



2012 Development Plan & Budget Update

28th November 2011

(Amendment to the update submitted on 20th October 2011)

PT Donggi-Senoro LNG

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Section – 1 Introduction

The 2012 Development Plan and Budget (“**DPB**”) Update has been prepared to ensure that it complies with the requirements of Article 11.5 and 11.7 of the Shareholders’ Agreement Amendment. It is developed based on the original DPB which was approved through Funding Resolution dated 21st January 2011.

This 2012 DPB Update includes restatement of the original DPB, update on 2011 and 2012 DPB (including the underlying assumption) and outlook 2013 – 2015 (indicative figure).

Section – 2 Restatement of Original DPB

As the Original DPB started two months later than initially envisaged, there is a misalignment between the years in the DPB and the annual budget process in the Shareholders’ Agreement on the basis of calendar years. It would be beneficial and convenient to the Shareholders and the Company to restate the DPB as shown below. This restated DPB shall be used as the basis for comparative analysis in this document as verbally approved by the Shareholders on 15th November 2011.

In USD Million

Year #		1	2	3	4	5	
Fiscal Year		2011	2012	2013	2014	2015	Total
Original	EPC Payments	540.4	578.2	390.2	175.1	34.4	1,718.3
	EPC 8% Contingency	43.2	46.3	31.2	14.0	2.7	137.5
	EPC Total	583.7	624.4	421.4	189.1	37.1	1,855.7
	Owner's Cost	106.9	97.2	87.3	130.8	-	422.2
	Owner's Cost 5% Contingency	5.3	4.9	4.4	6.5	-	21.1
	Owner's Cost Total	112.3	102.1	91.6	137.3	-	443.3
	Financing Cost	8.6	44.9	113.1	183.2	19.5	369.4
	Taxation Cost	73.1	78.5	(8.9)	(13.1)	4.2	133.7
Total		777.6	849.9	617.2	496.5	60.9	2,802.1
DPB Restated*	EPC Payments ¹⁾	467.1	578.4	432.6	204.9	51.9	1,734.9
	EPC 8% Contingency	37.2	46.0	34.6	16.4	4.1	138.3
	EPC Total	504.3	624.4	467.2	221.3	56.0	1,873.2
	Owner's Cost	76.3	98.3	87.0	124.4	19.6	405.6
	Owner's Cost 5% Contingency	3.8	4.9	4.3	6.2	1.0	20.2
	Owner's Cost Total	80.1	103.2	91.3	130.6	20.6	425.8
	Financing Cost	8.6	44.9	113.1	183.2	19.5	369.3
	Taxation Cost ²⁾	61.6	77.9	1.5	(11.7)	4.5	133.8
Total		654.6	850.4	673.1	523.4	100.6	2,802.1

Remarks:

* January - February 2011 shifted to March - April 2011 & November - December 2011 shifted to January - February 2012

¹⁾ Include APCI which is previously included in Owner's Cost

²⁾ Negative balance of tax cost mainly due to VAT refund

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Restated Owner's Cost in Section 1.4.2 of the Original DPB

In USD Million

Year #	1	2	3	4	5	TOTAL
Fiscal Year	2011	2012	2013	2014	2015	
OPEX						
Personnel Expenses	15.5	29.5	37.7	50.2	8.7	141.6
Facility Expenses	3.2	3.6	4.2	5.0	0.9	16.9
Transportation	3.9	5.6	5.6	15.3	0.9	31.3
General Administration	0.8	2.4	4.8	5.7	1.0	14.7
Professional Fees	17.8	13.8	6.1	6.5	1.0	45.2
Miscellaneous	8.8	4.2	0.9	0.8	0.1	14.8
CAPEX						
Construction in Progress ("CIP") *	25.9	35.0	18.6	13.3	2.2	95.0
Inventory	-	-	-	21.2	4.2	25.4
Machinery & Equipment	-	0.1	2.4	2.8	0.5	5.8
Vehicles	-	0.4	1.0	2.7	0.1	4.2
Land & Building	2.6	-	-	1.5	0.3	4.4
Office Equipment (Inc.IT Equip.)	0.7	2.0	4.3	4.6	0.7	12.3
Condensate Facilities	0.9	6.6	5.7	1.0	-	14.2
TOTAL OWNER'S COST	80.1	103.2	91.3	130.6	20.6	425.8

* CIP consists of: LNG Plant related and Road Rerouting

Section – 3 Approval of DPB Update and 5% Over Budget

3.1 2011, 2012 and 2013 – 2015 (Indicative Figure)

