



Adaro Energy

Quarterly Activities Report

Second Quarter of 2011

For the Three Months Ending June 30th, 2011

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Dear Capital Market Participants,

Welcome to Adaro Energy's Quarterly Activities Report. One month after the end of each quarter, the report will focus on our operations, business development, exploration and other activities along with associated expenditures of the preceding quarter. The financial statements and notes will be released separately.

Below are some highlights of the second quarter of 2011:

- We are on track to achieve our production and sales targets of 46-48 million tonnes.

<i>First Half Performance</i>	Actual	Plan	%
Overburden stripping (Mbcm)	140.6	133.8	105%
Coal Mining (Mt)	23.1	23.2	100%
Coal Hauling (Mt)	22.8	23.2	98%

- We delivered record performance in coal production, sales volume and overburden removal in the second quarter of 2011. (*page 4*)
- The vessel waiting time continued to improve and we recorded despatch (the opposite of demurrage) in April, May and June 2011. (*page 6*)
- We were delighted our JPower-Adaro-Itochu consortium received a Letter of Intent for the two by 1,000 megawatt coal-fired Independent Power Producer in Pemalang, Central Java on June 17th 2011. (*page 11*)
- On June 9th 2011, we paid the final dividend of Rp655.71 billion (or Rp20.5/share) in addition to the interim dividend of Rp315.06 billion (or Rp9.85/share) which we paid as at the end of 2010. During the 2011 AGMS, Adaro Energy's shareholders approved the dividend of 43.9% of net income 2010, the highest in our history.
- On July 4th 2011, we closed a US\$750 million 10-year unsecured loan facility from our relationship banks for capital expenditures, working capital and general corporate purposes. (*page 13*)

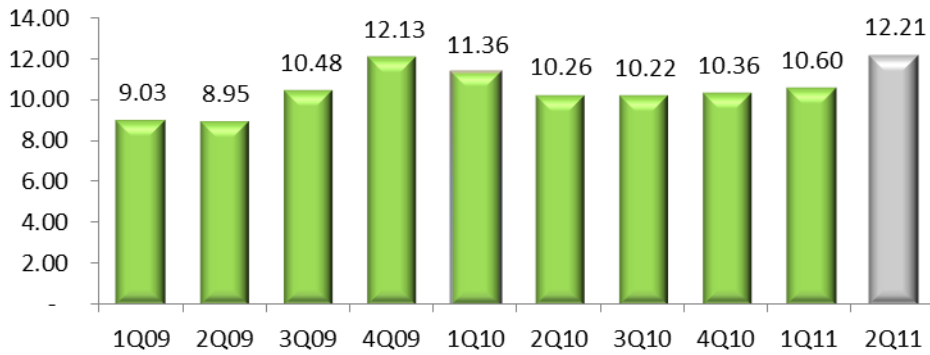
Please do not hesitate to contact us should you have any questions or require additional information.

