Consolidated Financial Statements
With Independent Auditors' Report
December 31, 2002
With Comparative Figures for 2001
(Indonesian Currency)

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES

**PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2002
WITH COMPARATIVE FIGURES FOR 2001**

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-0319/02

The Stockholders and the Boards of Commissioners and Directors
Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk

We have audited the consolidated balance sheet of Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk and Subsidiaries as of December 31, 2002 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk and Subsidiaries for the year ended December 31, 2001 were audited by other independent auditors whose report dated March 4, 2002 expressed an unqualified opinion on those statements and included explanatory paragraphs that described the initial adoption of the Indonesian Statement of Financial Accounting Standards (PSAK) No. 55, "Accounting for Derivative Instruments and Hedging Activities"; the prevailing economic conditions in Indonesia; and the differences between generally accepted accounting principles in Indonesia and Australia.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk and Subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

Note 32 to the consolidated financial statements includes a summary of the effects of the economic conditions in Indonesia on the Company and its Subsidiaries as well as the measures the Company and its Subsidiaries have implemented and plan to implement in response to the economic conditions. The accompanying consolidated financial statements include the effects of the economic conditions to the extent they can be determined and estimated.

Generally accepted accounting principles in Indonesia vary in certain respects from those in Australia. A description of the significant difference between these two generally accepted accounting principles and the approximate effects of this difference on net income and stockholders' equity are set forth in Note 33 to the consolidated financial statements.

PRASETIO, SARWOKO & SANDJAJA

Dra. Juanita Budijani
License No. 00.1.0714

February 28, 2003

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah, except par value and share data)

	Notes	2002	2001
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c, 3, 17	641,741,341	801,746,726
Proceeds account	4, 17	41,689,393	72,356,325
Short-term investments - net	2d, 5	5,783,179	3,288,171
Accounts receivable			
Trade	2e, 6, 13	138,611,155	136,157,051
Others - net of allowance for doubtful accounts of Rp 2,142,834	2e	13,547,741	11,270,447
Inventories	2g, 7, 13, 17	336,080,092	256,503,829
Prepaid taxes	8	45,378,498	25,178,812
Prepaid expenses	2h	6,996,775	6,247,267
Other current assets		26,962,144	15,282,707
TOTAL CURRENT ASSETS		1,256,790,318	1,328,031,335
NON-CURRENT ASSETS			
Investment in shares of stock	2b, 9, 17	30,929,169	30,929,169
Property, plant and equipment - net of accumulated depreciation of Rp 629,191,397 in 2002 and Rp 504,316,871 in 2001	2i, 2j, 2k, 2t 10, 13, 17	1,022,583,074	1,048,841,922
Deferred exploration and development costs - net	2n, 11	130,173,686	111,186,728
Deferred charges - net	2l, 2m, 12	10,672,426	14,985,238
Deferred environmental protection and rehabilitation costs - net	2o	7,053,409	8,001,551
Claim for tax refund	2u, 16	1,266,745	-
Other non-current assets		27,641,192	13,534,911
TOTAL NON-CURRENT ASSETS		1,230,319,701	1,227,479,519
TOTAL ASSETS		**2,487,110,019**	**2,555,510,854**

The accompanying notes form an integral part of these consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah, except par value and share data)

	Notes	2002	2001
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term bank loans	6, 7, 10, 13	107,592,247	131,617,184
Accounts payable			
Trade	2f, 14, 26		
Third parties		67,830,911	44,509,890
Related parties		27,259,582	16,576,628
Others		12,636,273	10,102,590
Accrued expenses	2p, 15, 25	102,641,067	74,905,166
Taxes payable	2u, 16	25,409,258	64,760,447
Current maturities of long-term debts	2f, 4, 7, 10, 17	46,442,948	87,850,281
Current portion of estimated liabilities for environmental protection and rehabilitation	2o, 18, 30b	9,438,679	3,042,360
TOTAL CURRENT LIABILITIES		399,250,965	433,364,546
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2u, 16	75,170,034	80,730,731
Long-term debts - net of current maturities	2f, 4, 7, 10, 17	34,455,672	84,007,801
Estimated liabilities for environmental protection and rehabilitation - net of current portion	2o, 18, 30b	33,203,918	31,475,702
TOTAL NON-CURRENT LIABILITIES		142,829,624	196,214,234
MINORITY INTERESTS IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES	2b	5,687,030	6,206,919

The accompanying notes form an integral part of these consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah, except par value and share data)

	Notes	2002	2001
STOCKHOLDERS' EQUITY			
Capital stock - par value of Rp 500 per share	19		
Authorized - 1 preferred share and 7,599,999,999 common shares in 2002 and 1 preferred share and 3,199,999,999 common shares in 2001			
Issued and fully paid - 1 preferred share and 1,907,691,949 common shares in 2002 and 1 preferred share and 1,230,768,999 common shares in 2001		953,845,975	615,384,500
Additional paid-in capital	19	2,526,309	340,987,784
Difference in foreign currency translation	2b	31,708,316	34,911,838
Unrealized gain on available-for-sale investments	2d, 5	381,288	505,670
Retained earnings	27		
Appropriated		748,857,692	569,780,020
Unappropriated		202,022,820	358,155,343
TOTAL STOCKHOLDERS' EQUITY		1,939,342,400	1,919,725,155
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**2,487,110,019**	**2,555,510,854**

The accompanying notes form an integral part of these consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Year Ended December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah, except earnings per share)

	Notes	2002	2001
NET SALES	2r, 20	1,711,399,817	1,735,224,110
COST OF GOODS SOLD	2r, 21	1,254,826,989	1,091,098,879
GROSS PROFIT		**456,572,828**	**644,125,231**
OPERATING EXPENSES	2r, 22		
General and administrative		120,646,451	96,235,749
Selling		32,620,807	38,887,622
Exploration	2n, 11	13,688,807	37,980,214
Total Operating Expenses		**166,956,065**	**173,103,585**
INCOME FROM OPERATIONS		**289,616,763**	**471,021,646**
OTHER INCOME (CHARGES)			
Interest income		39,021,959	51,288,121
Gain on derivative transactions - net	2s, 30c	9,213,609	16,394,145
Insurance claim	24	4,421,631	-
Dividend income	9, 17	6,562,691	-
Write-off of other assets		-	(7,459,846)
Amortization of deferred environmental protection and rehabilitation costs	2o	(948,143)	(948,143)
Geology service expense - net		(7,028,443)	(2,947,339)
Interest expense		(13,196,853)	(18,997,753)
Loss on foreign exchange - net	2t	(62,399,152)	(2,200,883)
Others - net		13,175,651	(2,301,930)
Other Income (Charges) - Net		**(11,177,050)**	**32,826,372**
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)		**278,439,713**	**503,848,018**
INCOME TAX PROVISION (BENEFIT)	2u, 16		
Current		81,794,267	148,346,800
Deferred		(5,560,697)	715,969
Total		**76,233,570**	**149,062,769**
INCOME BEFORE MINORITY INTERESTS IN NET LOSS (INCOME) OF SUBSIDIARIES		202,206,143	354,785,249
MINORITY INTERESTS IN NET LOSS (INCOME) OF SUBSIDIARIES	2b	(183,323)	3,370,094
NET INCOME		**202,022,820**	**358,155,343**
EARNINGS PER SHARE	2w	**105.90**	**187.74**

The accompanying notes form an integral part of these consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO) PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Year Ended December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah, except share data)

	Notes	Capital Stock	Additional Paid-in Capital	Difference in Foreign Currency Translation	Unrealized Gain (Loss) on Available-for- Sale Investments	Retained Earnings		Total
						Appropriated	Unappropriated	
Balance, January 1, 2001		615,384,500	340,987,784	32,427,628	149,569	378,202,540	383,154,961	1,750,306,982
Net income		-	-	-	-	-	358,155,343	358,155,343
Appropriation for general reserve	27	-	-	-	-	191,577,480	(191,577,480)	-
Cash dividends declared (Rp155.66 per share)	27	-	-	-	-	-	(191,577,481)	(191,577,481)
Difference in foreign currency translation	2b	-	-	2,484,210	-	-	-	2,484,210
Unrealized gain on available-for-sale investments		-	-	-	356,101	-	-	356,101
Balance, December 31, 2001		**615,384,500**	**340,987,784**	**34,911,838**	**505,670**	**569,780,020**	**358,155,343**	**1,919,725,155**
Conversion of additional paid in capital to bonus shares	19	338,461,475	(338,461,475)	-	-	-	-	-
Net income		-	-	-	-	-	202,022,820	202,022,820
Appropriation for general reserve	27	-	-	-	-	179,077,672	(179,077,672)	-
Cash dividends declared (Rp 145.50 per share)	27	-	-	-	-	-	(179,077,671)	(179,077,671)
Difference in foreign currency translation	2b	-	-	(3,203,522)	-	-	-	(3,203,522)
Unrealized loss on available-for-sale investments		-	-	-	(124,382)	-	-	(124,382)
Balance, December 31, 2002		**953,845,975**	**2,526,309**	**31,708,316**	**381,288**	**748,857,692**	**202,022,820**	**1,939,342,400**

The accompanying notes form an integral part of these consolidated financial statements.

