



**PT KALTIM PRIMA COAL**

**SUSTAINABLE**

**DEVELOPMENT**

**REPORT**

**2004**



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DEVELOPMENT

REPORT

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This is our second verified Sustainable Development Report. Similar to the 2003 report, this report highlights the process of KPC mine operation in achieving sustainability.

From this year onward, the KPC Sustainable Development Report will gradually accommodate as many frameworks outlined by the Global Reporting Initiatives (GRI) as possible.

We will continually improve our report by welcoming constructive feedback from our readers.

For further information on this report, please contact Superintendent HSE Technical Affairs on +62 (21) 574 2050 (hunting) or by this following email: [sustainablereport@kpc.co.id](mailto:sustainablereport@kpc.co.id)

Best Regards,



Suseno Kramadibrata  
GM HSE

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#### KPC SUSTAINABLE DEVELOPMENT REPORT 2004

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KPC's first full year of operations under the ownership Bumi Resources has been an outstanding success. On behalf of all KPC employees I would like to thank the Directors of Bumi Resources for the tremendous support they have provided throughout the year. In 2004 worldwide demand for steaming coal outstripped supply resulting in record prices. The increased demand of coal coincided with a reduction in coal export from China. This reduction was due to the increased domestic demand for coal to supply Chinese power station. This resulted in a shortage on the export market.

Unfortunately KPC was not able to take full advantage of these record prices until August 2004. However, as a result of the higher prices obtained during the latter part of the year, annual earnings are on plan despite coal shipped being only 82.1% of plan. 2004 production got off to a lower than planned start as both wet weather and longer than expected equipment deliveries from mining contractors reduced overburden removal rates.

At the end of December, overburden removal, coal conveyed and coal sales for the full year are forecast at 8.6%, 17.6% and 17.9% below plan respectively. However, 484% of a month's base salary being paid in bonuses to employees. This is by far the largest bonus ever paid to employees at KPC and reflects the shareholders generosity from increasing coal prices.

The 'Performance Improvement Process' (PIP) program continued to be a great success providing both gains in productivity and cost saving for the company throughout 2004. I would like to thank all employees involved in this program for all their hard work and commitment. PIP will continue throughout 2005 to ensure that KPC continually works toward developing a culture of continuous improvement.

KPC has continued its commitment to

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achieving the highest standards in health, safety and environment management. Again I am pleased to announce that there has not been a fatality at KPC during 2004, which means that KPC has been fatality-free for almost three years. This is a tremendous achievement given the significant increase in the number of contractors on site throughout the year. This outcome reflects the effort made by both KPC and contractors employees in complying with the Fatality Prevention Elements. The lost time injury frequency rate is at 0.05 slightly below our target of 0.20, but remains among the lowest in the world within the mining industry.

At one of the country's leading resource companies, KPC builds lasting and mutually rewarding relationship with employees, neighbours and surrounding communities, as we endeavour to ensure that all stakeholders benefit from the economic rewards of KPC's mining activities. Additionally, stakeholders from within Indonesia and the international business community (e.g. Bumi Resources shareholders, coal buyers, banks, fund managers, government official and NGO's) are keen to ensure that KPC operates in a way that does harm to environment and local communities within and around our mining operations. Thus, I proudly announce the achievement of ISO 14001 certificate in September 2004. This achievement shows KPC commitment on environment and community development best practices. We are all proud of this achievements and I urge everyone to improve performance on those fields.

In the new structure of ownership, Government of East Kutai has bought stake of KPC. The management of KPC wishes to strengthen the relationship with Government of East Kutai in order to gain mutual benefit within related parties.

2005 will be a very exiting and challenging year for everyone at KPC as we work together with our contractor's community to expand

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productions to 28 million tonnes from the Sangatta mines, and to 4 million tonnes from the Bengalon area. This expansions tonnage will come with the assistance of PT Thiess Contractors Indonesia in Pit J and Melawan; PT PAMA Persada working on pre strip operations in Bendili; and PT Darma Henwa at Bengalon. The KPC mining fleet is also expanding with the purchase of 52 new larger trucks and several new 996 loading units as well as other new ancillary equipment, which will arrive throughout 2005.

KPC's exploration drilling capacity has been increased by 249% during 2004 to ensure that enough coal is located to sustain the higher coal productions rates for many years to come. KPC has identified 2,945 billion tonnes of coal resources and over 634 million tonnes of coal reserves. To date, only 36 percent of the 90,960 hectares has been explored and drilled. Drilling will continue throughout 2005 in the North Pinang and Pit J East areas in order to discover new reserve.

I thank you all for your contribution of the success of KPC during 2004 and look forward to your continued support in 2005

Evan Ball  
Managing Director