Yours truthfully,

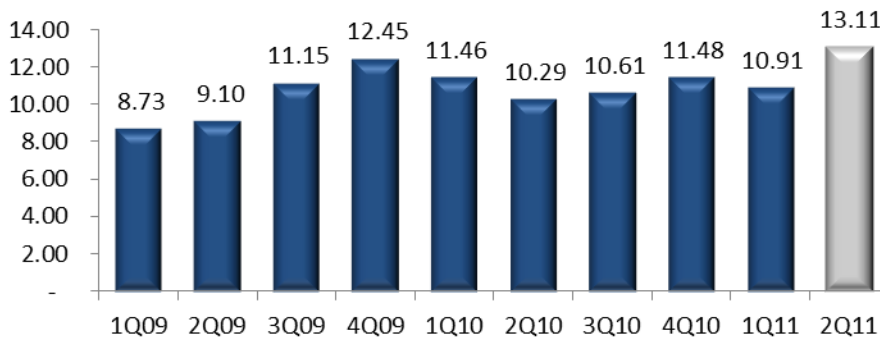


Cameron Tough
Head of Investor Relations

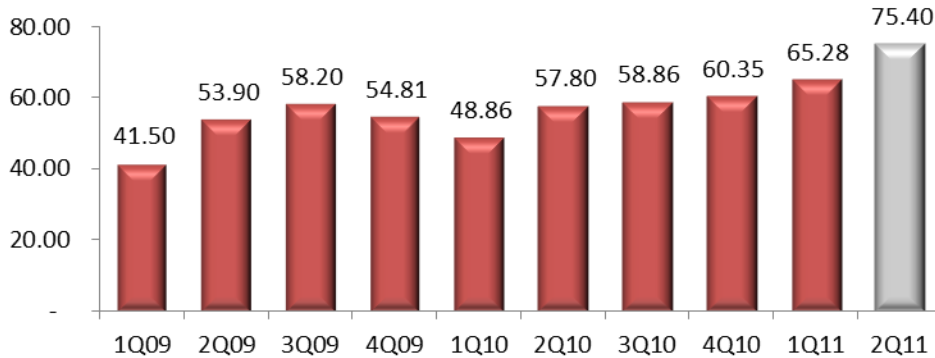
Production volume (Mt)



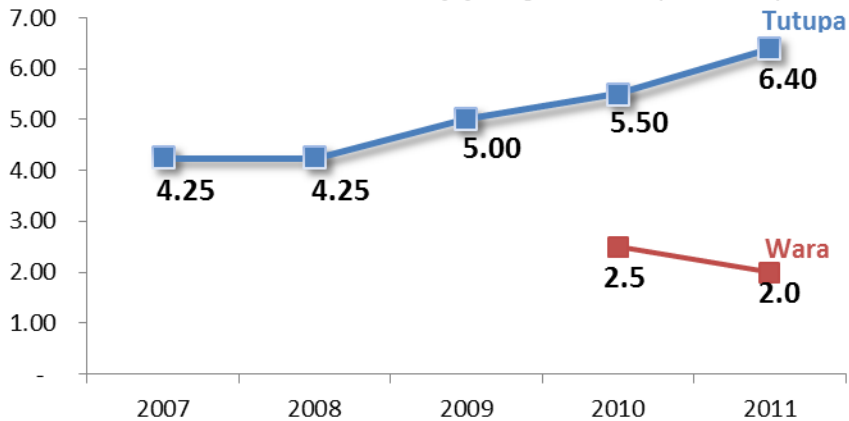
Sales volume (Mt)



Overburden Removal (Mbcm)



Planned Stripping Ratio (Bcm/t)



Operations on Track, Record Quarterly Performance

We are on track to achieve our production target of 46-48 million tonnes as first half coal production increased 5% from 1H10 to 22.8 million tonnes. We also achieved 100% of our coal mining plan of 23.1 million tonnes. During the second quarter of 2011, coal production climbed 19% to a record 12.2 million tonnes. Overburden removal climbed 30% to a record 75.4 million bank cubic metres (Mbcm). Even though it occurred after the second quarter of 2011, we would like to report that on July 18th 2011, we achieved a new daily overburden record of 1,057,749 bank cubic metres. The arrival of new and larger sized heavy equipment combined with our contractors' good performance enabled us to increase volumes.

In line with stronger production, sales volume rose 27% to a record 13.11 million tonnes during the second quarter of 2011. E 4000 (Wara) continues to receive strong demand from countries such as India, China, South Korea and Indonesia. As well, in the second quarter of 2011, Adaro added a new Wara contract to Thailand.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Production	Mt	12.21*)	10.26	19%
Sales	Mt	13.11**)	10.29	27%
Overburden removal	Mbcm	75.40	57.80	30%