PERUSAHAAN PERSEROAN (PERSERO)
PT ANEKA TAMBANG Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended December 31, 2002
With Comparative Figures for 2001
(Expressed in thousands of Rupiah)

	Notes	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,708,927,025	1,695,337,127
Payments to suppliers		(1,077,054,370)	(906,998,295)
Payments to employees		(229,584,613)	(195,654,856)
Cash provided by operating activities		402,288,042	592,683,976
Interest income		38,641,217	50,700,818
Payment of interest expense		(12,002,447)	(19,889,280)
Payment of income taxes		(127,790,252)	(241,066,151)
Proceeds from insurance claim		2,609,163	3,083,547
Net Cash Provided by Operating Activities		**303,745,723**	**385,512,910**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(103,298,898)	(90,108,151)
Cash receipts from dividends		6,562,691	-
Net additions in:			
Deferred charges		(6,395,429)	(7,602,791)
Short-term investment		(2,285,437)	-
Other non-current assets		(14,106,281)	(2,359,347)
Deferred exploration and development costs		(32,845,450)	(26,470,413)
Net Cash Used in Investing Activities		**(152,368,804)**	**(126,540,702)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in proceeds account		30,666,932	89,737,785
Repayment of short-term bank loans		(2,300,921)	(27,767,746)
Repayment of long-term debts		(89,177,905)	(90,640,648)
Payment of cash dividends	27	(179,077,671)	(191,577,481)
Net Cash Used in Financing Activities		**(239,889,565)**	**(220,248,090)**
Effect of foreign exchange rate changes on cash and cash equivalents		(71,492,739)	56,244,412
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(160,005,385)**	**94,968,530**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	801,746,726	706,778,196
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**641,741,341**	**801,746,726**

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

a. The Company's Establishment

Perusahaan Perseroan (Persero) PT Aneka Tambang Tbk (the "Company") was established and began commercial operations on July 5, 1968 based on Government Regulation No. 22 of 1968, as published in the State Gazette No. 36 dated July 5, 1968, under the name "Perusahaan Negara (PN) Aneka Tambang". On June 14, 1974, based on Government Regulation No. 26 of 1974, the status of "Perusahaan Negara (PN) Aneka Tambang" was changed from that of a state-owned corporation ("Perusahaan Negara") to that of a state-owned limited liability corporation ("Perusahaan Perseroan (Persero)") and the Company has since been known as "Perusahaan Perseroan (Persero) PT Aneka Tambang".

The Company's Articles of Association was last amended by Notarial Deed No. 23 of A. Partomuan Pohan, S.H., LL.M., dated June 19, 2002, concerning, among others, the change in its authorized capital stock, issued and fully paid capital and the declaration of bonus shares. These amendments were approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its Decision letter No. C-13196 HT.01.04.TH.2002 dated July 17, 2002 (see Note 19).

According to Article 3 of the Company's Articles of Association, its scope of activities comprises mining of natural deposits, manufacturing, trading, transportation and other services related to mining.

The Company's head office is located in Jakarta. Currently, the Company operates seven mines located in Kijang, Bintan Island, Riau (bauxite); Pomalaa, Sulawesi Tenggara (nickel); Gebe Island, Maluku (nickel); Gee Island, Maluku (nickel); Tanjung Buli, Maluku (nickel); Cilacap, Central Java (iron sand); and Pongkor Mountain, Bogor, West Java (gold). The Company also operates a precious metal refinery and a geology unit in Jakarta. In addition, PT Antam Resourcindo (AR), the subsidiary of International Antam Resources Limited (IARL), the Company's Canadian subsidiary, owns several mining rights and operates a gold mine in Cikidang, West Java. AR started its operating activities on July 16, 1997. As of December 31, 2002, IARL has total assets of Can$ 6,776,163 or equivalent to Rp 38,434,397 and is currently engaged in the exploration and development of mineral properties.

b. The Company's Public Offerings

Since November 27, 1997, all the Company's shares are listed on the stock exchanges in Indonesia. Starting August 9, 1999, the Company's shares have also been traded on the Australian Stock Exchange (ASX) in "CHESS Units of Foreign Securities (CUFS)" where each unit of CUFS is equivalent to five (5) common shares. A total of 381,538,390 CUFS units could be traded on the ASX representing 1,907,691,950 series B common shares.

c. Employees, Boards of Commissioners and Directors

As of December 31, 2002, the members of the Company's Boards of Commissioners and Directors are as follows:

1. GENERAL (continued)

c. Employees, Boards of Commissioners and Directors (continued)

Board of Commissioners

- Prof.Dr. Ir. Firman M.U. Tamboen, M. Eng. (President Commissioner)
- Ir. Supriatna Suhala, MSc
- Ir. S. Suryantoro, MSc
- Ir. Yap Tjay Soen (Independent Commissioner)

Board of Directors

- Ir. D. Aditya Sumanagara (President Director)
- Ir. Harsojo Dihardjo
- Drs. Ki Agus Umar Tochfa
- Drs. Ismail Tangka
- Ir. Subagyo

Salaries and other compensation benefits incurred for the Company's Boards of Commissioners and Directors amounted to Rp 10,824,177 and Rp 8,245,062 in 2002 and 2001, respectively.

The Company and its Subsidiaries have a total of 3,487 and 3,593 permanent employees in 2002 and 2001, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidated Financial Statements

The consolidated financial statements have been prepared following the accounting principles generally accepted in Indonesia (Indonesian GAAP), which vary in certain respects from those in Australia (Australian GAAP). A description of the significant difference between these two generally accepted accounting principles and its approximate effects on net income and stockholders' equity are set forth in Note 33 in order to conform more closely to the form and content of financial statements required in filings with the ASX.

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for gold and silver inventories which are valued at net realizable value, other inventories which are valued at the lower of cost or net realizable value, and certain property, plant and equipment which are stated at revalued amounts.

The consolidated statements of cash flows present receipts and payments of cash and cash equivalents classified into operating, investing and financing activities.

The Company maintains its accounting records in Rupiah.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 82%-owned subsidiary, IARL, a publicly-listed company in Canada. IARL owns 99.99% of AR, a local company acting as IARL's Indonesian operating subsidiary.

(Expressed in thousands of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

The accounts of IARL are translated into Rupiah amounts on the following bases:

Balance sheet accounts	-	Middle rate at balance sheet date (Can$ 1 to Rp 5,672 in 2002 and Rp 6,544 in 2001) (in full amounts).
Profit and loss accounts	-	Average rate for 2002 and 2001 at Rp 5,898 and Rp 6,620 to Can$ 1, respectively (in full amounts).

The resulting difference arising from the translation of balance sheet and profit and loss accounts is presented as "Difference in Foreign Currency Translation" under the Stockholders' Equity section in the consolidated balance sheets.

The proportionate share of the minority stockholders in the Subsidiary is presented as "Minority Interest in Net Assets of Consolidated Subsidiaries" in the consolidated balance sheets.

All significant intercompany accounts and transactions have been eliminated.

Investments in Contract of Work (CoW) companies are recorded based on the fair value of assets transferred to a CoW company or interest received by the Company, whichever is more determinable.

Investments in which the Company or its Subsidiaries have an ownership interest of at least 20% but not exceeding 50% are accounted for under the equity method whereby the cost of investment is increased or decreased by the Company's or Subsidiaries' share in the net earnings (losses) of the investees since the date of acquisition and deducted by dividend income. Equity in net earnings (losses) is being adjusted for the straight-line amortization, over a 5-year period, of the difference between the cost of such investment and the Company's or Subsidiaries' proportionate share in the underlying fair value of the net assets at the date of acquisition (goodwill).

All other investments are carried at cost.

c. Cash Equivalents

Time deposits with maturities of three months or less at the time of placement and not pledged as collateral for loans are considered as "Cash Equivalents". Gold in value recorded at gold market price are also considered as "Cash Equivalents".

d. Short-term Investments

In accordance with the Statement of Financial Accounting Standards (PSAK) No. 50, "Accounting for Certain Investments in Securities", securities held for trading or available-for-sale are stated at fair values. Any change in the market value of trading securities is credited or charged to operations, whereas any change in the market value of available-for-sale securities is presented as a separate component of the Stockholders' Equity and credited or charged to operations upon realization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Allowance for Doubtful Accounts

The Company and its Subsidiaries provide allowance for doubtful accounts based on a review of the status of the individual receivable accounts.

f. Transactions with Related Parties

The Company and its Subsidiaries have transactions with certain related parties as defined under PSAK No. 7, “Related Party Disclosures”.