In USD Million

Year #	1	2	3	4	5	Total
Fiscal Year	2011	2012	2013	2014	2015	
DPB Restated	EPC Payments	467.1	578.4	432.6	204.9	1,734.9
	EPC 8% Contingency	37.2	46.0	34.6	16.4	138.3
	EPC Total	504.3	624.4	467.2	221.3	1,873.2
	Owner's Cost	76.3	98.3	87.0	124.4	405.6
	Owner's Cost 5% Contingency	3.8	4.9	4.3	6.2	20.2
	Owner's Cost Total	80.1	103.2	91.3	130.6	425.8
	Financing Cost	8.6	44.9	113.1	183.2	369.3
	Taxation Cost	61.6	77.9	1.5	(11.7)	133.8
	Total	654.6	850.4	673.1	523.4	2,802.1
Update	EPC Payments	559.1	524.4	453.3	161.1	1,766.7
	EPC 8% Contingency		42.0	36.3	12.9	106.5
	EPC Total	559.1	566.4	489.6	174.0	1,873.2
	Owner's Cost	69.4	138.0	92.0	108.7	423.1
	Owner's Cost 5% Contingency					-
	Owner's Cost Total	69.4	138.0	92.0	108.7	423.1
	Financing Cost	8.1	50.3	113.1	183.2	374.2
	Taxation Cost	58.5	72.1	3.7	(9.5)	131.6
	Total	695.1	826.8	698.4	456.4	2,802.1
Variance	(DPB Update - Restated)	40.5	(23.6)	25.3	(67.0)	(0.0)
%		6%	-3%	4%	-13%	0%
FOREX	Realized Forex Impact for EPC (included above)	31.8				31.8
	Unrealized Forex Impact for EPC (indicative)		29.7	26.1	9.2	69.2

Note: No update is made to 2013 onward except for activities shifted to 2011/2012. No accurate forecast for 2013 onward is possible with a certain level of confidence and reliability for some uncertainties.

Unrealized foreign exchange impact for EPC (indicative) is based on revised assumptions.

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3.2 5% Over Budget

The Shareholders approve 2011 latest estimate and 2012 updated budget with details of the budget heading and sub-heading shown in table below (Note: Items 5% or more over budget are circled in red):

In USD Million

2011	Restated DPB *	Latest Estimate	Over (Under)	%
EPC	504.3	559.1	54.8	11%
Owner's Cost	80.1	69.4	(10.7)	-13%
Personnel Expenses	15.5	17.4	1.9	12%
Facility Expenses	3.2	4.7	1.5	47%
Transportation	3.9	3.5	(0.4)	-9%
General Administration	0.8	0.8	0.0	0%
Professional Fees	17.8	12.5	(5.3)	-30%
Miscellaneous	8.8	8.1	(0.7)	-8%
Construction in Progress (CIP)	25.9	21.1	(4.8)	-19%
Land & Building	2.6	0.8	(1.8)	-71%
Office Equipment (Inc.IT Equip.)	0.7	0.5	(0.2)	-29%
Condensate Facilities	0.9	-	(0.9)	-100%
Taxation Cost	61.6	58.5	(3.1)	-5%
Financing cost	8.6	8.1	(0.5)	-6%
TOTAL	654.6	695.1	40.5	6%

* Including 8% or 5% contingency as part of the Approved Plan and Budget

In USD Million

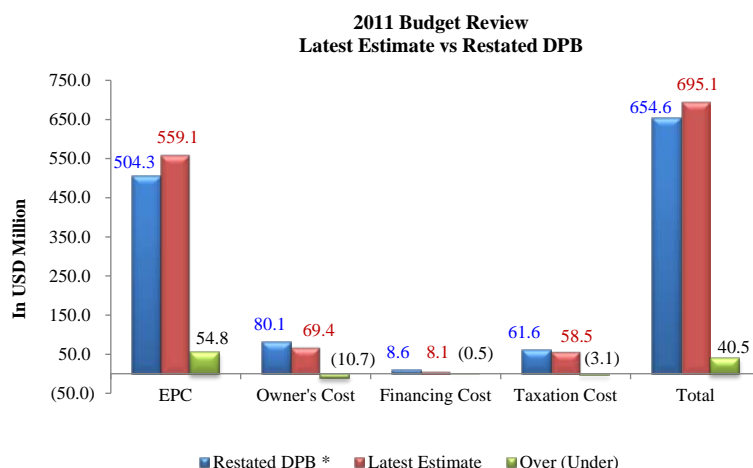
2012	Restated DPB *	Updated Budget	Over (Under)	%
EPC	624.4	566.4	(58.0)	-9%
Owner's Cost	103.2	138.0	34.8	34%
Personnel Expenses	29.5	29.3	(0.2)	-1%
Facility Expenses	3.6	9.2	5.6	155%
Transportation	5.6	7.9	2.3	41%
General Administration	2.4	3.6	1.2	50%
Professional Fees	13.8	19.7	5.9	43%
Miscellaneous	4.2	5.1	0.9	21%
Construction in Progress (CIP)	35.0	41.6	6.6	19%
Inventory	-	6.0	6.0	100%
Machinery & Equipment	0.1	0.2	0.1	67%
Vehicles	0.4	0.3	(0.1)	-25%
Land & Building	-	6.5	6.5	100%
Office Equipment (Inc.IT Equip.)	2.0	1.4	(0.6)	-29%
Condensate Facilities	6.6	7.2	0.6	9%
Taxation Cost	77.9	72.1	(5.8)	-7%
Financing cost	44.9	50.3	5.4	12%
TOTAL	850.4	826.8	(23.6)	-3%