*) Includes coal production of E 4000 (Wara) of 1.3 Mt and Paringin of 0.3 Mt

***) Includes Coaltrade's third party coal sales of 0.96 Mt and sales of E 4000 (Wara) of 1.3 Mt

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Production	Mt	12.21	10.60	15%
Sales	Mt	13.11	10.91	20%
Overburden removal	Mbcm	75.40	65.28	16%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Production	Mt	22.81*)	21.62	5%
Sales	Mt	24.02**)	21.75	10%
Overburden removal	Mbcm	140.68	106.66	32%

*) Includes coal production of E 4000 (Wara) of 2.6 Mt and Paringin of 0.5 Mt

***) Includes Coaltrade's third party coal sales of 1.69 Mt and sales of E 4000 (Wara) of 2.6 Mt

Coal Mining: PT Adaro Indonesia ("AI")

Stripping Ratio

AI decided to increase the planned stripping ratio at Tutupan pit from 5.5x to 6.4x this year due to robust pricing conditions in the market, and slightly decrease the planned stripping ratio at Wara pit from 2.5x to 2.0x this year due to sufficient pre stripping work in 2010. The planned stripping ratio at Paringin pit is 6.0x.

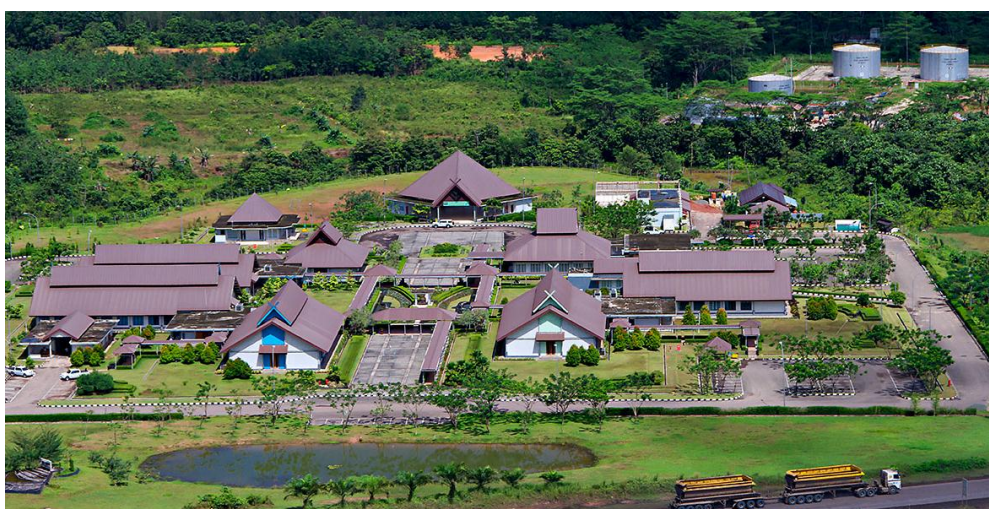
Inventory

As at the end of first half of 2011, AI had inventory of 0.74 million tonnes at the Kelanis river terminal, a 70% increase compared to the same period of last year.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Coal Transported	Mt	12.21	10.26	19%
Coal Sold	Mt	12.15	10.29	18%
Strip Ratio - Tutupan	Bcm/t	6.4	5.5	
Strip Ratio - Wara	Bcm/t	2.0	2.5	

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Coal Transported	Mt	12.21	10.60	15%
Coal Sold	Mt	12.15	10.18	19%
Strip Ratio - Tutupan	Bcm/t	6.4	6.4	
Strip Ratio - Wara	Bcm/t	2.0	2.0	

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Coal Transported	Mt	22.81	21.62	5%
Coal Sold	Mt	22.33	21.59	3%
Strip Ratio - Tutupan	Bcm/t	6.4	5.5	
Strip Ratio - Wara	Bcm/t	2.0	2.5	
Inventory	Mt	0.74	0.44	70%



A hauling rig passes in front of the Kelanis river terminal administration buildings.

