Closure") arising from efficiency reasons ("Termination Due to Efficiency"). In this case, the terminated employee is entitled to receive a compensation package consisting of 2x Severance Pay, 1x Long Service Pay and Compensation Pay ("Maximum Compensation Package").

In the case of Termination Due to Efficiency, a company:

(a) may terminate the employment relationship without having to serve three warning letters on the relevant employee; but
(b) is still legally required to conduct a bipartite negotiation with the relevant employee prior to terminating the employment relationship ("Bipartite Negotiation").

If the Bipartite Negotiation is successful (i.e., the company and the employee reach a settlement), the parties will then need to (i) formalize the settlement in the form of a settlement agreement and (ii) register the settlement agreement to the relevant Industrial Relations Court. If, however, the Bipartite Negotiation is unsuccessful, the parties will be required to settle the termination dispute by way of involving the Manpower Office and the Industrial Relations Court.

The obvious problem, though, with relying on Article 164 of the Manpower Law, as a solution to company financial problems brought on by the Covid-19 crisis, is that companies are wanting to terminate employees so that they can avoid the need for Permanent Business Closure.

If there is no Permanent Business Closure, it is recommended companies proceed with a voluntary resignation approach ("Voluntary Resignation"), as opposed to Termination Due to Efficiency, so as to avoid:

(a) any potential termination dispute involving the manpower authorities should the Bipartite Negotiation fail to reach a successful outcome; and
(b) the possibility of the employer having to pay the Maximum Compensation Package as required in the case of Termination Due to Efficiency.

Employers may structure an employee's termination (i) as a Voluntary Resignation, (ii) by documenting the Voluntary Resignation with a detailed settlement arrangement between the employer and the employee and (iii) involving the payment of compensation by the employer to the employee. Voluntary Resignation is, though, hard to implement on a large scale and the compensation demanded by employees, asked to participate in a Voluntary Resignation, can be very considerable.

Summary and conclusions

Covid-19 has, directly or indirectly, resulted in many companies finding themselves in very difficult financial circumstances. It is understandable, therefore, that these companies are

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actively looking for ways to postpone performing contractual obligations that have become increasingly burdensome as a result of much reduced revenue.

Force majeure may, in some cases, be properly invoked by companies to suspend performance of their contractual obligations while so long as the Covid-19 crisis continues. This, however, is not likely to be so nearly as often as many business people seem to think.

The requirements for establishing force majeure, whether at general law or in commercial contracts, are strict and not otherwise easily met.

Financial difficulty (short of actual bankruptcy) will often not qualify as a force majeure event in well drafted commercial contracts and for the purpose of excusing non-performance of payment obligations. In the absence of a commercial contract, however, Indonesian general law is more accepting of financial difficulty as a potential force majeure event.

Except to the limited extent permitted by MoM Circular M3/2020, employers in the energy, infrastructure and mining industries have no legitimate basis for believing that Covid-19 and claims of force majeure will change their legal obligations to employees in respect of payment of salaries and continuity of employment.

The force majeure provisions of commercial contracts vary widely. Accordingly, there is no such thing as "one size fits all" when it comes to what qualifies as force majeure in commercial contracts, how it must be established and what are the consequences of force majeure.

Although not very satisfactory from a business certainty perspective, the only correct answer, as to whether or not Covid-19 is a force majeure event, is "it depends"!!! C

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UMBRA
STRATEGIC LEGAL SOLUTIONS

OPINION

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AMENDMENT OF THE MINING LAW: TYING UP LOOSE ENDS

After around 11 years from its enactment, Law No. 4 of 2009 on Mineral and Coal Mining (Mining Law) is now undergoing its first transformation as the House of Representatives has passed the bill on the amendment of the Mining Law on 12 May 2020

Background

The finalized draft of Law on the amendment of the Mining Law (Bill) was publicly released on 11 May 2020 and was then approved by the House of Representative (Dewan Perwakilan Rakyat or DPR) on the next day, 12 May 2020. The Minister of Energy and Mineral Resources (MEMR) introduces this Bill as an attempt to stimulate the mining industry and provide a legal certainty for the business actors in the industry. This writing is intended to share our view and analysis on the changes in the Bill that we believe are material.

*As per the issuance of this article, the Bill has not yet been publicly announced in the State Gazette.

Main Changes

Centralization of Authority – The Opposite Direction from the Mining Law

The changes under the Bill, particularly on the distribution of

authority has shown that the anticipated new law is going to move to a completely different direction than what the Mining Law had envisaged. Initially, the Mining Law distributed the authority on the control and supervision of mining sector in Indonesia proportionately to the Central Government (Government) and Provincial Government and Regency Government (Local Government) based on their relevant jurisdiction. For example, the authority to issue mining licenses (IUPs) and to carry out mining business administration and supervision process.

During the implementation of the Mining Law, there were some issues that were faced by mining business owners and investors, one of them was mining area overlapping issue. Generally, this was caused by the decentralization as each of the Government, Provincial Government and Regency Government can issue IUPs and coordination was quite lacking at that time.

In 2014, the Government enacted Law No. 23 of 2014 regarding Regional Government (Regional Government Law) in which the Regency Government's authority to determine mining area (Wilayah Usaha

Pertambangan or WUP) and issue mining license (Izin Usaha Pertambangan or IUP) were revoked. This has cut down some of the root cause of the mining area overlapping issue that were quite often met back then. As a follow up of the Regional Government Law, the Government required the Regency Governments to hand over all mining licenses document and information that were in their possession or under their authority to the Provincial Government.

Similar with what happened in 2014, the Bill is going to revoke all authority on the control and supervision of mining sector that were left for the Provincial Government, and grant all authority on the control and supervision of mining sector in Indonesia to the Government. This includes, among others the authority to issue Business Licensing or Perizinan Berusaha (as further elaborated below), approve the transfer of IUP or Special Mining License (Izin Usaha Pertambangan Khusus or IUPK) and approve the transfer of shares in the IUP or IUPK holders. The Bill will also give the Government the right to delegate the authority in issuing Business Licensing to the Provincial Government if it deems necessary.

As such, involvement by the Provincial Government in this regard will not happen if the Government does not desire it. Having said that, the Bill still left role to be held by the Provincial Government, which is to determine the Mining Area (Wilayah Pertambangan or WP), to be further declared by the Central Government.

The Bill provides a 6 months transitional period for the Provincial Governments to continue carrying out their authorities under the Mining Law, however with the limitation that the Provincial Government and the Minister may not issue a new IUP during this period. This transitional period may be shorter if within the 6 months period the Government has managed to issue the implementing regulations of the new law. In this connection, the Governors are required to hand over the licenses that were issued by them under the framework of the Mining Law to the Minister to be renewed within 2 years after the Bill is enacted.

New Licensing Regime and Resolution for License Dualism Issue

Based on the Bill, in order to carry out Mining Business, business actors are now required to obtain a set of licenses that is defined as Business Licensing (Perizinan Berusaha). Business Licensing consists Identification Business Number (Nomor Induk Berusaha or NIB), standard certification (sertifikasi standar), and/or Licenses.

The Licenses under the Bill are further broken down into:

(a) IUP;
(b) IUPK;
(c) Special Mining Business License for the Continuance of Contract Operation (IUPK sebagai Kelanjutan Operasi Kontrak/Perjanjian or Operation Continuance IUPK) – will be further elaborated below;
(d) Community Mining License (Izin Pertambangan Rakyat or IPR);
(e) Rock Mining License (Surat Izin Penambangan Batuan or SIPB) – a new license for rock mining;
(f) Assignment License (Izin Penugasan) – a license for exploitation of radioactive minerals in accordance with the laws and regulations in the nuclear sector;
(g) Transportation and Sales Permit (Izin Pengangkutan dan Penjualan) – given to companies to buy, transport, and sell mineral or coal mining commodities.
(h) Mining Service Business License (Izin Usaha Jasa Pertambangan or IUJP); and
(i) Mining Business License for Sales (Izin Usaha Pertambangan untuk Penjualan or IUP Penjualan) – given to non-mining business entity which is going to sell excavated mining commodities, which will only be given for one transaction.

Some of the licenses are newly introduced, such as Operation Continuance IUPK, SIPB and Assignment License (will be further


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regulated in laws and regulations for nuclear sector). The remaining licenses, namely IUP, IUPK, IPR, IUP-OP for transportation and sales (now, Izin Pengangkutan dan Penjualan), IUP-OP for sales, and IUJP are licenses that were already introduced since the enactment of the Mining Law.

There are a couple of missing licenses from the original licenses under the Mining Law that are not included in the Bill, i.e. temporary license for transportation and sales given to the Exploration IUP to sell the commodities found during the exploration stage, and the IUP-OP for Processing and Refining. Under the Bill, a non-integrated processing and refining business, and its licensing process are no longer under the scope of the Mining Law and should refer to the laws and regulations on manufacturing sector. With this amendment, the dualism of license issue that was caused by the introduction of IUP-OP for Processing and Refining (IUP-OP Pengolahan Pemurnian) under the Mining Law can now be resolved.

Previously, there was a confusion on whether a non-integrated processing and refining business must have an IUP-OP for Processing and Refining or a Manufacturing Business License (Izin Usaha Industri - IUI) or both to carry out its business. One of the most conservative view was to have both, as the prevailing regulations from the mining sector and manufacturing sector respectively required the business actors to have IUP-OP for Processing and Refining and IUI.

Now, it is clear that a new business actor that intends to carry out a non-integrated processing and refining business must obtain the relevant license under the framework of laws and regulations on manufacturing sector. Existing IUP-OP for Processing and Refining will be adjusted to become a manufacturing business license as regulated under the framework of laws and regulations on manufacturing sector within one year after the enactment of the Bill.

Existing IUP, IUPK, IPR, IUP-OP for transportation and sales, IUP-OP for sales, and IUJP, will remain valid, however those will need to be adjusted to become Business Licensing, as explained above, within 2 years after the enactment of the Bill.

Conversion of KK and PKP2B to become Operation Continuance IUPK (IUPK sebagai Kelanjutan Operasi Kontrak/Perjanjian)

This is one of the most anticipated matter for the Contract of Work (KK) holders, Coal Contract of Work (PKP2B) holders and the Government as several efforts to address this matter have been made in the form of amendments of Government Regulation No.23 of 2010 (GR 23/2010) on the Implementation of Mineral and Coal Mining Activities in which KK or PKP2B can be converted into an Operation Production IUPK. Those efforts did not quite work as the Mining Law at that time has set a limitation on what an Operation Production IUPK can have as its terms, e.g the maximum area that an Operation Production IUPK can have was 25,000 Ha for metal mineral and 15,000 Ha for coal.

Most of the provisions regarding KK and PKP2B conversion that have been regulated under GR 23/2010 and MEMR Regulation No. 7 of 2020 on Procedures of Area, Licensing, and Reporting on Mineral and Coal Mining Business Activities (MEMR Reg 7/2020) have now been incorporated into the Bill.

The most important provisions are the introduction of the Operation Continuance IUPK which is defined as a business permit that is granted as an extension after the completion of a KK or PKP2B, and that there is no specific limit for the maximum area of an Operation Continuance IUPK. Legally, this has provided sufficient framework to implement the previous efforts made by the relevant stakeholders.

Based on the Bill, KK and PKP2B are guaranteed to get the extension to become Operation Continuance IUPK with following terms and conditions:

(a) KK or PKP2B that has not been extended, are guaranteed to obtain two-times extension in the form of Operation Continuance IUPK (conversion), for up to 10 years period each, after such KK or PKP2B has expired; and
(b) KK or PKP2B that has been extended once, are guaranteed to obtain a one-

time extension guarantee in the form of Operation Continuance IUPK (conversion), for up to 10 years period, after the first extension of such KK or PKP2B has expired.

Both conditions above have to take into account the state revenue increase effort in the form of redetermination of tax and non-tax state revenue. The area granted for the Operation Continuance IUPK will be based on the approved contract area development plan or an agreement that has been approved by the MEMR. Such area will also be considered as WIUPK for operation production. Furthermore, KK and PKP2B holders can apply for an additional area outside of its contract area to the MEMR to support its activities.

In order to obtain an Operation Continuance IUPK, a KK or PKP2B holder must submit its conversion application at the soonest within 5 years and at the latest by a year prior to the expiration of its KK or PKP2B. MEMR can reject the application if, based on the MEMR's evaluation, the KK or PKP2B holder does not show a good performance.

Lifting the Ban on IUP/IUPK Transfer The Bill has lifted the ban on IUP or IUPK transfer that was initially envisaged in the Mining Law. Transfer of IUP or IUPK can be done, provided that approval from the MEMR has been obtained. The minimum requirements to obtain such approval are:

(i) The IUP or IUPK holders must have completed their exploration activities that can be evidenced by the availability of resources and reserves data; and

(ii) The IUP or IUPK holders must fulfill the administrative, technical, and financial requirements.

The detail on the implementation of this provision action will be further regulated in a Government Regulation. Furthermore, IUP or IUPK holders are prohibited from guaranteeing their IUP or IUPK, including the mining commodities, to other parties. The same requirements above will also apply to any change of shareholder in the IUP or IUPK holders.

Divestment Obligation

Previously, the Mining Law required IUP and IUPK holders whose shares are owned by foreign shareholders to divest their shares to Indonesian entity (Government, Regional Government, State-owned Entity, Regional-owned Entity, national private entity) after 5 years of production. After that, the Government issued GR 23/2010 that set out the stages of the divestment process, i.e starting from 20% on the 6th year of production and reaching 51% by the 10th year of production.

Currently, the Bill only regulates that the IUP and IUPK holders whose shares are owned by foreign shareholders must gradually divest 51% of its shares to Indonesian entity, without mentioning at which point of time during the operation production phase will this divestment obligation be triggered.

The Bill left this detail to be further regulated in the implementing Government Regulation. As such the Government will have the freedom to determine the direction of the divestment obligation, for example whether it will be more encouraging for foreign investor by determining a later point of time as the triggering period for the divestment, say after 10 years of production as opposed to after 5 years production or the other way around.

In this connection, foreign investors may have difficulty in making their decision as they can only get more certainty after the Government has issued the relevant implementing Government Regulation. Even if the Government has issued the implementing Government Regulation, we do not think the foreign investors will be in a very comfortable position as the Government can amend the Government Regulation if they want to do so.

Closing Remarks

The Government and the lawmakers have done a very good job in tying up loose ends resulting from the issuance of the Mining Law in 2009 and issues that has arisen to date. However, this does not mean that the work is done, because to determine whether this Bill is a success or not it will heavily depend on how well and clear the implementing regulations will be drafted and the readiness of the relevant government institutions in implementing those regulations. C

Ministry seeks junior miners to invest in RI

The Ministry of Energy and Mineral Resources is seeking junior miners to carryout exploration activities in greenfield areas as part of efforts to increase private sector investment in exploration to find new reserves.

This was said by Yunus Saefulhak, Director of Mineral Development and Management at the ministry, during a webinar. He said that the junior mining companies will be given right to match when the new mining areas are tendered by the government.

He added that the junior mining companies will also be allowed to transfer the IUP mining licenses to other companies which are engaged in carrying out mining activities, processing and refining.

Director General of Mineral and Coal at the ministry, Bambang Gatot Ariyono said in March that the government will issue a new policy that aims to attract junior mining companies to invest in exploration activities in the country. One of the new policies will include allowing the junior miners, which are specialized in carrying out exploration works, to transfer their rights over the mining areas to other companies which are specialized in carrying out mining activities.

Cokal expects to award mining contracts in June

ASX-listed coking coal mining firm Cokal Ltd said that it hopes to complete the ongoing selection of mining contractors for its BBM coking coal mine project in Indonesia's Central Kalimantan Province in June of this year.

The company said in a statement that mining contract proposals have been received, shortlisted and are being evaluated by Cokal's technical and commercial teams.

Meetings have been held with the preferred tenderers to refine the consideration of tenders and a successful resolution is expected by mid to late June. Mining costs being offered are in line with those used by Cokal in its mine planning.

"It is expected that contracts will be awarded in June 2020 as Cokal strives to negotiate the most favorable outcome for the BBM Project, which is progressing in line with the master project plan despite the nature of the current dynamic environment," Cokal said in the statement.

Cokal said previously that five companies have signed non-disclosure agreement and have been invited to tender. Cokal did not disclose the name of the companies.

The company said that it is anticipated that the contracts will be for a period of five years, commencing in 2020, with options for extension. Contractors, it said, will be required to provide their own infrastructure and facilities on site.

Additional contracts, it said, will include construction of the first 50-km section of the haul road to Muara Lahung, the coal handling plant at the BBM mine site, the coal handling and barge loader at Muara Lahung and the barging contract from Muara Lahung to FOB Taboneo anchorage. C

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Bayan revises downward production target

IDX-listed coal firm PT Bayan Resources Tbk has revised its 2020 guidance including cutting down coal production target amid difficult coal market conditions and the Covid-19 pandemic.

Bayan was forced to suspend operation at its Tabang mine from 25 March until 14 May due to safety concerns over Covid-19. "Based on YTD result as at March 2020 and taking into account current market conditions we have revised our 2020 guidance," the company said in a recent statement.

Bayan said that coal production for this year is now targeted to be in the region of 26 million tons with sales anticipated to be in the range of 30 to 31 million tons. The company previously targeted coal output this year at 31 million-33 million tons.

Average selling price is anticipated to drop to be in the range of US$39-40 per ton based on the benchmark reference price (NEWCASTLE) being on average U$57.8 per ton for 2020.

Revenue forecast to be in the region of $1.2 billion. Cash costs anticipated to be in the range of $34-35 per ton (include COGS, Royalties and SGA).

EBITDA forecast to be between $150 million to $180 million. Capex is budgeted to be in the range of $75 to $90 million, Bayan said.

Bayan said that as at end of April 2020 committed and contracted sales were 29.5 million tons for 2020 with an average CV of 4,625 GAR kcal/kg. "Currently oversupplied market is anticipated to continue until end of 2020."

Meanwhile, the company recorded coal production of 7.3 million tons (MT) in the first quarter of 2020, 18 percent lower than the company's target of 8.9 MT.

Its Q1 coal sales volume reached 7.3 million MT, lower than the company's target of 10.8 MT due to lower water levels than anticipated which restricted barging at Senyiur.

The coal production and coal sales, however, were higher from the previous quarter of 5.9 MT and 5.6 MT respectively.

The company said the lower production was due to 11-days of production halt (standby) in March on the back of Covid-19 pandemic as well as lower production of coal production of its unit PT Teguh Sinarabadi (TSA)/PT Firmn Ketaun Perkasa (FKP) due to heavy rain which restricted coal extraction.

The average coal selling price reached US$44.6 MT, higher than the company's target due to the budgeted CV, combined with a higher proportion of fixed-price sales than budgeted.

The benchmark prices in the first quarter were in-line with the company's target and reasonably consistent with Q4 2019 levels. In Q2, 2020, the market prices have dropped significantly due to continuing concerns of COVID-19 pandemic and current oversupply in the market.

Bayan targets coal production to reach 31-23 MT in 2020. The earnings before interest, tax, depreciation, and amortization (EBITDA) in the first quarter increased from fourth quarter of 2019.

In full-year 2019, the company's EBITDA reached US$374.4 million, remains as of the highest in Indonesia. Its EBITDA margin stood at 26.9 percent in the year, one of the best margins in the Indonesian coal sector. C

Geo Energy commences consent solicitation, tender offer

SGX-listed coal firm Geo Energy Resources Limited announced that its wholly-owned subsidiary, Geo Coal International Pte. Ltd. (GCI) has commenced a Consent Solicitation and Tender Offer relating to its Notes.

The company said in a statement that the Consent Solicitation will be open for 10 business days from the launch date, while the Tender Offer will be open for 20 business days from the launch date. The final expiration of the entire exercise will be on 18 June 2020.

GCI is inviting the holders of the Notes (as defined herein) ("Holders") to approve certain proposed amendments ("Proposed Amendments") to its Indenture governing its 8.0% Senior Notes due 2022 (the "Notes") dated 4 October 2017.

Concurrently, GCI is also providing Holders the option to exit their holdings, if desired, through an any-and-all fixed price cash tender of the outstanding US$154,017,000 in aggregate principal amount (the "Consent Solicitation and Tender Offer").

"Through the proposed consent solicitation, the Group would like to seek the consent of Holders to provide the Group additional flexibility in light of the current challenging market conditions, and in doing so, be in a better position to address its obligation to Holders come the final maturity date in 2022," Geo Energy said in the statement.

The company said it is aware that given the current challenging market conditions, some of the remaining Holders may also desire the provision of liquidity to exit their holdings, and as such, the Group believes the tender offer provides an opportunity for Holders to gain liquidity that might not otherwise be available to them

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The company and Parent Guarantor have engaged Deutsche Bank AG, Singapore Branch as the dealer manager and solicitation agent (the "Dealer Manager") for the Consent Solicitation and the Tender Offer.

Adaro maintains coal production target

IDX-listed coal giant PT Adaro Energy Tbk has decided to maintain its original coal production guidance for this year despite the Covid-19 pandemic which has undermined global economic growth and weakened commodity demand.

Adaro CEO Garibaldi Thohir said that the company maintains the 2020 coal production guidance of 54 million-58 million tons. "Adaro has bluechip customers scattered around the world. So, it (sales) does not depend on a single market. Up to the first quarter (of this year), I think we're still on track (to meet the production guidance)," he said.

He acknowledged that the lockdown in India has affected Adaro's coal sales to that country, but said that the company managed to divert the coal to other markets. He added that sales to China also declined slightly.

He acknowledged that condition in the second quarter will be quite tough for the coal industry due to the pandemic. As such, Adaro will continue to seek for measures that would further improve cost efficiency. He added that the current oil produce drop benefits the company as oil accounts for about 30 percent of operational costs.

Garibaldi expects the government to support the coal industry, which will play key role in helping the country recovers from the impact of the Covid-19 pandemic as the industry provides export revenue at a time when the tourism sector is expected to remain in the doldrums for a while. C

Cokal seeks short-term loan facility

ASX-listed coking coal company Cokal Limited said it plans to raise short-term interim loan to help finance the development of infrastructure facilities at its BBM coking coal project in Indonesia's Central Kalimantan Province pending the disbursement of loan from China Rail.

Cokal said in a statement that China Rail has confirmed its commitment to finalizing the BBM infrastructure development funding.

Cokal said that the Chinese firm is awaiting for a final visit to Indonesia (delayed due to the Covid 19 travel restrictions), but expect to be able to finalize this as soon as these restrictions are lifted.

"So as not to hold up the commencement of the newly permitted road upgrade, Cokal will raise a short term interim loan/debt facility to fund activities to commence initial road works preparations and for working capital," Cokal said in the statement.

Elsewhere, Cokal said in that an Exclusive Legal Corridor permit has been issued to BBM for the former logging road from Pit 3 to the existing road at the 52km mark. All parties agree to share the road from that point to the Bumban Intermediate Stockpile area (ISP) and barge loader. The intersection of the former logging road with the existing road to Bumban has been moved from the 45km mark to the 52km mark to reduce the number of culverts to be repaired while adding little to the haul distance.

Repair of the former logging road from the 52km mark to Pit 3 will be undertaken directly by Cokal using hired equipment from local contractors in order to complete it as quickly as possible, this shall provide uninterrupted access to contractors for mobilization of equipment and infrastructure material. Separate contracts will be let for culvert supply and installation and the design and construction of two bridges. It is intended this repair commences in June and be completed within six months.

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The upgrading of the former logging road enables easier access to Pit 3 of BBM. This is to accommodate the better pricing opportunity for Coking coal which will be sourced from Pit 3 as opposed to PCI coal in Pit 2. This is in accordance with the existing mining plan, albeit a change in the mining sequence to respond to market conditions.

The bathymetric survey undertaken jointly by HSM Marine (HMS) and Cokal has been concluded and a report has been received which is currently being evaluated by the technical team. This favors two of the three ISP sites surveyed. Landowners have been identified and a final decision on site selection is due shortly, waiting only on the final drone survey report.

Currently, Cokal said it is in talks to secure agreement to use an existing barge loader in the Bumbanarea while its own barge loader is being developed.

Based on this survey HSM is charting its route plan and management to avoid potential lowwater obstructions in the river. Cokal said it is confident it will be able to barge all year round using shallow draft barges. HSM has identified suitable shallow draft self discharge barges in Indonesia it can modify to provide initial coal transportation as soon as mining commences. C

IEEFA: Can Indonesia's coal industry survive COVID-19?

Coal's steep price fall raises questions of cash-flow viability

A steep fall in coal prices as the COVID-19 pandemic spreads has raised questions about the cash flow viability of six out of 11 listed Indonesian coal producers, finds a new report from the Institute for Energy Economics and Financial Analysis (IEEFA).

The IEEFA study of the 11 listed producers, Can the Indonesian Coal Industry Survive COVID-19?, examines the issues of cash profit per ton, a break-even coal price, cost control under pandemic conditions, and the risk to government royalty payments at the current coal price of $58 a ton.

"From US$70/ton in January, the Newcastle benchmark price has retreated to US$58/ton," says Ghee Peh, author of the report and an IEEFA financial analyst, "such a rapid fall in prices may not be an existential moment for the global coal industry, but it is a hard blow for Indonesia."

"2019 was a solid year for Indonesia's coal producers following an excellent 2018, thanks to the steady appreciation of benchmark coal prices," says Ghee. "But the declines in 2020 were quite sudden and there has been no visibility on floor prices or a time frame for recovery. The sudden fall meant that managers were not in a position to proactively cut costs because the fall was not expected, even by as late as February 2020."

IEEFA's study analyzed the 11 companies using five key metrics, and found that Bumi Resources, ABM Investama and Geo Energy Resources would need a benchmark price of US$60-62/ton to maintain cash breakeven.

"At current coal prices around US$60/ton, and possibly lower, this would raise questions as to how companies with higher costs would find the working capital needed to maintain operations," says Ghee.