All significant transactions with related parties are disclosed in the consolidated financial statements.

g. Inventories

Inventories, except gold and silver which are stated at net realizable value, are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method. Allowance for inventory obsolescence is provided to reduce the carrying value of inventories to their net realizable values.

h. Prepaid Expenses

Prepaid expenses are charged to operations over the periods benefited.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for certain assets revalued in accordance with government regulation, less accumulated depreciation (except land which is not depreciated). Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	10 to 20
Land improvements (see Note 10)	6 to 20
Plant, machinery and equipment	8 to 25
Vehicles	4 to 8
Furniture, fixtures and office equipment	4 to 8

Construction in progress is stated at cost. The accumulated costs will be reclassified to the appropriate property, plant and equipment accounts when construction is substantially complete and the asset is ready for its intended use.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Impairment of Asset Value

In compliance with PSAK No. 48, “Impairment of Asset Value”, asset values are reviewed for any impairment and possible write-down to fair value whenever events or changes in circumstances indicate that the asset value may not be recoverable.

k. Capitalization of Borrowing Costs

In accordance with the revised PSAK No. 26, “Borrowing Costs”, interest, amortization of discount or premium, amortization of the related costs to obtain the loans and foreign exchange differences on loans which are used to finance the construction of major facilities are capitalized. Capitalization of these borrowing costs ceases when the construction is substantially complete and the assets are ready for their intended use.

l. Deferred Information System Development Cost

Cost of computer software purchased and the cost of subsequent updating thereof are deferred and are amortized using the straight-line method over 3 years.

m. Deferred Landright Costs

In accordance with PSAK No. 47, “Accounting for Land”, costs incurred relating to the processing of the renewal of the legal title over the landrights are deferred and are amortized using the straight-line method over the legal term of landrights of 20 years.

n. Deferred Exploration and Development Costs

Exploration and development costs for a potential significant area of interest associated with a mineral deposit where the mining right is still valid and (i) such costs are expected to be recovered through exploitation or sale of proven reserves, or (ii) activities have not yet reached a stage permitting a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant exploration of the area of interest is continuing, are deferred and amortized upon commencement of commercial production using the unit-of-production method. These costs are expensed in the period during which the Company and its Subsidiaries determine that no future value is expected from the area of interest.

Management assesses the carrying value of deferred exploration and development costs annually. If the carrying value of deferred exploration and development costs is higher than the present value of estimated ore production during the remaining life of the mine or the period of the mining right whichever is shorter, the difference is charged to operations.

Costs relating to mining units currently being exploited and ongoing development expenditures to maintain production are charged to operations as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Environmental Protection and Rehabilitation

The Company and its Subsidiaries evaluate and accrue annually the costs of environmental protection and land rehabilitation programs related to their mining activities (shown under "Estimated Liabilities for Environmental Protection and Rehabilitation"), in compliance with the requirements of PSAK No. 33, "Accounting for General Mining". Costs related to mining activities during exploration and development stages are deferred and amortized upon the commencement of production based on the estimated economic life of the mine. Costs related to mining activities incurred during production are charged to current year production expense. With the adoption of PSAK No. 33 in 1995, costs related to mining activities prior to 1995 were deferred and are amortized (charged to "Other Expenses") over the estimated economic life of the mine of 12 years. Estimated environmental protection and rehabilitation are accrued and charged to expense over the expected operating life of the mine using a fixed cost per quantity of production determined by dividing the expected cost of environmental protection and rehabilitation by the total recoverable quantity.

p. Retirement Benefits

The Company has a defined benefit retirement plan covering substantially all of its qualified permanent employees. The plan is funded through contribution of the employees and the Company. Employee contributions are computed at 5% of the employees' annual salaries including representation allowance, if any, and the Company's contributions are based on actuarial computations. Past service cost and experience adjustments are amortized over the average expected remaining working lives of existing employees of 7.13 years in 2002 and 7.79 years in 2001.

q. Post-retirement Health Care Benefits

The Company has a defined contribution post-retirement health care plan covering substantially all of its qualified permanent employees. Contributions are funded and consist of the Company's contributions computed at 12% and 7.5% in 2002 and 2001, respectively, and the employees' contribution computed at 6% and 5% in 2002 and 2001, respectively, of the employees' annual salaries.

The Company will continue to assist to provide additional funds to cover all its pensioners, including their eligible dependents. The cost of providing these benefits is recognized when incurred.

r. Revenue and Expense Recognition

Revenue from sales is recognized at the time of shipment when the title passes to the customer, while revenue from services is recognized at the time the services are rendered. Sales of gold and silver are priced generally based on the London Bullion Market Association's quoted price at the date of transaction. Expenses are recognized when incurred (accrual basis).

(Expressed in thousands of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Derivative Instruments

Effective January 1, 2001, the Company adopted PSAK No. 55 “Accounting for Derivative Instruments and Hedging Activities”. PSAK No. 55 establishes the accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) shall be recorded in the consolidated balance sheet as either an asset or liability measured at its fair value. PSAK No. 55 requires that changes in the derivative’s fair value be recognized currently in earnings unless specific hedges allow a derivative’s gains and losses to offset related results on the hedged item in the consolidated statement of income, and requires that an entity must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting treatment.

At January 1, 2001, the transition gain adjustment for the Company as a result of adopting PSAK No. 55 amounting to Rp 775,356 is immaterial and as such, is included in “Other Income - Others” in the 2001 consolidated statement of income.

Prior to 2001, realized gains and losses on such instruments are reflected in the consolidated statement of income.

The Company does not engage in any speculative derivative transactions. Derivative instruments are used to manage certain market risks arising from fluctuations in commodity prices.

While derivatives are used to reduce the Company's exposure resulting from fluctuation in commodity prices, these derivative instruments do not apply to specific sales and purchases. Accordingly, these are not designated as hedging instrument for accounting purposes and all exchange differences arising on the settlement or revaluation of derivatives are brought to account in determining net income for the year.

t. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect Bank Indonesia’s middle rate of exchange prevailing at such date. The resulting gains or losses are credited or charged to operations of the current year, except for foreign exchange differences capitalized as part of borrowing costs (see Notes 2k and 10) and those allowed to be capitalized into the carrying value of certain assets in accordance with the alternative treatment discussed in paragraph 32 of PSAK No. 10, “Transactions in Foreign Currencies”.

At December 31, 2002 and 2001, the rates of exchange used are as follows:

	2002	2001
1 United States Dollar	8,940	10,400
100 Japanese Yen	7,540	7,916
1 Canadian Dollar	5,672	6,544

(Expressed in thousands of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Income Tax

In accordance with PSAK No. 46, "Accounting for Income Taxes", the Company and its Subsidiaries recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using tax rates in effect for the year in which the differences are expected to be realized.

v. Segment Information

In 2002, the Company adopted the revised PSAK No. 5 (2000 Revision), "Segment Information", which takes effect for fiscal years beginning on or after January 1, 2002. PSAK No. 5 provides the guidance to identify the business and geographical segments that must be reported. The requirement for financial information is based on the information used by the management to evaluate the performance of the segments and the allocation of resources. Financial information segments are disclosed in Note 29.

w. Earnings per Share

Earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during the years totalling 1,907,691,950 shares, after giving retroactive effect to the declaration of bonus share (see Note 19).

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2002	2001
Cash on hand (including US$ 17,936 and ¥ 179,444 in 2002 and US$ 6,331 and ¥ 815,256 in 2001)	257,834	264,158
Cash in banks		
PT Bank Mandiri (Persero) (including US$ 5,716,978 in 2002 and US$ 1,147,711 in 2001)	63,092,963	24,455,069
PT Bank Negara Indonesia (Persero) Tbk (including US$ 1,954,428 and ¥ 56,188 in 2002 and US$ 638,718 and ¥ 759,173 in 2001)	17,995,686	6,702,810
Others (including US$ 180,058 in 2002 and US$ 262,664 in 2001)	2,144,129	3,294,558
Total cash in banks	83,232,778	34,452,437

(Expressed in thousands of Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

	2002	2001
Cash equivalents		
Time deposits		
PT Bank Mandiri (Persero) (including US$ 46,500,000 in 2002 and US$ 49,000,000 in 2001)	540,710,000	690,600,000
Others (including US$ 294,062 in 2002 and US$ 789,970 in 2001)	17,255,913	22,842,688
Total time deposits	557,965,913	713,442,688
Gold in Value - NM Rothschild & Sons Limited, Singapore (US$ 31,859 in 2002 and US$ 5,152,639 in 2001)	284,816	53,587,443
Total cash equivalents	558,250,729	767,030,131
Total cash and cash equivalents	**641,741,341**	**801,746,726**

Annual interest rates on time deposits are as follows:

	2002	2001
United States Dollar currency	2.75% - 5.03%	5.56% - 6.92%
Rupiah currency	11.00% - 18.00%	11.25% - 17.98%

Gold in value represents funds in the form of gold maintained in NM Rothschild & Sons Limited, Singapore as a Debt Service Reserve Account which is restricted to be used only for payments of loan principal and interest installments required by the Gold Project Facility (see Note 17).

4. PROCEEDS ACCOUNT

This account represents the current account maintained in ING Bank N.V., Singapore amounting to US$ 4,663,243 (equivalent to Rp 41,689,393) in 2002 and US$ 6,957,339 (equivalent to Rp 72,356,325) in 2001, pursuant to the Amendment and Waiver of Gold Project Facility Agreement (see Note 17).

5. SHORT-TERM INVESTMENTS - NET

This account consists of investments in the following mutual funds:

	2002	2001
Si Dana Obligasi Plus	2,740,325	-
Melati US Dollar	2,672,852	2,775,878
Yudistira	370,002	512,293
Total	**5,783,179**	**3,288,171**

(Expressed in thousands of Rupiah, unless otherwise stated)

5. SHORT-TERM INVESTMENTS - NET (continued)

Investment in Si Dana Obligasi Plus mutual fund consists of 2,500,000 units. As of December 31, 2002, the Net Assets Value (NAV) of the mutual fund per unit amounted to Rp 1,096.13 (in full amount).