Barging and Ship Loading

In 2Q11, the total volume for barging and shiploading increased 18% to 12.13 million tonnes due to strong coal demand and improved barge cycle time, despite maintenance to two of the floating cranes. These factors also lowered demurrage and vessel waiting times below budget.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Floating Cranes	Mt	7.40	5.36	38%
Self Geared	Mt	1.39	1.44	-3%
IBT	Mt	0.58	0.81	-29%
Barges	Mt	2.77	2.68	4%
Total	Mt	12.13	10.29	18%

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Floating Cranes	Mt	7.40	6.25	18%
Self Geared	Mt	1.39	1.07	30%
IBT	Mt	0.58	0.43	34%
Barges	Mt	2.77	2.43	14%
Total	Mt	12.13	10.18	19%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Floating Cranes	Mt	13.65	12.56	9%
Self Geared	Mt	2.46	2.78	-12%
IBT	Mt	1.01	1.38	-27%
Barges	Mt	5.20	4.87	7%
Total	Mt	22.31	21.59	3%

Improvement in Vessel Waiting Times

We continued to bring down vessel waiting time and shorten the barge cycle time. The average waiting time per vessel in April, May and June was 0.3, 0.5 and 0.1 days respectively, which are significant reductions compared to 1Q11.

Rainfall and Pit Dewatering

There were less rain days during 2Q11, especially in June. The number of rain days decreased 25% to 46 compared to 1Q11, although the volume of rainfall of 955 mm increased 18%.

Volume of Rainfall at the Tutupan Mining Area (mm)

2Q11		2Q10		1Q11	2Q11 vs. 2Q10
Apr	325	Apr	469		-31%
May	413	May	174		137%
Jun	217	Jun	320		-32%
Total	955	Total	963	Total 811	-1%

Number of Rain days at the Tutupan Mining Area (days)

2Q11		2Q10		1Q11	2Q11 vs. 2Q10
Apr	21	Apr	20		5%
May	15	May	16		-6%
Jun	10	Jun	18		-44%
Total	46	Total	54	Total 61	-15%

Coal Mining Contractor: PT Saptaindra Sejati (“SIS”)

In 2Q11, SIS increased overburden removal and coal getting due to capital expenditures for new and larger sized heavy equipment. SIS is on track to achieve its total coal getting target of 23.4 million tonnes and total overburden removal of 177 Mbcm for this year.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Overburden Removal	Mbcm	41.56	31.98	30%
Adaro	Mbcm	23.66	16.79	41%
Others	Mbcm	17.90	15.19	18%
Coal Getting	Mt	5.59	4.51	24%
Adaro	Mt	3.71	3.05	22%
Others	Mt	1.88	1.45	30%

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Overburden Removal	Mbcm	41.56	35.03	19%
Adaro	Mbcm	23.66	19.15	24%
Others	Mbcm	17.90	15.88	13%
Coal Getting	Mt	5.59	4.88	14%
Adaro	Mt	3.71	3.16	17%
Others	Mt	1.88	1.72	9%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Overburden Removal	Mbcm	76.59	60.81	26%
Adaro	Mbcm	42.80	31.59	36%
Others	Mbcm	33.78	29.22	16%
Coal Getting	Mt	10.48	9.32	12%
Adaro	Mt	6.87	6.40	7%
Others	Mt	3.61	2.92	24%



Aerial view of SIS mining area at the Tutupan pit



New heavy equipment operated by SIS: double side loading, 400 tonne hydraulic excavator PC4000, loading two 200 tonne Caterpillar 789, overburden trucks

Barging and Ship Loading Contractor: Orchard Maritime Logistics Pte Ltd (“OML”), PT Maritim Barito Perkasa (“MBP”) and PT Harapan Bahtera Internusa (“HBI”)