* Including 8% or 5% contingency as part of the Approved Plan and Budget

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Section – 4 2011 Budget Review

4.1 2011 Latest Estimate vs Approved Budget



The latest estimate for 2011 is USD 695.1 million which is over budget by USD 40.5 million (including contingency) compared to the restated DPB. The over budget is mainly contributed by accelerated EPC payment into 2011 as a result of accelerated progress and appreciation of JPY against USD totaling to USD 54.8 million and offset with the under budget of owner's cost, financing and taxation cost totaling to USD 14.3 million.

4.2 Variance Analysis by Budget Heading & Sub-Heading of 2011

The budget over run of USD 40.5 million in 2011 latest estimate as compared to the restated DPB is briefly explained below:

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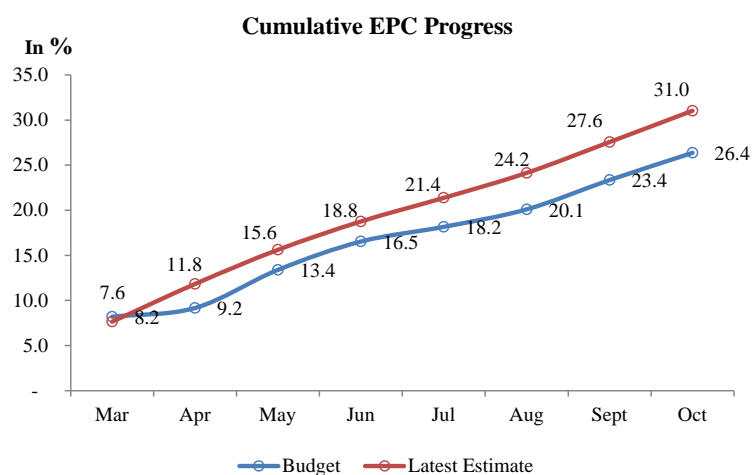
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In USD Million

2011	Restated DPB *	Latest Estimate	Over (Under)	%	Explanation
EPC	504.3	559.1	54.8	11%	Over budget in EPC mainly derived from : - USD 60.2 million (69%) acceleration of EPC - USD 31.8 million (31%) forex impact - Offset with contingency USD 37.2 million
Owner's Cost	80.1	69.4	(10.7)	-13%	
Personnel Expenses	15.5	17.4	1.9	3%	Over budget of personnel expenses mainly due to secondment costs 2008-2011 (SH and BOD agreed to pay after FID)
Facility Expenses	3.2	4.7	1.5	47%	Unbudgeted office renovation and increase in apartment rental resulted over budget of facility expense
Transportation	3.9	3.5	(0.4)	-9%	
General Administration	0.8	0.8	0.0	0%	
Professional Fees	17.8	12.5	(5.3)	-30%	Some of professional fees (i.e. Project finance consultant, recruitment consultant, etc) will be slipped to 2012
Miscellaneous	8.8	8.1	(0.7)	-8%	Due to lower insurance premium
Construction in Progress (CIP)	25.9	21.1	(4.8)	-19%	USD 4.8 million under budget was mainly due to: - Fuel usage not yet invoice in 2011 of USD 4.4 million - Delay of Road Rerouting Project ("RRP") & inspection activities that will be re-budgeted into 2012 totaling to USD 3 million - Contingency of USD 1.2 million - Off set with additional cost for RRP land settlement due to changes in land price assumption with the total impact of USD 3.8 million
Land & Building	2.6	0.8	(1.8)	-81%	Land acquisition cost for area 3 will be slipped to 2012
Office Equipment (Inc.IT Equip.)	0.7	0.5	(0.2)	-29%	Budget for IT Equipment will be spent in 2012
Condensate Facilities	0.9	-	(0.9)	-100%	Budget for condensate facilities has not been utilised in 2011 and will be included in 2012 budget
Taxation Cost	61.6	58.5	(3.1)	-5%	Due to delay of import procurement
Financing cost	8.6	8.1	(0.5)	-6%	Under budget of financing cost mainly due to lower interest rate
TOTAL	654.6	695.1	40.5	6%	

* Including 8% or 5% contingency as part of the Approved Plan and Budget

In 2011, total EPC cost is USD 559.1 milllion (including foreign exchange impact) which consist of actual of 7% milestone (budget: 7%) and 31.04% progress (budget: 26.4%).