Investment in Melati US Dollar mutual fund consists of 2,363,135 units and 2,257,579 units in 2002 and 2001, respectively. As of December 31, 2002 and 2001, the NAV of the mutual fund per unit amounted to US$ 0.126517 and US$ 0.118229, respectively.

Investment in Yudistira mutual fund consists of 1,324,749 units. As of December 31, 2002 and 2001, the NAV of the mutual fund per unit amounted to Rp 279.30 and Rp 386.71 (in full amounts), respectively.

The net unrealized gain on the available-for-sale investments, amounting to Rp 381,288 and Rp 505,670 in 2002 and 2001, respectively, is presented as “Unrealized Gain on Available-for-Sale Investments” under the Stockholders’ Equity section of the consolidated balance sheets.

6. ACCOUNTS RECEIVABLE - TRADE

This account consists of receivables arising from:

	2002	2001
Export sales (US$ 13,251,973 in 2002 and US$ 10,471,089 in 2001)	118,472,637	108, 899,321
Domestic sales (including US Dollar denominated receivables of US$ 451,275 in 2002 and US$ 570,991 in 2001)	20,138,518	27,257,730
Total	**138,611,155**	**136,157,051**

The aging of the above receivables follows:

	2002	2001
0 to 30 days	132,352,208	107,201,003
31 to 90 days	3,776,392	23,121,643
Over 90 days	2,482,555	5,834,405
Total	**138,611,155**	**136,157,051**

As of December 31, 2002, the outstanding trade accounts receivable mainly arose from sales to Newco AG, Queensland Nickel Pty. Ltd., Mitsui & Co., Mitsubishi Corp., Nippon Light Metal Company Ltd., and Australian Gold Refinery.

As of December 31, 2001, the outstanding trade accounts receivable mainly arose from sales to Newco AG, Mitsui & Co., Sumitomo Co. Ltd., Nikkinko Trading Co., and Shandong Aluminium Corp.

Based on the review of the status of the individual receivable accounts at the end of the year, the Company’s management is of the opinion that all receivables are fully collectible.

(Expressed in thousands of Rupiah, unless otherwise stated)

6. ACCOUNTS RECEIVABLE - TRADE (continued)

Trade receivables, except those relating to Gunung Pongkor Gold Mine, and/or inventories with total value equivalent to 143% of the highest outstanding loan balance of the Working Capital Credit Facility during the last 3 years (1999 to 2001) in 2002 and trade receivables amounting to US$ 4,120,000 in 2001, have been pledged as collateral to the Working Capital Credit Facility from PT Bank Mandiri (Persero) (see Note 13).

7. INVENTORIES

This account consists of:

	2002	2001
Finished goods		
Nickel ore	98,731,305	77,925,302
Gold and silver	93,848,752	85,008,867
Ferronickel	32,853,369	1,500,342
Bauxite ore	18,228,028	13,469,987
Iron sand	10,706,593	7,218,823
Gold and silver precipitates	4,741,423	5,785,118
Other precious metals	683,889	1,480,378
Total finished goods	259,793,359	192,388,817
Work in process	21,418,819	5,325,785
Spare parts and supplies	54,867,914	58,789,227
Total	**336,080,092**	**256,503,829**

Inventories in Logam Mulia Refinery, totaling Rp 78,587,072, are covered by insurance against material damage and theft under blanket policies. The Company's management is of the opinion that the insurance is sufficient to cover possible losses from such risks. As of December 31, 2002 and 2001, the sum insured is US$ 7,140,675 and US$ 7,490,675, respectively.

Inventory, except those relating to Gunung Pongkor Gold Mine, and/or trade receivables with the total value equivalent to 143% of the highest outstanding loan balance of the Working Capital Credit Facility during the last 3 years (1999 to 2001) in 2002 and inventories amounting to US$ 21,500,000 in 2001, have been pledged as collateral to the Working Capital Credit Facility from PT Bank Mandiri (Persero) (see Note 13). In addition, inventories amounting to Rp 48,397,947 and Rp 48,039,674 in 2002 and 2001, respectively, in Gunung Pongkor Gold Mine have been pledged as collateral to the Gold Project Facility (see Note 17).

8. PREPAID TAXES

This account consists of prepayments of value added tax.

9. INVESTMENT IN SHARES OF STOCK

This account represents the Company’s investment in PT Nusa Halmahera Minerals with 17.5% ownership interest. This investment has been pledged as collateral to advances made by Newcrest Singapore Holdings Pte., Ltd., to the Company (see Note 17).

(Expressed in thousands of Rupiah, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

		Changes during the Year		
2002	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
Carrying Value				
Land	10,033,863	763,783	-	10,797,646
Buildings	90,213,649	2,132,100	-	92,345,749
Land improvements	418,263,711	37,618,923	527,981	455,354,653
Plant, machinery and equipment	912,256,041	27,791,572	3,457,154	936,590,459
Vehicles	30,260,286	4,150,979	261,054	34,150,211
Furniture, fixtures and office equipment	51,491,698	10,737,212	437,031	61,791,879
Sub-total	1,512,519,248	83,194,569	4,683,220	1,591,030,597
Construction in progress				
Buildings	204,611	425,947	534,602	95,956
Land improvements	14,320,870	32,751,139	19,802,343	27,269,666
Machinery and equipment	26,114,064	7,850,989	586,801	33,378,252
Sub-total	40,639,545	41,028,075	20,923,746	60,743,874
Total Carrying Value	1,553,158,793	124,222,644	25,606,966	1,651,774,471
Accumulated Depreciation				
Buildings	38,548,365	4,863,916	-	43,412,281
Land improvements	111,471,090	44,784,323	445,602	155,809,811
Plant, machinery and equipment	312,000,246	65,511,681	2,331,519	375,180,408
Vehicles	14,283,460	3,413,036	215,978	17,480,518
Furniture, fixtures and office equipment	28,013,710	9,648,043	353,374	37,308,379
Total Accumulated Depreciation	504,316,871	128,220,999	3,346,473	629,191,397
Net Book Value	**1,048,841,922**			**1,022,583,074**

		Changes during the Year		
2001	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
Carrying Value				
Land	9,051,798	982,065	-	10,033,863
Buildings	88,937,358	1,936,008	659,717	90,213,649
Land improvements	292,262,324	127,085,300	1,083,913	418,263,711
Plant, machinery and equipment	904,611,570	25,363,564	17,719,093	912,256,041
Vehicles	24,512,253	5,868,408	120,375	30,260,286
Furniture, fixtures and office equipment	45,639,235	10,390,508	4,538,045	51,491,698
Sub-total	1,365,014,538	171,625,853	24,121,143	1,512,519,248
Construction in progress				
Buildings	903,108	-	698,497	204,611
Land improvements	96,678,598	12,943,142	95,300,870	14,320,870
Machinery and equipment	24,575,542	5,360,014	3,821,492	26,114,064
Sub-total	122,157,248	18,303,156	99,820,859	40,639,545
Total Carrying Value	1,487,171,786	189,929,009	123,942,002	1,553,158,793

(Expressed in thousands of Rupiah, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

		Changes during the Year		
2001	Beginning Balance	Additions/ Reclassifications	Disposals/ Reclassifications	Ending Balance
Accumulated Depreciation				
Buildings	34,658,912	4,189,443	299,990	38,548,365
Land improvements	77,112,025	35,305,283	946,218	111,471,090
Plant, machinery and equipment	259,593,714	63,478,261	11,071,729	312,000,246
Vehicles	11,563,220	2,835,107	114,867	14,283,460
Furniture, fixtures and office equipment	23,916,979	8,226,628	4,129,897	28,013,710
Total Accumulated Depreciation	406,844,850	114,034,722	16,562,701	504,316,871
Net Book Value	**1,080,326,936**			**1,048,841,922**

Depreciation for the years ended December 31, 2002 and 2001 was charged to operations as follows:

	2002	2001
Cost of goods sold	122,949,737	108,929,123
Operating expenses	3,298,037	3,157,548
Other charges	1,973,225	1,948,051
Total	**128,220,999**	**114,034,722**

Additions in 2002 and 2001 include the reclassification of construction in progress of Rp 20,923,746 and Rp 99,820,859, respectively, to the appropriate asset accounts.

In 2002, the Company changed the estimated useful lives of its land improvements in its Pongkor gold mining unit based on the Company's review of the mine's existing reserves. The new estimated useful lives of these assets now ranged from 6 to 20 years from the previous estimated range of 10 to 20 years. Additional depreciation expense in 2002 resulting from this change in estimate amounted to Rp 2,511,601.

As of December 31, 2002, construction in progress - land improvements, is 72% physically complete. Expenditures in 2002 reached 89.03% of the 2002 budget. As of December 31, 2002, the total cost incurred on the construction in progress - Ferronickel III Project amounted to Rp 31,969,771.

Property, plant and equipment with net book values totaling Rp 486,337,741 as of December 31, 2002 located in Gunung Pongkor Gold Mine are pledged as collateral to the Gold Project Facility (see Note 17). Land and building amounting to US$ 1,832,000 and machinery and equipment amounting to US$ 21,828,000 located in Pomalaa Nickel Mine are pledged as collateral to the Working Capital Credit Facility from PT Bank Mandiri (Persero) in 2002 and 2001 (see Note 13).