In 2Q11, total coal transported increased 29% to 3.71 million tonnes due to reduced vessel loading times at Taboneo anchorage as well as a new third party contract awarded at the beginning of this year. Meanwhile, total coal loaded decreased 7% to 2.56 million tonnes as two floating cranes were sent for maintenance in April. This year, our barging and shiploading division is targeting 14.8 million tonnes of transported coal and 13.5 million tonnes of coal loaded.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Total Coal Transported	Mt	3.71	2.87	29%
Adaro	Mt	3.20	2.64	21%
Others	Mt	0.51	0.23	123%
Total Coal Loaded	Mt	2.56	2.77	-7%
Adaro	Mt	2.56	2.77	-8%
Others	Mt	0.01	-	

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Total Coal Transported	Mt	3.71	3.36	10%
Adaro	Mt	3.20	2.93	9%
Others	Mt	0.51	0.43	17%
Total Coal Loaded	Mt	2.56	2.97	-14%
Adaro	Mt	2.56	2.90	-12%
Others	Mt	0.01	0.07	-88%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Total Coal Transported	Mt	7.06	5.83	21%
Adaro	Mt	6.13	5.31	15%
Others	Mt	0.94	0.52	81%
Total Coal Loaded	Mt	5.53	6.62	-16%
Adaro	Mt	5.46	6.62	-18%
Others	Mt	0.07	-	

Coal Terminal: PT Indonesia Bulk Terminal (“IBT”)

In 2Q11, total coal shipped and the number of vessels loaded decreased as AI moved more of its transshipment activities to the more convenient and closer Taboneo anchorage. Coal shipped decreased 4% to 1.23 million tonnes. However, tonnage increased 50% compared to 1Q11 due to new customers.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Total Coal Shipped	Mt	1.23	1.28	-4%
Adaro/Coaltrade	Mt	0.58	0.81	-29%
Third party	Mt	0.65	0.47	39%
No of vessels loaded		18	20	-10%

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Total Coal Shipped	Mt	1.23	0.82	50%
Adaro/Coaltrade	Mt	0.58	0.43	34%
Third party	Mt	0.65	0.39	67%
No of vessels loaded		18	12	50%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Total Coal Shipped	Mt	2.05	3.03	-32%
Adaro/Coaltrade	Mt	1.01	1.93	-48%
Third party	Mt	1.04	1.10	-5%
No of vessels loaded		30	48	-38%

Coal Marketing: Coaltrade Services International Pte Ltd (“Coaltrade”)

In 2Q11, the increase in total coal sales was mainly due to the increase in third party coal sales. Coaltrade is on track to achieve its total coal sales target of 5.9 million tonnes for this year.

<i>Year on Year</i>	Units	2Q11	2Q10	% Change
Total coal sales	Mt	1.09	0.48	128%
Coal purchased from Adaro	Mt	0.13	0.48	-73%
Others	Mt	0.96	-	

<i>Quarter on Quarter</i>	Units	2Q11	1Q11	% Change
Total coal sales	Mt	1.09	1.27	-14%
Coal purchased from Adaro	Mt	0.13	0.54	-76%
Others	Mt	0.96	0.73	32%

<i>1H11 vs. 1H10</i>	Units	1H11	1H10	% Change
Total coal sales	Mt	2.37	1.98	19%
Coal purchased from Adaro	Mt	0.67	1.82	-63%
Others	Mt	1.69	0.16	958%

PROJECT DEVELOPMENT

Overburden Crushing and Conveying System

The overburden crushing and conveying system project is aimed to offset the projected substantial increase in truck numbers and haulage distance required for overburden removal at the Tutupan pit, as well as reducing future projected levels of fuel consumption. On March 25th 2011, AI signed contracts with FLSmidth (“RAHCO”) and PT Wijaya Karya (Persero) Tbk (“WIKA”) worth in excess of US\$175 million for a system that has a capacity to crush and transport 12,000 tonnes per hour of overburdens equivalent to 40 Mbcm annually.