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Monthly milestone progress

Milestone #	Items	Planned Month	Restated DPB	Realization	Actual Payment 2011	% of milestone
1	Works Commencement Date	0 M	Feb 2011	28 Feb 2011	Apr 2011	5.0
2	Process P&ID Issue for HAZOP	2 M	Mar 2011	Mar 2011	May 2011	0.5
3	Start of Site Development	3 M	Apr 2011	Apr 2011	Jun 2011	0.5
4	Purchase commitment of Piping Material 1st	6 M	Aug 2011	Aug 2011	Oct 2011	0.5
5	Main Pipe Rack Concrete Drawing IFC 1st	9 M	Nov 2011	Oct 2011	Dec 2011	0.5
Total payment milestone in 2011						7.0

Section – 5 2012 Work Plan & Budget (“WP&B”)

DSLNG’s activities in 2012 mainly focus on engineering and site development construction (i.e. Material Off-loading Facility (“MOF”), RRP, site accomodation, etc), manpower recruitment, finalization of commercial agreements with buyers and ship owners, project financing arranging work, set up Information, communication and Technology (“ICT”) system and formulation of DSLNG’s policies and procedures.

The key elements of each directorates WPB are detailed as follows:

Directorate	Work Plan
Technical	<ul style="list-style-type: none"> a. Safely, efficiently, reliable execute LNG Plant EPC <ul style="list-style-type: none"> • Start mobilize Yokohama base to site base personnel and complete 18 month detail engineering work • Place Purchase Order for miscellaneous items • Start civil foundation, work shop fabrication and ready for use of MOF • Continue Migas third party inspection and owner’s inspection b. Carry out related, critical projects (non LNG Plant EPC) <ul style="list-style-type: none"> • Conclude RRP of new industrial zone by-pass • Cooperate with State Utility Company (“PLN”) and conclude Power Rerouting Project • Tender, award and start the design and construction of Condensate Delivery System (“CDS”) c. Maximize operation safety and efficiency <ul style="list-style-type: none"> • Start training and development program for operation staff • Establish operation plant site organization

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Directorate	Work Plan
	<ul style="list-style-type: none"> Develop Health, Safety & Environment (“HSE”) system at site and Plant Maintenance System for operation
Commercial	<ol style="list-style-type: none"> Support of gas delivery procedure discussion with gas suppliers Finalization of Sales Purchase Agreement with LNG buyers Completion of implementation procedures with LNG buyers Finalization of Time Charter Agreements with LNG ship owners Completion of operational procedures with LNG ship owners Finalization of full agreements relating to condensate handling and sales Tug boats consultant procurement arrangements and contracting Initiation of spot marketing of North West Swallow for 2014
Corporate Affairs	<ol style="list-style-type: none"> Continue talent acquisition and enhance Human Resources (“HR”) strategy and planning for construction phase Implement talent development plan and performance management plan Continue to enhance council team to provide legal services Set up living quarter and accomodation facilities Strengthen corporate communication, community and government relation Maintain Corporate Social Responsibility (“CSR”) program
Finance	<ol style="list-style-type: none"> Arrange bank syndication loan (conduct due diligence, negotiate terms and conditions with ECAs, finalize loan documents, loan administration including condition precedent and draw down) Formulate corporate tax planning Enhance financial system integration Pursue 2009 – 2010 VAT refund and pursue private ruling for VAT exemption
Corporate Planning	<ol style="list-style-type: none"> Develop business continuity plan based on blue print Conduct risk analysis and mitigation insurance plan Develop operational phase organization chart based on blue print Develop research and business analysis infrastructure with the framework
President Office	<ol style="list-style-type: none"> Review the allignment of vision, mission, objectives, values, strategies and code of conduct of the company based on the business process blue print Develop and finalize the study for the overall strategic policies from the business process blue print Coordinate the directors to execute strategic plans to meet the Company’s

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Directorate	Work Plan
	objectives
	d. Ensure the compliance of the Board of Director's, Board of Commissioner's, Shareholders' action/policies and internal policies in line with the Shareholders' Agreement, Article of Association and prevailing laws/regulations
Corporate Office	a. Set up and implement corporate ICT system
	b. Maintain corporate Quality, Health, Safety and Environment ("QHSE") system

Section – 6 General Assumptions

WP&B 2012 is developed and approved based on US Dollar amounts. During preparation of the 2012 WP&B, DSLNG revises the assumption of exchange rate from the approved DPB. Applied exchange rates of Japanese Yen against USD is estimated based on OECD economic outlook 89 database issued on 6th June 2011 and applied exchange rate of EURO and Indonesian Rupiah is estimated based on Bloomberg issued on 16th June 2011.

6.1 Exchange Rate

		Approved DPB	2012 WP&B
1 USD =	Japanese Yen	93.28	80.31
	Euro	0.78	0.73
	Indonesian Rupiah	9,375	8,576

Notwithstanding the above, the foreign exchange rate assumptions in the current Approved Budget (or Restated DPB) remain applicable for EPC budget from 2012 onward. The indicative impact of the revised assumptions are shown for reference as the unrealized Forex impact (indicative) for EPC at the bottom of the table in Section 3.1. The impact on budget figures other than EPC budget on the basis of the revised assumptions is marginal.