Indonesian coal producers' price problems are compounded by a 13.5% royalty that the government collects on coal sales. Taking royalty payments into account, six of the 11 companies analyzed would be cash flow negative.

"At an average benchmark coal price of US$58/ton for 2020, companies will face serious problems meeting royalty obligations, and this raises the question of whether the affected companies will seek a royalty moratorium," says Ghee.

"And if one were to be implemented, it's important to ask whether it will be applied to all companies or only to companies that face a negative cash flow per ton of coal sold? If the royalty moratorium is expanded to the whole sector, then US$1.26bn of royalties could be at risk." C

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IMA and APBI to propose royalty and tax incentives

Top executives of the Indonesian Mining Association (IMA) and the Indonesian Coal Producers Association (APBI) said the two organizations will propose royalty and tax incentives to the Indonesian government in order to mitigate the negative impact of the coronavirus or Covid-19 pandemic in the coal and mineral industry.

Executive Director of IMA, Djoko Widajatno said the incentives to be proposed are easing payment of royalty, value-added tax, and income tax by the miners. The proposal is needed given the current low commodity prices which are expected to hit hard the coal mineral industry in the country.

"(It) aims to maintain the sustainability of the mining industry. The commodity prices have fluctuated, while cash-flow is disrupted due to the slowing down production," Djoko was quoted by *Kontan.co.id* as saying.

Executive Director of APBI Hendra Sinadia added that his association is currently drafting the proposed incentives before submitting it to the government. The association wants the government to provide incentives related to royalty tariffs.

He, however, did not provide further details about the proposed incentives to be submitted to the government.

He said the coal miners are facing difficult conditions due to the fall of coal price. The Indonesian Coal reference price (HBA) has declined to an average of US$66.63 per ton in the first quarter of 2020 from US$91.59 per ton in the same quarter last year.

ITMG seeks to increase coal export

IDX-listed coal mining firm PT Indo Tambangraya Megah Tbk (ITMG) is seeking to increase coal export to Asia particularly China which has started to show rising demand since March.

"In addition, ITMG also wants to increase coal export to Japan, India, South Korea, and markets in Southeast Asia," said Director for Investor Relations of ITMG, Yulius Gozali as quoted by *Kontan* daily.

China was ITMG's largest export market last year, with export volume of 7.3 million tons, up 49.98 percent from previous year, and accounting for 33 percent of total export of ITMG. Japan was the second largest export market with export volume of 4.7 million tons.

Last year, ITMG sold 25.3 million tons of coal, of which 22 million tons went to export market and the remainder to the domestic market.

Yulius did not disclose the sales volume target for this year. He, however, said that coal production this year will be in the range of 19 million-20.1 million tons, lower than last year's realized output of 23.4 million tons. The lower production volume target was due to declining coal price trend. C

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Chinese investor plans underground coal mine in S. Kalimantan

PT Qinfa Mining Industri, a local subsidiary of a Chinese firm, plans to open underground coal mine in Kotabaru Regency, South Kalimantan Province, the local Banjarmasinpost.co.id reported.

Investment Division President of Qinfa, Shirley Shi met with Kotabaru administration as part of efforts to obtain local permits for the mine. Sherley told the media that the company plans to open up five coal mines, with total acreage of around 5,728-ha of coal mines, spanning Kotabaru's Kelumpang Selatan, Kelumpang Barat, and Pamukan districts.

The company plans to both sell the coal overseas and in the domestic market. "Domestic demand will be prioritized first, and then afterward export to other countries," Shirley said.

Secretary of the Kotabaru administration confirmed Qinfa's plan to develop underground mine in the regency, but that the company has yet to obtain the required permit from the provincial administration.

ABM maintains coal output target despite Covid-19

IDX-listed integrated coal mining firm PT ABM Investama Tbk said that it has decided to maintain its original coal output target of 15 million tons this year despite the Covid-19 pandemic, which has undermined global economic growth and thus weakens coal demand.

"There's no target that's changed, except we implement tough efficiency measures to maintain liquidity," said ABM Director Adrian Erlangga to *kontan.co.id*.

In the first quarter of last year, ABM produced 3.4 million tons of coal, or representing about 22.7 percent of the full-year production target.

Adrian said that in the second quarter, the company is expected to have another production volume of 3.4 million tons.

He expected coal price to remain under pressure in the second quarter, but the decline in the price will be slower.

ABM exports about 80 percent of its production to India and China. But Arian said that since the first quarter, the company has increased export to other countries, notably Thailand and Vietnam as part of market diversification strategy.

"We obtained new markets, Vietnam and Thailand. Previously (export volume to these countries were) small, now the volume is bigger. We continue the (market diversification) program," he said.

Elsewhere, Adrian said that only about 45 percent of the company's planned 2020 capital expenditure of US$90 million would be realized due to the Covid-19 pandemic.

He said that given the current difficult situation, the company has been forced to delay some expenses in the capex plan. "We've decided to delay many items in the capex plan. So, at the most only about 45 percent of (the 2020 capex) target will be realized," he said. C

PTBA to revise operational targets due to Covid-19 pandemic

IDX-listed coal mining firm PT Bukit Asam Tbk (PTBA) plans to revise its operational targets in 2020 on fears of prolonged Covid-19 pandemic.

PTBA President Director Arviyan Arifin said that the worsening Covid-19 is affecting all industries around the world, including coal mining where demand is slowing. Therefore, PTBA is reviewing the operational targets of 2020.

"The worst-case scenario is the pandemic will remain until October or November, so we have to be realistic. We are reviewing our targets to be more realistic in 2020," he said.

The target revision is based on declining coal demand in the market due to weakening economic growth around the world. PTBA has initially set target to produce 30.3 million tons of coal in 2020, or 4 percent higher than the realized volume of 29.1 million tons in 2019.

PTBA confirmed that there has been decreasing demand both from domestic and export markets. State-owned electricity firm PT PLN has proposed for coal supply reduction from PTBA recently and there are coal ports in India which have implemented lockdown.

Adib Ubaidillah, PTBA's Director of Operations, said that PLN has proposed a quite significant amount of coal supply reduction from PTBA. He added that the impact of lockdown in India will be realized in second quarter.

"We look for new export markets in Brunei Darussalam, Thailand, Vietnam, Hong Kong and South Korea," Adib said.

PTBA's initial plan this year is to sell 29.9 million tons of coal in which 21.7 million tons is dedicated for domestic market and 8.2 million tons for export market. Elsewhere, PTBA stated that there is no significant impact of Covid-19 to PTBA's project development. "There is a bit of slowdown on Sumsel-8 development but it will not affect the project's target of completion," Arviyan said.

PTBA is developing a 2x620 MW mine mouth coal-fired power plant in South Sumatra that is estimated to have commercial operation date (COD) of the first unit in 2021 and the second unit in 2022.

The construction of Sumsel-8 started in June 2018 and construction progress of the US$1.68 billion worth project has reached 35 percent as of first quarter 2020. C

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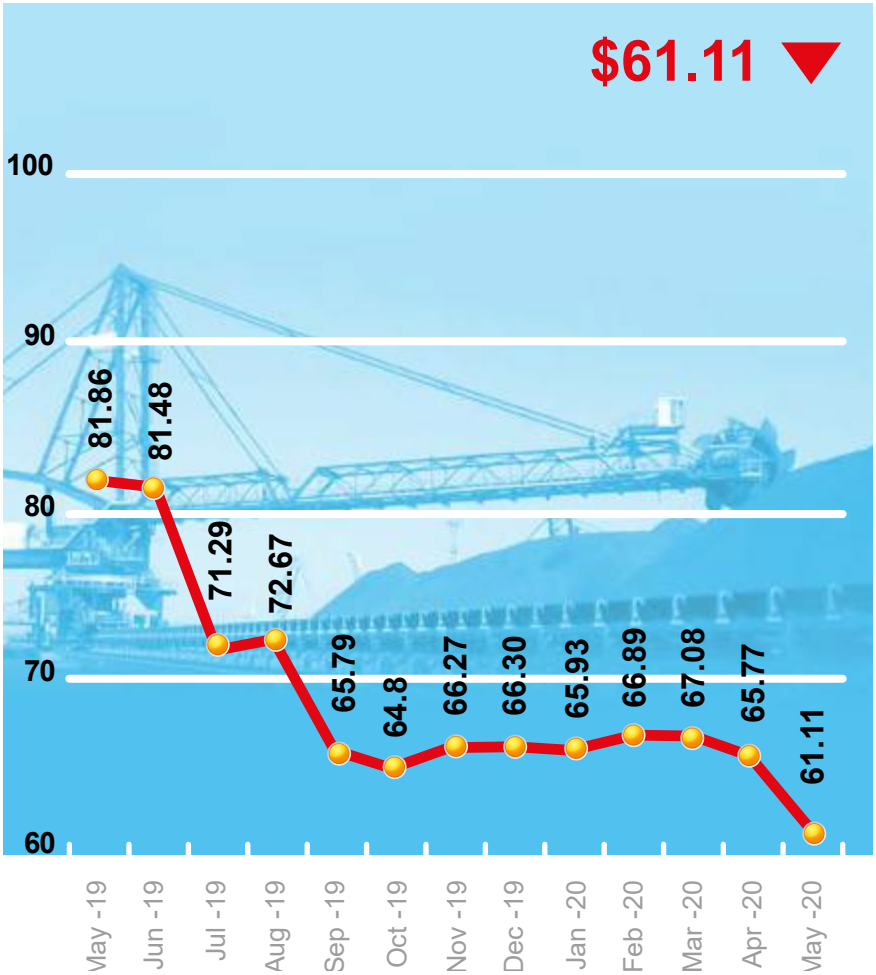
HBA down again due to Covid-19

The government sets its coal reference price (HBA) for May 2020 at US$61.11 per ton, lower than $65.77 in April, the second decline in two consecutive months.

The Ministry of Energy and Mineral Resources said in a statement that the decline in the HBA is in line with lower international coal prices as the weakening global economy has reduced coal demand in major importing countries in Asia including China, India, South Korea, and Japan.

In addition, the drop in crude oil price has also undermined the price of coal in the international market as seen in the lower four international indices that form the HBA, namely Indonesia Coal Index (ICI), Newcastle Export Index (NEX), Globalcoal Newcastle Index (GCNC), and Platt's 5900.

The HBA declined in January of this year to $65.93 per ton from $66.30 in December, and then increased in February and March, and declined again in April to $65.77 from $67.08 per ton in March.



Rida Mulyana named as acting Director-General for Mineral & Coal

Director-General for Electricity Rida Mulyana has confirmed that he has been appointed by Minister for Energy and Mineral Resources (MEMR) Arifin Tasrif as Acting Director-General for Minerals and Coal.

Rida replaces outgoing Bambang Gatot Ariyono who is entering retirement age. Bambang held the post since 2015.

"That's right. Temporarily (I hold) double position. Please lend your support and pray so that I can carry out (my duties) smoothly and safely," Rida told *Petromindo.com* when asked about his reported appointment.

Asked about speculations that the government may stop providing subsidy for PLN, he said: "The speculation is baseless".

"The subsidy goes ahead as planned in line with the mandate of the 2020 State Budget. It (subsidy) is paid every month to PLN," he added.

Miners will be required to allocate funds for exploration

Coal and mineral miners in the country, both those holding the IUP production operation license and special IUPK production operation license, will be required to allocate funds to carryout exploration activities every year.

Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources Bambang Gatot Ariyono said that the requirement will be stipulated under the upcoming new mining law, currently being drafted with the House of Representatives.

He said that in some parts of the concessions owned by the miners, detailed exploration has yet to be carried out. "We'll ask (the miners) to implement detailed exploration so that the government can have actual data about our (coal reserves)," he said as quoted by ministry statement obtained Saturday.

He said that high-risk exploration work requires huge funds. As such, the government will require miners to prepare the required investments through so-called reserves security funds. C

GEAR unit increases shareholding in Stanmore Coal

SGX-listed coal firm Golden Energy and Resources Limited (GEAR) said its subsidiary Golden Investments (Australia) Pte Ltd has recently acquired additional shares in ASX-listed coal firm Stanmore Coal Ltd following an unconditional on-market takeover bid.

Golden Investments announced on 2 April 2020 the on-market bid to acquire all the fully paid ordinary shares that it does not already own or control in Stanmore Coal and the ordinary shares in Stanmore Coal for A$1.00 in cash.

"The board wishes to announce that in connection with the offer, Golden Investments has, on 29 April 2020 and 30 April 2020, made on-market purchases of 4,210,235 Stanmore coal shares in aggregate (the (the on-market purchases)," GEAR said in a statement issued Friday.

The aggregate offer price for the on-market purchase shares is approximately A$4.21 million in cash. As mentioned in the Offer Announcement, the offer will be funded through cash to be provided by GEAR and, subject to the satisfaction of the Ascend Subscription Condition (as defined in the Offer Announcement), Ascend Global.

The unaudited net asset value and net tangible assets of the on-market purchase shares as at 31 December 2019 are approximately A$2.62 million and approximately A$1.43 million, respectively. The market value of the on-market purchase shares is approximately A$4.22 million, calculated based on the volume weighted average price (VWAP) of approximately A$1.0014 and A$1.0015 per Stanmore Coal Share, respectively, for all the trades done on 28 April 2020 and 29 April 2020 (being the last full days of trading in the Stanmore Coal Shares on the ASX immediately prior to the on-market purchases made on 29 April 2020 and 30 April 2020, respectively).

In addition, Golden Investments has elected to participate in the Dividend Reinvestment Plan of Stanmore Coal (DRP) by receiving Stanmore Coal Shares (instead of cash) in respect of its full entitlement to the interim dividend announced by Stanmore Coal on 26 February 2020 for the financial year ending 30 June 2020. Accordingly, Golden Investments has on 30 April 2020 received 2,542,494 Stanmore Coal Shares issued under the DRP in respect of its full entitlement to the Interim Dividend, at an issue price of A$0.9474 per Stanmore Coal Share (or approximately A$2.41 million in aggregate), calculated based on a five per cent. discount to the five-day VWAP of the Stanmore Coal Shares traded on the ASX during the pricing period from 6 April 2020 to 10 April 2020.

Golden Investment became the majority owner of Stanmore on 3 April 2020 after it acquired a total of 51 percent shareholding in the Australian coal firm following a series of acquisition shares which started in December 2018.

Golden Investments is 51 percent owned by GEAR and 49 percent owned by Ascend Global Investment Fund PSC. C

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PAMA's OB removal, coal getting volume down

PT Pamapersada Nusantara (PAMA), a mining contractor and subsidiary of IDX-listed heavy equipment and mining firm PT United Tractors Tbk, produced lower overburden (OB) removal and coal-getting volume in the first quarter 2020.

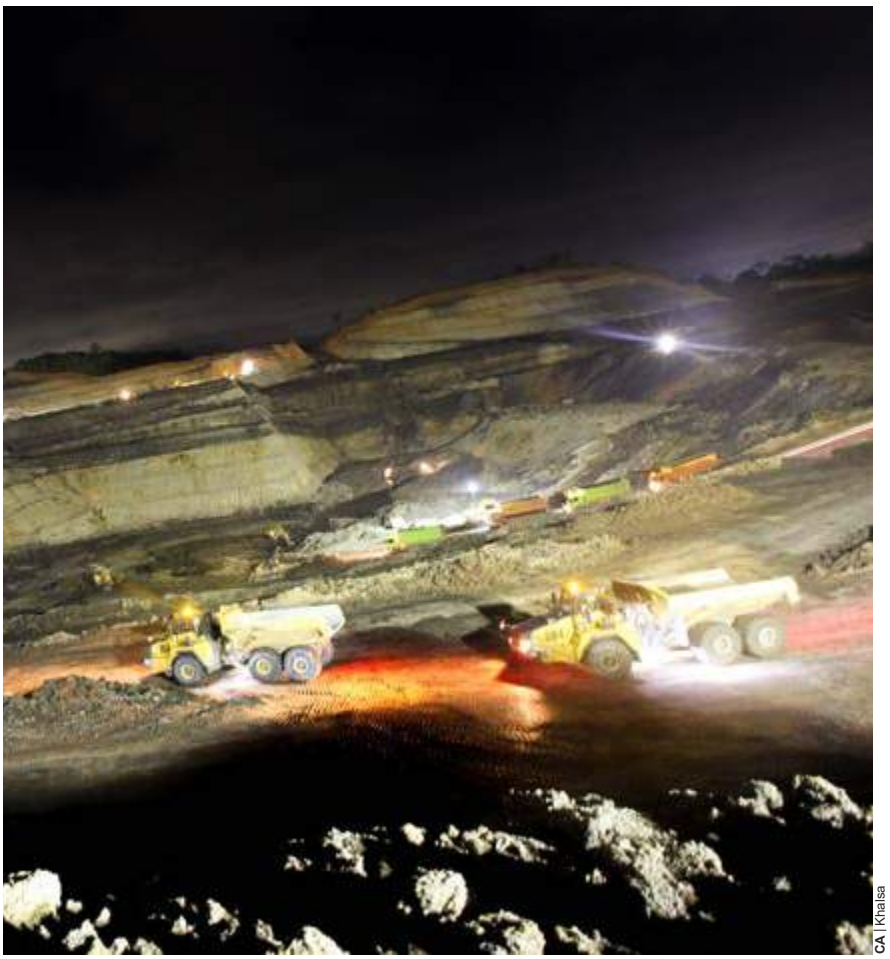
In the first quarter of 2020, PAMA produced 212.2 million bank cubic meters (mbcm) of OB removal volume, or 9 percent lower than realized volume of 234.3 mbcm in the same period of last year. The coal production realization in the first quarter was also down by 9 percent to 27.9 million tons from 30.6 million tons in the same period last year.

"Coal production target is flat and OB removal is expected to be slightly lower than previous year. These targets are under review and finalized for new outlook," Sara K. Loebis, Corporate Secretary of United Tractors, said to *Petromindo.com*.

PAMA produced 988.9 mbcm of OB removal and 131.2 million tons of coal in 2019. The realized production was higher than the initial indicative targets at 960 mbcm of OB removal and 124 million tons of coal in 2019.

PAMA, Indonesia's biggest mining contractor by volume, works in a number of coal mines owned among others by PT Adaro Indonesia, PT Indominco Mandiri, PT Kaltim Prima Coal and PT Kideco Jaya Agung.

Sara mentioned that PAMA will have a contract extension this year but she declined to disclose the project identity. "I cannot disclose it (yet) as it is still being reviewed and negotiated," she said.



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Samindo's 1Q OB removal volume reaches 10.1 mbcm

IDX-listed coal mining contractor PT Samindo Resources Tbk produced 10.1 million bank cubic meters (mbcm) of overburden (OB) removal in the first quarter (1Q) 2020.

"The realized production volume was 10.1 mbcm of overburden removal and 2.7 million tons of coal (getting)," Ahmad Zaki Natsir, Investor Relations Manager of Samindo, said to *Petromindo.com*.

Samindo produced 55.2 mbcm of overburden removal in 2019, or lower than initial target at 58.1 mbcm. Ahmad Zaki declined to comment on the indicative full-year production target of 2020. "The production target of 2020 is lower than the previous year," he said.

Samindo works in a coal project owned by PT Kideco Jaya Agung, a coal mining subsidiary of IDX-listed PT Indika Energy Tbk, under a contract that is valid through 2023.

Samindo operates normally with stricter health protocols amid Covid-19 pandemic and has been implementing isolation at the jobsite for more than a month. "We allow employees to work but only for those who have not been traveling for the last two weeks," Ahmad Zaki said.

Samindo owns four subsidiaries namely PT SIMS Jaya Kaltim, PT Trasindo Murni Perkasa, PT Samindo Utama Kaltim and PT Mintec Abadi.

Samindo is seeking to extend its contract with Kideco after the latter secures renewal of its current operating permit with the government. "We wait for the negotiation of our client's contract (coal mining license) extension with the government, and then we will negotiate our contract extension," Ahmad Zaki said. C

ICMA calls for revocation of new shipping regulation

The Indonesia Coal Mining Association (ICMA or APBI) has called for the government to revoke Minister of Trade Regulation No.40/2020 regarding the utilization of national shipping and insurance companies for export of specific goods, including coal.

Last month, Ministry of Trade issued the new ministerial regulation that annulled the previous Ministerial Regulation No 82/2017. The new regulation is effective on May 1, 2020.

Hendra Sinadia, Executive Director of ICMA, said that the new regulation has yet to address ICMA's concerns about the potential disruption to country's coal export due to the implementation of the regulation.

"We have submitted letter to the Ministry of Trade, we suggest to revoke the Minister of Trade Regulation No. 40/2020 and cancel the obligation to utilize national shipping and insurance," Hendra said to *Petromindo.com* on Friday.

Hendra added that the regulation may disrupt exports as it creates additional fees for exporters who have to buy insurance premium, which in fact is supposedly unnecessary. He also suggested the additional fees should be eliminated in order to help exporters to be more efficient.

"Moreover under the current circumstances when the demand is weakening and the commodity prices are under pressure due to Covid-19 pandemic," Hendra said.

Hendra pointed out that there has not yet any shared understanding between regulator and industry players about the new regulation.

"Our understanding is the regulation applies for (the use) of ship (with capacity of) up to 15,000 DWT, so it does not apply for coal exports that use vessels above 15,000 DWT," Hendra said.

Ministry of Trade insists that the regulation applies for export products. Hendra noted that coal export shipments that utilize vessels below 15,000 DWT is only less than 4 percent of total national coal export.

The regulation, according to Hendra, will affect coal shipment to several export markets in Southeast Asia, such as Singapore, Malaysia, Vietnam, Myanmar and the Philippine. "Particularly for long term contract shipments," he said.

ICMA said that the technical guidance is urgently required as the regulation aims to promote the utilization of national shipping industry. "The technical guidance is required not only for Ministry of Trade but also Ministry of Transportation, in particular Director General of Sea Transportation," he said.

The absence of technical guidance when the regulation has been implemented will cause uncertainty among industry players, including foreign buyers, according to Hendra.

Hendra also mentioned that the issuance of the new regulation in only less than 2 weeks before the effective date has caused concerns among coal exporters. "In practice, the nomination of vessels for coal exports need 1-2 months period," he said. C

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Mitrabara maintains coal output target despite Covid-19

IDX-listed coal firm PT Mitrabara Adiperdana Tbk has no plan yet to revise its original coal production target this year of 4 million tons despite the Covid-19 pandemic.

Mitrabara Corporate Secretary Chandra Lautan said the company remains optimistic to be able to realize the output target. He said that as per the first quarter of this year, production has reached about 26 percent of the full-year target of 4 million tons.

"Operational wise, we continue to follow the (original) production schedule," he said as reported by news portal *kontan.co.id*. Last year, Mitrabara produced 4.18 million tons, with coal sales volume of 4.42 million tons.

Chandra acknowledged that the Covid-19 pandemic has yet to affect the company's coal production performance. The company, he said, has applied the health and safety protocol both at the mine site and head office.

He said that the company is closely monitoring the coal market due to potential declining demand in the export market amid the pandemic. Export is Mitrabara's largest source of revenue. Export to China last year reached US$ 74.33 million, followed with export to South Korea at $52.64 million, and Malaysia $48.03 million. Sales to domestic market last year reached $29.34 million

Chandra said the company remains confident with the export market. He added that the company is also seeking new markets both overseas and at home.

Chandra said that the company will continue with cost reduction measures to help cope with the current declining trend in coal price.

Last year, the company's net profit fell 29.9 percent, year-on-year, to US$35.28 million, despite a 1.1 percent increase in sales to $260.84 million.

Due to the cost reduction strategy, the company's margin last year only fell by 6 percent, slower than the 18.2 percent drop in the average coal selling price.

Mitrabara produces high calorific value coal with CV of 5,000-5,700 kcal/kg, and with low sulfur and low ash. The company started production in 2008 on 2,960 hectares mining sites in Malinau, North Kalimantan Province. C

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TTA's Q1 revenue down on weak coal price

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that its coal subsidiary PT Tuah Turangga Agung (TTA) saw higher coal sales volume in the first quarter (Q1) of this year, but lower coal mining revenue due to weaker price.

UT said in a statement that in the first three-month of this year, TTA recorded total coal sales volume of 3.2 million tons including 426 thousand tons of coking coal, or increased 25 percent compared to 2.5 million tons in the first quarter 2019.

Despite the increased volume, coal mining revenue decreased by 7 percent to Rp3.4 trillion due to lower average coal selling price.

TTA owns three coal mining subsidiaries including PT Asmin Bara Baronang (ABB), PT Telen Orbit Prima (TOP), and PT Suprabari Mapanindo Mineral (SMM), a Central Kalimantan-based coking coal producer which started commercial production in late 2017.

Meanwhile, UT operates its Mining Contracting segment through PT Pamapersada Nusantara (PAMA). As of March 2020, PAMA recorded net revenue of Rp 8.2 trillion, down by 14 percent from Rp 9.5 trillion in the same period of 2019, UT said in the statement.

PAMA recorded 9 percent decrease in coal production from 30.6 million tons to 27.9 million tons, and 9 percent decrease in overburden removal volume, from 234.3 million bcm to 212.2 million bcm.

Cipta Kridatama produces 33 mbcm of OB volume

PT Cipta Kridatama, a mining contractor company and subsidiary of IDX-listed PT ABM Investama Tbk, produced 33 million bank cubic meters (mbcm) of overburden (OB) removal in the first quarter 2020.

"The OB removal in the first quarter was 33 million bcm and the coal-getting was 6 million tons," Feriwan Sinatra, President Director of Cipta Kridatama, said to *Petromindo.com* .

Amid the Covid-19 pandemic, Cipta Kridatama operates normally by implementing health protocols based on the government regulations.