In 2Q11, Adaro sought to novate the agreement between AI and FLSmidth to one between another wholly owned subsidiary of AE, Jasapower Indonesia (“JPI”), and FLSmidth. JPI has appointed a Project Manager and continued to recruit a support team during 2Q11. Both FLSmidth and WIKA went to the site to review available areas for the establishment of site facilities. The overburden crushing and conveying system is expected to reduce operating costs by US\$1.00-US\$1.20 per bank cubic metre of overburden extracted compared to the use of trucking. The project is expected to commence operation in the first quarter of 2013.

2X30 MW Mine-mouth Power Plant

The two by 30 megawatt mine-mouth power plant is owned and will be operated by our subsidiary, PT Makmur Sejahtera Wisesa (“MSW”), to power the overburden crushing and conveying system and other parts of the mining operations. The construction work at the site progressed well during 2Q11 and the power plant is on track to commence operation by 2012. During 2Q11, MSW spent US\$19 million mainly for EPC equipment supplies and construction services which brought total spending on this project to US\$89.7 million. The project is expected to cost US\$160 million and it is planned the plant will be fuelled by approximately 300,000 tonnes of E 4000 (Wara) coal per year.



An aerial view of 2X30 MW mine-mouth power plant construction site

Expanding Capacity at the Kelanis River Terminal

Our coal crushing, stockpiling and barge loading facilities are handled at the Kelanis river terminal with a current through-put capacity of approximately 50 million tonnes a year. The Kelanis expansion project will support our plan to increase coal production levels up to 80 million tonnes a year.

BUSINESS DEVELOPMENT

The Establishment of Adaro Power

In line with Adaro Energy's strategy of moving downstream into power generation, Adaro Power was established on December 17th 2010. Adaro Power is a wholly owned subsidiary of Adaro Energy.

Two by 1,000 Megawatt Coal-fired IPP Project

On June 17th 2011, the JPower-Adaro-Itochu consortium received a Letter of Intent to construct a coal-fired Independent Power Producer project with a total capacity of 2,000 megawatts in Pemalang, Central Java. This project shall use ultra-supercritical boilers designed to burn a variety of sub-bituminous coals. AI will be the primary supplier of coal for the IPP. The Power Purchase Agreement is currently being finalized, and construction will likely begin in August 2012 with commercial operation by 2016-17. Adaro Power has a 34% stake, while JPower and Itochu have 34% and 32% respectively in the project.

Bio Diesel Fuel Pilot Project

On May 31st 2011, AI, Komatsu and United Tractors launched the Bio Diesel Fuel ("BDF") pilot project at AI's mining concession area as part of our strategy to reduce dependency on fuel. Among the honoured guests during the launching event was the Minister of Energy and Mineral Resources, Dr. Darwin Zahedy Saleh, the Ambassador of Japan for Indonesia, Yoshinori Katori, the Governor of South Kalimantan province and the Director General of Mineral and Coal. The project aims to build BDF supply-chain facilities and use oil from the inedible seeds of the Jatropha plant and other plants. The BDF will fuel Adaro's dump trucks resulting in less environmental impact. The three partner companies continued to assess the viability of this project.



From left to right: Garibaldi Thohir (President Director of Adaro Energy), Kunio Noji (President and CEO of Komatsu Ltd.) Rudy Ariffin (Governor of South Kalimantan Province), Dr. Darwin Zahedy Saleh (Minister of Energy and Mineral Resources), Yoshinori Katori (the Ambassador of Japan for Indonesia) and Djoko Pranoto (President Director of United Tractors Indonesia)

IndoMet Coal (“IMC”) project with BHP Billiton

Further studies to identify development options across the seven Coal Contracts of Work (CCoWs) of the IndoMet Coal project continued during 2Q11. The IndoMet Coal project, which is 25% owned by Adaro Energy’s subsidiary, ATA, will inform the market of the results of the study phase at the appropriate time.

Acquisition of Coal Deposits

We use three selection criteria of size, location and quality of deposits when selecting investment targets of coal deposits, and are currently considering three to four targets in Indonesia. We will consider all relevant opportunities based only on the merits of the transaction for Adaro Energy.