6.2 Manpower Assumptions

For 2012 WP & B, DSLNG uses the following assumptions:

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a. Number of Head Count

Jakarta	2012 - Approved DPB				2012 - WP & B			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unclassify	8	8	8	8	7	7	7	7
Senior Staff	37	37	35	35	46	46	44	44
Staff	34	34	34	36	59	59	59	59
Non Staff	6	6	6	6	7	7	7	7
Contract	1	1	1	1	1	1	1	1
Total Jakarta	86	86	84	86	120	120	118	118
Yearly Average Jakarta	85				119			

Luwuk	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unclassify	-	-	1	1	-	-	1	1
Senior Staff	14	14	18	24	7	7	11	17
Staff	33	36	43	50	41	42	48	52
Non Staff	29	35	37	37	8	14	16	16
Trainee	-	1	2	1	-	1	2	1
Contract	1	1	1	14	1	1	1	14
Total Luwuk	77	87	102	127	57	65	79	101
Yearly Average Luwuk	98				75			

Yokohama	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unclassify	2	2	1	1	2	2	1	1
Senior Staff	18	18	14	14	18	18	14	14
Staff	1	1	1	1	1	1	1	1
Non Staff	-	-	-	-	-	-	-	-
Contract	1	1	1	1	1	1	1	1
JGC	-	-	-	-	2	2	2	2
Total Yokohama	22	22	17	17	24	24	19	19
Yearly Average Yokohama	20				22			

Total DSLNG	185	195	203	230	201	209	216	238
Yearly Average DSLNG	203				216			

b. Cost per Head Count (per annum)

Approved DPB	National				Expat	
	Unclassify	Senior Staff	Staff	Non Staff	Asian Expat	International Expatriate
	Unclassify	Senior Staff	Staff	Non Staff	Asian Expat	International Expatriate
Jakarta Office	246,000	168,000	60,000	21,000	300,000	560,000
Site Office	318,000	209,000	73,000	24,000	338,000	560,000
Yokohama Office	-	214,000	-	-	228,000	560,000

2012 WP & B	National				Expat	
	Unclassify	Senior Staff	Staff	Non Staff	Asian Expat	International Expatriate
	Unclassify	Senior Staff	Staff	Non Staff	Asian Expat	International Expatriate
Jakarta Office	310,069	177,803	40,968	14,122	292,679	464,732
Site Office	417,811	237,344	82,161	27,810	325,679	464,732
Yokohama Office	-	246,778	-	-	230,639	464,732

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6.3 Tax and Financial Assumptions

The assumption for tax and financial are in line with the approved DPB with detail as follows:

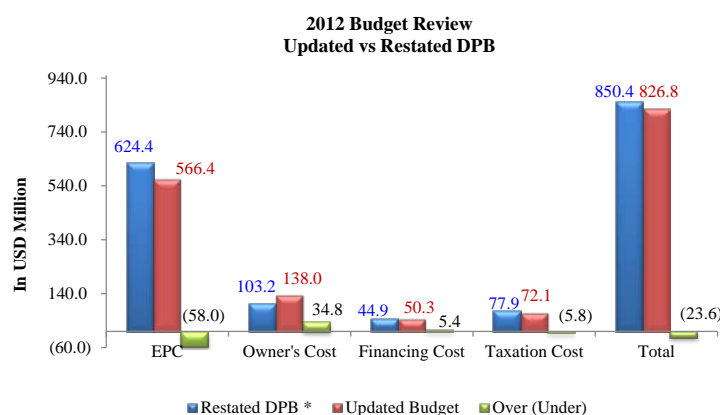
Tax Assumptions	
Corporate Income Tax	25.0%
Withholding Tax on Interest Int'l/Domestic	20.0% / 15%
Import Duty	5.0%
% of EPC Cost subject to Import Duty	45.41%
Non-recoverable VAT as CAPEX	10% of first 12 months EPC & Owners' Cost payment
% of EPC Cost subject to VAT	100.0%

Financing Assumptions	
A. Funding Plan	
Debt (Shareholders Loan) Ratio	60%
Equity Ratio	40%
Book Equity Only	February – April 2011
Book Equity + SH Bridge Loan	Starting May 2011
Tranche Size	60%
B. Shareholders' Loan	
USD Libor	2.50 % p.a.
Margin	3.75 % p.a.
Withholding Tax Component	0.74% p.a.
Interest Rate	6.99% p.a.
Debt Service Interval	Quarterly

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Section – 7 2012 Budget Review

7.1 2012 Update vs Approved Budget



Based on DSLNG's review, 2012 updated figure is USD 826.8 million. This reflects a decrease of USD 23.6 million compared to restated DPB of USD 850.4 (including contingency). The decrease is mainly contributed by higher owner's cost and financing by USD 40.2 million and offset with a decrease in EPC and taxation cost by USD 63.8 million.