Feriwan stated that there's no plan yet to revise downward production target for this year amid the Covid-19 pandemic, in fact production is expected to increase in the second quarter. "The production expectation in second quarter may be slightly higher compared to first quarter," he said. In 2020, Cipta Kridatama plans to produce 165 million bank cubic meters of overburden removal and 32 million tons of coal-getting.

Cipta Kridatama currently operates in a number of mine projects among others PT Tunas Inti Abadi, PT Mifa Bersaudara, PT Bukit Baiduri Energi, PT Antang Gunung Meratus, PT Multi Harapan Utama and PT Dizamatra Powerindo.

Feriwan mentioned that the company may grab new mining contract this year. "Hopefully yes," he said without any further information. C

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Minister issues new regulation on mineral, coal benchmark price

Minister of Energy and Mineral Resources Arifin Tasrif has issued new Ministerial Regulation No 11/2020 on the third amendment of Ministerial Regulation No 07/2017 regarding the procedure to determine the benchmark price on the sale of metal mineral and coal.

According to the new ministerial regulation, signed by Arifin on 13 April 2020, metal mineral miners and coal miners including those holding the IUP production operation mining business license (IUP OP) and IUPK special mining business license (IUPK OP) are required to, respectively, use the HPM (metal mineral benchmark price) and HPB (coal benchmark price) as benchmark in selling their output.

The requirement to use the HPM or HPB must also be applied when selling their output to affiliates.

The HPM or the HPB are determined based on a number of considerations including market mechanism and/prevailing price in the international market; increasing domestic value added of the metal mineral or coal; and implementation of good mining practices.

Nickel miners holding the IUP OP or IUPK OP licenses are required to use the HPM in selling their nickel ores including to affiliates. Smelter operators purchasing the nickel ores from these miners are also required to make the purchase using HPM as benchmark, the regulation says.

The formula to determine the HPM is based on a number of variables including purity of the metal mineral, constant factor, HMA (mineral reference price), corrective factor, treatment cost, refining charges, and/payable metal, the regulation says.

The HMA is determined based on metal mineral price indexes published by the London Metal Exchange; London Bullion Market Association; Asian Metal; Indonesia Commodity & Derivatives Exchange; Jakarta Futures Exchange; dan/or others.

The formula to determine the HPB of steam/thermal coal is based on a number of variables including calorific value of the coal; HBA (coal reference price) of steam/thermal coal; moisture content; Sulphur content; and ash content.

The formula for HPB of coking coal is determined by variables including HBA of coking (metallurgical) coal; coke strength after reaction; volatile matter; moisture content; Sulphur content; and ash content.

The HBA is determined based on a number of price indexes among others Indonesian Coal Index/Argus Coalindo; New Castle Export Index; Globalcoal New Castle Index; Platts Index; Energy Publishing Coking Coal Index; and/ IHS Markit Index. C

GEAR acquires more shares in Stanmore Coal

SGX-listed coal firm Golden Energy and Resources Limited (GEAR) said that its subsidiary Golden Investments (Australia) Pte. Ltd. (GI) has acquired more shares in ASX-listed coal firm Stanmore Coal

GEAR said in a statement on Tuesday that on 18 May 2020, GI purchased 6,048,027 additional shares of Stanmore at A$1.0/share on the Australian stock exchange. "Current shareholding of GI in Stanmore is 75.33 percent," GEAR said.

Stanmore is a coal mining company listed on the Australian stock exchange.

GI has become the controlling owner of Stanmore Coal with 51 percent share ownership since early April following a series of share acquisitions.

GI, which is 51 percent owned by GEAR and 49 percent owned by Ascend Global Investment Fund PSC, first acquired 19.9 percent shares in Stanmore in December of 2018, and since then had been acquiring more shares. GEAR also owns coal mines in Indonesia.

BlackGold reports higher revenue

SGX-listed coal firm BlackGold Natural Resources Limited said that revenue in the first quarter of 2020 (1Q2020) soared to US$2.7 million from $980,000 in the corresponding quarter of last year.

"This is due to an increase of 165 percent in tons of coal sold during 1Q2020," BlackGold said in a statement.

The company said that cost of sales (COS) amounted to $2.1 million in 1Q2020, as compared to $838,000 in 1Q2019. The variance in COS is in line with the movements in sales volume for the periods reported.

The Group recorded a gross profit of $586,000 in 1Q2020 as compared to gross profit of $142,000 in 1Q2019.

The improved gross profit margin from 14.5 percent in 1Q2019 to 21.4 percent in 1Q2020 was mainly attributable to lower costs of production and reduced logistics costs of coal delivery to the group's customers a rising from economy of scale setting in, BlackGold said.

During 1Q2020, no exploration activities were conducted. In relation to production activities, a total of approximately 115,304 metric tons of coal were produced during 1Q2020, the company said.

The group through subsidiary PT Samantaka Batubara is presently engaged in the production and sale of low-calorie coal, with a specific focus on supplying coal to power plants located in Riau province, Indonesia.

In February of this year, BlackGold said it had on 29 January entered into an exclusive agreement with Kho Industries Pte Ltd to manage and operate four thermal coal concessions, owned by Kho subsidiaries, with a land size of approximately 10,000 hectares, in Berau, West Kalimantan Province, that is in close proximity to other mines with proven thermal coal deposits.

"The group is aiming to obtain the relevant mining business licenses (known as Izin Usaha Pertambangan, or "IUPs") in Indonesia to commence mining and production operations of the four thermal coal concessions by 30 September 2020," BlackGold said in a filing with the SGX on 5 February.

CA | Boim

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Miners won't automatically get extension of operating permit

Mineral miners holding the mining contract of work (or KK) and coal miners holding the coal contract of work (or PKP2B) won't automatically get renewal of their operating permits upon expiry as they have to meet a number of requirements as set under the new mining law.

Special Staff to the Minister of Energy and Mineral Resources, Irwandy Arif was quoted by Investor Daily as saying that while the new mining law guarantees the conversion of KK and PKP2B into special mining business license (or IUPK) upon their expiry, the law also clearly stipulates that the miners must fulfill a number of requirements.

Irwandy explained that the requirements among others are higher revenue for the state including possible increase in royalty, and evaluation of the miners' performance with regards to good mining practices and environmental preservation.

He said that a new government regulation will be issued to provide details about the requirements. "So, renewal of the operating permit is not automatically, and there must be evaluation with certain requirements," he said.

The House of Representatives approved on 12 May the new mining law, which is an amendment of Law No 4/2009 on mineral and coal mining. According to the new law, renewal of operating permit takes into consideration higher revenue for the state. Minister of Energy and Mineral Resources can turn down request made by a miner for an extension of its operating permit, if the KK or PKP2B miner can't show good mining performance, the paper said.

A number of first generation PKP2B coal miners are set to see their operating permits or contracts expire within the next few years. These include PT Arutmin Indonesia whose contract will expire on Nov. 1, 2020, PT Kendilo Coal Indonesia (Sept. 13, 2021), PT Kaltim Prima Coal (Dec. 31, 2021), PT Multi Harapan Utama (April 1, 2022), PT Adaro Indonesia (Oct. 1, 2022), PT Kideco Jaya Agung (March 13, 2023), and PT Berau Coal (April 26, 2025). C

Air Products to invest $2b in coal-to-methanol project

US-based Air Products (APD) announced on Friday (15/05) that it has signed a definitive agreement with national companies for a long-term on-site contract for a world-scale coal-to-methanol production facility in Bengalon, East Kalimantan.

Under the long-term on-site contract, PT Bakrie Capital Indonesia, part of the Bakrie Group, and PT Ithaca Resources, part of the PT AP Investment, will supply the coal feedstock and have committed to offtake the methanol production for sale within Indonesia.

Based on the agreement Air Products will invest about US$2 billion to build, own and operate the air separation, gasification, syngas clean-up, utilities and methanol production assets to produce methanol for Bakrie and Ithaca.

This facility—including Air Products' proprietary Syngas Solutions™ dry-feed gasifier—will enable nearly two million tons per year (TPY) of methanol to be produced from nearly six million TPY of coal.

The project is expected onstream in 2024, Air Products said.

Seifi Ghasemi, Air Products' chairman, president and chief executive officer, said as Southeast Asia's largest economy, Indonesia is committed to reduce its energy imports and efficiently convert abundant coal resources into high-value products.

"We are proud to have been awarded another world-scale gasification project, where we will deploy our capital, technology and operational expertise to help Indonesia meet these important goals. This is another example of our long-term strategy to deploy capital into high-return strategic industrial gas projects," Seifi Ghasemi said.

Samir Serhan, Air Products' executive vice president, added, the company's core competency is its ability to develop, execute, own and operate complex process facilities that help our customers create engines of economic growth and social development.

"We look forward to supporting Bakrie and Ithaca in this game-changing megaproject that will provide methanol for domestic consumption to support Indonesia's sustainable economic growth," Samir said.

Adika Nuraga Bakrie, PT Bakrie Capital Indonesia's chief executive officer, together with Agoes Projosasmito, PT Ithaca Resources' president director, welcome the collaboration in the project with Air Products, a world leader in coal gasification.

"In line with President Joko Widodo and the Government of Indonesia's plan, there is strong momentum for this project, which will produce high-value methanol from abundant, low-value coal reserves," Adika Nuraga Bakrie said.

"Furthermore, we are very encouraged by the Government's support for developing cutting edge technology and products in the Eastern Region, which will contribute to the overall sustainable economic development of Indonesia," he said.

Air Products has embarked on gasification projects around the world. In addition to the new project in Indonesia, Air Products is executing a number of gasification projects in China as well as the Jazan project in Saudi Arabia. C

CA | Khalsa

Geo Energy's revenue up 34

SGX-listed coal mining firm Geo Energy Resources Limited, which operates coal mines in Indonesia's Kalimantan Island, reported stronger revenue in the first quarter of this year (1Q2020) due to higher sales volume and selling price.

Geo said in a statement that it sold 1.2 million tons of 4,200 GAR coal from the PT Sungai Danau Jay (SDJ) coal mine and another 1.3 million tons from the PT Tanah Bumbu Resources (TBR) coal mine, totaling 2.5 million tons of coal in 1Q2020. This was an increase from 4Q2019 and 1Q2019 of 1.9 million tons and 2.1 million tons, respectively.

The company said revenue increased by 34 percent from US$65.7 million in 1Q2019 to $87.8 million mainly due to higher volumes and a higher average selling price (ASP).

The higher ASP was achieved despite a lower average Indonesian Coal Index (ICI) price for 4,200 GAR of US$34.44 for 1Q2020. "The higher ASP was due to more competitive pricing after we appointed Macquarie and Trafigura in 2019 as the new offtakers for our TBR and SDJ mines, respectively," Geo said.

Cash profit for coal mining for 1Q2020 averaged at $6.36 per ton (4Q2019: US$4.15 per ton; 1Q2019: US$1.80 per ton). The higher cash profit margin was driven primarily by the higher ASP and the lower production cash cost.

Average production cash costs of $26.86 per ton in 1Q2020 was a decrease from $30.24 per ton in 1Q2019 and $29.05 per ton in 4Q2019. The reduction of the production cash cost reflected the reduction in mining and services rates linked to coal prices in the current depressed market condition.

Geo said it booked a net profit of $31.4 million in 1Q2020 (4Q2019: $18.4 million loss; 1Q2019: $8.7 million loss).

The group owns four mining concessions through its wholly owned subsidiaries PT Bumi Enggang Khatulistiwa, PT Sungai Danau Jaya, PT Tanah Bumbu Resources and PT Surya Tambang Tolindo in Kalimantan. C

CA | Khalsa

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Harum's Q1 coal output down 9.9%

IDX-listed coal firm PT Harum Energy Tbk said that coal production in the first quarter (Q1) of this year declined by 9.9 percent to 900,000 tons compared to same period of last year.

Harum President Director Ray Antonio Gunara was quoted by news portal *kontan.co.id* as saying that declining trend in the price of the commodity had affected the company's coal production during the quarter ending March this year.

He said that given the lingering weak coal market condition, the company will have to review its original coal production target this year of about 4 million tons. "There's possibility that (coal) production (target) will be revised downward if the coal market condition continues to weaken going forward," he said.

Ray said that the company continues to seek for new export markets to anticipate weakening demand due to the Covid-19 pandemic.

Harum mainly exports its coal to China, India, Bangladesh, Thailand, South Korea, Taiwan, and Japan, and had in recent months been seeking export opportunities in the Philippines and Vietnam.

Petrosea reports higher Q1 profit, lower revenue

IDX-listed mining, infrastructure, oil and gas services company PT Petrosea Tbk reported that in the midst of the global Covid-19 pandemic which began in the beginning of the year, it recorded a 36.25 percent increase in profit attributable to owners of the company in the first quarter (Q1) of this year toUS$4.21 million from $3.09 million reported in the corresponding period of last year

Petrosea, however, said in a statement that total revenue in quarter ending March this year decreased 10.06 percent YoY to $103.57 million from $115.15 million in the same period of last year.

The Contract Mining business line contributed 58.16 percent to the total revenue, followed by 22.45 percent from Engineering & Construction and 18.34 percent from Petrosea Logistics & Support Services.

The company said that amid challenging coal market conditions, total coal production reached 7.63 million tons, a 6.27 percent YoY increase compared to the corresponding period of the previous year. However, total overburden volume decreased 4.99 percent YoY to 27.21 million bank cubic meters (BCM) in first quarter 2020 from 28.64 million BCM in first quarter 2019.

As part of its strategy to ensure the company's sustainable superior performance in the years to come, the company entered into a Front End Engineering and Design Services (FEED) agreement with PT Masmindo Dwi Area to execute the Awak Mas Gold Mine project with an estimated contract value of $11.45 million, Petrosea said.

The company said it continues to provide port operations and services for gold and copper giant PT Freeport Indonesia through PT Kuala Pelabuhan Indonesia, as well as services for the Indonesian oil & gas industry through its Petrosea Offshore Supply Base (POSB) Sorong, in which "we support our existing clients with loading & unloading activities and storage facilities." C

ANALYSIS

*By **Dr Tariq Khalil** - Director of PT Mosaic Risk Analytic*

Latitudes for the lockdown

In response to social distancing measures, how can remote oversight technologies increase the value of monitoring and oversight for coal and mineral assets?

Within a matter of weeks. companies all over the world have, transitioned to remote working. We have all experienced shifts away from old-normal working, our comfort levels have been stretched as we have been plunged into remote working routines.

In lock-down, my transformation moment has been with fitness; I started grudgingly and sceptically, following an online instructor remotely for a 7-minute workout. My confidence quickly grew and I am now doing 10 minute of quality daily routines, unimaginable even as a hasty new year resolution last December.

Like remote conferencing it's not the same experience, its different, but has important advantages: it's always available within my schedule and avoids the dead travel time to and from the gym.

More broadly, these repetitive mental stretches are making us more comfortable with digital technology. Innovative solutions will grow in popularity and challenge pre-Covid business as usual. How can resource companies and investors benefit from greater innovation to solve age-old problems, e.g. what is the risk?

Deals need sharper Due Diligence

Whilst many buyers will adopt "wait and see" to deal-making, pausing or dropping transactions, others are scouting for distressed opportunities beyond their comfort zone.

Well-crafted MA plans benefit from intelligence on asset valuation. However, deploying engineers and specialists to the field remains off menu. With opportunities time limited, and the reduced ability to conduct business usual due diligence via site inspections, can owners and buyers need alternatives to meet their diligence needs quickly, efficiently and comprehensively?

So, What's New?

Mosaic Analytics has combined its expertise in spatial analytics with mine industry know-how partners such as PT Britmindo to provide resource companies and investors a suite of remote monitoring, oversight and due diligence service for coal and mineral assets. Integrating expertise creates mine digital environments which help answers practical questions such as:

- How much mining has taken place?
- Does mining accord to the mine plan?
- Are there any undeclared or emerging environmental liabilities?
- Are project communities creating potential ESG liabilities and controversies?

The M&A value proposition - accuracy from above

The digital workflow has made distance less of an object; we can examine physical assets anywhere in the world. To understand site conditions and material change overtime, big data computing and cutting-edge machine learning algorithms extract meaningful geo-spatial information from satellite imagery. Change detection algorithms scan vast archives of

> Remote working has reached an inflection point to expand our comfort zone towards all-things tech. We believe that in the post pandemic era, remote access into digital mine environments will accelerate what boots on the ground can achieve. These changes will enrich how we factor risk and ultimately price assets.

Investors will position to capture opportunities, yet it has never been more critical to do your homework. Risk management will be more important now than it ever has been. Despite the pressures of ticking clocks, allowing time for a robust due diligence process that goes beyond ticking boxes will pay off.

satellite imagery, month-by-month creating remote insights for seasoned mine professionals who can efficiently benchmark mine production reports against any identified anomalies.

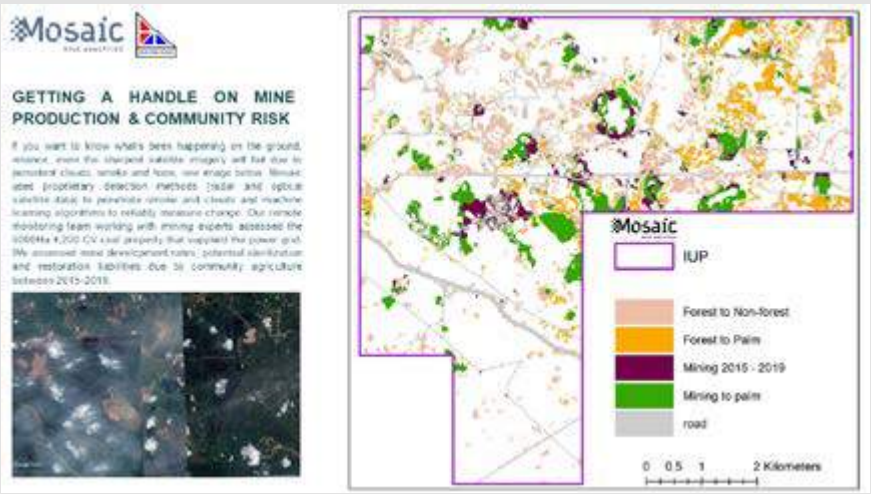
Remote oversight capabilities build more certainty for operations and the deal space. Working on a case-by-case basis, we can provide rapid, customized analysis to identify material threats and opportunity at mine facilities:

In Indonesia and the wider region, haze from fires, clouds and changes in moisture create significant data noise and error in satellite data. We use proprietary, hybrid detection methods to address atmospheric error effects combined with state-of-the-art change detection processes to provide reliable and consistent assessment of change.

Data rich workflows overcome physical distance and provide rapid and consistent documentation of mine development (e.g. change at high-grade areas) or progress in mine restoration and reclamation. Tried-and-tested machine learning algorithms rapidly sift through years of geo-spatial mine data - rain or shine to create analytics for mining experts. Their reviews tell you what you need to know, and recommend options for deal flow. Our remote insights provide new latitude to rapidly understand what has been mined and information on sustainability to safeguard ESG mandates. In short, access to asset rich digital data helps parties make better decisions and reduce costly surprises.

The pandemic has provided latitude to tailor remote oversight practice to fit your priorities. With an armchair view of site conditions, investors and operators can provide independent assurance to stakeholders that investments are monitored and, that any unusual activities during or preceding the pandemic have been documented to ensure compliance to prevailing agreements. C

Our example illustrates the joined-up application of remote oversight:



A contribution by Dr Tariq Khalil,
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Operations
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Jakarta, Indonesia 12390
https://www.mosaicriskanalytics.com

Aspect	Service	Benefit
resource oversight	Measure development at high and low-grade area, changes at stockpiles and pits over time	Oversight of mine development against mine plan agreements
Reclamation assurance	Measure of reclaimed and revegetated areas	Benchmark reclamation progress
Asset valuation	Stress testing climate and geohazards identify vulnerabilities and operating liabilities over investment life.	Asset valuations at exit for investors
Community liability	Baseline and forecast rates of encroachment, forest clearing and cropping.	Basis to negotiate indemnities against potential environmental and social liabilities; compensation claims, ESG rating impact risk

BRMS plans rights issue

IDX-listed mining firm PT Bumi Resources Minerals Tbk (BRMS) said it plans to increase capital through non-preemptive right issues to retire its debt.

The company said in a statement that within the transaction, BRMS plans to issue 14,591,308,925 new shares (B series) at Rp 50 exercise price. The new shares will be subscribed by one of the company's creditors, Wexler Capital Pte. Ltd., under the debt to equity conversion deal in the effort to repay the $ 52 million (around Rp 729 billion) outstanding loan.

Consequently, after the completion of the non-preemptive rights issue and the respective debt to equity conversion deal, BRMS is expected to realize the following potential benefits:

1. BRMS' balance sheet will be deleveraged and will show increased capital. This will result in improved debt to equity ratio from previously 0.21x to 0.1x after the transaction.

2. The reduced debt (down by $ 52 million) will give BRMS better liquidity and opportunity to optimize its capital structure for future project financing.

After the transaction, the minority shareholders' shares in BRMS are only diluted by 2.3 percent. BRMS said it plans to seek the shareholder's approval for the above transaction in the extraordinary general meeting of the shareholders on the 24 th of June 2020.

BRMS's mining assets include gold projects in Central Sulawesi and Gorontalo, and a zinc and lead project in North Sumatra.

Medco divests stake in AMI

IDX-listed PT Medco Energi Internasional Tbk said it has partly sold its stake in PT Amman Mineral Internasional (AMI), which indirectly owns the Batu Hijau gold mine in West Nusa Tenggara, to PT Sumber Mineral Citra Nusa Tenggara (SMCN).

Medco said in an audited 2019 financial report published on 20 May that it had on 3 February 2020 signed a sale and purchase agreement (SPA) with SMCN for the sale of a 10 percent interest in AMI for a total consideration of US$202 million.

The company said it has received deposit payment of $10 million on 7 April. On the SPA, the company also sells an option to SMCN to purchase additional 10 percent ownership in AMI with the option price of $10 million payable by no later than 30 April, 2020. The option will be valid based on certain period as stated in the SPA. "However, as of the completion date of the consolidated financial statements, the option price has not been paid by SMCN," Medco said.

AMI owns 82.2 percent of PT Amman Mineral Nusa Tenggara, which owns and operates the Batu Hijau gold and copper mine in West Nusa Tenggara Province.

According to the financial report, as per end of 2019 Medco owned 39.35 percent interest in AMI. The remainders were held by PT Api Metra Graha (18.18%), PT Sumber Gemilang Persada (37.37%), and PT Medco Services Indonesia (5.10%). C

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☐ Jambi	US$400	.....
☐ South Sumatra	US$400	.....
☐ Bangka Belitung	US$400	.....
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☐ East Nusa Tenggara	US$400	.....
☐ West Kalimantan	US$400	.....
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☐ East Kalimantan	US$400	.....
☐ South Kalimantan	US$400	.....
☐ North Sulawesi	US$400	.....
☐ Gorontalo	US$400	.....
☐ Central Sulawesi	US$400	.....
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Asiamet secures recommendation from governor over BKM project

Asiamet Resources Limited, which is listed on the AIM market of the London Stock Exchange said it has been given a recommendation by the Central Kalimantan governor to proceed with the development and construction phase of theBKM copper project in Central Kalimantan.

The company said the recommendation is required to secure a forestry borrow-to-use permit (Pinjam Pakai, or IPPKH-OP) from the government of Indonesia.

The BKM copper project overlaps with a forest area that allows commercial activities including mining. This overlap requires the project operator to obtain a 'borrow-to-use forestry permit' (Izin Pinjam Pakai Kawasan Hutan, IPPKH).

To secure the Pinjam Pakai permit the company needs to meet a number of requirements including a recommendation from the Central Kalimantan governor. Before obtaining the recommendation, the company was required to demonstrate that the BKM copper project is technically viable and commercially robust with the project delivering a benefit to the local economy and community.

The company said it was able to clearly demonstrate that the BKM copper project would deliver these objectives. The other requirement is the Corridor Agreement, which assures that the access route from the BKM site to the intended port facilities utilizes roads that have been or are being used and maintained by forestry concession holders.

Asiamet is required to negotiate multi-user road access and maintenance with these concession holders. Asiamet said the access agreement of this nature is standard practice globally and the company is in advanced discussions to secure the required agreements.

The other key requirement is the revised environmental impact assessment or Amdal, which has to be approved by the Provincial Government Environmental Agency. As a result of some changes in project scope such as port location and logistical routes, a number of surveys are required to update the current AMDAL.

This revision, it said, will largely utilize the previous work and data already provided to the Indonesian Government and completed in the Feasibility Study.

Asiamet's Executive Chairman, Tony Manini said having recently secured the forestry permit for exploration, Asiamet is "very pleased to have now received the Governor'srecommendation for the Pinjam Pakai permitting process."

"The company's highly capable local teams in Jakarta and Palangkaraya continue to deliver these important milestones and clearly demonstrate our ability to continue advancing the BKM copper project towards final approvals for mine development, despite the challenges presented by Covid 19," he said.

"The receipt of this approval from the governor is very timely and while the value of this work is often under-estimated, the receipt of key approvals and permits serves to significantly de-risk and add substantial value to the project," he said.

Earlier, the company has secured a permit from the NationalInvestment Coordinating Board (BKPM) to conduct an exploration of its Contract of Works (CoW) area in Central Kalimantan for two years. This follows the approval granted by the Ministry of Energy and MineralResources (MEMR) and the Ministry of Environment and Forestry (MoEF).

Upon completion of these three requirements along with a number of other administrative documents, the Ministry of Environment and Forestry(MoEF) is expected to issue conditional approval for the Pinjam Pakai.

The approval will be conditional upon fulfillment of several requirements, from the MoEF, including surveys for rehabilitation, finalization of a reclamation bond, boundary tagging of borrow-touse area and supporting facilities, and a timber utilization permit, Asiamet noted. C

Krakatau Steel net loss widens in 2019

IDX-listed and state-controlled steel producer PT Krakatau Steel Tbk (IDX:KRAS) recorded net losses of US$503.65 million in 2019, widened from US$167.50 million in the previous year.