Property, plant and equipment are covered by insurance against destruction caused by fire or other risks under policies amounting to US$ 390,672,941 and Rp 28,592,821 as of December 31, 2002, which in the opinion of the Company's management, is sufficient to cover possible losses arising from such risks.

As of December 31, 2002 and 2001, the Company's and its Subsidiaries' management is in the opinion that there was no impairment in the value of its property, plant and equipment.

(Expressed in thousands of Rupiah, unless otherwise stated)

11. DEFERRED EXPLORATION AND DEVELOPMENT COSTS

This account consists of deferred exploration and development costs for the following areas of interest (see Note 2n):

	2002	2001
Exploration Stage:		
Tayan	15,203,536	10,671,824
Obi Island	8,918,892	7,072,560
Gag Island	709,991	686,341
Others	582,174	45,178
Sub-total	25,414,593	18,475,903
Development/Production Stage:		
Tanjung Buli	66,624,100	46,288,421
Cikidang	40,426,584	46,641,234
Pongkor	18,475,217	14,722,758
Kijang	7,992,182	6,173,560
Gee Island	1,200,486	1,200,486
Sub-total	134,718,569	115,026,459
Accumulated amortization	(29,959,476)	(22,315,634)
Net	104,759,093	92,710,825
Total	**130,173,686**	**111,186,728**

Amortization of deferred exploration and development costs amounted to Rp 7,643,842 in 2002 and Rp 7,778,026 in 2001.

In 2001, Tanjung Buli started production.

12. DEFERRED CHARGES - NET

This account consists of:

	2002	2001
Deferred costs		
Information system development costs	27,497,486	21,790,170
Debt issuance costs	7,076,170	7,076,170
Others	3,133,176	2,445,063
Total	37,706,832	31,311,403
Accumulated Amortization		
Information system development costs	18,355,032	9,189,203
Debt issuance costs	6,915,348	5,628,772
Others	1,764,026	1,508,190
Total	27,034,406	16,326,165
Net	**10,672,426**	**14,985,238**

(Expressed in thousands of Rupiah, unless otherwise stated)

12. DEFERRED CHARGES - NET (continued)

Amortization of deferred charges amounted to Rp 10,708,241 in 2002 and Rp 9,205,411 in 2001.

13. SHORT-TERM BANK LOANS

This account consists of loans from:

	2002	2001
ABN-AMRO Bank N.V., Jakarta (US$ 7,000,000)	62,580,000	72,800,000
PT Bank Mandiri (Persero) (US$ 5,034,927 in 2002 and US$ 5,655,498 in 2001)	45,012,247	58,817,184
Total	**107,592,247**	**131,617,184**

The promissory note issued to ABN-AMRO Bank N.V. bears annual interest rate ranging from 6% to 6.8% in 2002 and ranging from 6.8% to 8.75% in 2001. The Company issues promissory note for this liability with terms ranging from a minimum of two weeks to a maximum of six months and renewed thereafter. Promissory note issued for the outstanding balance as of December 31, 2002 was due on January 21, 2003 and was subsequently renewed to be due on March 20, 2003.

No collateral is presently required for the facility. However, the bank reserves the right to request collateral, the nature of which will be determined by ABN-AMRO Bank N.V. The loan agreement provides, among others, that the Government of Indonesia will retain its ownership in the Company of at least 51% during the term of the facility.

The loan obtained from PT Bank Mandiri (Persero), represents a working capital credit facility which bears annual interest at 5.32% in 2002 and 7.33% in 2001. In December 2002, the Company received approval for the temporary extension of the Working Capital Credit Facility up to March 31, 2003. The loan is secured by the Company's inventories and receivables, except those in Gunung Pongkor Gold Mine, as the main collateral, and fixed assets in Pomalaa Nickel Mine, as the additional collateral (see Notes 6, 7 and 10).

14. ACCOUNTS PAYABLE - TRADE

This account consists of payables arising from the purchases of goods and services from third parties and related parties (see Note 26).

Accounts payable to third parties are as follows:

	2002	2001
PT Yudistira Bumi Bhakti	10,950,659	508,211
Elkem Asa Carbon	3,333,639	-
CV Sumber Setia Budi	3,057,987	938,084
PT Bismatama Kencana	2,587,470	-

(Expressed in thousands of Rupiah, unless otherwise stated)

14. ACCOUNTS PAYABLE - TRADE (continued)

	2002	2001
PT Dahana (Persero)	2,283,600	1,417,949
Toko Sulawesi	2,069,351	2,083,646
Asindo Perniagaan Internasional	1,848,473	-
PT Universal Steel Prima	1,508,190	521,897
PT Marton Tekindo	1,433,643	987,291
PT Karya Lestari Sumber Alam	1,340,535	2,923,573
PT Panca Mitra Abadi	1,256,712	62,925
UBM Engineering Service	1,017,277	-
PT Sumber Oil Sejahtera	-	3,072,754
Others (each below Rp 1 billion)	35,143,375	31,993,560
Total	**67,830,911**	**44,509,890**

Accounts payable to related parties are as follows (see Note 26):

	2002	2001
PT Minerina Bhakti	15,276,888	12,339,003
Koperasi Karyawan dan Pensiunan Aneka Tambang	7,354,319	2,412,297
PT Minerina Cipta Guna	4,618,882	1,606,474
PT Reksa Griya Antam	9,493	218,854
Total	**27,259,582**	**16,576,628**

The aging of the above accounts payable follows:

	2002	2001
0 to 30 days	59,653,863	35,906,550
31 days to 90 days	28,317,624	17,270,196
91 days to 180 days	809,150	1,208,873
181 days to 360 days	3,846,255	1,321,475
More than 360 days	2,463,601	5,379,424
Total	**95,090,493**	**61,086,518**

15. ACCRUED EXPENSES

This account consists of accruals for:

	2002	2001
Mining closure costs (see Notes 21 and 22)	31,818,282	18,506,528
Exploitation fee	15,887,859	14,292,256
Ore exploitation services and transportation	11,727,640	4,416,745
Pension expenses (see Note 25)	9,950,248	9,449,760
Salaries and employee benefits	7,797,802	6,380,995
Termination benefits (see Note 25)	5,544,129	2,681,172
Rent	3,447,249	3,473,867

(Expressed in thousands of Rupiah, unless otherwise stated)

15. ACCRUED EXPENSES (continued)

	2002	2001
Repairs and maintenance	3,283,652	458,433
Processing fees	2,801,044	5,466,882
Ferronickel transportation and marketing	1,969,815	4,326,405
Interest expenses	1,184,605	52,124
Other expenses	7,228,742	5,399,999
Total	**102,641,067**	**74,905,166**

Accruals for mining closure costs mainly represent estimated administrative costs related to the impending end of mine life of the Company's mines in Gebe, Kijang and Cilacap.

16. TAXES PAYABLE

This account consists of:

	2002	2001
Income taxes		
Article 21 (withholding tax on employees salaries)	6,290,069	2,702,797
Articles 23 and 26 (withholding tax on rent and others)	1,494,170	3,089,231
Article 25 (corporate income tax-monthly)	2,500,000	8,000,000
Article 29 (corporate income tax- annual)	-	38,970,938
Value-added tax (tax collector)	15,012,987	11,960,082
Land and building tax	112,032	37,399
Total	**25,409,258**	**64,760,447**

A reconciliation between income before income tax provision, as shown in the consolidated statements of income, and taxable income for the years ended December 31, 2002 and 2001 follows:

	2002	2001
Income before income tax provision per consolidated statements of income	278,439,713	503,848,018
Loss (income) of Subsidiaries	(1,018,462)	18,722,742
Income before income tax provision attributable to the Company	277,421,251	522,570,760
Addition (deduction) of permanent differences:		
Entertainment expenses	6,734,802	5,743,065
Social activities expenses	3,563,300	4,647,642
Subscription expenses	1,982,815	1,491,625
Salaries, wages, bonus and employee benefits		
- Other employee benefits	1,369,494	1,135,144
- Post retirement health care expenses	-	9,461,483
Tax assessments and penalties	1,169,309	2,114,390
Membership fees	376,812	489,230
Education	375,383	286,013
Interest income already subjected to final tax	(38,822,932)	(51,005,123)

(Expressed in thousands of Rupiah, unless otherwise stated)

16. TAXES PAYABLE (continued)

	2002	2001
Addition (deduction) of temporary differences:		
Mining closure costs	13,311,753	10,247,572
Pension expenses	7,358,587	5,843,199
Termination benefits	2,682,957	2,861,172
Depreciation and amortization	2,040,459	(14,856,984)
Write-off of property, plant and equipment	-	3,573,930
Professional fees	-	(3,186,691)
Payment to pension fund	(6,858,099)	(6,868,762)
Taxable income	**272,705,891**	**494,547,665**

The amount of taxable income for 2001 as stated above conform with the amount reported in the respective Annual Income Tax return. The computation of current income tax provision and income tax payable (claim for tax refund) follows:

	2002	2001
Taxable income	**272,705,891**	**Rp 494,547,665**
Computation of corporate income tax in 2002		
10% X Rp 50,000	5,000	-
15% X Rp 50,000	7,500	-
30% X Rp 272,605,891	81,781,767	-
Computation of corporate income tax in 2001		
10% X Rp 50,000	-	5,000
15% X Rp 50,000	-	7,500
30% X Rp 494,447,665	-	148,334,300
Total income tax provision	81,794,267	148,346,800
Prepayments of income taxes:		
Article 22	2,169,161	1,705,544
Article 23	2,357,243	2,741,694
Article 25	78,534,608	104,928,624
Total prepayments of income taxes	83,061,012	109,375,862
Income tax payable - Article 29 (Claim for tax refund)	**(1,266,745)**	**38,970,938**

(Expressed in thousands of Rupiah, unless otherwise stated)

16. TAXES PAYABLE (continued)

The computation of estimated income tax provision - current and deferred of the Company for the years ended December 31, 2002 and 2001 using the maximum tax rate of 30% is as follows:

	2002	2001
Income tax provision - current	81,794,267	148,346,800
Deferred income tax provision (benefit)		
Accrued mining closure cost	(3,993,526)	(3,074,272)
Accrued expenses	(955,033)	405,323
Property, plant and equipment	(612,138)	3,384,918
Total deferred income tax provision (benefit)	(5,560,697)	715,969
Total income tax provision	**76,233,570**	**149,062,769**

Reconciliation between profit before income tax expense multiplied by the maximum marginal tax rate and income tax expense:

	2002	2001
Income before income tax provision per consolidated statements of income	278,439,713	503,848,018
At maximum marginal tax rate of 30%	83,514,414	151,136,906
Non-deductible expenses at maximum marginal tax rate	4,671,574	7,610,577
Interest income subject to final tax at final tax rate	(11,646,879)	(15,301,536)
Permanent differences of subsidiaries	(305,539)	5,616,822
Total income tax provision	**76,233,570**	**149,062,769**

The details of deferred tax assets and liability are as follows:

	2002	2001
Deferred tax assets		
Accrued mining closure cost	9,545,484	5,551,958
Pension payable	2,985,075	2,834,928
Accrued expenses	1,778,379	973,492
Allowance for doubtful accounts	444,249	444,249
Total	14,753,187	9,804,627
Deferred tax liability		
Property, plant and equipment	89,923,221	90,535,358
Deferred tax liability - net	**75,170,034**	**80,730,731**

In 2002 and 2001, IARL, Subsidiary, has not recognized any deferred tax asset in its financial statements due to the uncertainty of its recoverability.

(Expressed in thousands of Rupiah, unless otherwise stated)

17. LONG-TERM DEBTS

This account comprises loans provided by:

	2002	2001
The Gold Project Facility (14,424.98 oz. of gold in 2002 and 43,274.90 oz. of gold in 2001)	44,200,801	125,048,980
Newcrest Singapore Holdings Pte., Ltd. (US$ 3,854,102)	34,455,672	40,082,661
Government of the Republic of Indonesia (two-step loans obtained through contractors)	2,242,147	6,726,441
Total	80,898,620	171,858,082
Less current maturities		
The Gold Project Facility (14,424.98 oz. of gold in 2002 and 28,850 oz. of gold in 2001)	44,200,801	83,365,987
Government of the Republic of Indonesia (two-step loans obtained through contractors)	2,242,147	4,484,294
Total current maturities	46,442,948	87,850,281
Long-term portion	**34,455,672**	**84,007,801**

The Gold Project Facility

On December 4, 1996, the Company entered into a Gold Project Facility agreement (the “Agreement”) with NM Rothschild & Sons (Australia) Limited (NMR), Australia (formerly Rothschild Australia Limited), Bayerische Vereinsbank AG., Singapore Branch, Commerzbank International S.A., Luxembourg, PT ING Indonesia Bank, Republic Mase Australia Limited (collectively referred to as the “Gold Lenders” and “Hedging Banks”) with NMR, as the agent for the Gold Lenders (the “Agent”), whereby the Gold Lenders and Hedging Banks have severally agreed to make available to the Company the Gold Facility for an aggregate maximum gold value of US$ 61,600,000 and a Hedging Facility. The facilities were obtained to finance the expansion of Gunung Pongkor Gold Mine (the “Project”) and for other purposes as approved by the Gold Lenders.

Based on the Agreement, drawings under the Gold Project Facility during the period commencing on the date of the agreement up to the earliest of the Project completion date; June 30, 1998; or, early termination date, if any, (the “Availability Period”) shall be repaid on each of the following repayment dates (the “Repayment Dates”).

Repayment Dates	Percentage of Outstanding Principal on Each Repayment Date
June 30 and December 31, 1998	4.6875%
June 30 and December 31, 1999	8.1250%
June 30 and December 31, 2000 up to 2002	10.6250%
June 30, 2003	10.6250%

17. LONG-TERM DEBTS (continued)

The Gold Project Facility (continued)

The Company may, on any day after the last day of the Availability Period up to the Repayment Date, switch the gold denominated outstanding liabilities to the US Dollar-denominated liabilities after giving due written notice to the Agent.

Drawings under the facility bear interest at SIBOR plus Margin for the US Dollar-denominated liability and LIBOR less Gold Forward (GOFO) plus Margin for gold-denominated liability. Margin shall be equivalent to 2.5% during the period up to 90 days after the Project completion date and 2% thereafter. The loan is secured, among others, by the assignment of rights in connection with the Project's mining right and the fiduciary transfer of proprietary rights, i.e., products, inventories, plant and equipment (see Notes 7 and 10).

Under the terms of the Gold Facility, the Company is required to observe certain negative covenants which include, among others, restrictions on the following: (i) merger or consolidation with other entities; (ii) purchase or redemption of any of its issued shares; (iii) prior to the Project's completion date, declaration of dividends out of the proceeds of the Project, except those permitted payments to shareholders; (iv) disposal of the Project's assets; and (v) creation of security interest over the Project's assets. In addition, the Company is required to maintain certain financial ratios calculated using a computer model, including (i) loan life ratio of not less than 1.5 : 1.0; (ii) project life ratio of not less than 2.0 : 1.0; and (iii) annual debt service coverage ratio of not less than 1.25 : 1.0. The Company is also required to maintain a Proceeds account and a Debt Service Reserve account. The money withdrawn from such account is restricted only to certain permitted payments (see Notes 3 and 4). The Company is also required to meet the Project Completion Date of June 30, 1999 to be certified by independent engineers, or such later date as may be agreed upon by the majority of the Gold Lenders. The Company is also required to facilitate the completion of third party technical review on a regular basis.

Based on its letter dated June 30, 1999, NMR has approved the extension of the Project Completion Date of June 30, 1999 to December 31, 2000 with additional requirements, among others, the opening of a second US Dollar Proceeds Account whereby the proceeds from sales and hedging in US Dollar currency will be credited to such account until the Project Completion Date.

Based on its letter dated March 23, 2001, NMR, as Agent, has obtained formal approval from the Gold Loan Syndicate members to waive the Project Completion Date until June 30, 2001, provided that no drawing shall be permitted from the Proceeds Account unless the loan has been fully provided for, until:

a. the Independent Engineer Kilborn Engineering Pacific Limited completes its technical review of the Gunung Pongkor Gold Mine satisfactorily to the Lenders;
b. an updated computer model is agreed between the Agent and the Company; and
c. the Proceeds Account is shifted from Jakarta to Singapore.

Based on the Amendment and Waiver of the Gold Project Facility Agreement dated November 8, 2001, (i) US Dollar Proceeds Account is shifted to ING Bank N.V., Singapore; (ii) the determination of the project completion and withdrawal dates and the requirement for the project completion date are waived; (iii) the Gold Lenders agree to release the Company from the requirement to deposit all of the proceeds from sales and hedging in the Proceeds Account; (iv) the Company would at all times ensure that the balance of the Debt Service Reserve Account (DSRA) and/or the Proceeds Account (PA) is equivalent to at least 100 percent of the current Gold Loan outstanding at any time throughout the duration of the Agreement.

17. LONG-TERM DEBTS (continued)

Newcrest Singapore Holdings Pte.Ltd.

In accordance with the Joint Venture Agreement (Agreement) between the Company and Newcrest Singapore Holdings Pte. Ltd. (Newcrest), the Company's investment in the joint venture company, PT Nusa Halmahera Minerals (NHM), was advanced by Newcrest on behalf of the Company. The loan bears interest at LIBOR plus 2%, which shall be accrued from the Bankable Feasibility Study Date (July 28, 1998). Prior to the Bankable Feasibility Study Date, Newcrest was solely and fully responsible for meeting all contributions for the expenditure of NHM and Newcrest had no recourse to the Company to have the Company contribute any funds whatsoever to such expenditure. As a condition precedent to Newcrest's obligation to make advances, the Company is obligated to deliver any of the acknowledgement of contingent obligation, agreement to pledge shares and agreement to assign dividends. As of February 28, 2003, the Company has not yet delivered any of such acknowledgements/agreements. Repayment of the loan together with accrued interest and any aggregate amount shall be made in installments which shall be due only at the time of payment of any dividends that will become payable to the Company. A portion of any dividend, which is equal to 80% due to the Company as declared by NHM, shall be used as an installment for the payment of the loan. In the event the agreement is terminated, obligation to repay advances and all interest thereon shall survive to the extent only of the Company's shareholdings in NHM. The loan is secured by the Company's shares in NHM (see Note 9).