7.2 Variance Analysis by Budget Heading & Sub-Heading of 2012

In USD Million

2012	Restated DPB *	Updated Budget	Over (Under)	%	Explanation
EPC	624.4	566.4	(58.0)	-9%	Decrease in EPC is mainly contributed by slow progress (update from JGC) of EPC in 2012 totaling to USD 58 million
Owner's Cost	103.2	138.0	34.8	34%	
Personnel Expenses	29.5	29.3	(0.2)	-1%	There is additional salary & benefit of USD 1.2 million due to slight increase in number of head count and offset with contingency of USD 1.4 million
Facility Expenses	3.6	9.2	5.6	155%	Increase in facility expenses by USD 5.6 million mainly due to changes in assumption for site support facilities, additional cost for apartment rental, fringe benefits and office related cost totalling to USD 5.7 million, unbudgeted QHSE activities campaign of USD 0.1 million and off set with contingency of USD 0.2 million
Transportation	5.6	7.9	2.3	41%	Increase in business trip frequency, car lease including its operational cost
General Administration	2.4	3.6	1.2	50%	The increase of USD 1.2 million mainly due to additional cost for telecommunication, logistic and training totaling to USD 0.4 million in relation to increase in head count and increase in IT matters of USD 0.9 million

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In USD Million

2012	Restated DPB *	Updated Budget	Over (Under)	%	Explanation
Professional Fees	13.8	19.7	5.9	43%	Due to carry over budget of project financing consultant cost and speed up activities of technical consultant from 2013 & 2014 totalling to USD 3.1 million and the other USD 3.5 million is for ICT, QHSE,shareholders service fee, Good Corporate Governance and business continuity plan which previously unbudgeted. The increase is off set with contingency of USD 0.7 million
Miscellaneous	4.2	5.1	0.9	21%	Increase in miscellaneous cost mainly due to additional permits required, enhancement of corporate social responsibility program, public relation and communication activities totaling to USD 1.7 million. The increase is offset with lower insurance premium of USD 0.6 million and contingency of USD 0.2 million
Construction in Progress ("CIP")	35.0	41.6	6.6	19%	USD 6.6 million increase in CIP mainly due to: - USD 4.1 million increase from RRP - USD 3.6 million increase in fuel - USD 0.5 million as a result of carry over Migas Equipment Inspection and additional of specialist The increase is off set with contingency of USD 1.6 million
Inventory	-	6.0	6.0	100%	Acceleration purchase of JGC Sparepart from 2014
Machinery & Equipment	0.1	0.2	0.1	100%	
Vehicles	0.4	0.3	(0.1)	-25%	
Land & Building	-	6.5	6.5	100%	Increase of USD 6.5 million is due to carry over budget for land acquisition or area 3 of USD 2.4 million and unbudgeted site camp preparation work of USD 4.1 million
Office Equipment (Inc.IT Equip.)	2.0	1.4	(0.6)	-30%	
Condensate Facilities	6.6	7.2	0.6	9%	The increase represents carry over activities from 2011
Taxation Cost	77.9	72.1	(5.8)	-7%	Decrease in EPC resulted a decrease of taxation cost
Financing cost	44.9	50.3	5.4	12%	Increase in owner's cost resulted an increase of financing cost
TOTAL	850.4	826.8	(23.6)	-3%	

* Including 8% or 5% contingency as part of the Approved Plan and Budget

7.3 2012 Budget by Budget Heading and Sub-Heading

7.3.1 EPC Budget

In 2012, total EPC cost of USD 566.4 million consists of:

- a. Payment of 5% Commercial Milestones and additional progress of 33.4% with the total amount of USD 566.4 million (including contingency).

Details of commercial milestone and progress achievement are shown in below table:

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Milestone #	Items	Planned Month	Restated DPB	Updated 2012	Forecast Payment	% of milestone
6	Start of 2nd 3D Plant Model Review	11M	Jan 2012	Nov 2011	Jan 2012	1.0
7	Start of Tank Foundation Excavation	13M	Mar 2012	Nov 2011	Jan 2012	1.0
8	Ready for use of MOF	18M	Aug 2012	Jul 2012	Sept 2012	1.0
9	Piping ISO drawing 95% issue for process train	21M	Nov 2012	Sept 2012	Nov 2012	1.0
10	Start of piping installation on main pipe rack	23M	Jan 2013	Oct 2012	Dec 2012	1.0
Total payment milestone in 2012						5.0

Progress Cut Off	Payment Month	Total Progress % (per Month)	
		Restated DPB	Updated 2012
Nov 2011	Jan 2012	2.5	1.3
Dec 2011	Feb 2012	2.4	1.4
Jan 2012	Mar 2012	2.3	1.7
Feb 2012	Apr 2012	2.1	3.8
Mar 2012	May 2012	1.9	2.4
Apr 2012	Jun 2012	2.8	1.8
May 2012	Jul 2012	4.2	2.3
Jun 2012	Aug 2012	3.3	2.6
Jul 2012	Sept 2012	4.7	5.5
Aug 2012	Oct 2012	4.7	3.6
Sept 2012	Nov 2012	5.0	3.5
Oct 2012	Dec 2012	3.0	3.5
TOTAL PROGRESS PAYMENT % FOR 2012		38.9	33.4