The net losses were due to falling revenues to US$1.42 billion from US$1.74 billion in the previous year.

The cost of goods sales declined to US$1.40 billion from US$1.59 billion in the previous year in line with lower sales, resulting in gross profit of US$16.89 million against US$151.76 million in the previous year.

As of the end of December 2019, the company's total assets were recorded at US$3.28 billion, lower compared to US$3.58 billion in the previous year.

Bangka Belitung calls for relaxation of tin regulation

Governor of Bangka Belitung Province, Erzaldi Rosman called on the central government to relax the current tin export regulation to help improve economic condition in the province, the country's key tin-producing region.

Erzaldi was quoted by state news agency *Antara* as saying that the current regulation has hampered tin export from the province. "There are plenty of tin (deposits), but not many can sell (them). This clearly has undermined our economy," he said.

Senior member of the provincial Legislative Council (DPRD) Efredi Effendy supported the provincial administration's demand for relaxation of the tin regulation to help increase export and accelerate economic recovery in the province.

The Ministry of Energy and Mineral Resources introduced a new regulation in 2018 requiring tin exporters to have their respective work plan and budget (or RKAB) documents be validated by competent persons as part of conditions to be able to export. But given the limited number of competent persons, many tin exporters could not fulfill the requirement, thus making them unable to make export, industry players have said.

J Resources unit repays medium term notes

IDX-listed gold mining firm PT J Resources Asia Pasifik Tbk said Tuesday that its subsidiary PT J Resources Nusantara (JRN) has fully repaid its medium term notes I (MTN) amounting Rp. 500 billion on the due date, 18 May 2020.

J Resources said in a statement that JRN issued on 18 May 2018 the three-year tenor MTN with interest rate of 11.05 percent. It was the first MTN issued by JRN.

"With such on time repayment, J Resources hopes that it can continuously maintain the shareholders, stakeholders and investors' trust," J Resources said.

J Resources currently operates four open-pit gold mines, namely Bakan and Lanut Utara (currently under maintenance) in North Sulawesi Province; Seruyung in North Kalimantan, and Penjom, in Malaysia. C

Asiamet secures exploration permit from government

Asiamet Resources Limited, which is listed on the AIM market of the London Stock Exchange, said it has secured exploration permit from the National Investment Coordinating Board (BKPM) to conduct exploration on its Contract of Works (CoW) area in Central Kalimantan for two years.

The company has earlier received approvals from the Ministry of Energy and Mineral Resources (MEMR) and the Ministry of Environment and Forestry (MoEF).

"The exploration permit allows the company to undertake exploration activity on its key target areas within the CoW over the next 2 years," Asiamet said in a statement.

As outlined in the Exploration Update announcement dated Nov. 26, 2019, the exploration drilling program will focus on immediate value delivery through advancing four highly prospective opportunities including some walk-up targets in close proximity to the proposed BKM copper project infrastructure, it said.

These targets have the potential to add significant upside by extending mine life beyond the initial 9 years. Further, these targets are expected to add heap leachable copper resources to those already defined and create further opportunities for revenue enhancement.

Asiamet's Executive Chairman, Tony Manini said the receipt of the exploration permit, coupled with the company's recent financing and the ongoing process underway with Aeturnum Energy, "are all important steps that will enable Asiamet to continue advancing a number of significant value enhancement opportunities at BKM and further position the project as a rare development-ready copper asset in the Asian region."

He said the BKM feasibility study delivered a robust copper project with post-tax NPV of $124.8 million, a life of mine revenue of $1.27 billion and EBITDA of $563.3 million.

Considerable scope to significantly increase the economics of the project primarily through value engineering and additions to the current proposed 9-year mine life were also identified.

Receipt of this exploration permit now provides Asiamet with the opportunity to re-activate drill programs and test some of our highest probability targets for additional mine life immediately upon the current Covid-19 restrictions being lifted.

Preparations have been made and our drill teams will be mobilized as soon as they are able to do so, Asiamet said.

Whilst restrictions on travel and personal movement remain in place, our in-country team remains very actively engaged with the Indonesian government departments as they continue progressing the key forestry borrow and use permit required for the commencement of mine construction.

Simultaneously, the Asiamet corporate team is engaged with Aeturnum Energy's group of international technical, financial and legal advisors as they progress their due diligence on the BKM project under a 60 day exclusivity period.

Asiamet is also in the process of appointing its own M&A advisors to support the board and management in considering any proposal received from Aeternum or any other groups post the exclusivity period. C

PT Freeport delays three projects due to Covid-19

Gold and copper giant PT Freeport Indonesia has decided to delay construction of three major projects worth billions of dollars due to the Covid-19 pandemic.

PT Freeport Vice President for Government Relations Jonny Lingga told state news agency Antara that the three projects are construction of semi autogenous mill worth $300 million, a new power plant at the Portsite Amapare Port area in Papua Province, and copper smelter in Gresik, East Java Province.

"The three projects are worth quite huge. We've forced to delay them because at the current condition we could not implement activity maximally," he said following a hearing session with the Mimika Legislative Council (DPRD) in Papua.

PT Freeport President Director Tony Wenas said last month the company was seeking for government approval to delay construction of the copper smelter project so that it would not affect the company's export of copper concentrates.

Making significant progress in the construction of the estimated US$2.8 billion smelter project is part of requirements set by the government for the company to be able to continue export copper concentrates.

Inalum issues bonds, secures funds to acquire PT Vale

State-owned mining holding company PT Indonesia Asahan Aluminium (or Inalum) has raised US$2.5 billion through issuance of global bonds, the proceeds of which will be used for debt refinancing and supports acquisition plan.

Inalum President Director Orias Petrus Moedak said that the proceeds from the bonds will be primarily used to refinance bonds issued in 2018 worth $2.25 billion, comprising of two series of bonds. The first was worth $1 billion maturing in 2021 with coupon of 5.23 percent, and the second worth $1.25 billion maturing in 2023 with coupon of 5.71 percent.

"So, there are two (series of bonds) that we will buy back, the 2021 and 2023 with buyback value of $1 billion. Next year we're repay principal worth $500 million, and another $750 million in the following year. This is part of efforts to ease near term huge payment pressure," he said.

Orias said that the proceeds will also be used to help finance the planned acquisition of IDX-listed integrated nickel mining firm PT Vale Indonesia Tbk.

He, however, declined to disclose the acquisition value. He said that while the two companies had previously agreed on the initial acquisition value, the two will hold talks again to reflect the latest market condition due to the Covid-19 pandemic.

"Price will be affected (by the pandemic), although we have previously (agreed on the acquisition price). We'll execute (the acquisition plan) in accordance with the new price (value)," Orias said.

PT Vale is required to divest 20 percent interest to Indonesian entity. The Indonesian government has appointed Inalum to acquire the PT Vale shares.

Elsewhere, Orias said that part of the bond proceeds will also be allocated for subsidiaries. C

Government to inject capital into Krakatau Steel, 5 others

The government considers to inject fresh capital into six state-owned companies to strengthen these companies working capital amid coronavirus or Covid-19 pandemic.

The proposal was included in the presentation material of Finance Minister Sri Mlyani Indrawati to the House of Representatives (DPR) Commission XI, *Investor Daily* reported.

The six companies are proposed to received capital injection are PT Krakatau Steel Tbk amounting to Rp3 trillion, PT Garuda Indonesia Tbk Rp8.5 trillion, PT Perkebunan Nusantara (PTPN) Rp4 trillion, Perum Bulog Rp13 trillion, PT Kereta Api Indonesia Rp3.5 trillion and Perum Perumahan Rp650 billion.

President Director of Krakatau Steel Silmy Karim said the company's board is still waiting for direction from the SOE Ministry. He said the company has undertaken several measures to encounter the current condition, including stress test with three scenarios.

One of the steps undertaken by the company is improving operational efficiency by cutting operational costs to US$16.5 million per month from an average of US$33 million per month in 2018. In January, the operational cuts have already pushed down to US$18 million per month.

The move is also part of efforts to restructure the company's debts to 10 creditors worth US$2 billion. The above cost efficiency measures are projected to enable the company to save US$685 million in the nine years.

The 10 creditors of Krakatau Steel are including PT Bank Mandiri Tbk with an outstanding debt of US$618.28 million, PT Bank Negara Indonesia (US$425.92 million), PT Bank Rakyat Indonesia Tbk (US$337.39 million), PT Bank CIMB Niaga Tbk (US$238.33 million) and PT Bank OCBC NISP Tbk (US$138.65 million).

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Saranacentrla Bajatama Q1 sales surges 38% yoy

IDX-listed steel producer PT Saranacentral Bajatama Tbk (IDX:BAJA) said its sales in the first quarter of 2020 reached 29,000 tons, surged by 38 percent from 21,000 in the same quarter last year.

President Director of Saranacentral Handaja Susanto was quoted by *Kontan.co.id* that the increase was due to the consistent support from its customers to purchase the company's products.

He expects the sales to continue to increase up until the third quarter of this year. Therefore, he said, the company is upbeat to attain sales of 130,000 tons this year, up from around 80,000 tons in 2019.

In 2019, the company booked revenues of Rp1.07 trillion, down 16.2 percent from revenues in 2018 at Rp1.28 trillion. The decline was compensated also by the decline of the cost of goods sales by 18.7 percent yoy to Rp1.04 trillion.

The company, in 2019, booked net profit of Rp1.11 billion after recording losses of Rp96.6 billion in the previous year.

Saranacentral Bajatama produces zinc coated steel sheets, which are widely used as the basic materials for construction, electrical as well as automotive parts. It also produces aluminum-zinc alloy coated steel, known as Saranalume. C

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J Resources presses ahead with gold mining projects

IDX-listed gold mining firm PT J Resources Asia Pasifik Tbk is pressing ahead to develop two gold mining projects despite the Covid-19 pandemic.

J Resources President Director Edi Permadi was quoted by *Kontan* as saying that the company is currently in the process of completing land acquisition process to develop the Doup gold mining block in Bolaang Mongondow Regency, North Sulawesi Province, as well as making preparations to develop infrastructure facilities.

"In relation to the corona virus, it does not cause significant impact on our business," he said.

He said that if everything goes smoothly, the Doup block gold mine project will start operation in the second semester of next year. The mine has potential gold deposit of 1.5 million troy ounces. The company is targeting gold production of 60,000-70,000 oz per year from this mine.

J Resources is also seeking to develop the Pani gold mine project in Gorontalo Province, in partnership with IDX-listed PT Merdeka Copper Gold Tbk. Edi said that the company is currently in the process of securing the required permits for the Pani gold project.

J Resources is maintaining 2020 gold production target of 171,000 oz, Edi said.

Vale Indonesia signs agreement to buy port, land in SE Sulawesi

IDX-listed PT Vale Indonesia has signed an agreement to purchase assets in the form of port and land owned by PT Sumber Setia Budi in South East Sulawesi.

The purchase aims to support the company's operation, Vale said in its interim consolidated financial statements ended March 31.

The asset purchase agreement was then novated by the company to PT Kolaka Nickel Indonesia, Vale Indonesia's subsidiary. Consequently, PT Kolaka Nickel Indonesia now assumes all rights and obligations of the company under the asset purchase agreement.

In April 2020, Vale Indonesia injected additional capital of Rp119.9 billion or equals to US$7.3 million to its subsidiary PT Kolaka Nickel Indonesia (KNI).

Vale Canada Limited (VCL) will also inject additional capital of Rp120 million or equals to US$7,300 in order to maintain its 0.1 percent shares in KNI.

Vale noted that the asset purchase has not been paid to PT Sumber Setia Budi.

PT Kolaka Nickel Indonesia and PT Bahodopi Nickel Smelting was established on June 25, 2019. As much as 99.9 percent of each company shares are owned by Vale Indonesia and the remaining 0.1 percent is owned by VCL.

The total capital issued and paid for in each of the subsidiaries is Rp10 billion or equivalent to US$0.6 million (full amount).

The company has paid up its capital in these subsidiaries in December 2019. Up to March 31, 2020, VCL has not yet paid up its capital.

The establishment of the subsidiaries is intended as a milestone in the implementation of the company's investment commitments in Central Sulawesi and Southeast Sulawesi provinces based on the Contract of Works (CoW) Amendment, under which the company is committed to the construction of nickel ore processing facilities. C

Indika unit raises stakes in Nusantara Resources to 23%

ASX-listed Nusantara Resources Ltd said it has conducted shares placement to PT Indika Mineral Investindo (IMI), a subsidiary of IDX-listed energy and mining firm PT Indika Energy Tbk, at total volume 10.5 million shares with a price of A$0.34 per share or a total funds of A$3.57 million.

The shares placement resulted in an increase of Indika's shareholding in Nusantara to 23 percent from 19.9 percent previously.

"Nusantara Resources Limited (Nusantara) is pleased to advise that the Placement of 10,500,000 shares at A$0.34 per share to major shareholder PT Indika Mineral Investindo (Indika) was completed today," Nusantara Resources said in a statement.

Today's placement completes the equity raising commenced in December 2019 and funds Nusantara's 2020 work plans.

Indika Mineral has also today (05/05) provided an advance on equity with respect to the Tranche 1 US$15 million investment into PT Masmindo Dwi Area (Masmindo), the subsidiary that owns the Awak Mas Gold Project in South Sulawesi Province.

In accordance with the agreements approved by Nusantara shareholders on April 29, 2020, this advance will be converted into an 25 percent equity interest in Masmindo once regulatory approvals are received.

As a pre-condition of this investment, Nusantara has paid US$2.4 million extinguishing 50 percent of the existing third-party royalty over the project which further enhances the project economics towards bank financing.

Masmindo is now funded for its program to take the project to a decision to mine, planned for 2021.

Awak Mas Gold

The Awak Mas Gold Project is held under a 7th generation Contract of Work (CoW) signed with the Government of Indonesia (GoI) in 1998. The CoW covers an area of 14,390 hectares and is held by Nusantara's 100 percent owned local subsidiary company, PT Masmindo Dwi Area (PT Masmindo).

In 2009, the GoI introduced a new mining law that required existing CoWs to be adjusted consistent with the provisions of the 2009 Mining Law.

The CoW was amended in March 2018, reaffirming PT Masmindo as the legal holder of the CoW, with sole rights to explore and exploit any mineral deposits within the CoW area until 2050, with options for two ten-year extensions. C

Vista to receive $2.4m for 50% of Awak Mas royalty

NYSE and TSX-listed Vista Gold Corp. announced Thursday that PT Masmindo Dwi Area, which owns the Awak Mas gold project in Indonesia's South Sulawesi Province, provided the necessary notice to Vista to exercise the option to cancel half of the Awak Mas net smelter return (NSR) royalty in consideration of a $2.4 million cash payment to Vista by May 8, 2020.

Vista holds an NSR royalty on the Awak Mas project. During 2019, Vista and PT Masmindo, amended the original royalty agreement to allow PT Masmindo to make a $2.4 million payment to Vista by April 30, 2020 to cancel a 1 percent NSR on the first 1,250,000 ounces produced at Awak Mas and a 1.25 percent NSR on the next 1,250,000 ounces produced.

Vista said in a statement that the due date for this payment was subsequently amended to May 8, 2020. On April 29, 2020.

PT Masmindo, which is a subsidiary of ASX-listed Nusantara Resources Ltd, provided notice to Vista to exercise the option to cancel the related 1 percent NSR and 1.25 percent NSR upon making a payment of $2.4 million, which the company expects to receive by May 8, 2020.

Upon receipt of the $2.4 million payment, PT Masmindo will then have the right to cancel the remaining 1 percent NSR and 1.25 percent NSR for an additional payment of $2.5 million by April 30, 2021. If PT Masmindo does not make the $2.4 million payment by May 8, 2020, Vista will retain the full royalty interests and can pursue alternative monetization strategies.

Frederick H. Earnest, President and Chief Executive Officer of Vista, stated, "The notice provided by PT Masmindo to cancel 50% of the Awak Mas NSR royalty is another example of Vista's priority to monetize non-core assets and to maintain Vista's financial stability. When received, the $2.4 million payment will strengthen Vista's balance sheet and provide an important source of working capital for the next twelve months. Looking ahead, should PT Masmindo choose to exercise the remainder of its option and cancel the other half of the Awak Mas NSR royalty, Vista could expect to receive an additional $2.5 million in twelve months."

May HPE of mineral commodities down due to Covid-19

The export reference price (or better known as HPE) of most mineral commodities, which are subject to export tax, for the period of May 2020 declined compared to April.

The Ministry of Trade said in a statement that the lower HPE comes amid declining trend in the price of commodities due to the Covid-19 pandemic which has slowed down global economic growth and lowers demand for commodities.

Mineral commodities with lower May HPE are copper concentrates (Cu ≥ 15%) with price of US$2,262.12/wmt, or down 5.35 percent compared to April HPE; iron concentrates (hematite, magnetite) (Fe ≥ 62% and ≤ 1% TiO2) with price of $70.82/wmt, down 5.59 percent; laterite iron concentrates (gutite, hematite, magnetite) with purity (Fe ≥ 50% and (Al2O3 + SiO2) ≥ 10%) $36.19/wmt, down 5.59 percent; lead concentrates (Pb ≥ 56%) $685.62/wmt, or down 8.76 percent; zinc concentrates (Zn ≥ 51%) $444.53/wmt, or down 5.67 percent; iron sand concentrates (lamella magnetite-ilmenite) (Fe ≥ 56%) $42.29/wmt, or down 5.59 percent; ilmenite concentrates (TiO2 ≥ 45%) $279.93/wmt, down1.32 percent; rutile concentrates (TiO2 ≥ 90%) $971.42/wmt, down 2.26 percent; and washed bauxite (Al2O3 ≥ 42%) with average price of $19.99/wmt, or down 11.59 percent.

Meanwhile, manganese concentrates (Mn ≥ 49%) is the only commodity with higher HPE in May at $205.58/wmt, or 0.63 percent. HPE of iron sand concentrates pellet (lamella magnetite-ilmenite) (Fe ≥ 54%) remains unchanged at $117.98/wmt. C

Nickel Mines completes institutional entitlement offer

ASX-listed Nickel Mines Ltd announced the successful completion of the institutional component ('Institutional Entitlement Offer') of its fully underwritten 1 for 3.6 accelerated pro-rata non-renounceable entitlement offer ('Entitlement Offer') that was announced on 19 April 2020.

The company said in a statement that proceeds from the Institutional Entitlement Offer will be put towards funding cash consideration payable for Nickel Mines to increase its current 60 percent ownership interests in both the Hengjaya Nickel RKEF Project ('HNI') and the Ranger Nickel RKEF Project ('RNI') in Indonesia to 80 percent ('the Transactions').

The cash consideration payable to Shanghai Decent in connection with the Transactions, of approximately US$150 million, will be funded by the net proceeds of the Entitlement Offer, including the retail component of the Entitlement Offer which is scheduled for settlement on 15 June 2020, and the company's existing cash reserves.

Shareholder approval for the Transactions is being sought at the company's Annual General Meeting to be held on 29 May 2020 in accordance with the ASX Listing Rules.

Nickel Mines said the Institutional Entitlement Offer raised approximately $179 million at A$0.50 per New Share ('Offer Price'). It was well supported by institutional shareholders with take-up of approximately 75 percent and strong demand from both existing Nickel Mines' shareholders and new institutional investors with the balance of the institutional component, comprising renounced entitlements and entitlements attributable to ineligible shareholders, being oversubscribed.

Nickel Mines' Managing Director, Justin Werner said: "We are delighted with the success of the offer which is a clear endorsement of the company's achievements to date and intention to increase its ownership interests in both HNI and RNI to 80 percent".

New shares issued under the Institutional Entitlement Offer will rank equally with existing shares. The new shares issued under the Institutional Entitlement Offer are expected to be allotted on 29 May 2020. Trading will commence on a normal settlement basis on the Australian Securities Exchange (ASX) on the same day.

The retail component of the Entitlement Offer, which is fully underwritten, will further raise approximately $52 million ('Retail Entitlement Offer'). The Retail Entitlement Offer will open on 26 May 2020 and close at 5.00pm (Sydney time) on 9 June 2020.

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (Sydney time), 21 May 2020, have the opportunity to invest in New Shares at the Offer Price, on the terms and conditions outlined in the Retail Offer Booklet to be sent to eligible retail shareholders on or around 26 May 2020.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Retail Offer Booklet.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their Entitlement. C

Aeturnum acquires 19.9% shares in Asiamet Resources

Asiamet

Asiamet Resources Limited, which is listed on the AIM market of the London Stock Exchange, said Singapore based commodities trader and strategic investor, Aeturnum Energy Pte Lld (Aeturnum) has acquired a 19.9 percent strategic holding in Asiamet Resources through placement in March 2020.

The company is also provided with an exclusivity period of 60 days to complete technical and commercial due diligence for a project level investment in relation to the Contract of Work.

The acquisition was made after the company conducted due diligence on the Contract of Work located in Central Kalimantan, Asiamet said.

The shares purchase will make Aeturnum Energy as the largest shareholder of Asiamet (19.9 percent).

Asiamet has been informed by Aeturnum that it has finalized all due diligence workstreams and intends to enter into negotiations with Asiamet for a partial or full acquisition of the Contract of Work.

Asiamet has appointed Melbourne based Grant Samuel Corporate Finance to assist the Board and Management with strategic and financial advice on any potential transaction with Aeturnum. Grant Samuel is a leading independent financial adviser with extensive experience in mining transactions globally, including Indonesian assets.

The company said it will provide a further update on this process if and when the parties are able to agree a transaction that provides a suitable path forward for the development of the BKM project on the CoW and which delivers appropriate value for all key stakeholders.

Strategic Partner

Under a non-brokered private placement to Aeturnum Energy, Directors and a small number of long term supportive shareholders, the company has issued 373,399,456 new common shares of par value US$0.01 each in the Placing Shares at a price of 0.9 pence per share (the issue price) to raise approximately £3.36 million

Tony Manini, Executive Chairman of Asiamet said that the company "welcomes Aeturnum as a major shareholder of the company and looks forward to working with the company's management to secure the terms for the above project level transaction and the ongoing strategic development of our broader business.

"We have been engaging with a number of groups to secure a partnership that enables Asiamet to continue building value through the ongoing development of our projects over the short, medium, and long term. We believe that AE as an emerging growth company with the vision of building a leading Asian Green Energy business based around copper and copper products, is strategically very well aligned with our drive to become a leading Asian copper producer," Manini said.

"While we recognize the significant impact of this placement on the company's share structure, these are particularly challenging times for junior resource companies. With two of the best-undeveloped copper projects in the Asian region, a sound balance sheet, and a supportive strategic partner, the fundamentals for building serious value for all our stakeholders remain strong," he added. C

Indonesia Regional Minerals Maps 2019

New Release

As of August 2019, there are a total of 1,438 registered minerals mining concessions (KKs and IUPs) throughout Indonesia, of which about 1,403 concessions are in production operation production stage, while the remaining 35 concessions are still in exploration stage, according to the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources.

Indonesian Regional and Provincial Minerals Maps are a must-have for company/professional who's involved/ interested in minerals related businesses in Indonesia. These maps feature location of coal mining concessions which have been granted 'clean & clear' status; location of existing and proposed smelting plants. The concession areas are appeared in different colors according to deposit type so that you can find the ones easily.

This full-colored map outlined on a 1189 mm x 841 mm (A0) glossy paper (260 gr) and laminated for durability.

Map Features

- Location of 'clean & clear' minerals concessions (KKs and IUPs) and their status of operation.
- Location of existing/proposed Minerals Processing/Smelter Projects.
- Basic features: Name of Rivers, Bays, Capes, Provinces, Cities, Regencies, and Towns with administrative boundaries.

Also available Provincial Minerals Map: Aceh, Riau, Bangka Belitung, West Kalimantan, Central Sulawesi, South Sulawesi, Southeast Sulawesi, North Maluku, etc..

MAP SPECIFICATIONS :				
	FORMAT	: WALL MAP; LAMINATED	PRICE	: US$500.00
	SIZE	: 1189 X 841MM (A0)	RELEASE	: DECEMBER 2019
	PRINTING	: FULL COLOR	CODE	: RMM05L
	PACKAGING	: ROLLED + DRAWING TUBE		

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PLTU Jawa 9&10 project to reach financial close soon

The 2x1,000 MW PLTU Jawa 9&10 coal-fired power plant project in Suralaya, Banten Province, is expected to reach financial close next month, which would pave way to start construction process.

"Hopefully in June we can close financing stage of this project. There is no obstacle," said Ahsin Sidqi, President Director of PT Indonesia Power, to *Petromindo.com* recently.

The project is developed by PT Indo Raya Tenaga, which is owned by PT Indonesia Power with 51 percent ownership and IDX-listed PT Barito Pacific with 49 percent. Indonesia Power is a subsidiary of state-owned electricity firm PT PLN.

Previous reports said that South Korea's Exim Bank would help finance the estimated US$.3.3 billion PLTU Jawa 9&10 project.