CORPORATE DEVELOPMENT

US\$750 Million 10-year Unsecured Loan Facility

On July 4th 2011, we closed a US\$750 million 10-year unsecured loan facility from our relationship banks, after previously receiving US\$1 billion commitment for this landmark 10-year bank loan. The purpose of this loan is for capital expenditures, working capital and general corporate purposes, as well as strengthening capital structure to match our business profile. The relationship banks involved in this deal were DBS Bank. Ltd, PT Bank Mandiri (Persero) Tbk, Oversea-Chinese Banking Corporation Ltd, and The Bank of Tokyo-Mitsubishi UFJ Ltd. We always consider optimal sources of funding to sustain balance sheet strength and help our business grow.

Adaro Donates Blood Donor Vehicles to Indonesian Red Cross

We continued our commitment in implementing and expanding our CSR programs to the community. On May 6th 2011, at the Indonesian Red Cross (IRC) Head Office, President Director Garibaldi Thohir, and Chairman of IRC, Jusuf Kalla, signed an agreement of cooperation to support The National Program for Blood Donor Enhancement in Indonesia. Under the terms of this agreement, Adaro Indonesia shall donate 5 units of blood donor vehicles to IRC with the aim to further encourage community-wide blood donation.



President Director Garibaldi Thohir signed an agreement to support The National Program for Blood Donor Enhancement in Indonesia, which was represented by Jusuf Kalla (Chairman of the IRC)

Adaro Institute Inauguration

In 3Q10, we approved the plan to establish our own training centre, the Adaro Institute, to help meet our future human resources requirements for high calibre professionals. In 2Q11, we inaugurated the Adaro Institute at a brand new location at The East Building – Mega Kuningan, Jakarta. We recognize attracting and retaining the top talents can be a challenge as we grow to 80 million tonnes in the medium term and continue to create sustainable value from Indonesian coal.

Analyst Meeting and Mine Site Tour: “Building a Bigger and Better Adaro Energy”

We hosted an analyst meeting and mine site tour on July 13th-14th 2011, and invited all of our sell-side equity analysts at the newly inaugurated Adaro Institute. There were twenty four equity analysts, both domestic and international. A series of presentations and a dialogue was held with our management including President Director Garibaldi Thohir, Vice President Director Christian Ariano Rachmat, and other key senior personnel.



Twenty four equity analysts met with executives and management at Adaro's newly inaugurated Adaro Institute on July 13th 2011



AE's panellists (from left to right): Cameron Tough (Head of Investor Relations), Shiv Dave (Senior Financial Advisor), Garibaldi Thohir (President Director of AE), Christian Ariano Rachmat (VP Director of AE), Adrian Lembong (GM Business Development), Moh. Effendi (Chief CSR Officer) and Michael Arlantis (HR People Development Manager)

After the meeting, we hosted a mine site tour, which included the Tutupan pit, the Wara pit, the Paringin pit, the 2x30 mine-mouth power plant, the hauling road, Kelanis river terminal, Barito River and Taboneo anchorage. Analysts interacted and asked questions of AI's key operations personnel and visited some of our environmental and community development programs.



A group of equity analysts and AE's personnel at Warukin airport after visiting AI's operations and environmental programs

Adaro Energy's First Media Workshop 2011

Adaro conducted its first media workshop, with the theme "Build a Bigger and Better Adaro," involving leading print and electronic national media to provide better understanding about Adaro. The workshop was held by the Corporate Secretary Division at the Royal Plaza On Scotts Hotel, Singapore, on July 21st to 23rd 2011. During the workshop, Adaro's Corporate Secretary, Devindra Ratzarwin, presented the business profile and operations of the group, as well as CSR programs. The workshop included pop quizzes and questions and answer sessions. The event was also attended by other Corporate Secretary members, Perry B. Slangor and Aditya Sudjono. The Corporate Secretary Division plans to conduct this event regularly every year.