- b. Progress payment of APCI amounting to USD 8.0 million and other related cost (i.e. engineering service and training) of USD 0.7 million

No	Milestones	% of payment	Amount (In USD million)
3 rd	Completion of telescope cold bundle	20%	2.9
4 th	Completion of telescope warm bundle	20%	2.9
5 th	Completion of factory pressure test of the Equipment	10%	1.5
6 th	Upon the date of Ready for Shipment	4%	0.6
Total Payment in 2012			8.0

7.3.2 Owner's Cost

Details of each cost item exceeding USD 1 million are briefly explained as follows after the table below:

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	In USD Million				
	Q1	Q2	Q3	Q4	Total
<u>Operating Expenditure ("OPEX")</u>					
Personnel Expenses	7.1	7.1	8.0	7.1	29.3
Facility Expenses	2.1	2.3	2.4	2.4	9.2
Transportation	2.6	1.8	1.8	1.7	7.9
General Administration	0.7	0.7	1.1	1.1	3.6
Professional Fees	5.0	5.0	4.8	4.9	19.7
Miscellaneous	3.3	0.4	0.5	0.9	5.1
Sub Total OPEX	20.8	17.3	18.6	18.1	74.8
<u>Capital Expenditure ("CAPEX")</u>					
Construction in Progress (CIP)	13.2	12.8	10.4	5.2	41.6
Inventory	-	3.0	3.0	-	6.0
Machinery & Equipment	0.0	0.0	0.1	0.1	0.2
Vehicles	0.1	0.1	0.1	0.0	0.3
Land & Building	3.5	1.8	0.6	0.6	6.5
Office Equipment (Inc.IT Equip.)	0.4	0.5	0.2	0.3	1.4
Condensate Facilities	0.7	2.2	2.2	2.1	7.2
Sub Total CAPEX	17.9	20.4	16.6	8.3	63.2
Total Owner's Cost	38.7	37.7	35.2	26.4	138.0

a. Operating Expenditure (“OPEX”)

Personnel Expenses

75% of total personnel expenses or USD 21.9 million are for salary and the remaining 25% amounting to USD 7.4 million represents employee benefits (i.e. allowance for housing, transportation, medical, insurance, religious allowance (“THR”) and other employee related costs).

Facility Expenses

The budget of USD 9.2 million mainly represents the following:

- Site support facilities USD 2.7 million
- Office related cost for Jakarta & Luwuk USD 2.4 million
- Apartment rental (Jakarta & Yokohama) USD 2.1 million
- Fringe benefits USD 1.8 million
- QHSE related cost USD 0.2 million

Transportation

Major cost of transportation represents employees' business trip (including ticket,

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accommodation, daily allowance, etc) totaling to USD 5.1 million, car lease and operational cost of USD 1.9 million and other transportation cost i.e company function of USD 0.9 million.

General Administration

Total budget of USD 3.6 million consists of:

- Education and training of USD 1.7 million
- ICT and communication of USD 1.3 million
- Office related matters (i.e. office supplies, meeting, publications) totaling to USD 0.6 million

Professional Fees

In 2012, DSLNG requires third party professional services to support project financing, corporate legal matters, set up & implement corporate ICT & QHSE system, short-term technical support and others corporate strategies, policies and procedures. The followings are breakdown of the professional fees:

- | | |
|---|------------------|
| • Financial consultant | USD 10.3 million |
| • Legal fees | USD 2.5 million |
| • Technical consultant | USD 2.3 million |
| • System & QHSE | USD 1.6 million |
| • HR related, tug boat & other consultant | USD 3.0 million |

Miscellaneous

Miscellaneous cost of USD 5.1 million mainly contributed by payment of EPC insurance amounting to USD 2.7 million. The other USD 2.4 million are budgeted for:

- License and permit of USD 0.6 million
- CSR amounting to USD 1.2 million
- Other cost for public relation, communication and director liabilities insurance totaling to USD 0.6 million

b. Capital Expenditure (“CAPEX”)

Construction in Progress (“LNG Plant related and Road Rerouting)

Total cost of USD 41.6 million covers incomplete work on road rerouting of USD 20.6 million, fuel for plant construction & commissioning of USD 18.3 million and other related construction cost totaling to USD 2.7 million.

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Inventory

Inventory cost of USD 6 million represents 25% down payment of plant sparepart inventory.

Land and Building

Budget for land and building of USD 6.5 million consist of land acquisition of area 3 which slipped from 2011 (including notary fee, land tax and other costs directly attributable to acquire the land) totaling to USD 2.4 million and site camp preparation work of USD 4.1 million.