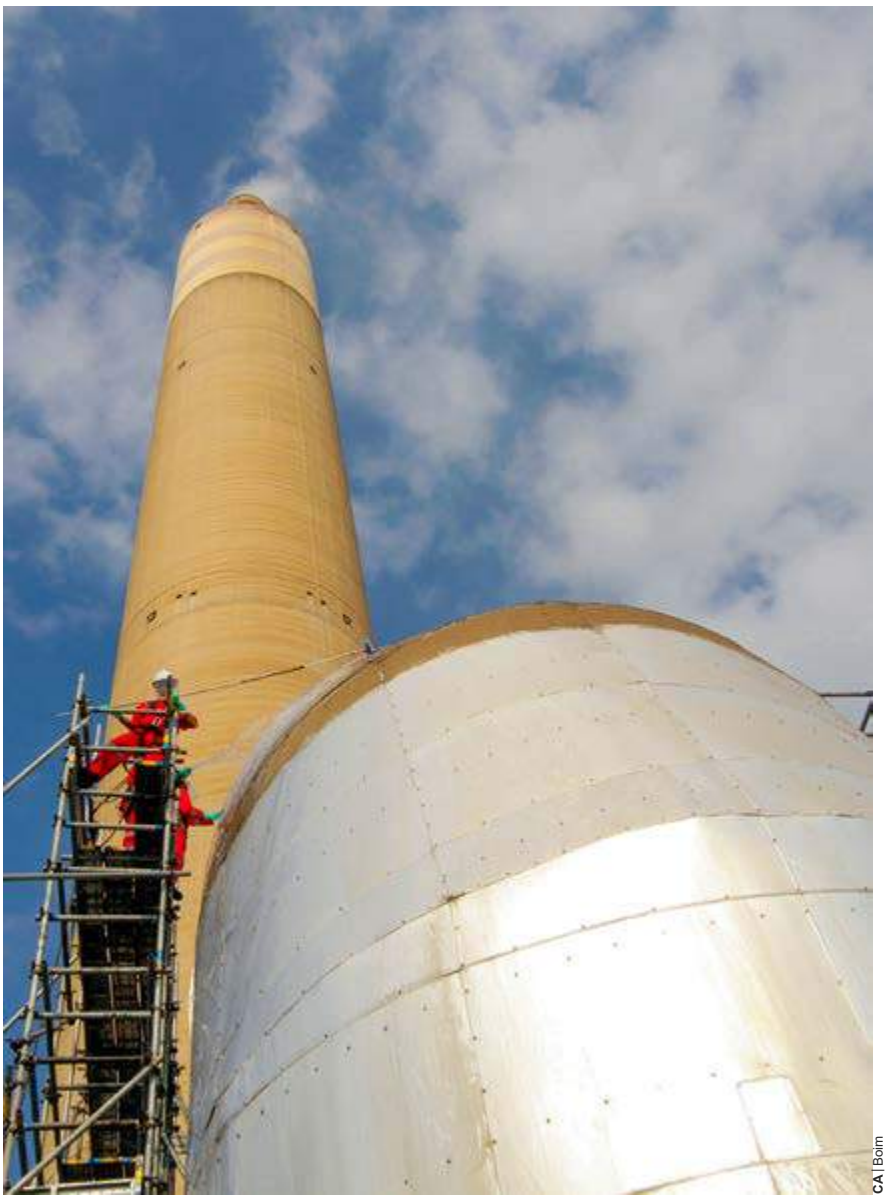
PLTU Mine Mouth Sumsel 8 progressing well

The construction of mine-mouth steam power plant, PLTU Mine Mouth Sumsel 8, with a 2×620 megawatt (MW) capacity is making good progress, PT Huadian Bukit Asam Power, the developer of the project, said.

Deputy Manager of PT Huadian Bukit Asam Power (HBAP) Gusti Anggara said recently that the contractor has completed the installation of steel structure of boiler I despite limited mobility of goods and people due to coronavirus or Covid-19 pandemic.

The lifting of the beam to support the boiler is an important phase of the project. The next step is the installation of a boiler, Antara news agency quoted Gusti Anggara as saying.

Gu Qiucheng, Manager EPC of CHDHK, contractor of the project, said the government's policy to restrict the mobility of goods and people during the coronavirus pandemic has slowed down the construction progress. The policy has forced the joint venture company to impose the so-called 'closed management'.



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HBAP, said Gusti Anggara, imposed stringent health and safety measures during the construction process in order to prevent the spread of coronavirus.

PLTU Mine Mouth Sumsel 8 is the largest mine-mouth power plant project in Indonesia with investment reaching US$1.68 billion.

Huadian Bukit Asam Power is a joint venture of PT Bukit Asam Tbk and China Huadian Hongkong Company Ltd. The power plant is targeted to be completed in March 2022.

PLTU Mine Mouth Sumsel 8 project is located in Muara Enim, South Sumatra. In 2015, PT Huadian Bukit Asam Power signed a loan agreement worth US$ 1.2 billion with The Export-Import Bank of China. C

Govt preparing electricity strategy post-Covid-19 pandemic

The Ministry of Energy and Mineral Resources (MEMR) is preparing an electricity development strategy that will be implemented post-coronavirus or Covid-19 pandemic in order to attain various government targets in line with the electricity supply business plan (RUPTL).

The strategy is needed amid concerns that the current coronavirus pandemic would derail the government electricity development programs, including the development of renewable energy-based power plants.

The EMR Ministry records that at present the utilization of renewable energy in the nation's energy mixed reached only 8.55 percent. The government has set a target to raise the renewable energy share in the national energy mixed to 23 percent in 2025.

In the medium term, the government aims to develop 9,050 MW of renewable-energy based power plants until 2024.

Director of New and Renewable Energy at the Directorate General of New, Renewable Energy and Energy Conservation (EBTKE) of the MEMR, Harris Yahya, said to attain these targets, the government has prepared several strategies such as policy tools, financing and other supporting factors.

"Some strategies for the utilization of renewable energy after Covid-19, include the use of the State Budget for activities that can drive people's economy. One example is cooperating with the Ministry of Maritime Affairs and Fisheries in developing solar power plants (PLTS) to be used for cold storages," Harris said Friday (22/05).

Harris said the second strategy is the use of reservoirs or lakes for the construction of floating PLTS refers to PUPR Regulation Number 6 of 2020 which stated that 5 percent of the total reservoir area could be used for floating PLTS.

Third, an improvement of regulations can also be made by preparing renewable energy (RE) Presidential Decree (Perpres) in order to accelerate the development of renewable energy through attractive price schemes, mechanisms, and governance.

The fourth strategy is cooperating with international institutions in seeking low-cost funding sources, large-scale RE development cooperation, cooperation in RE integration and so on.

The fifth strategy is the improvement of regulations. The MEMR Regulation Number 4 of 2020 has recently been issued as an effort to amend the MEMR Regulation Number 50 of 2017. Harris said the EMR Ministerial Regulation is not a substitute for the Presidential Regulation which is currently being drafted.

"Other initiatives include support from stakeholders, a 50 GW PLTS mega booster program initiated by the Indonesia Smart Network Initiative, Nusantara Solar Power program to develop 1 GW of solar power per year initiated by the IESR, and PLTS for on-grid and portable cold storage which will drive the people's economy and saving energy costs," he said. C

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Moody's affirms PLN's Baa2 ratings, downgrades BCA to ba3

Moody's Investors Service has today affirmed Perusahaan Listrik Negara (P.T.)'s (PLN) Baa2 issuer and senior unsecured ratings and has downgraded its Baseline Credit Assessment (BCA) to ba3 from ba2.

At the same time, Moody's has affirmed the (P)Baa2 rating on PLN's senior unsecured MTN program. Moody's has also affirmed the Baa2 senior unsecured rating for the bond issued by Majapahit Holding BV, PLN's wholly owned subsidiary, and guaranteed by PLN.

The outlook on all ratings remains stable.

CA | Boim

Ratings rationale

PLN's Baa2 rating reflects the application of Moody's rating methodology for government-related issuers (GRIs) (February 2020) that combines: (1) the company's standalone credit quality, or baseline credit assessment (BCA) of ba3; and (2) Moody's assessment of the credit support that the government of Indonesia (Baa2 stable) is likely to provide in a distressed situation, in light of its 100% ownership of PLN.

"The downgrade of PLN's BCA reflects the company's weakening fundamentals, principally driven by a sharp decline in electricity demand over recent months, continued shortfall in receipts from the government and at the same time increased dependence on government subsidies, as well as its very high leverage," says Abhishek Tyagi, a Moody's Vice President and Senior Analyst.

"The ba3 BCA factors in the company's position as Indonesia's only vertically integrated electric utility, including its dominant position in generation, transmission and distribution (T&D)," adds Tyagi.

Moody's expects PLN's financial leverage will remain elevated, given its involvement in national capacity additions programs, namely fast track programs 1 and 2, and a further 35GW program. These programs will likely increase PLN's debt and pressure its key credit metrics over the medium to long term, until the programs are completed.

The four-notch rating uplift reflects Moody's expectation of a very high likelihood of government support in a distressed situation. Such expectation of support considers the 100% government ownership in PLN, plus the strategically important role that PLN plays in Indonesia's critical power sector.

The Baa2 rating also considers the moderate carbon transition risk of PLN despite 42% of its generation capacity being coal-based, because (1) coal continues to be cheapest source of electricity generation, (2) continued policy support for coal-based additions, and (3) its 100% ownership by the Government of Indonesia and its significant strategic importance.

The stable outlook reflects the stable outlook on Indonesia's sovereign rating and PLN's strategically important position as Indonesia's only vertically integrated electric utility, and its close linkage with the government. C

2nd INDONESIAN MINERALS BOOK 2019/2020

The mining industry has been one of the key sectors supporting Indonesia's economic growth for a number of years. The sector makes a significant contribution to Indonesian GDP, exports, government revenues, employment, and perhaps most importantly, the economic development of the remote regions where mining operations are located. The country has long been a major producer of minerals for international markets.

According to the Central Statistics Agency (BPS), the mining industry accounted for approximately 8% of Indonesia's Gross Domestic Product (GDP) in 2018 of Rp 14,837.4 trillion, with minerals and related products contributing 16.25% of the country's total exports of about US$180.22 billion.

"Indonesian Minerals Book 2019/2020" is the most comprehensive source of information on minerals mining industry in Indonesia. It is an invaluable source of information on minerals mining companies operating in Indonesia, including maps of their locations, mining methods, production activities, product specification and business plans. It also contains information about regulatory frame work in the industry, statistical data, and directories of industry and government contacts.

This full color book provides a comprehensive and easy-to-use reference containing detailed and up-to-date information on Indonesian minerals mining industry. This edition is definitely a must-buy reference book for not only business executives, prospective investors, players, but also research centers and consultants.

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By **Fitriana Mahiddin**, **Fransiscus Rodyanto** and **Ahmad Charlie Rivai Malessy**

Indonesia introduces significant changes to mining law

Indonesia's House of Representatives has passed a long-awaited amendment to the Mining Law, which promises to introduce significant changes to the sector and how mining companies operate in the country.

After years of deliberation, the House passed the bill (the "Mining Bill") on May 12, 2020, to amend Law No. 4 of 2009 regarding Mineral and Coal Mining (the "Mining Law").

As of this writing, the Mining Bill is on the desk of President Joko Widodo awaiting his signature to become law. This article is based on the most recent version of the Mining Bill that is publicly available, dated May 11, 2020. It is unclear when the official version of the Mining Bill approved by the House will be officially published and enacted.

The Mining Bill introduces numerous changes. This article will focus on the most significant changes to the Mining Law and their effect on companies in the sector.

New Mining Licenses

The Mining Bill requires that every mining business activity be carried out based on business licensing by the central government in the form of (i) business identification numbers, (ii) standard certificates, and/or (iii) licenses.

The Mining Law provides three types of license for mining activities:

- Mining Business License (Izin Usaha Pertambangan or "IUP");
- Community Mining License (Izin Pertambangan Rakyat or "IPR"); and
- Special Mining Business License (Izin Usaha Pertambangan Khusus or "IUPK").

An implementing regulation of the Mining Law, namely Minister of Energy and Mineral Resources ("MEMR") Regulation No. 7 of 2020 regarding Procedures for the Granting of Areas, Licensing and Reporting of Mineral and Coal Mining Business Activities ("MEMR Reg. 7/2020"), further stipulates the types of business licences for mineral and coal mining, which are:

- IUP Exploration;
- IUPK Exploration;
- IUP Production Operation ("IUPOP");
- IUPK Production Operation ("IUPKOP");
- IUPOP specifically for processing and/or refining;
- IUPOP specifically for transportation and sales; and
- Mining Service Business License (Izin Usaha Jasa Pertambangan "IUJP").

In addition to the three types of licenses under the Mining Law and the IUJP, the Mining Bill introduces the following licenses:

- IUPK for the Continuation of Operation of Contract of Work (Kontrak Karya or "COW"))/Coal Contract of Work (Perjanjian Karya Pengusahaan Pertambangan Batubara or "CCOW");
- Authorization Letter for Rock Mining (Surat Izin Penambangan Batuan or "SIPB");
- Assignment License (Izin Penugasan) for radioactive minerals mining activities;
- Transportation and Sales License (Izin Pengangkutan dan Penjualan); and
- IUP for Sales (Izin Usaha Pertambangan untuk Penjualan).

The above licenses, as well as business identification numbers and standard certificates, will be granted by the central government, which may delegate this authority to provincial governments for some licenses. The Mining Bill provides that the delegation of authority from the central government to provincial governments is related to the authority to grant, among others, IPR and SIPB.

Term of IUPs

The Mining Bill takes the same approach as the Mining Law where the IUP covers two stages of mining activity, i.e. (i) exploration and (ii) production operation. The term of the IUP depends on the type of mining commodity the IUP covers.

Under the Mining Law, IUP

The following table details the term of IUPs under the Mining Bill:

Mining license	Validity period (in years)	Extension
IUP for exploration for metal minerals	8	1 year per extension
IUP for exploration for non-metal minerals	3	N/A
IUP for exploration for certain types of non-metal minerals	7	N/A
IUP for exploration for rocks	3	N/A
IUP for exploration for coal	7	1 year per extension
IUP for operation production for metal minerals	20	Extendable twice, up to 10 years period per extension
IUP for operation production for non-metal minerals	10	Extendable twice, 5 years per extension
IUP for operation production for certain types of non-metal minerals	20	Extendable twice, 10 years per extension
IUP for operation production for rocks	5	Extendable twice, 5 years per extensio
IUP for operation production for coal	20	Extendable twice, 10 years per extension
IUP for operation production for metal integrated with processing and refining facilities	30	10 years per extension
IUP for operation production for coal integrated with development and utilization activities	30	10 years per extension

Exploration holders cumulatively calculated the term of their IUP Exploration according to each exploration activity (i.e. general investigation, exploration, and feasibility study).

Transfer of licenses and shares

IUP or IUPK holders are now allowed under the Mining Bill to transfer their IUP or IUPK to other parties, with the approval of the MEMR. This right extends only to IUP or IUPK holders that have:

1. completed their exploration activities, evidenced by the availability of data on the relevant resources and reserves; and
2. fulfilled all administrative, technical and financial requirements.

This represents a major change as the Mining Law explicitly prohibited the transfer of licenses to other parties, with the exception of the transfer of an IUP or IUPK to an affiliate in which the IUP or IUPK holder owned at least 51% of the shares. That exception was stipulated in Government Regulation No. 23 of 2010 regarding Implementation of Mineral and Coal Mining Business Activities, as amended several times, lastly by Government Regulation No. 8 of 2018.

Under the Mining Bill, a transfer of shares in holders of an IUP or IUPK is also subject to MEMR approval, which would be granted upon the completion of the exploration stage and the satisfaction of administrative, technical, environment and financial requirements.

In addition, the Mining Bill no longer requires the discovery of two prospective mining areas as a

prerequisite for the transfer of shares on the Indonesian stock exchange, as was required in under the Mining Law.

Prohibition on encumbering mining commodities

The Mining Bill reiterates the prohibition provided under MEMR Reg. 7/2020 on IUP or IUPK holders encumbering their IUP or IUPK or their mining commodities to other parties. Violation of this prohibition is subject to administrative sanctions by the MEMR in the form of (i) written warning, (ii) fine, (iii) temporary suspension of part or all of exploration or operation production activities, and/or (iv) revocation of the IUP or IUPK.

Based on the above, since all IUP and IUPK must be adjusted with the requirements under the Mining Bill within two years as of the enactment of the Mining Bill, mining companies would be advised to seek counsel to evaluate their options and negotiate with financiers to remove any encumbrances on their mining commodities.

Reserve Fund

For the purpose of mineral and coal conservation, the Mining Bill obliges IUP and IUPK holders at the production operation stage to annually carry out and allocate a budget for continued exploration activities. To guarantee continued exploration activities, the Mining Bill now requires all IUP and IUPK holders at the production operation stage to provide a reserve fund, the details of which are to be further regulated by a Government Regulation.

In a press release dated May 1, 2020, the Director General of Mineral and Coal Mining said this reserve fund would be used to conduct detailed exploration activities to gather actual data on Indonesian reserves and to find unexplored areas for development.

Extension of COW and CCOW

One of the most important changes under the Mining Bill is the guarantee for the continuation of COW and CCOW operations, which now can be extended into an IUPK for the Continuation of Operation of COW/CCOW, as follows:

COW/CCOW that has not yet received an extension shall be guaranteed two extensions in the form of an IUPK for the Continuation of Operation of COW/CCOW for a maximum 10 years per extension after the COW or CCOW has expired; or

COW/CCOW that has received its first extension shall be guaranteed a second extension in the form of an IUPK for Continuation of Operation of COW/CCOW for a maximum 10 years after the expiry of its first extension.

The above conditions shall take into account efforts to increase the state's revenue, namely (i) adjustment of the imposition of tax and non-tax state revenue and/or (ii) the area of the IUPK for the Continuation of Operation of COW/CCOW is in accordance with the development plan of the entire COW or CCOW area as approved by the MEMR.

COW or CCOW holders must submit an application to the MEMR for an IUPK for the Continuation of Operation of COW/CCOW at the earliest five years and at the latest one year before the COW or CCOW expires.

IUP Operation Production for Processing and Refining

The Mining Bill requires all existing IUPOP specifically for processing and refining issued before the enactment of the Mining Bill to be changed to an industrial business license no later than one year as of the enactment of the Mining Bill.

This requirement may address the concerns of smelter companies that previously had to obtain both an IUP Operation Production specifically for processing and refining and an industrial business license to conduct processing and/or refining business activities.

Conclusion

The Mining Bill seems to be trying to strike a balance between the interests of business and the government. It imposes additional obligations on miners, but the government provides greater assurances that miners will be able to continue their ongoing operations. It also seeks to foster Indonesia's mining industry by simplifying and centralizing the licensing process and creating a more flexible approach for conducting mining business activities. This new flexibility includes the ability of mining companies to self-determine the time period of each of their exploration activities and the ability to transfer mining licenses. C

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By *Eva Djauhari & Steven Martin*

AMENDMENT TO THE MINING LAW:

In search of better governance[1]

Amid the national battle against Covid-19, on 12th May 2020 the House of Representatives (DPR) managed to pass revision to the law No 4 of 2009 concerning coal and mineral mining ("Amendment"). The effort to provide certainty for the industry players deserves an applaud, despite persisting controversies and here and there flaws in the amendment.

The Amendment adds 52 new articles, amends 83 and delete 18 existing articles. The Amendment is also said to have been designed to be compatible with the currently drafted Omnibus Law concerning job creation.

The state interest and benefit for the country have been major drives to complete this Amendment. The industry players continue to face a number of challenges, including, inconsistencies and conflict authorities between central and regional government, market volatility etc.

This article is not intended to be exhaustive, hence it will not attempt to comment and explain all changes from the Law No. 4 of 2009 ("Mining Law") in detail. Rather than listing out all amendments, this article shares selected key points under the Amendment and their impact on the mining business environment.

Mining license

Under the leadership of President Jokowi, the government pledge to ease the complex red tape by cutting down bureaucracy and licenses. Attempts to simplify the licensing system has been consistently demonstrated by the government bureaucracy, and now also by the parliament. This Amendment introduces a new nomenclature of single Business License (Perizinan Berusaha) that may consist of:[2]

a. Mining Business Permit (Izin Usaha Pertambangan or IUP);
b. Special Mining Business Permit (Izin Usaha Pertambangan Khusus or IUPK);
c. IUPK as a continuation of contract/ agreement;
d. Small-scale Mining permit (Izin Pertambangan Rakyat or IPR)
e. Rock Mining Permit (Surat Izin Penambangan Batuan or SIPB)
f. Assignment Permit (Izin Penugasan);
g. Transportation and Trading Permit (Izin Pengangkutan dan Penjualan);
h. Mining Service Business License (Izin Usaha Jasa Pertambangan or IUJP); and
i. Mining Business License for Trading (Izin Usaha Penjualan).

The Mining Law (defined hereunder) did not expressly set out the mechanism of conversion of Contract of Work ("CoW") and the Coal Contract of Work ("CCoW") into IUPK. The Amendment specifically describes the conversion of these CoW and CCoW into a new form of IUPK as a continuation of contract/agreement. Therein the Amendment provides greater certainty for holders of CoW and CCoW to continue their investment.

Three new types of permit are introduced in the Amendment namely SIPB, Assignment Permit and Mining Business License for Trading. SIPB is specifically granted for rock mining. The Assignment Permit is to enable the government to assign business entities the right to conduct investigations and research in the context of preparing metal mineral or coal mining area for auction of a new tenement area.[3] The holder of the Assignment Permit will have right to match in the auction.[4] The Mining

1. *On the date of the writing of this article, the Amendment has not been officially published yet. This article refers to the latest known draft of the Amendment which is the draft dated on 11th May 2020.*
2. *Article 35(3) of the Amendment.*
3. *Article 17B(1) of the Amendment.*
4. *Article 17B(3) of the Amendment.*

CA | Khalsa

Business License for Trading is issued for business entities that are not engaged in mining business, but will sell mined minerals and/or coal.[5] While the central government is explicitly stated to be the only body authorised to issue Business Licenses, delegation of the authority to the provincial government is nonetheless allowed on the principals of effectivity, efficiency, accountability and externality. Issuance of Business License such as IPR and SIPB may therefore be delegated to the provincial government in accordance with such basis.

The Amendment is hoped to end the controversies regarding the dualism of the previous IUP Operation Production for Processing and Refining which was claimed to fall within the Ministry of Energy and Mineral Resources (MEMER) and Ministry of Industry. Article 104(1)(b) suggests the licensing for processing and refinery that is not integrated with mining activities may be within the authority if Ministry of Industry going forward.

Mining Authority

The implementation of the Law No. 4 of 2009 ("Mining Law") on the management of the mineral and coal mining had been constrained by the duel authority of the central government's regulations and regional government laws that resulted in the failure to achieve effective operation conditions for the miners, and eventually failed to provide optimal added value.[6] This observation, couple with concerns on the capacity and competency of the management capacity of the regional governments, has been the motivation for this Amendment to shift the mining authority to the central government.

This centralised scheme of the mining authority is designed to be in line with another prominent ongoing parliamentary project of the Omnibus Law. Harnessing the mineral and coal resources for the greatest benefit of the people of Indonesia, as mandated under the Indonesian constitution, has been translated into ongoing improvements to the mining authority. This Amendment is expected to ease issues of lack of coordination between government entities, conflict of authority and overlapped mining related regulations.

As discussed in the earlier section, while the absolute mining authority lays at the central government, delegation of part of the authority to the provincial government is allowed.

The new centralized authority and simple bureaucracy may improve business outlook in the mining industry. This is especially important with the slowdown of global economy, weak commodity prices and protectionism practise by Indonesia and many countries. Nevertheless, the central government, including other ministries or departments, must support the MEMR's management of the mining industry with adequate preparation, including sufficient resources and infrastructure for this amended system to succeed.

Article 173C of the Amendment

5 Article 105 of the Amendment.
6 Excerpt from Consideration part of the Amendment.

allocates a 6 months (or until the implementation regulation are issued) period for the governors to retain their authority over the mining industry, before it is passed to the central government. Furthermore, within 2 years of this Amendment, the governor is also required to transfer the IUP Exploration, IUP Operation Production, IPR, IUP Operation Production for Transporting and Trading, and IUJP related documents to the MEMR for the purpose of adjustment (Article 169C(c) of the Amendment).

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Transfer of Mining License

The Amendment also introduces a new concept enabling an IUP to be transferred to another party, subject to fulfilment of several conditions and Minister of MEMR's approval. The said conditions including:

1. The exploration activity must have been completed, as evidenced by the availability of data on resources and/or reserve;
2. The administration, technical, and financial requirements.

This innovation is particularly useful and is expected to incentivise junior mining companies. It is a hope that this breakthrough will invigorate the long-halted greenfield exploration industry in Indonesia. This provision is also expected to be able to attract more qualified investors.

Divestiture

Under the Amendment, holders of an IUP whose shares are majority owned by foreign entities will have to divest down to 49% ownership of its shares directly.[7] Like the old Law No. 4 of 2009, the Amendment requires the divestiture to be carried out pursuant to the hierarchy, in which the central government is at the top of the list, followed by regional governments, state-owned enterprises, regionally owned business entities, and last one is national private enterprises.

Unfortunately, there is no clear and specific timeline, nor of stages, for the divestment program. The detail of the divestiture obligation is expected to be further regulated under the Government Regulation. Given the different nature of each mining projects, it may only be more attractive for foreign investors to invest in this sector in Indonesia if the timeline and nature to divest their shares is more predictable for their business models.

Should the hierarchical divestment obligation be failed to occur, share divestment may be carried out through the Indonesian stock exchange. Thus, the public offering at the market serves only as a last resort.

The ensuing Government Regulation is also expected to regulate the price mechanism of divestment, which may refer to the fair market price as applied in some previous divestments.

Assurance on Spatial Plan

Mining industry, by its own nature, is a very complex industry requiring a high level of coordination between all stakeholders, including from the government institution. One of the issues faced by business actors is concerning the spatial plan (rencana tata ruang). Unfortunately, the spatial plan of each region does not always correspond with the already determined mining area. In some cases, the mining area is not even recognised in the spatial plan. This will definitely add a layer of complexity and challenge to the mining industry. The Amendment aims to resolve this issue by guaranteeing that there will be no modification, or any change, on the already determined mining area.[8]

Incentives to develop downstream industry

Although the Amendment recognises separate industry for processing and refinery, the in-country processing nevertheless remains the government's focus in order to add value for the purpose of welfare and prosperity for people of Indonesia. The Amendment, in this regard, provides incentives for holders

7 Article 112(1) of the Amendment. *8 Article 172B (2) of the Amendment.*

of IUP and IUPK for minerals and coal to develop downstream facilities. Article 83(g) and (h) of the Amendment states that mining industry which is integrated with downstream facility (processing and/or refining facility) will have an initial 30-years period of license with 10 years for each extension.