Based on such agreement, potential interest payable for the years ended December 31, 2002 and 2001 amounted to US$ 1,119,268 and US$ 973,047, respectively. Part of the potential interest payable will be recorded by the Company after obtaining decision about dividend declaration from NHM that will be used to settle the obligation in accordance with the agreement. In February 6, 2002 NHM declared cash dividend amounting to US$ 4,000,000 and accordingly interest expense recognized in 2002 amounted to US$ 117,600.

Government of the Republic of Indonesia

These loans were obtained by the Government from contractors and then lent out to the Company (two-step loans). The loans were used to finance the purchase of materials and services for the expansion of the Company's ferronickel project in Pomalaa, South East Sulawesi. The loan drawdowns were recognized by the Company upon receipt of invoices from the related suppliers and contractors which were subsequently settled by the Government. The loan was converted into Indonesian Rupiah based on the exchange rate at the date of drawdown which was used as the basis of the Company in recording the amount of its loan payable to the Government. The loans bear interest at 1% above the three months' average interest rate for Bank Indonesia certificates determined every June 15 and December 15 of each year. The last payment date will be on maturity date on June 15, 2003.

(Expressed in thousands of Rupiah, unless otherwise stated)

18. ESTIMATED LIABILITIES FOR ENVIRONMENTAL PROTECTION AND REHABILITATION

This account represents accrued liabilities for estimated costs of environmental protection and rehabilitation of areas related to the Company's and its Subsidiaries' mining activities which mainly consists of regrading, revegetation, erosion controlling and environment monitoring (see Notes 2o and 30b). The details of this account are as follows:

	2002	2001
Balance at beginning of year	34,518,062	24,103,306
Addition during the year	10,508,395	13,543,179
Payments for actual expenditures during the year	(2,383,860)	(3,128,423)
Balance at end of year	42,642,597	34,518,062
Less current portion (estimated provision to be applied next year)	9,438,679	3,042,360
Long-term portion	**33,203,918**	**31,475,702**

19. CAPITAL STOCK AND RELATED EQUITY ACCOUNTS

The details of share ownership are as follows:

	2002		
Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount (In Full Amount)
Preferred Stock (A Dwiwarna share)			
Government of the Republic of Indonesia	1	-%	500
Common Stock (B shares)			
Government of the Republic of Indonesia	1,239,999,999	65.00000	619,999,999,500
Directors:			
Ir. D. Aditya Sumanagara (President Director)	155,000	0.00813	77,500,000
Ir. Harsojo Dihardjo (Director)	155,000	0.00813	77,500,000
Drs. Ki Agus Umar Tochfa (Director)	155,000	0.00813	77,500,000
Drs. Ismail Tangka (Director)	231,725	0.01215	115,862,500
Ir. Subagyo (Director)	155,000	0.00813	77,500,000
Public (each below 5% ownership)	666,840,225	34.95533	333,420,112,500
Total	**1,907,691,950**	**100.00000%**	**953,845,975,000**

(Expressed in thousands of Rupiah, unless otherwise stated)

19. CAPITAL STOCK AND RELATED EQUITY ACCOUNTS (continued)

	2001		
Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount (In Full Amount)
Preferred Stock (A Dwiwarna share)			
Government of the Republic of Indonesia	1	- %	500
Common Stock (B shares)			
Government of the Republic of Indonesia	799,999,999	65.00000	399,999,999,500
Commissioner and Directors:			
Drs. Djoko Darmono (Commissioner)	7,500	0.00061	3,750,000
Ir. D. Aditya Sumanagara (President Director)	100,000	0.00813	50,000,000
Ir. Harsojo Dihardjo (Director)	100,000	0.00813	50,000,000
Drs. Ki Agus Umar Tochfa (Director)	100,000	0.00813	50,000,000
Drs. Ismail Tangka (Director)	198,500	0.01613	99,250,000
Ir. Subagyo (Director)	100,000	0.00813	50,000,000
Public (each below 5% ownership)	430,163,000	34.95074	215,081,500,000
Total	**1,230,769,000**	**100.00000 %**	**615,384,500,000**

The Articles of Association provides the holder of the preferred stock with certain rights in addition to the rights held by a holder of common stock. Those rights include the right to vote on the election of the Directors and Commissioners and the right to approve amendments to the Articles of Association. The Stockholders' meeting may not proceed in the absence of the preferred stockholder. The preferred stock may not be transferred to any other party.

Additional paid-in capital represents the difference between the par value as stated in the Company's Articles of Association and the proceeds received from the stockholders in connection with the Company's initial public offering of its shares deducted with stock issuance costs.

At the Extraordinary Stockholders' General Meeting on June 19, 2002, the minutes of which are covered by Notarial Deed No. 23 of Notary A. Partomuan Pohan, S.H., LL.M dated June 19, 2002, the stockholders approved, among others, the following:

a. The declaration of bonus shares from additional paid-in capital amounting to Rp 338,461,475 that will be converted as issued and fully paid capital stock.

b. The changes in the Company's Articles of Association, among others, the increase in authorized capital stock from Rp 1,600,000,000 consisting of 3,200,000,000 shares to Rp 3,800,000,000 consisting of 7,600,000,000 shares and the increase in issued and fully paid capital stock from Rp 615,384,500 to Rp 953,845,975.

(Expressed in thousands of Rupiah, unless otherwise stated)

19. CAPITAL STOCK AND RELATED EQUITY ACCOUNTS (continued)

The above changes in the Company's Articles of Association have been approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. C-13196.HT.01.04.TH.2002 dated July 17, 2002 (see Note 1a).

The conversion of the additional paid-in capital from the Government of the Republic of Indonesia's shares amounting to Rp 220,000,000 equivalent to 440,000,000 bonus shares will become effective after the issuance of a government regulation which as of February 28, 2003, has not been issued yet.

As of December 31, 2002 and 2001, the details of additional paid-in capital are as follows:

Additional paid-in capital from initial public offering	387,692,100
Stock issuance costs	(46,704,316)
Balance, December 31, 2001	**340,987,784**
Conversion of additional paid-in capital to bonus shares	(338,461,475)
Balance, December 31, 2002	**2,526,309**

20. NET SALES

The details of net sales by type of products and services are as follows:

	2002	2001
Mining products		
Nickel ore	562,483,921	473,194,073
Ferronickel	509,694,197	617,238,810
Gold	378,763,291	387,100,752
Bauxite ore	128,701,657	142,232,166
Silver	70,779,469	45,979,921
Iron sand	27,038,420	30,314,588
Other precious metals	950,530	1,090,174
Sub-total	1,678,411,485	1,697,150,484
Services		
Purification of precious metals and other services	32,988,332	38,073,626
Total	**1,711,399,817**	**1,735,224,110**

(Expressed in thousands of Rupiah, unless otherwise stated)

20. NET SALES (continued)

The details per customer with total aggregate sales over 10% of net sales are as follows:

	2002	2001
Export		
Mitsubishi Corp.	233,250,040	137,972,562
Mitsui & Co., Ltd.	218,627,051	255,439,498
Newco AG	204,613,125	279,573,791
Others (each below 10% of net sales)	718,706,823	725,001,739
Sub-total	1,375,197,039	1,397,987,590
Domestic (each below 10% of net sales)	336,202,778	337,236,520
Total	**1,711,399,817**	**1,735,224,110**

21. COST OF GOODS SOLD

This account consists of:

	2002	2001
Production Cost		
Materials used	427,613,484	412,797,825
Ore exploitation services	214,363,843	87,079,010
Salaries, wages, bonus and employee benefits	176,992,434	151,932,138
Depreciation	122,949,737	108,929,123
Transportation	61,833,762	63,614,799
Exploitation fees	59,974,247	50,927,409
Indirect labor	52,349,159	45,054,547
Rent	38,085,016	37,198,276
Repairs and maintenance	29,491,930	22,166,463
Water and electricity	23,160,191	17,709,207
Household appliances	20,179,821	19,336,419
Insurance	14,459,182	12,032,018
Security	12,426,523	10,973,307
Tax and retribution	10,987,590	6,473,342
Mining closure cost	10,508,195	10,671,616
Processing fees	10,465,790	33,305,193
Amortization	9,173,774	9,712,913
Postal and telecommunication	5,732,034	5,467,628
Travel	4,757,292	3,625,367
Social activities	3,831,971	3,431,646
Others	28,988,590	23,722,739
Total	1,338,324,565	1,136,160,985
Work in Process		
Beginning of year	5,325,785	2,695,094
End of year	21,418,819	5,325,785

(Expressed in thousands of Rupiah, unless otherwise stated)

21. COST OF GOODS SOLD (continued)

	2002	2001
Cost of Production	1,322,231,531	1,133,530,294
Finished Goods		
Beginning of year	192,388,817	149,957,402
End of year	259,793,359	192,388,817
Cost of Goods Sold	**1,254,826,989**	**1,091,098,879**

In 2002 and 2001, aggregate purchases from each supplier did not exceed 10% of net sales.