Office Equipment and IT Equipment

Total cost of USD 1.4 million will be used mainly for ICT infrastucture totaling to USD 1.1 million and office equipment of USD 0.3 million.

Condensate Facilities

This budget provision of USD 7.2 million is to record transaction relating to the cost of construction of condensate facilities up stream.

7.3.3 Financing Cost

As a result of Owner's cost increase, DSLNG recognizes higher capitalized interest on the Shareholders' Loan in the updated 2012 budget totaling to USD 50.3 million.

7.3.4 Taxation Cost

Total taxation cost in 2012 is USD 72.1 million consist of the following components:

a. Value Added Tax ("VAT")

Total VAT of USD 61.9 million represents net VAT paid on EPC contract and Owner's Cost.

It is understood that VAT for any year could be refunded at the end of the following year and therefore net VAT is equal to VAT paid this year less VAT refunded from last year.

The new VAT Law (Law No.42 year 2009) sets limitation for VAT refund which is as shown hereunder:

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- All paid VAT for Operating Expenditures (“OPEX”) cannot be refunded during pre-production period; and
- During pre-production period, a company can only refund their paid VAT for Capital Expenditure (“CAPEX”) maximum 3 (three) years until entering production stage.

With the above limitations, during construction period, DSLNG will be exposed to 10% VAT as expense for the OPEX and additional 10% VAT as CAPEX for the first 12 months EPC and Owners’ Cost payment.

b. Import Duty

For offshore procurements made under the EPC contract, DSLNG will be imposed 5% import duty. Total import duty for 2012 is USD 8.5 million.

c. Other tax cost for fuel of USD 1.7 million

Section – 8 Risk Mitigation on Foreign Exchange Impact

In response to the depreciation of US Dollar, a preliminary study was made as to the effectiveness of foreign currency hedging, i.e. buying USD put options, thus capturing only the upside benefit of US currency value, or limiting the downside risk.

To put it simply, because of the premium to be paid upfront to buy options (about 5 yen to the dollar or about USD 40 – 60 million), the overall result does not look very attractive unless US dollar stays below around JPY 74 or stays above JPY 88 on average.

While each Shareholder may have its own strategy to hedge their Foreign Exchange position and may be more knowledgeable, the Company would be pleased to receive detailed info if any from the shareholders and to pursue this study further if so requested.

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APPENDIX – I PROJECTED CASH FLOW STATEMENT

In USD Million

	Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12	TOTAL 2012
Inflow													
Equity	8.2	15.0	20.6	30.4	20.2	20.8	20.9	21.6	51.1	26.4	34.6	39.5	309.3
Shareholders' Loan	67.5	21.6	22.6	43.7	29.0	21.0	30.1	31.2	62.6	38.0	49.8	44.0	461.1
TOTAL CASH INFLOW	75.7	36.6	43.1	74.1	49.2	41.8	51.0	52.8	113.6	64.5	84.4	83.6	770.4
Outflow													
EPC	57.3	18.6	26.1	52.1	32.7	26.0	31.3	35.4	93.1	49.7	65.9	65.9	554.1
Operating Expenses :													
Personnel Expenses	2.4	2.4	2.4	2.4	2.4	2.4	3.3	2.4	2.4	2.4	2.4	2.4	29.3
Facility Expenses	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	9.2
Transportation	0.8	0.6	1.3	0.7	0.6	0.6	0.6	0.5	0.7	0.6	0.6	0.5	7.9
General Administration	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.4	0.4	3.6
Professional Fees	1.5	1.6	1.8	1.4	1.4	2.3	1.5	1.6	1.7	1.4	1.4	2.0	19.7
Miscellaneous	0.3	2.9	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.6	5.1
Capital Expenses :													
Construction in Progress (CIP)	4.4	4.4	4.4	4.3	4.3	4.3	4.4	4.2	1.7	1.7	1.7	1.7	41.6
Inventory	-	-	-	3.0	-	-	3.0	-	-	-	-	-	6.0
Machinery & Equipment	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Vehicles	-	-	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.3
Land & Building	0.8	1.4	1.3	1.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	6.5
Office Equipment (Inc.IT Equip.)	0.1	0.0	0.3	0.0	0.0	0.5	0.1	0.0	0.1	0.3	0.0	0.0	1.4
Condensate Facilities	-	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	7.2
Taxation Cost													
VAT & Import Duty	7.3	2.7	3.7	7.1	4.3	3.7	4.5	4.7	11.5	6.2	8.2	8.2	72.1
Withholding tax for Interest	-	1.1	-	-	1.4	-	-	1.7	-	-	2.0	-	6.2
TOTAL CASH OUTFLOW	75.7	36.6	43.1	74.1	49.2	41.8	51.0	52.8	113.6	64.5	84.4	83.6	770.4

Notes: The above figure is only indicative figure and the interest expense is subject to changes based on the actual LIBOR rate