New Obligations

In support of sustainable national development, one of the aims of the management of the mineral and coal industry is to improve the income of the local communities, regions, and state as well as to create job opportunities for the greatest prosperity of the people.[9] To achieve this objective, the Amendment imposes obligations for mining industry to allocate funds for community development program.[10] Details regarding this social obligation is yet to be regulated and will be governed under a Minister decree. All experienced stakeholders in this industry are familiar with the complexity and vulnerability of communities surrounding mining areas. Mandatory consultation between the mining industry with all levels of government and locals reflect the implementation principals of participation, transparency, and accountability.[11]The Amendment updates some obligations in the use of mining roads. The Amendment introduce the requirement to allocate funds and conduct yearly exploration program and to allocate a new resilience fund. The details of this resilience fund are to be regulated in the Government Regulation.

Continuation of Mining Operation for CoW and CCoW

Continuation of CoW and CCoW has been the highlight of this Amendment. Article 169A of the Amendment provides a guarantee for CoW and CCoW for an extension to continue their mining operations after its expiry. Such extension will be granted without tender by converting the contract/agreement into IUPK as a Continuation Operation (IUPK Operasi Produksi sebagai Kelanjutan Operasi Produksi or "Operation Continuance IUPK") with the following terms:

a. CoW or CCoW that has not been extended, are guaranteed to obtain two-times extension in the form of Operation Continuance IUPK, for a maximum period of 10 years each, after the initial expiry period of the CoW or CCOW ; and
b. CoW or CCoW that has been extended once, are guaranteed to obtain a one-time extension guarantee in the form of Operation Continuance IUPK, for a maximum period of 10 years each, after the first extension of such CoW or CCoW has expired;

It is worth noting that CoW and CCoW contribute great portion of national mining production and state revenue, hence it could be understood that provisions providing business and legal certainty is crucial to be inserted in the Amendment.

Apart from the guarantee for extension to IUPK status, applying for mining areas outside of their current area to support its activities is also permitted.[12] Although rather vague, it is appropriate to interpret that the additional area will be used solely for infrastructure, or other supporting purpose, and not for mining excavation area.

Conversion of CoW and CCoW into Continuation Operation IUPK shall also exempt the holder from the rules of maximum mining area as provided under the Amendment since the CoW or CCoW may still retain the present mining area in its entirety.

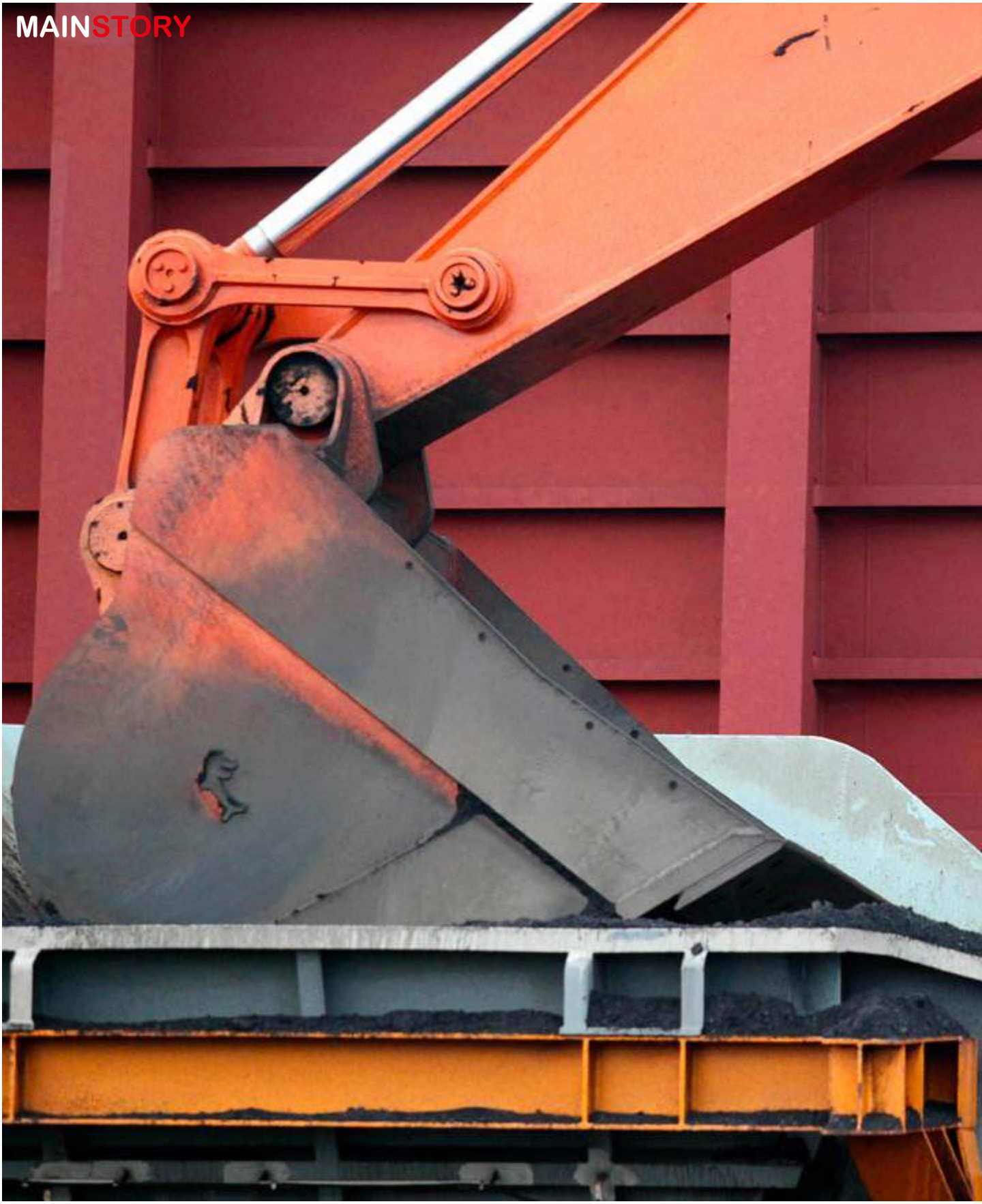
The application for such conversion into Continuation Operation IUPK must be submitted to the Minister of Energy and Mineral Resources at the earliest within 5 (five) years and at the latest 1 (one) year prior to the expiration of the CoW or CCoW.

Where to from here?

Many details of the Amendment are left to be further defined in the implementation regulations, which shall be prepared within 1 year of this Amendment. This is a short timeframe for the government to produce a number of Government Regulations, while at the same time preparing resources and infrastructure to fulfil its expanded regulatory authority over small mining etc. Will the timeline be met? And will this be effective to improve mining governance? At least, this Amendment is a steppingstone to get us to a better world, if not a perfect world. C

This article has been contributed by **Eva Armila Djauhari** and **Steven Martin** of Armila Rako, a corporate law firm based in Jakarta. The above article does not, and is not intended to, or constitute as legal advice; instead this article is for general informational purposes only. Information contained in this article may not constitute the most up-to-date legal or other information. Should the readers have any inquiries, readers can contact the authors at steven.martin@armilarako.com and eva.armila@armilarako.com. Any reliance on this article is at the user's own risk.

9 Article 3 of Law No. 4 of 2009.
10 Article 108(2) of the Amendment.
11 Article 2 (c) of the Law No. 4 of 2009.
12 Article 169B(5) of the Amendment.



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Scrutinizing mining law amendment

The long-awaited amendment of Mining Law No 4/2009 was finally ratified by the House of Representative on 12 May 2020. The Law provides the central government greater authority to manage the mining industry, including permits issuance and production quota.

By **Tri Subhki R.**

The Amendment of Mining Law No 4/2009, which was approved by 8 factions and rejected by 1 faction of the House of Representatives, also stipulates the obligation to develop domestic mineral downstream industry by 2023 and divestment of foreign ownership up to 51 percent.

"The divestment obligation may not hamper the investment," Arifin Tasrif, Minister of Energy and Mineral Resources, said in the plenary meeting with lawmakers on May 12, 2020.

The investment realization in 2019 was US$6,502 million or higher than initial target at $6,175 million. In 2020, the government sets investment target at $7,794 million.

Arifin also said that the industry should change the paradigm which only focuses on the sale of raw materials. "Downstream industry also ensures the availability of supply for domestic industries."

By the end of 2019, there are 17 smelters which have been built and the government sets target to build 21 smelters in 2020, in which four additional smelters comprise of two nickel smelters, one lead and one manganese smelters. The government expects there will be totally 52 smelters by 2024 which comprise of 29 nickel smelters, nine bauxite smelters, four iron smelters, four copper smelters, two manganese smelters and four lead and zinc smelters.

The law confirms the change of Contract of Work (CoW) and Coal Contract of Work (CCoW) into Special Mining Permit (IUPK) as the extension of existing contracts. "It aims to improve the state revenues," Arifin said.

Directorate General of Mineral and Coal announced that the Non-Tax State Revenue (PNBP) realization from mineral and coal subsector in 2019 was Rp45.59 trillion or exceeded the initial target at Rp43.27 trillion. In 2020, the government sets PNBP target at Rp44.34 trillion, and the PNBP realization in the first quarter 2020 was Rp5.86 trillion.

One of the most important changes under the Mining Law is the guarantee for the continuation of COW and CCOW operations, which now can be extended into an IUPK for the

Continuation of Operation of COW/CCOW.

SSEK Legal Consultants noted that COW/CCOW that has not yet received an extension shall be guaranteed two extensions in the form of an IUPK for the Continuation of Operation of COW/CCOW for a maximum 10 years per extension after the COW or CCOW has expired.

COW/CCOW that has received its first extension shall be guaranteed a second extension in the form of an IUPK for Continuation of Operation of COW/CCOW for a maximum 10 years after the expiry of its first extension.

The law also accommodates the interest of people's welfare by expanding the people's mining permit (or locally known Izin Pertambangan Rakyat) concession area from 25 hectares to 100 hectares.

The greater authority of central government on the mining industry, according to Arifin, may not affect the local governments' revenues from mining. "Local governments get additional revenue from people's mining permit," Arifin said.

Minerals and coal as nonrenewable natural resources shall constitute national property that is controlled by the state in the greatest prosperity of the people, stated in Article 4 Chapter III.

However, the control of natural resources now has been given to central government. The previous article stated that control of minerals and coal by the state shall be conducted by the Government and/or the regional governments.

However, the amended Article stated that control of minerals and coal by the state shall be conducted by the Government in accordance with provisions of this Law. The phrase "and/or the regional governments" is omitted. The Articles 7 Chapter IV related with regional governments' authority has been revoked.

The Law also strictly regulates the environmental, reclamation and post-mining issues in mining industry. Arifin said that there are still many mine voids due to non-compliance mining permit holders. "The Law set strict sanctions among others criminal and administrative sanctions up to Rp100 billion," he said.

Environmental issue is one of the government's focuses in mining industry. In 2019, the reclamation realization was 7,626 hectares in which 6,545 hectares of ex-mine areas conducted by permit holders of central government's mining licenses. In 2020, the government sets reclamation target of 7,000 hectares.

For reclamation and post-mining funds, the total realization of IUP holders that deposit reclamation fund was only 66.69 percent (3,603 IUP holders) and 32.93 percent (1,696 IUP holders) who deposit post-mining fund.

> "The Law set strict sanctions among others criminal and administrative sanctions up to Rp100 billion"
>
> **Arifin Tasrif**
> *Minister of Energy and Mineral Resources*

Welcome the Law

IDX-listed coal mining giant PT Bumi ResourceS Tbk welcomes the ratification of the long-awaited new mining law, which will provide legal basis for miners seeking to renew their operating permits.

Bumi's coal subsidiaries, PT Arutmin Indonesia and PT Kaltim Prima Coal (KPC) are set to see their first-generation coal contracts of work (or PKP2B) to expire respectively on 1 November 2020 and in 2021.

"It is a positive development and seems conducive for investment and growth," Dileep Srivastava, Director and Corporate Secretary of Bumi, said to *CoalAsia* recently.

Srivastava did not give further comments regarding the new mining law and Bumi's plan to extend the operating permits of its subsidiaries. "We await the final firm regulation for us to study and enable us to make a meaningful comment," he said.

The government grants production quota of as much as 52.6 million tons in 2020 for KPC and 22.9 million tons for Arutmin. Meanwhile, Bumi stated that KPC has production capacity of between 60-65 million tons and Arutmin has production capacity between 28-30 million tons in 2020.

Out of 550 million tons of total national production volume this year, as much as 340 million tons will be produced by CCoW holders and IUP holders under central government authority. Meanwhile, as much as 210 million tons of production volume will be produced by IUP holders under regional government authority.

As of May 2020 the production volume realization was 218.09 million tons or 39.65 percent of total target. In 2019, the coal production volume realization was 610 million tons. The coal export volume target this year is 395 million tons and the export realization as of May 2020 was 133.85 million or 28.82 percent of total target.

Strike a Balance

Fitriana Mahiddin, Fransiscus Rodyanto and Ahmad Charlie Rivai Malessy of SSEK Legal Consultants said The Mining Bill seems to be trying to strike a balance between the interests of business and the government.

"It imposes additional obligations on miners, but the government provides greater assurances that miners will be able to continue their ongoing operations," they said in a report.

SSEK stated that the Law also seeks to foster Indonesia's mining industry by simplifying and centralizing the licensing process and creating a more flexible approach for conducting mining business activities.

"This new flexibility includes the ability of mining companies to self-determine the time period of each of their exploration activities and the ability to transfer mining licenses," SSEK said. C

ANALYSIS

*By **Clayton Scott** | Regional Director ASEAN Sword GRC*

Ten steps to better informed strategic decision making

Strategic business decisions are often made with incomplete information.

Risk convergence is the process of integrating different risk domains within the business which have traditionally been handled separately – areas such health and safety, major project risk, Supply Chain risk and business continuity.

There are ten key steps in the journey towards a converged risk management approach which Sword Active Risk has identified from numerous successful risk management projects:

1. Identify the business case for change prior to the start of the project. Include quantified benefits which the board expects to be achieved and the risk information it needs to support strategic decision making.
2. Name an executive level sponsor to drive the initiative. This will send the right message across the organization about the importance, purpose and expected benefits.
3. Communicate regularly and consult at all stages with key stakeholders.
4. Don't underestimate the change management and training necessary to embed a 'risk culture' into the business.
5. Identify overlaps and gaps in the existing risk functions and systems.
6. Develop an organization-wide risk and control process which includes a common risk language
7. Establish a central repository where all risk information is stored with a common data structure. With all the data in one place it can be analyzed to identify trends, interdependencies and the effectiveness of risk treatments.
8. Establish a 'community of practice' to ensure effective communication with regards to risk and to share lessons learned and best practice.
9. Establish a 'Risk Knowledge Base' which employees from around the world can search to see how others have handled risk on similar projects and in bids for new business.
10. Implement a process of continuous review and monitoring to ensure that the changes made yield the expected results.

About Sword ARM

Sword ARM enables the identification, communication, analysis and mitigation of risks in quantitative and qualitative formats. It covers project and portfolio risk, supply chain risk management, business continuity, controls management, reputational risk, health and safety, incident management, governance, compliance risks and more right across the business.

British Nuclear Group case study

British Nuclear Group has a proud track record of applying exceptional experience to complex nuclear challenges. Its design and operational solutions are actively delivering a safer environment, both now and for the future.

The challenge

As part of a new drive to standardise procedures, British Nuclear Group has reviewed all of its in-house systems and identified the need to have one common way of working across functions, including risk management.

Operating safely and cost efficiently

British Nuclear Group Management Services manages both operational plants and delivers accelerated site clean-up operations at various reactor sites.

Management Services manage and operate the activity under contract to the exacting standards of safety and cost efficiency of the Nuclear Decommissioning Authority the Government body established in April 2005 responsible for delivering the decommissioning programme of the UK's civil nuclear legacy

Robin Phillips, Risk Manager of British Nuclear Group Management Services at Sellafield explained why Sword Active Risk Manager is so important:

"Management Services operates as two groups, Sellafield which covers four sites and Reactor Sites which covers a total of eleven sites, with Sellafield being by far the largest individual site. The sites are all at different stages, however, all sites are due to be decommissioned in the future therefore each site is treated separately, with different projects and programmes of work. We needed to find a way of actively managing risk across the different programmes and being able to report to the Nuclear Decommissioning Authority ."

Many of the buildings on the older sites are ageing and the main aim of the Nuclear Decommissioning Authority programme is to reduce any potential hazard by treating the waste and changing it into a safe and environmentally friendly state. Using Sword Active Risk Manager (ARM) within the Programme Office enables a central overview of all projects, while project managers have accountability and visibility of their own work.

Change programme

Each plant site had historically been split into individual businesses, with the result that each department and business group had different databases and processes. An internal audit highlighted inconsistencies across the reporting, making it difficult to get consistent reports and an accurate overall picture.

"Changing from owner/operator to a contractor has also initiated a huge change programme across the organisation," said Robin Phillips. "The costs of the clean up programme are immense and it is vital that we have systems in place that can manage the projects throughout their lifecycle in a consistent way across all the businesses and different sites."

Managing risks

There are over 700 ongoing projects – a mixture of projects and operating plant activities – across the sites at any one time. Many of the business areas are interrelated and dependent on each other, with little buffer in between so managing the risk in those interfaces is a complex and critical task.

Sword ARM is used by the central team to track and monitor the management of risk within the four sites – from site level right down to individual projects. The whole hierarchy, down to the work breakdown, in terms of live risks is nearly 10,000. Sword ARM enables Management Services to use the hierarchy to filter out, flag and escalate risks upwards if required.

"We draw risk reports that also form part of performance reports. They are being pulled straight out of Sword ARM and into our reporting process, saving a lot of time. We need a good handle on risk management. Sword ARM gives us that visibility and helps us to pull out the critical risks we should be focussed on," said Robin Phillips.

Central Control

Sword ARM enables central control, while providing accountability at the project or individual level. Risk co-ordinators look after areas of business on a day-to-day business, reporting to line managers but using standards and processes set centrally. The central Programme Office is responsible for setting standards, capabilities and processes. It also reviews and challenges and is then responsible for central reporting

"The important thing about Sword ARM is that it enables us to have a devolved risk process which is run within individual areas but our central team maintains the overview across the sites and the business, something we couldn't do before," concluded Robin Phillips.

Sword ARM is used by major organizations around the globe including British Nuclear Group, Rio Tinto, Lockheed Martin, NASA and London Underground and has offices in the UK, USA, Australia, Malaysia and the Middle East. C

CA | Boim

Moody's revises outlook on ABM to negative

Moody's Investors Service has affirmed the B1 corporate family rating (CFR) of ABM Investama Tbk (P.T.) and the B1 rating on its $350 million senior unsecured notes due 2022.

At the same time, Moody's has revised the outlook on these ratings to negative from stable.

Ratings rationale

"The change in ABM's outlook to negative from stable reflects our expectation that its credit metrics will deteriorate over the next 12 months, amid a challenging operating environment including weak thermal coal prices," says Maisam Hasnain, a Moody's Assistant Vice President and Analyst.

"At the same time, the affirmation of ABM's B1 ratings reflects (1) its integrated operations, which support its operating performance through cost synergies; and (2) its adequate liquidity with no material near-term debt maturities," adds Hasnain, who is also Moody's Lead Analyst for ABM.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented.

More specifically, ABM is exposed to weak thermal coal prices, which are likely to remain low over the next 12 months as the coronavirus-led economic downturn reduces demand for thermal coal.

Moody's regards the coronavirus outbreak as a social risk under its environmental, social and governance (ESG) framework, given the substantial implications for public health and safety. Today's action reflects the impact on ABM of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

Based on its medium-term price assumptions for Newcastle thermal coal of $60-$65 per ton, Moody's estimates that, as a result of weak earnings and cash flow, ABM will maintain adjusted EBIT/interest of around 1.3x and adjusted (CFO-dividends)/debt of around 17% over the next 12-18 months. This would be in breach of the downward rating triggers for its B1

ratings of 2.0x and 20% respectively.

The earnings contraction will primarily be driven by lower earnings at its wholly owned mining subsidiary, PT Reswara Minergi Hartama, due to lower coal prices. Reswara, with three operating mines, is the largest earnings contributor, accounting for around half of ABM's reported revenue in 2019.

Reswara's coal is produced predominantly through PT Mifa Bersaudara (MIFA) which produced 7.1 million tons in 2019. ABM is increasing production at its MIFA mine to compensate for the declining production at its PT Tunas Inti Abadi (TIA) mine, which produced four million tons in 2019 and will likely run out of coal reserves by 2022.

However, MIFA has a short track record of ramping up volumes, which will lead to execution risk. Also, MIFA's coal has lower calorific value than TIA's and is sold predominantly to India. Thus, any material reduction in Indian coal imports will reduce MIFA's coal sales.

In light of weak coal prices and slowing economic growth, the downside risk to ABM's credit metrics worsening beyond Moody's current expectations is elevated, particularly if ABM's sales volume declines this year, or if coal prices remain low for a prolonged period.

There is also uncertainty over the financial health of the external customers for ABM's mining services business, operated by its subsidiary PT Cipta Kridatama (CK). Most of these customers are private companies with limited public information, and their ability to maintain profitable operations amid weak coal prices is relatively untested.

ABM has sufficient liquidity to meet its cash needs for the next 12-18 months, with no significant debt maturities until August 2022, when its $350 million bond comes due. Moody's expects ABM to refinance its bond well ahead of maturity date. A material reduction in its cash balance of around $102 million as of 31 December 2019 would likely lead to a downgrade.

The rating also considers ABM's exposure to ESG risks as follows.

First, ABM faces elevated environmental risks associated with the coal mining industry, including carbon transition risk as countries seek to reduce their reliance on coal power. A reduction in global demand for thermal coal may weaken prices and hurt ABM's credit metrics, given that around 72% of the company's revenue was generated from coal mining and mining contracting in 2019.

Second, ABM is also exposed to social risks associated with the coal mining industry, including health and safety. The company has implemented processes to ensure occupational safety and conducts safety training and health checks for its employees. The company also engages with and supports the local communities where its mines are located.

With respect to governance, ABM's ownership is concentrated in the Hamami family, which held an approximate 79% stake in ABM in 2019, and has provided operational and financial support to ABM in the past. Although ABM's $60 million minority investment in the promoter-owned mining company PT Multi Harapan Utama in 2019 was a related-party transaction, it obtained a fairness opinion and sought bondholders' consent to complete the investment.

Factors that could lead to an upgrade or downgrade of the ratings

An upgrade of ABM's ratings is unlikely over the next 12-18 months, given the negative outlook.

The outlook could return to stable if ABM improves its credit metrics on a sustained basis, and maintains sufficient liquidity to cover its cash needs over the next 12-18 months.

Specific indicators that Moody's would consider for a change in outlook to stable include adjusted debt/EBITDA below 4.0x, adjusted EBIT/interest above 2.0x, and adjusted (CFO - dividends)/debt above 20%, all on a sustained basis.

Moody's could downgrade the ratings if (1) ABM fails to improve its consolidated earnings and cash flow; (2) it fails to extend its mine life in the near term or increase its coal production volume, or both; (3) its liquidity weakens; or (4) there is evidence of cash leakage to its unrestricted power subsidiary, PT Anzara Janitra Nusantara (AJN).

Specific indicators that Moody's would consider for a downgrade include adjusted debt/EBITDA above 4.0x, adjusted EBIT/interest below 2.0x, and adjusted (CFO - dividends)/debt below 20%.

The principal methodology used in these ratings was Mining published in September 2018 and available at https://www.moodys.com/research/Mining--PBC_1089739. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Listed on the Indonesian Stock Exchange since 2011, ABM Investama Tbk (P.T.) is an integrated energy company with investments in coal mining, mining services, engineering and logistics, and power generation.

The Hamami family controls 79% of ABM through PT Tiara Marga Trakindo (23%) and Valle Verde PTE LTD (56%). The remaining shares are held by the public. C

Moody's assigns Baa2 rating to Inalum's proposed notes; outlook negative

Moody's Investors Service has assigned a Baa2 senior unsecured rating to the proposed senior notes to be issued by Indonesia Asahan Aluminium (Persero) (P.T.) (Inalum, Baa2 negative).

The outlook is negative

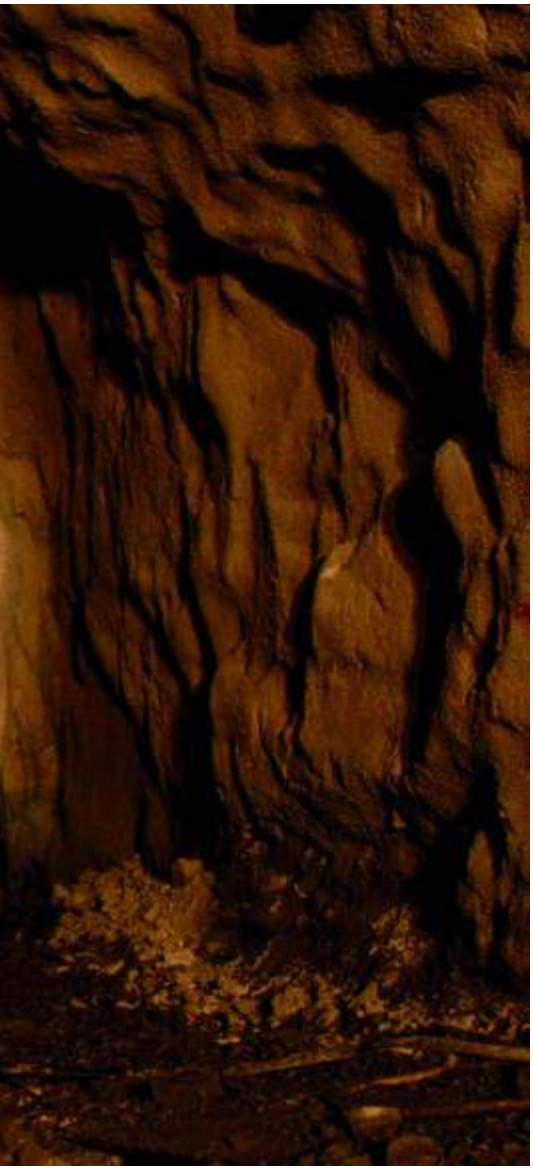
Inalum plans to use the proceeds redeem certain of the company's existing bonds, acquire shares in other mining companies, and refinance outstanding indebtedness of the group.

