

## Indonesian Advantage



With huge coal reserves, Indonesia is an obvious choice. Its proximity to India translates into lower freight charges for companies, making it the favorable destination. Indonesian Energy and Mines Ministry is targeting to attract \$ 3.5 Billion investment in its mineral and coal sector.



Indonesia continues to be a significant player in the global mining industry with significant levels of production of coal, copper, gold, tin and nickel. In particular, Indonesia remains among the world's largest exporters of thermal coal. Global mining companies consistently rank Indonesia highly in terms of coal and mineral prospects.

Indonesia is an obvious choice because of its proximity to India which translates into lower freight charges for companies. Its **61.3 Billion Tonnes** of Coal resources, ready for taking up exploration activities, large internal market added with geographical advantage, Indonesia has a natural appeal for foreign investors.

Indonesia is ranked as one of the countries with the highest potential for new mineral discoveries, and has attracted its fair share of investors. Huge interest has build up, with the introduction of the new Mining Law and some of the implementing regulations.

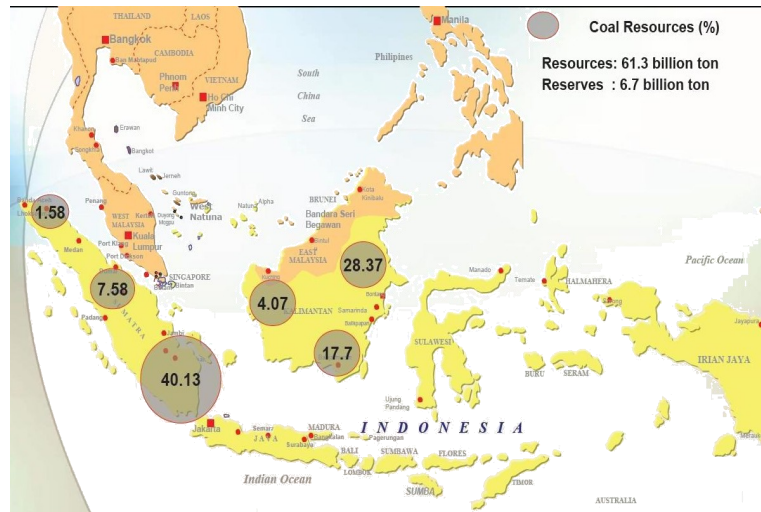
Indonesia's parliament has passed new economic laws and policies that promises an increasingly transparent and accountable political system.

## Why Indonesia..?

**Indonesian coal remains attractive:** Indonesia's coal industry continues to prosper and grow. Even as markets and prices diminishes in the short-term, regional and domestic coal demands provide a robust long-term outlook for Indonesian Coal producers.

Indonesian increasing global coal market share. This is well supported by the country's relatively low cost structure, proximity to major Asian coal market, and ownership of key infrastructures. Further, the emergence of low rank coal as Indonesia's incremental production going forward will be partially driven by low-rank coal. This is especially given the abundant low-rank coal reserves in South Sumatera amounting to (40% of Indonesian coal reserves).

## Coal Reserves and Resources



Major Coal Reserves

(Billion Tonnes)

Province	Resource				Reserves
	Inferred	Indicated	Measured	Total	
Jambi	1.46	0.24	0.17	1.88	0.01
South Sumatera	10.97	10.32	5.88	27.18	9.54
South Kalimantan	5.53	0.36	6.38	12.27	3.60
East Kalimantan	11.07	4.78	7.68	23.53	5.90
<b>Total</b>	<b>29.03</b>	<b>15.70</b>	<b>20.12</b>	<b>64.85</b>	<b>19.06</b>

Source: aXYKno research, Ministry of Energy and Mining Resources Indonesia

## Ports Infrastructure:

Logistics and connectivity have become the buzz words to describe what Indonesia could be doing better to improve trade and competitiveness. Existing port capacity of 400 Million tonnes. Coal Terminal is proposed at East Kalimantan province, with an initial capacity of 40 Million tonnes a year and may further expand to 80 Million tonnes as demand increases.

International markets have traditionally been the principal destination for Indonesian thermal coal, with more than 75% of country's total thermal coal production being exported. Major export markets includes China, India, Japan, Taiwan, South Korea. Indonesian thermal coal markets have tripled over the last eight years.



Source: aXYKno research

## Why Indonesia..?



### Indonesian Regulatory framework:

The Indonesian Government has approved the long awaited new mining law, Undang-Undang (UU) tentang Pertambangan Mineral dan Batubara (Minerba) Nomor 4/2009, which replaces the previous UU Nomor 11/1967, covering all minerals, metals and ores.

### Laws in Brief:

The new Indonesian mining law includes the following:

- Mining and metal companies willing to undertake mining activities in Indonesia must now request a mining business license called an IUP (Izin Usaha Pertambangan). Two types of IUPs available – one for exploration and one for production, which will both be issued by the regency, provincial or state governments. The IUP could possibly be granted through an auction or tendering process.
- The Indonesian Central Government will have the right to declare certain areas as State Reserve Areas.
- Companies will be obliged to process all mined ore and minerals in Indonesia within a transitional period of five years.
- Mining companies will be subject to taxes (Penerimaan Negara) of 10% of total net profits, in addition to the 13.5% total production royalty (Penerimaan Negara Bukan Pajak – PNBP). This may be clarified or modified by future legislation and or/bylaws.

### Contract length:

Each permit will be effective for a period of between three and ten years, with working areas ranging from 5 to 100,000 hectares, depending on the type of permit granted.

	Exploration mining permit	Production operation mining permit
Coal	5,000 – 50,000 ha 7 years	15,000 ha 20 years <sup>1</sup>
Quarrying	5 – 5,000 ha 3 years	1,000 ha 5 years <sup>2</sup>
Metallic Minerals	5,000 – 100,000 ha 8 years	25,000 ha 20 years <sup>3</sup>
Non-metallic minerals	500 – 25,000 ha 3 years <sup>4</sup>	5,000 ha 10 years <sup>5</sup>

1. Potential of 2 extensions of 10 years each

2. Potential of 2 extensions of 5 years each

3. Potential of 2 extensions of 10 years each

4. Exploration mining permit for limestone, diamonds and precious stones may be granted for up to 7 years

5. Potential 2 extensions of 5 years each (for limestone, diamond and precious stones – 20 years plus the possibility of 2 extensions of 10 years each)



#### Recent deal in Indonesia by India Inc –

There had been a few high-profile acquisitions in Indonesia.

*Tata Power*, which is currently developing imported coal-based ultra mega power project at Mundra, acquired 30 per cent stake in two coal mines of Bumi Resources for \$1.1 billion.

*Essar group* has acquired a coal mine in Kutai region of East Kalimantan for an estimated deal value of ₹. 900 crores.

*Reliance Power* bought three coal mines in South Sumatra region with an investment commitment of \$2 billion.

GMR acquired Indonesian coal company Barasentosa Lestari for around \$80 million.

*JSW, Adani* have already acquired coal concessions, along with other corporates.

### Our Value Proposition for Global Acquisitions:

- Showcasing opportunities for Global acquisition in Natural Resources and Energy Sector.
- Identifying & passing on leads for expansion, diversification and **gaining First Mover Advantage** for various overseas opportunities.
- Sharing key strategic information.
- Technical, Financial and Legal due-diligence.
- Showcasing for Global Acquisitions opportunities in the Natural Resource and Energy sector on an ongoing basis.



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