Ratings rationale

The Baa2 rating on the proposed notes is in line with Inalum's issuer rating and Moody's rating on the company's existing senior unsecured bonds.

"The proposed bond issuance will fund its planned acquisition of a 20%-25% stake in Vale Indonesia, refinance debt at Inalum and its subsidiaries and lengthen its debt maturity profile," says Nidhi Dhruv, a Moody's Vice President and Senior Analyst.

Still, Moody's expects Inalum's weaker financial performance amid weak commodity prices, coupled with the proposed debt-funded acquisition of a stake in Vale Indonesia, will drive consolidated debt levels to around $6.5 billion, and gross adjusted leverage to 8.0x in 2020 from 6.2x in 2019.



Moody's expects leverage to remain elevated at 8.0x-8.5x through 2022, until PT Freeport Indonesia (PTFI) starts paying meaningful dividends which will improve the group's consolidated EBITDA. We do not expect any reduction in the group's absolute debt levels through 2022.

Inalum owns 51.2% (beneficial equity limited to 41.2%) of PTFI, which operates the world's second largest copper mine and largest gold mine at Grasberg. The development of the underground mine at Grasberg is progressing as per plan, although Moody's expects PTFI to start contributing material dividends only from 2022-2023.

"Although debt levels will rise at the holding company level, the additional interest expense can be serviced with dividends upstreamed primarily from its 66%-owned coal subsidiary, PT Bukit Asam (Persero) Tbk," adds Dhruv, also Moody's Lead Analyst for Inalum.

Moody's expects Bukit Asam, will account for over 90% of dividends Inalum receives from its subsidiaries. Inalum's other subsidiaries. PT Aneka Tambang (Persero) Tbk (ANTAM) and PT Timah (Persero) Tbk, which are also 65%-owned, are relatively small, financially weaker and unlikely to upstream a meaningful amount of dividends.

Inalum's Baa2 issuer rating reflects the application of Moody's rating methodology for government-related issuers — published in February 2020 — that combines: (1) its ba2 baseline credit assessment (BCA); and (2) a three-notch uplift based on Moody's expectation of a high likelihood of extraordinary support for the company from the government of Indonesia (Baa2 stable) in times of need.

Inalum's ba2 BCA continues to benefit from the company's diversified mining portfolio across coal, gold, nickel, tin, copper and aluminum, as well as its low-cost, globally competitive operations.

Despite additional debt at the holding company, notching for structural subordination is mitigated on the basis of the Government of Indonesia's (Baa2 stable) 100% ownership in Inalum. Moody's expects support from the government, if required, will flow to Inalum directly as opposed to the operating subsidiaries.

Inalum's liquidity is weak, and its cash sources will not be sufficient to meet capex requirements across the group and debt maturities of $1.0 billion at the holding company over the next 12-18 months. Nevertheless, refinancing risk is low given the company's government ownership and access to the bank and bond markets. As such, Moody's expects Inalum to refinance in a timely manner.

Inalum is the government-appointed holding company for mining state-owned entities. It is responsible for managing the country's mineral reserves and developing Indonesia's downstream industry. The government also appoints board-level staff at Inalum and plays a key role in Inalum's budget planning, investments and financing decisions.

ESG considerations

In terms of environmental, social and governance (ESG) factors, Inalum's ratings reflect elevated environmental risk, as the company's mining and aluminum smelting activities require government approval and licenses. Bukit Asam, the largest contributor of dividends to Inalum, is exposed to carbon transition risks as countries seek to reduce their reliance on coal power.

However, this risk is somewhat mitigated as 60% of its revenue is generated through domestic sales in Indonesia, a region with growing energy needs.

The Inalum group also faces moderate social risks relating to its mining activities, including health and safety risk, and interactions with local communities.

Inalum has low governance risk. The Government of Indonesia -- through the Ministry of State Owned Enterprises -- owns 100% of the company, and also appoints the board of commissioners and directors. Inalum's subsidiaries, Bukit Asam, ANTAM and Timah are listed on the Indonesian Stock Exchange.

Rating outlook

The negative outlook reflects Inalum's elevated leverage and weak liquidity, which in turn reflect the weaker credit profiles of its operating subsidiaries amid a softer commodity price environment. C

CA | Boim

IEEFA: The outlook for thermal coal in Southeast Asia and South Asia

Seven headwinds are building to sustained growth in coal in Asia

The medium term outlook for thermal coal in Southeast Asia is positive. The region is likely to see a continuation of growing energy demand on the back of strong demographic trends which underpin a strong regional economic growth profile.

However, investors and corporates should proceed with eyes wide open to the risks of the global energy transition.

Southeast Asian coal-fired power generation is far from a locked-in certainty

There are an increasing number of technology, economic and financial headwinds which suggest the growth profile for coal is far less certain. The global deflationary renewable energy trends make this an ever more significant competitive pressure.

And while in Asia we are witnessing the first movers to begin divesting from coal financing, global financial markets have for some time been increasingly grappling with the financial flow implications of the need to align with the Paris Agreement and contain global carbon emissions to limit warming to below 2°C.

Southeast Asia today is viewed as the last likely bastion of strong growth in coal demand globally. But just as Indian coal-fired power generation fell an entirely unprecedented 26TWh or -3% during 2019, we note expectations for sustained decades-long growth in Southeast Asian coal-fired power generation is far from a locked-in certainty.

IEEFA can identify seven factors that we expect will materially undermine rather optimistic forecasts of thermal coal demand growth in developing Asia, particularly at a time when the rest of the world is progressively moving in the opposite direction.

Record low solar tariffs of just US$14-20/MWh have been set

Firstly, as illustrated by the unexpected economic headwinds experienced in India during 2019 and the now likely global growth recession of 2020, economic growth moves in cycles, averaging materially below the consistent, smooth growth rates forecast by economists and power sector planners alike.

Secondly, the strong deflation

evident in renewable energy tariffs globally over the last decade will likely continue at similar rates over the coming decade. Record low solar tariffs of just US$14-20/MWh have been set in countries ranging from Qatar, the UAE, Portugal, the U.S. and Brazil over the last year, at some 10-15% below previous record lows set only a year earlier in the same countries. To date, Southeast Asia has been the exception to this global rule.

Vietnam surprised all with a tenfold expansion in installed solar capacity in 2019

With Indian wind and solar tariffs falling 50% in a single year in 2017, and Chinese solar tariffs falling 40% in 2019 alone, markets can quickly adjust to take advantage of the right government policy changes. And even where government policies are not supportive, finance can very quickly leverage this technology disruption, as Australia saw with solar tariffs dropping 70% in the three years from 2017 to average below US$30/MWh by 2019. Vietnam surprised all with a tenfold expansion in installed solar capacity in 2019 alone. And 2020/21 is likely to see a similar Vietnamese expansion in onshore wind.

A third factor at play across key global electricity markets is the impact of policy measures to address chronic air pollution. While China has recently backed off their war on air pollution, Taiwan and South Korea have both taken up the mantle. South Korea introduced, then dramatically stepped up their coal tax, reaching US$40/t in 2019. When combined with their national emissions trading scheme seeing carbon emissions priced at US$20/t and the ongoing collapse of liquified natural gas (LNG) pricing, coal is now being priced out of the market. India has likewise legislated a retrofitting or closure policy for its existing coal power fleet, and mandated significantly tighter emissions standards for new coal builds.

The current collapse in LNG and oil prices is providing a short term buffer

The fourth factor at play is energy security. Assuming a post-pandemic return to strong emerging markets economic growth means a rapid increase in energy demand. The current collapse in LNG and oil prices is providing a short term buffer, but if sustained, will kill the economics of new supply globally.

A fifth factor is the enormous scale of opportunity to build domestic energy capacity in the form of offshore wind. Far from commercially viable in the Asian context as yet, the growth aspirations in offshore wind in Taiwan have illustrated that, on a 15 year timeframe, it could be one of the largest new power sources in markets ranging from China and Japan to India and Vietnam.

A sixth factor acting as a key facilitator in the growth aspirations of Southeast and South Asian economies from Vietnam to Pakistan, has been China ‘Going Global’, the last iteration of this strategy being the “Belt and Road Initiative” (BRI). For example, the China–Pakistan Economic Corridor was reported in 2017 to involve US$62bn of Chinese outbound investment into Pakistan alone, with the majority being directed to power generation and associated infrastructure. However, the prolonged U.S.-China trade war and now the coronavirus has redirected China’s focus inwards towards sustaining domestic economic growth. Having peaked in 2017, China’s new outbound power generation investment by its two leading development banks was down 68% yoy in 2019 to just US$2.4bn.

The final factor we identify is the rapid shift in global financial markets away from coal mining and coal-fired power plants. IEEFA has identified 134 globally significant financial institutions across the banking, insurance and asset manager / asset owner sectors that have introduced formal coal restrictions, divestment or exclusion polices for thermal coal. This is increasingly impacting both the availability and cost of debt and equity finance globally, as well as insurance.

The window of opportunity for thermal coal exporters to find new markets in South Asia has largely closed

The impact of these movements on the thermal coal export industries of Indonesia and Australia could be profound in the long term. Future increases in coal demand in Southeast Asia look increasingly unlikely to offset the coming import declines in key markets – Japan, China, South Korea and Taiwan. Meanwhile India’s determination to increase reliance on renewables and domestic coal suggests the window of opportunity for thermal coal exporters to find new markets in South Asia has largely closed.

Southeast and South Asia are seen as the last bastion of sustained strong growth in thermal coal demand. This might provide a counter to the massive, ongoing contraction of coal demand evident across Europe and North America, and the probable plateauing of demand in China and India. However, there are a number of policy, technology, economic and financial headwinds that are building to collectively truncate these growth expectations. C

Fitch Affirms GEMS at 'B+'; Outlook Stable

Fitch Ratings has affirmed Golden Energy Mines Tbk's (GEMS) Long-Term Issuer Default Rating (IDR) at 'B+' with a Stable Outlook. At the same time, Fitch Ratings Indonesia has affirmed GEMS's National Long-Term Rating of 'A(idn)' with a Stable Outlook.

We assess GEMS's linkage with its 67% shareholder, Golden Energy and Resources Limited (GEAR, B+/Stable), as moderate and consequently rates GEMS based on the consolidated credit profile of GEAR, based on our Parent and Subsidiary Linkage criteria. The affirmation reflects our assessment that the group's credit profile remains adequate for its rating level, even as we have lowered our coal price and volume assumptions. Fitch cut GEMS's selling prices following our commodity price assumptions (see "Fitch Ratings Cuts Some Metals, Mining Price Assumptions on Coronavirus Hit", dated 6 April 2020, available at www.fitchratings.com/site/pr/10117162).

We have also revised down our sales volume forecast to 27.5 million tonnes (mt) in 2020 following our expectations of weakening demand due to the coronavirus. We expect volume to rise to 32.5mt in 2021 and increase by about 4mt over the following two years, reaching 40mt by FY23. We assess GEMS's standalone profile at 'b+', reflecting its healthy reserve life, the low-cost position of its key mine, PT Borneo Indobara (BIB), and adequate financial profile. This is partially offset by mine concentration, regulatory risks and the cyclical nature of the coal industry.

'A' National Long-Term Ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

Key rating drivers

Moderate Linkage with GEAR: Fitch maintains its assessment of moderate linkages between GEAR and GEMS under Fitch's Parent and Subsidiary Rating Linkage criteria. GEAR retains majority representation over GEMS's board, and is involved in managing GEMS's operation. GEAR's standalone operations are not significant and it solely depends on dividends from its subsidiaries, primarily GEMS, to service the debt at its level.

An agreement between GEMS's shareholders ensures that the company will maximise profit distribution by paying at least 80% of its free cash flow as dividends. However, GMR Coal Resources Pte. Ltd, which owns 30% of GEMS, has also appointed key management personnel and has veto power in major corporate transactions.

Temporary Volume Decline at GEMS: We expect GEMS's sales volume to fall by about 10% to 27.5mt in 2020 (2019: 30.8mt) due to weaker demand on account of the economic slowdown caused by the coronavirus pandemic. This is down from our original expectation of a growth to 36mt in 2020. We expect the company to maintain its growth trajectory after 2020, reaching close to its target peak production volumes of around 40mt by 2023.

GEMS's production base has grown significantly over the last few years, expanding by about 8mt in just 2019 from 22.6mt in 2018. GEMS does not require any significant infrastructure

enhancement to support its volume growth as its own port is able to support shipping of about 44mt a year. We expect the company to reduce capex to about USD10 million in 2020 (2019: USD23 million) and then increase it to about USD25 million a year starting 2021, mainly to upgrade the capacity of the hauling roads and crushers.

Decline in Profitability: We expect GEMS's EBITDA per tonne to be between USD3.1/tonne-USD3.5/tonne in 2020 based on our revised price assumptions before rising back to remain between USD4/tonne and USD5/tonne (2019: USD4/tonne, 2018: USD6.8/tonne), over the next three years. The decline in the profitability is in line with the industry, although this is partially offset by the decline in fuel prices. Consequently, we expect GEMS to have a net debt position starting 2020 through our forecast period, as opposed to a neutral position in 2019.

GEMS Limited Mine Diversity: BIB accounts for more than 90% of GEMS's total production and above 65% of the proven and probable (2P) reserves. BIB's production ramp-up plans means the contribution from GEMS's other mines will remain small. The reserve concentration risk is partly offset by the geographical diversification of their reserves, with about 30% of their 2P reserves outside the island of Kalimantan. In terms of operations, we believe the risk is mitigated by its contracts with leading Indonesian mining contractors, such as PT Saptaindra Sejati (a subsidiary of PT Adaro Energy Tbk) and PT Putra Perkasa Abadi. GEMS benefits from BIB's competitive cost structure, given its low strip ratio of 4x, coupled with short haulage requirements.

Long Reserve Life: GEMS has one of the largest reserves compared with its coal-mining peers in Indonesia. GEMS's reserves are the fourth-largest in Indonesia, with proven reserves of around 806mt at end-2019 (end-December 2018: 818mt), or a reserve life of 27 years based on its 2019 total expected production. GEMS's acquisition of the PT Barasentosa Lestari (BSL) mine in the second half of 2018 had further improved its reserve base by adding 150mt of proven reserves. GEMS's BIB mine holds 576mt of the proven reserves, with a second-generation licence valid until 2036.

Adequate Financial Profile at GEAR: We expect GEAR's consolidated financial profile to improve from 2021 after weakening marginally in 2020. GEAR's has acquired a majority stake in Stanmore Coal Limited - an Australia-based metallurgical coal-mining company - which supports its efforts to diversify its business profile. Stanmore's net cash position and modest earnings expectations post 2020 should support the group's financial profile over the medium term, in Fitch's view.

We expect GEAR's consolidated group leverage (with proportionate consolidation of GEMS and full consolidation of Stanmore adjusted for minority interests) (net debt/EBITDA) to fall to below 1.5x in 2021, after rising to around 2.0x in 2020 (2019: 1.8x). We also expect GEAR's holding company standalone interest cover to improve to about 3.0x in 2021, after weakening in 2019 and 2020 to around 1.5x.

GEMS Standalone at 'b+': GEMS's standalone profile benefits from its modest yet increasing coal volumes and competitive cost position. However, the calorific value (CV) of GEMS's coal is lower than the Indonesian average, resulting in a lower selling price and a lower EBITDA size compared with its peers. We view GEMS's financial profile as stronger than its current standalone profile, but its scale of operations constrains the standalone profile at 'b+'. Fitch assesses that scale of operations to be an important factor in this industry, because the companies with larger scale in terms of revenue, EBITDA and cash flow have greater ability to withstand the inevitable industry downturns.

Derivation summary

The ratings of GEMS are based on the consolidated financial metrics of the GEAR group. The ratings factor in the group's adequate financial profile, large reserve base, low-cost position but improving scale of operations and track record.

PT Indika Energy Tbk's (BB-/Negative) has more integrated operations across the thermal coal value chain, but GEAR benefits from improving diversification after acquiring Stanmore, although the latter's contribution to cash flow will be minimal in the next two to three years. However, Indika's larger scale and well-established operations justify the one-notch difference in their IDRs, as GEAR's key assets, GEMS and Stanmore, are still boosting production. The Negative Outlook on Indika reflects the limited headroom in its rating because of our expectations of weakening financial profile following our revision in coal price and volume assumptions.

In comparison with PT Bayan Resources Tbk (BB-/Stable), GEAR's business profile benefits from diversification into hard coking coal. Bayan's similar scale as GEMS but better cost structure supports its stronger operating cash flow, explaining the one-notch differential in their ratings. Both companies have strong financial profiles. C

Adaro seeks to apply for renewal of permit next year

IDX-listed coal giant PT Adaro Energy Tbk said that its coal subsidiary PT Adaro Indonesia will submit request to the government next year for the renewal of its operating permit.

Adaro Energy President Director Garibaldi Thohir said the current first generation coal contract of work (or PKP2B) of Adaro Indonesia (AI) will expire in 2022. "Next year, we'll apply for renewal of the operating permit to the government," he said.

According to Adaro Energy website, AI is the group's largest mining company operating in Tanjung regency of South Kalimantan province, with production of more than 48 million tons.

The House of Representatives approved a new mining law, which among others stipulates that PKP2B will be converted into IUPK special mining business license upon its renewal, which is seen to provide greater revenue for the government through higher royalty.

Revenue

Adaro reported an 11 percent decline in first quarter 2020 (1Q20) revenue of US$750 million compared to same period of last year mainly due to 17 percent lower average selling price (ASP).

The company said in a statement that the already subdued coal price was further pressured by slower demand as global economies slowed down due to the Covid-19 imposed lockdown.

"Both thermal coal and metallurgical coal segment of our coal mining operations were adversely impacted as global coal prices declined. Despite the challenging coal market, our production volume increased 5 percent y-o-y to 14.41 Mt (million tons) and sales volume increased 8 percent y-o-y to 14.39 Mt in 1Q20 supported by solid demand and operations," Adaro said in the statement.

Cost of revenue in 1Q20 declined 5 percent y-o-y to $552 million, as

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strip ratio was lower, in line with the company's guidance. "We had anticipated for a challenging coal market and had lowered our annual strip ratio guidance to 4.3x."

Coal cash cost per ton (excluding royalty) decreased by 12 percent y-o-y as Adaro recorded higher production, lower strip ratio, and lower fuel cost y-o-y. Total fuel consumption declined 11 percent as a result of lower strip ratio hence lower activities, while fuel price per liter increased 3 percent y-o-y. "Our focus in this difficult time is to control cost and maintain efficient operations along our vertically integrated coal supply chain."

Royalties to the Government of Indonesia decreased by 13 percent y-o-y to $80million, in-line with the lower revenue recorded in 1Q20 as a result of lower ASP y-o-y.

Adaro posted lower operating expenses of $62million, 9 percent lower y-o-y, primarily due to lower selling and marketing expenses as well as lower general and administrative costs (G&A). Selling and marketing expenses decreased 35 percent to $7million while G&A costs decreased 4 percent to $55 million.

Operational EBITDA in 1Q20 was $265 million, an18 percent decline y-o-y driven by lower ASP, while operational EBITDA margin remained healthy at 35 percent as the company continued to improve operational efficiency and cost control amid the declining coal price environment.

The company said its underlying core earnings in 1Q20 was $136million, 19 percent lower y-o-y. "Core earnings excludes non-operational accounting items net of tax, and reflects the quality performance of our core business and operational excellence."

Total assets of $6,924million in 1Q20 were 1 percent lower as compared to the same period in 2019. Current assets increased by 24 percent to $1,831million, while non-current assets decreased by 8 percent to US$5,093million. Adaro said it maintained a strong cash balance at the end of 1Q20 of $1,251million.

In 1Q20, Adaro said it produced 14.41 million ton (Mt) of coal from PT Adaro Indonesia(AI), Balangan Coal Companies, Adaro MetCoal Companies and PT Mustika Indah Permai(MIP).This production figure is 5 percent higher compared to 1Q19, mainly driven by higher coal production from AI. "We were able to achieve solid production and maintain operational excellence in a higher than normal wet season."

The company removed 49.77 million bank cubic meter (Mbcm) of overburden in 1Q20, 19 percent drop y-o-y, in line with the guidance to lower strip ratio this year. Adaro sold 14.39 Mt of coal in 1Q20, including 0.31 Mt of hard coking coal from AMC's Lampunut mine and 0.16 Mt of thermal coal from MIP. Our E4700 and E4900 product dominated the company's sales portfolio as demand for these coal continued to be solid.

Southeast Asia region continued to top the company's sales destination and accounted for 47 percent of its sales volume in 1Q20. Indonesia and Malaysia were the company's two biggest markets in Southeast Asia. "Customers continue to favor the low-pollutant content of Envirocoal on top of the reliable supply that we offer."

"Our performance in 1Q20 reflects the operational excellence of our core coal assets as we recorded solid production volume amid the difficult market condition. In this challenging time for the global economy and the coal market, we continue to improve our efficiency, ensure discipline in spending and maintain a solid balance sheet," said Adaro President Director Garibaldi Thohir in the statement.

"At the same time we need to safeguard the health and safety of our people to ensure safe, reliable operations. This is an unexpected challenge for all of us, and I would like to acknowledge the effort from our employees who have stepped up to the challenge. Adaro Energy is well-positioned to weather this near-term challenges supported by our solid operations and financial position. Our efficient integrated business model has been proven to withstand coal cycles and the non-coal mining pillars will continue to provide stable contribution to Adaro Energy and balance the volatility of coal." C

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Moody's revises outlook on Indika to negative

Moody's Investors Service has affirmed the Ba3 corporate family rating (CFR) of Indika Energy Tbk (P.T.) ("Indika").

At the same time, Moody's has affirmed the Ba3 ratings on the $285 million backed senior secured notes due 2023 issued by Indo Energy Finance II B.V., the $265 million backed senior secured notes due 2022 issued by Indika Energy Capital II Pte. Ltd, and the $575 million backed senior secured notes due 2024 issued by Indika Energy Capital III Pte. Ltd. All notes are unconditionally and irrevocably guaranteed by Indika and rank pari passu.

Moody's has also revised the outlook on these ratings to negative from stable.

Ratings Rationale

"The change in Indika's outlook to negative from stable reflects our expectation that its credit metrics will deteriorate over the next 12 months, amid a challenging operating environment including weak thermal coal prices," says Maisam Hasnain, a Moody's Assistant Vice President and Analyst.

"At the same time, the affirmation of Indika's Ba3 ratings reflects its diversified operations, large cash balance with manageable near-term debt maturities, and an adherence to prudent financial policies," adds Hasnain, who is also Moody's Lead Analyst for Indika.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented.

More specifically, Indika is exposed to weak thermal coal prices, which are likely to remain low over the next 12 months as the coronavirus-led economic downturn reduces demand for thermal coal.

Moody's regards the coronavirus outbreak as a social risk under its environmental, social and governance (ESG) framework, given the substantial implications for public health and safety. Today's action reflects the impact on Indika of the breadth and severity of the shock, and the broad deterioration in credit quality it has triggered.

Based on its medium-term price assumptions for Newcastle thermal coal of $60-$65 per ton, Moody's estimates Indika's adjusted leverage will increase

to 5.2x-6.5x over the next 12-18 months from 3.5x as of 31 December 2019.

The earnings contraction will primarily be driven by lower earnings at its 91%-owned mining subsidiary, Kideco Jaya Agung (P.T.), due to lower coal prices. Kideco is the largest earnings contributor, accounting for 52% of Indika's reported revenue in 2019.

In addition, in light of weak coal prices and slowing economic growth, the downside risk to Indika's credit metrics worsening beyond Moody's current expectations is elevated, particularly if Indika's sales volume declines this year, or if prices remain low for a prolonged period.

Earnings growth will also be muted at Indika's contract mining subsidiary PT Petrosea Tbk and engineering subsidiary PT Tripatra Multi Energi, which contributed 16% and 15% of consolidated revenue in 2019. The contract order book for both subsidiaries has been declining in recent years, and given low prevailing energy prices, the likelihood of winning new contracts this year is low.

Indika has sufficient liquidity to meet its cash needs for the next 12-18 months, and Moody's expects Indika will continue to proactively refinance its debt maturities well ahead of its large $1.1 billion debt maturity wall between 2022 and 2024. The company's large consolidated cash balance of around $569 million as of 31 December 2019 affords it flexibility to manage volatility in its operations amid low coal prices.

Given the weak coal price environment, Indika will likely breach one of its existing financial maintenance covenants on its bank loans -- gross debt/EBITDA not exceeding 3.75x - in 2Q 2020. Moody's expects Indika will address this risk by either obtaining waivers or renegotiating its covenants, in the first instance.

However, an inability to obtain covenant relief from banks prior to the breach will likely result in ratings downgrade. This is because the breach would lead to acute refinancing risk if it triggers cross-default provisions and accelerated repayments across Indika's debt, including its $1.1 billion US dollar bonds.

The rating also considers Indika's exposure to ESG risks as follows.

First, Indika faces elevated environmental risks associated with the coal mining industry, including carbon transition risk as countries seek to reduce their reliance on coal power. However, this risk is somewhat mitigated by (1) Indika's geographically diversified customer base, which includes state-owned utilities across Asia, a region with growing energy demand and where thermal coal is still a relatively low-cost source of energy, and (2) its good coal quality, with low ash and sulfur content.

Second, Indika is also exposed to social risks associated with the coal mining industry, including health and safety, and responsible production. To address these risks, Indika initiates sustainability initiatives under its health, safety and environment programs, and carries out corporate social responsibility activities via the Indika Foundation.

Third, with respect to governance, Indika's ownership is concentrated in its major shareholders, who own around 68% of the company. However, this risk is somewhat mitigated by Indika's listed status and long track record of maintaining prudent financial policies.

Factors that could lead to an upgrade or downgrade of the ratings

An upgrade of Indika's ratings is unlikely over the next 12-18 months, given the negative outlook.

The outlook could return to stable if Indika improves its credit metrics on a sustained basis, and maintains sufficient liquidity to cover its cash needs over the next 12-18 months.

Specific indicators that Moody's would consider for a change in outlook to stable include adjusted debt/EBITDA below 4.0x and adjusted EBIT/interest above 2.0x, both for an extended period.

Moody's could downgrade the ratings if (1) Indika's credit metrics weaken due to a sustained decline in coal prices or reduced production volumes; (2) Kideco fails to extend its Coal Contract of Work (CCoW) mining license on substantially similar terms; (3) Indika's liquidity weakens or it is unable to cure a covenant breach; or (4) Indika engages in aggressive shareholder distributions or investments, demonstrating a departure from its track record of liquidity preservation.

Specific indicators Moody's would consider for a downgrade include adjusted debt/EBITDA above 4.0x or adjusted EBIT/interest below 2.0x, both for an extended period.

The principal methodology used in these ratings was Mining published in September 2018 and available at https://www.moodys.com/research/Mining--PBC_1089739. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Indika Energy Tbk (P.T.) is an Indonesian integrated energy group listed on Indonesia's Stock Exchange, with a market capitalization of around IDR3.8 trillion ($250 million) as of 15 May 2020. Its principal investment is a 91% stake in Kideco Jaya Agung (P.T.), one of Indonesia's largest domestic coal producers. C

By Ian Wollff
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What you know (ASX) compared to who you know (IDX)

Introduction

A review of the Indonesia Stock Exchange (IDX) listed mining companies was undertaken to reflect upon the nature of the directors and commissioners as industry leaders. A comparison was made with a similar study of the Australian Stock Exchange (ASX) listed mining companies.

Indonesian companies are structured with commissioners that oversee company directors. Directors may guide a number of executives to be responsible for set tasks. Australian companies do not have commissioners.

- A company director is appointed by the shareholders to decide on how to control the business and to make the final and key decisions.
- The role of board of commissioners is collectively supervising the management of the company, providing input concerning policies, and monitors the effectiveness of the company's policies.
- A business executive is a person responsible for running a particular part of the company. They create plans to help their organizations grow.

In both Australian and Indonesian companies, directors may also hold executive management roles, hold positions in subsidiary companies, or hold positions in completely separate companies. Many of the laws and regulation concerning directors of Indonesia and Australia follow international norms. Both Indonesia (LKDI) and Australia (NSCD) have registered training programs for directors. The ASX company public profile tends to emphasise this professional association far more than Indonesian companies do. [See Coal Asia Vol 111 Ethical reporting broadened to include CP by this author].

IDX data on directors and commissioners

The IDX review was undertaken on the 9th April (public holiday) of 47 companies listed on the IDX mining board. However, 2 companies were suspended (Feb 2020) from the IDX, leaving 45 companies for this study. Data was sought from each company's web site, or their 2018 annual report. None of the companies have posted their 2019 annual reports (as at 9 April 2020) on the IDX.

The combined total of IDX listed mining company shares is 573.6 billion, with a combine value of Rp 282 trillion making the arithmetic average of Rp 491.8 per share. The highest value share price was Rp 19,750 while 10 companies had the lowest share price of Rp 50-52 per share. The exchange rate at 9 April 2020 is approximately Rp 10,000 equals A$ 1.

The 45 mining companies have 209 directors of which 195 are male (93%) and 14 are female (7%). The work history of 10 directors from 3 companies could not be readily located. Therein some 77 directors (40% of directors) from 42 companies have a science background (geology, mining, metallurgy, engineering etc) rather than an arts background (law, business, finance, military etc). The 77 science directors include 11 geologist, 14 miners, 3 metallurgists and 3 petroleum engineers, being (40%) of the technical directors. It was interesting to note that many of the science directors have a background in electrical or mechanical engineering. Perhaps this reflects that some years back the mining industry was not yet developed, wherein some of the brighter students took up electrical and mechanical engineering as perceived to be the frontiers of opportunity and development at that time.

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The CV's of 10 of the directors included a reference to a professional association such as Institute of Public Accountants etc. Only three of the director's references were made to scientific associations, particularly the AusIMM, IAGI or PERHAPI.

The 45 mining companies have 197 commissioners, of which 187 (95%) are male, and 10 (5%) are female. The work history of 10 commissioners from 3 companies could not be readily located. Therein some 50 commissioners (25%) from 42 companies have a science background. This includes some 3 geologist, 7 miners, 2 metallurgists, 1 petroleum engineer and 1 geophysics/ geochemist, being 28% of the technical commissioners. Again, there are a number electrical and mechanical engineers.

The CV's of 4 of the commissioners included a reference to a professional association, of which only one person to belonged to multiple scientific associations (IAGI & PERHAPI).

Summary table of company leaders

Criteria	IDX	ASX
Share value (Rp 10,000 = A$1)	Rp 282 trillion	A$ 261.7 billion
Number of mining companies	47	622
Number of mining companies in this study	45	312
Number of commissioners	197	
% Male commissioners	95 %	
% Female commissioners	5 %	
% of scientific commissioners	25 %	
Number of directors	209	1,449
% Male directors	93%	92%
% Female directors	7%	8%
% of scientific directors	40%	48%
Number of executives		1,045
% Male executives		84%
% Female executives		16%
% of scientific executives.		41%

ASX data on directors and executives

A list of 622 metal mining companies registered on the ASX was obtained, along with each company's market capitalization (April 2020). A simple internet search of the top 311 companies was undertaken by viewing the company's web site, and or 2019 annual report, and or selected market news sites. Data was gathered on the directors and executives for gender, academic background, and membership of the professional association AusIMM.

The 613 active listed mining companies have a combined market capitalization of A$ 261.7 billion. There is very uneven distribution of market capitalization, with the top 22 companies having a combined market capitalization of A$ 235.2 billion, while the lower 500 companies have a combined market capitalization of A$ 5.6 billion.

A review of the ASX directors and executives was carried out on 312 companies with a market capitalization above A$10 million:

- There are 1,449 directors, of which 1,326 are male (92%) and 122 are female (8%). Some 641 directors have a science background (44%). Some 309 directors are affiliated with the AusIMM professional association, being 48% of science background directors. Other professional associations include the AIG etc.
- There are 1,045 executives, of which 881 are male (84%) and 168 are female (16%). Some 433 executives have a science background (41%). Some 159 executives are affiliated with the AusIMM professional association, being 37% of science background directors. Other professional associations include the AIG etc.
- The ASX indicates a slight increase in the women directors and executives with increased company capitalization. The top bracket (A$ 100 – 10 bill) of company ratio of women directors is 29% compared to 3% for the bottom bracket (A$ 50 – 10 million. The difference in executives is less distinct, being 26% women in the top bracket and trending down to 16% women in the lowest bracket.
- The proportion of science background directors in the ASX is relatively uniform across all market capitalization brackets, as is the proportion of AusIMM members. The proportion of science-based executives is very slightly increasing (perhaps 4%) towards the lower end of the market capitalization bracket of companies, with the proportion of AusIMM members being overall similar across the market brackets.

Casual observations between IDX and ASX

From the reading numerous annual reports, plus the CV of some 400 directors and commissioners from the IDX, and some 2,500 directors and executives from the ASX, and number of observations are set out here: -

In general, most of the ASX annual reports are strong on reporting exploration and reserves, but are weak on the company's human resource, corporate social responsibility, while the financial reports often seem to be almost summaries. The opposite trend is with the IDX, where the annual reports are strong on human resources, corporate social responsibility and detailed financial reports, but exceeding weak on exploration and reserves. This may reflect on the evolution of the management behind each nation's mining companies. Australia has a tendency for exploration companies to grow up, with an emphases on expanding reserve potential. Indonesian mining companies are often now run by a generation of leaders who were not closely associated with the discovery or development phase, wherein continuing efficient production is the main objective.

There tends to be a different emphasis on the background of the company leaders. Australian companies tend to retain core science professionals, along with lawyers, accountants, business management and occasional government trade official, to drive the company with an emphasis on organic growth. Indonesian leaders typically include lawyers, accountants, business management, plus often include members from a military, foreign service or ambassadorial background to drive their company through the ever-complex bureaucracy and political systems, and look to acquisitions for growth. The higher capitalized ASX companies have broadly experienced leaders, though overall it appears that the IDX top leaders may have more depth to their experience.

The ASX companies emphasizes their leader's capability and credibility through demonstrating their membership of professional associations. Some ASX companies will add local community character to their team to improve their social acceptance. The IDX companies seemingly ignore professional associations, but seem to rely more upon their family links to established wealthy conglomerates, and their personal links to people of influence. Some IDX companies will add a renowned technical expert to their team to give an improved impression of technical competence. This is a "What you know verses a Who you know" approach. Each of these approaches can work well in their own environment.

The ASX companies include a few Indonesians as directors or shareholders, while the IDX companies similarly have a few Australian nationals. Both countries public mining companies have a number of other international people as leaders, or as major shareholders. The top segment of the ASX tends to have a strong and extensive international business projects. Only a few Indonesian IDX companies have a modest offshore component. The IDX has several petroleum companies included in their board. Both exchanges have a small number of specialized mining contractors.

Both stock exchanges have a turnover of listed companies. At present about 3 ASX companies viewed are being placed in receivership, while Indonesian IDX have 2 companies being suspended. Each stock exchange also has a few new listed mining companies each year.

The ASX company shares all tended to show significant volatility, with a recent regional trend to lower share price of 20-30% related to the global pandemic. Most IDX share price movements showed modest volatility over the past month (till 9 April), as may reflect global markets during this pandemic period. However, the IDX also shows 12 companies with no trades, and 2 companies with only 1 trade during the past month. These 14 companies (1/3rd of market) lack of trading suggests a deeper look into these companies' directors and commissioners is required to better understand the behaviour of this aspect of the market. Many Indonesian companies only list a minor portion of their overall shares on the stock market, with the majority being retained off market by the founders. By comparison, most ASX companies have all of their shares listed, though they may have significant cornerstone investors.

The ASX companies tend to have more women leaders in the bigger companies than the smaller companies. This may reflect the ASX companies more aggressively seeking broad public support for their industry. There may be some women who have attained their position due to capability or due to public expectations on gender balance. Perhaps the IDX companies are more focussed on approval from their significant family investors rather than populist market influences. It would seem some of the Indonesian female leaders are wealthy family representatives, though typically have an excellent education background. There are some Indonesian women who have clearly earned their position within the company.

IDX exploration discussion

There are hundreds of exploration companies listed on the ASX that can raise funds to sustain exploration activities. Most companies take much longer to be successful at exploration, and often return to the market to raise more funds to keep exploring. This approach is a great driver of innovative exploration.

A number of Indonesian industry associations are keen to encourage the IDX to relax its tight criteria on listing of exploration companies, such that

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these companies can access a source of finance to drive exploration activities. The IDX does allow non producing mining companies to list, but the criteria includes having a suitable feasibility study, and schedule to be in production within a few years. This may help companies overcome some financing for construction, but does not fit with the vast number of purely exploration companies. The IDX is overseen by the Ministry of Finance, wherein the scope of the IDX includes the policy to encourage lower risk investment, to protect the investing public. Apparently, the concept of exploration does not comply with the ministries risk outlook for investors. At a recent seminar (2019), the IDX raised the valid point; - that if such exploration companies cannot raise funds from cornerstone investors outside the IDX, then they are unlikely to seek support from underwriters for share issues inside the IDX system.

The ASX was able to attract thousands of small investors, particularly over boom periods. I recall the 1970" nickel boom and 1990 gold boom where families would invest in exploration stocks to feel part of the excitement, being part of the success story, and to grab the opportunity to increase their wealth. In Indonesia, there is the untapped potential of some 3,000 IUP's (mining tenements) that are seeking funds to undertake further exploration and development. There is a relatively small pool of investors in the mining board of the IDX, as also shown by the low volatility of the IDX market, particularly as 14 mining companies had zero or one stock trade over the past month.

Perhaps one option for small Indonesian exploration companies is to joint venture or sell out to a major mining company. This may suite the strategy of the existing large mining companies to grow by acquisition, and in doing so reduce the potential competition from new "unicorn" exploration companies. The locally strong mining companies have gone through some years of sifting through possible JV or acquisition prospects, wherein there is little recognized potential suited to the investing companies. The small companies often have insufficient funds to explore and thus struggle to improve their attractiveness to investors. A number of small exploration companies are reluctant to sell at prices suitable to investors.

The ESDM is understood to be looking for ways to stimulate exploration, including options associated with the IDX. C

Indonesia | English

Government Regulation No. 81/2019 regarding the Types and Tariffs of the Non-Tax State Revenues (PNBP) applicable to the Ministry of Energy and Mineral Resources

Peraturan Pemerintah No. 81 Tahun 2019 tentang Jenis dan Tarif atas Jenis Penerimaan Negara Bukan Pajak yang Berlaku pada Kementerian Energi dan Sumber Daya Mineral

New Release

In order to implement the 2018 Law No. 9 on Non-Tax State Revenue (PNBP), the Government has recently issued Government Regulation No. 81/2019 (PP 81) regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Oil & Gas, Mineral and Coal, Electricity, New and Renewable Energy, Geological Agency, Human Resource Development Agency (BPSDM), and Research & Development Agency). This new regulation replaces Government Regulation No. 9/2012.

PNBP are all Government receipts received in the form of revenues from natural resources, service provided by the relevant government divisions or agencies and revenues from Public Service Agency (BLU).

This publication is aimed at disseminating information regarding the new regulation to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian energy and mining related industries. The narrative is presented in dual language with Bahasa Indonesia and English versions appearing side-by-side on each page.

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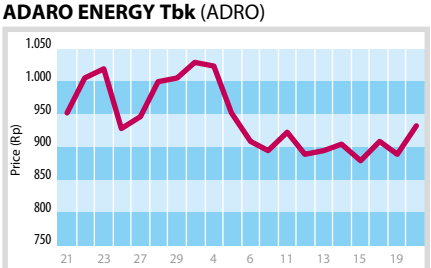
SHARESPERFORMANCE

IDX-Listed coal miners shares performance

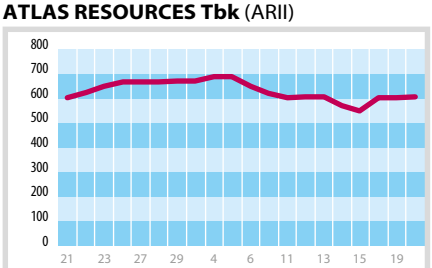
No	Company	APRIL 2020				MAY 2020					
		21	23	27	29	4	6	11	13	15	19
1	ADARO ENERGY Tbk (ADRO)	950	1.020	945	1.005	1.025	905	920	890	875	885
2	ATLAS RESOURCES Tbk (ARII)	600	650	670	675	695	650	600	605	545	600
3	BAYAN RESOURCES Tbk (BYAN)	14.500	14.500	14.500	14.500	14.500	14.500	14.500	14.500	14.500	14.500
4	BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)										
5	BUMI RESOURCES Tbk (BUMI)	50	50	50	50	50	50	50	50	50	50
6	GOLEN ENERGY MINES Tbk (GEMS)	2.550	2.550	2.550	2.550	2.550	2.550	2.550	2.550	2.550	2.550
7	HARUM ENERGY Tbk (HRUM)	1.250	1.265	1.255	1.250	1.270	1.285	1.255	1.260	1.290	1.305
8	INDIKA ENERGY Tbk (INDY)	740	710	755	755	740	725	755	745	705	690
9	INDO TAMBANGRAYA MEGAH Tbk (ITMG)	7.150	6.975	7.100	6.925	7.000	7.850	7.800	7.650	7.400	7.850
10	RESOURCES ALAM INDONESIA Tbk (KKGI)										
11	TAMBANG BATUBARA BUKIT ASAM (Persero) Tbk (PTBA)	1.825	1.890	1.825	1.790	1.815	1.895	2.050	1.905	1.815	1.915
12	ALFA ENERGI INVESTAMA TBK (FIRE)	116	122	115	115	113	114	116	114	140	122

ADARO ENERGY Tbk (ADRO)



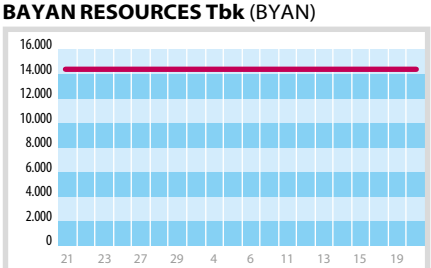
Date (Apr 20 - May 20) — ADARO ENERGY Tbk (ADRO)

ATLAS RESOURCES Tbk (ARII)



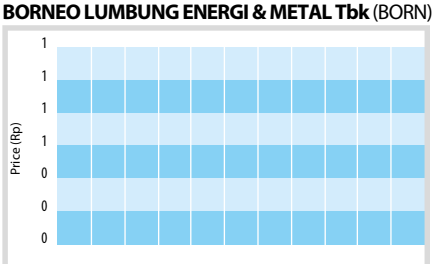
Date (Apr 20 - May 20) — ATLAS RESOURCES Tbk (ARII)

BAYAN RESOURCES Tbk (BYAN)



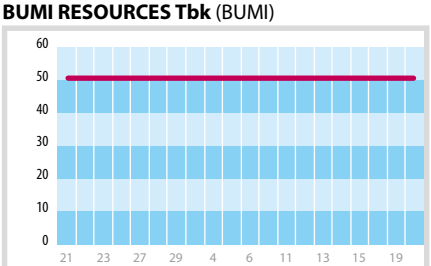
Date (Apr 20 - May 20) — BAYAN RESOURCES Tbk (BYAN)

BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)



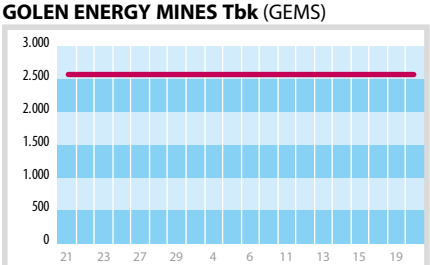
Date (Apr 20 - May 20) — BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)

BUMI RESOURCES Tbk (BUMI)



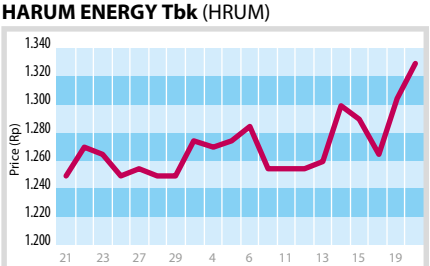
Date (Apr 20 - May 20) — BUMI RESOURCES Tbk (BUMI)

GOLEN ENERGY MINES Tbk (GEMS)



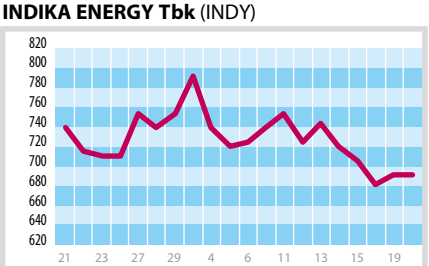
Date (Apr 20 - May 20) — GOLEN ENERGY MINES Tbk (GEMS)

HARUM ENERGY Tbk (HRUM)



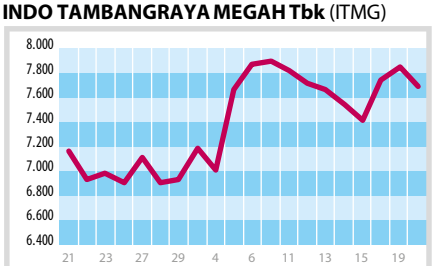
Date (Apr 20 - May 20) — HARUM ENERGY Tbk (HRUM)

INDIKA ENERGY Tbk (INDY)



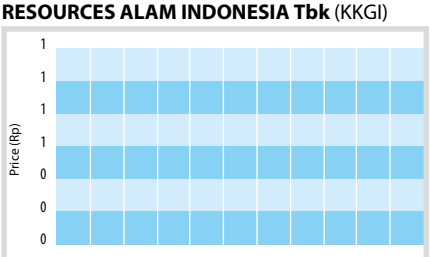
Date (Apr 20 - May 20) — INDIKA ENERGY Tbk (INDY)

INDO TAMBANGRAYA MEGAH Tbk (ITMG)



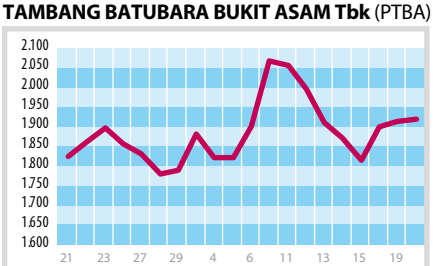
Date (Apr 20 - May 20) — INDO TAMBANGRAYA MEGAH Tbk (ITMG)

RESOURCES ALAM INDONESIA Tbk (KKGI)



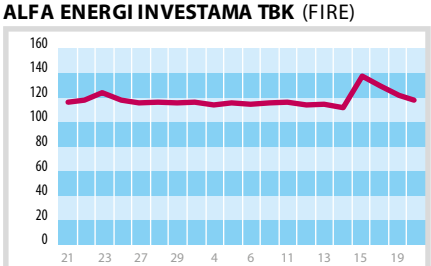
Date (Apr 20 - May 20) — RESOURCES ALAM INDONESIA Tbk

TAMBANG BATUBARA BUKIT ASAM Tbk (PTBA)



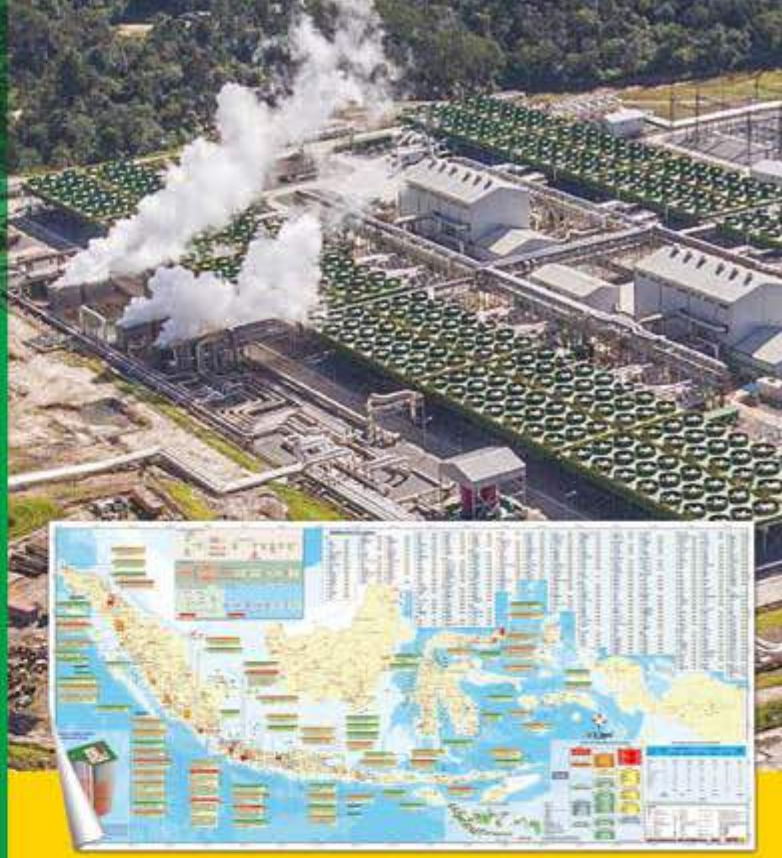
Date (Apr 20 - May 20) — TAMBANG BATUBARA BUKIT ASAM Tbk

ALFA ENERGI INVESTAMA TBK (FIRE)



Date (Apr 20 - May 20) — ALFA ENERGI INVESTAMA TBK (FIRE)

INDONESIAN GEOTHERMAL MAP 2019



Indonesia has the largest geothermal potentials in the world with reserves of about 17,506 MW and resources of around 11,073 MW. In 2018, the utilization of geothermal reached 1,924.5 MW and put the country in second place in the world after the United States in utilizing geothermal power.

The installed geothermal power generation capacity in Indonesia is expected to increase by 95 MW in the near future with additional capacity to come from the 55 MW Lumut Balai Unit 1 and the 40 MW Sorik Marapi geothermal power plants.

The capacity of geothermal power plants will continue to be increased to reach 7,200 MW by 2025 in a bid to achieve the target of the 2025 energy mix where the portion of renewable energy has been set at 23%.

Indonesian Geothermal Map 2019 is a must-have for company/ professional who's involved/ interested in geothermal related businesses in Indonesia. The map features the location of geothermal potential areas (331 of 342 locations identified by the Government), existing/ proposed Working Areas (75 WKPs), existing/proposed Geothermal Power Plants (PLTPs), Transmission and Distribution Networks, and Station and Substations (GI or Gardu Induk).

This full-colored map is outlined at a large-scale on a heavy paper stock and laminated for durability.

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