22. OPERATING EXPENSES

This account consists of:

	2002	2001
General and Administrative		
Salaries, wages, bonus and employee benefits	45,552,888	38,592,635
Mining closure cost	14,570,538	7,294,867
Amortization of information system development cost	9,165,829	7,259,544
Office appliances	5,733,319	4,588,728
Stationery and supplies	5,156,264	4,845,187
Rent	5,133,655	5,295,321
Professional fees	4,743,160	5,576,241
Travel	4,143,467	4,460,151
Depreciation	3,298,037	3,157,548
Service and maintenance	2,579,859	2,407,104
Bank charges	2,408,944	1,826,208
Postal and telecommunication	2,252,143	2,238,020
Training	1,926,259	1,719,124
Water and electricity	1,505,861	1,235,571
Social activities	690,484	855,066
Tax and retribution	189,985	144,427
Others	11,595,759	4,740,007
Total	120,646,451	96,235,749
Selling		
Transportation	16,526,517	23,017,488
Representative Office - Tokyo	6,966,384	7,052,874
Insurance	1,542,300	2,102,691
Others	7,585,606	6,714,569
Total	32,620,807	38,887,622
Exploration	13,688,807	37,980,214
Total Operating Expenses	**166,956,065**	**173,103,585**

Exploration expenses consist mainly of write-off of deferred exploration and development costs, feasibility study and preliminary exploration costs, licenses and administrative costs.

(Expressed in thousands of Rupiah, unless otherwise stated)

23. OTHER INCOME (CHARGES)

Other income - net amounting to Rp 13,175,651 in 2002 and other charges - net amounting to Rp 2,301,930 in 2001 consists mainly income from early shipment incentive (despatch money), use of the facilities by its shipping contractors, agency fees and pensioners' past service cost.

24. INSURANCE CLAIM

This account represents an insurance claim relating to an incident on July 17, 2001 which damaged part of the Company's Ferronickel I plant facilities at Pomalaa, Southeast Sulawesi based on the preliminary estimate of PT Asuransi Parolamas (Parolamas), the insurance company. The Company, submitted by Pomalaa Nickel Mine in its letter dated February 27, 2002, filed an initial total insurance claim against Parolamas amounting to Rp 40,727,522, which consists of claims for machinery breakdown amounting to Rp 10,782,896 and business interruption amounting to Rp 29,944,626. As of February 28, 2003, the determination and calculation of the final insurance claim by the loss adjuster, PT Bahtera Arthaguna Parama and PT Cunningham Lindsay Indonesia, is still in progress and the total claims received by the Company for machinery breakdown as of that date amounted to US$ 490,626 (equivalent to Rp 4,324,801).

25. EMPLOYEE BENEFITS

The Company has a defined benefit retirement plan covering substantially all of its qualified permanent employees. Under this plan, the retirement benefit will be paid based on the employees' latest basic salary and representation allowance, if any, and their number of years in service. Retirement benefits charged to operations for the years ended December 31, 2002 and 2001, amounted to Rp 7,358,587 and Rp 5,843,199, respectively.

The retirement benefits for the years ended December 31, 2002 and 2001 were based on the latest actuarial valuation dated February 26, 2003 and February 28, 2002 of PT Watson Wyatt Purbajaga, an independent firm of actuaries, using the "Projected Unit Credit Method" with the following assumptions:

Annual discount rate	12%
Annual rate of increase in compensation	5%

The plan assets are being managed by Dana Pensiun Antam (the "Fund") established on July 15, 1997. Based on the latest actuarial valuation mentioned above, the plan assets and actuarial liability as of December 31, 2002 and 2001 are as follows:

	2002	2001
Actuarial liability	(217,771,167)	(216,175,527)
Fair value of plan assets	219,061,543	197,605,889
Excess of actuarial liability over the fair value of plan assets	1,290,376	(18,569,638)
Unamortized past service cost	20,807,908	29,628,784
Unamortized experience adjustments	(32,048,532)	(20,508,906)
Accrued pension expense (see Note 15)	**(9,950,248)**	**(9,449,760)**

(Expressed in thousands of Rupiah, unless otherwise stated)

25. EMPLOYEE BENEFITS (continued)

On June 20, 2000, the Indonesian Ministry of Manpower issued Decree No. Kep-150/Men/2000 regarding the "Settlement of Work Dismissal and Determination of Separation, Appreciation and Compensation Payments by Companies" (the Decree). The Decree requires companies to pay termination, gratuity, and compensation benefits based on the employees' number of years of service provided the conditions set forth in the Decree are met. The Company's accruals for the year ended December 31, 2002 and 2001 already take into account the impact of the implementation of the above mentioned Decree.

26. RELATED PARTY ACCOUNTS AND TRANSACTIONS

In the normal course of business, the Company has engaged in transactions with related parties. The balances of accounts with related parties are shown below:

	2002		2001	
	Amount	Percentage to Total Liabilities/ Related Expense	Amount	Percentage to Total Liabilities/ Related Expense
Accounts payable:				
PT Minerina Bhakti	15,276,888	16.07%	12,339,003	20.20%
PT Minerina Cipta Guna	4,618,882	4.86	1,606,474	2.63
PT Reksa Griya Antam	9,493	0.01	218,854	0.36
Koperasi Karyawan dan Pensiunan Aneka Tambang	7,354,319	7.73	2,412,297	3.95
Total	**27,259,582**	**28.67%**	**16,576,628**	**27.14%**
Long-term debt (including current portion) Government of the Republic of Indonesia	**2,242,147**	**4.83%**	**6,726,441**	**7.66%**
Cost of Goods Sold:				
PT Minerina Bhakti	92,622,308	7.38%	64,880,693	5.95%
PT Minerina Cipta Guna	38,895,192	3.10	27,234,136	2.50
Koperasi Karyawan dan Pensiunan Aneka Tambang	71,057,795	5.66	56,601,375	5.19
Total	**202,575,295**	**16.14%**	**148,716,204**	**13.64%**
General and administrative expenses:				
PT Reksa Griya Antam	**6,800,800**	**5.64%**	**5,548,382**	**5.77%**

The nature of transactions with related parties is as follows:

Related Parties	Relationship	Nature of Transactions
PT Minerina Bhakti	a subsidiary of Dana Pensiun Antam	Mining contractor services
PT Minerina Cipta Guna	a subsidiary of Dana Pensiun Antam	Mining contractor services
PT Reksa Griya Antam	a subsidiary of Dana Pensiun Antam	Rental of office space, maintenance and cleaning services
Koperasi Karyawan dan Pensiunan Aneka Tambang	Cooperative of the Company's employees and and pensioners	Raw material purchases and rental of equipment

(Expressed in thousands of Rupiah, unless otherwise stated)

26. RELATED PARTY ACCOUNTS AND TRANSACTIONS (continued)

Other than the above transactions with related parties, the Company and its subsidiary also conducted transactions with the following state-owned companies:

State-owned Companies	Nature of Transactions
PT Perusahaan Listrik Negara (Persero)	Supply of electricity
PT Telkom (Persero)	Telephone and communication services
Pertamina	Supply Fuel
PT Bank Mandiri (Persero)	Current account and time deposit (see Note 3)
PT Bank Negara Indonesia (Persero) Tbk	Current account and time deposit (see Note 3)

The above transactions represent those conducted within the normal course of business of the Company and its Subsidiary. Based on PSAK No. 7, the above parties are deemed not related parties and therefore the transactions with such parties are not classified as related party transactions in the consolidated financial statements. These transactions are presented under Cost of Goods Sold and General and Administrative expenses.

27. DISTRIBUTION OF INCOME AND APPROPRIATION OF RETAINED EARNINGS

As resolved during each of the Annual Stockholders' General Meetings in 2002 and 2001, the Company allocated its accumulated income for the following purposes:

a. Appropriation for general reserve including reserve for business development amounting to Rp 179,077,672 for 2002 and Rp 191,577,480 for 2001.

b. Declaration of cash dividends to stockholders amounting to Rp 179,077,671 in 2002 and Rp 191,577,481 in 2001.

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company and its Subsidiaries have monetary assets and liabilities denominated in foreign currencies, as follows:

		2002		2001	
		Foreign Currencies	Rupiah Equivalent	Foreign Currencies	Rupiah Equivalent
Assets					
Cash on hand	US Dollar	17,936	160,348	6,331	65,843
	Japanese Yen	179,444	13,529	815,256	64,534
Cash in banks	US Dollar	7,851,464	70,192,091	2,049,093	21,310,564
	Japanese Yen	56,188	4,236	759,173	60,094
Time deposits	US Dollar	46,794,062	418,338,913	49,789,970	517,815,688
Gold in value	US Dollar	31,859	284,816	5,152,639	53,587,443
Proceeds account	US Dollar	4,663,243	41,689,393	6,957,339	72,356,325
Accounts receivable	US Dollar	13,703,248	122,507,036	11,042,080	114,837,627
Other receivables	US Dollar	121,188	1,083,421	210,470	2,188,888
Other non-current asset	US Dollar	400,000	3,576,000	400,000	4,160,000
Sub-total			657,849,783		786,447,006

(Expressed in thousands of Rupiah, unless otherwise stated)

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

		2002		2001	
		Foreign Currencies	Rupiah Equivalent	Foreign Currencies	Rupiah Equivalent
Liabilities					
Short-term bank loans	US Dollar	12,034,927	107,592,247	12,655,498	131,617,184
Accounts payable	US Dollar	1,811,809	16,197,573	492,818	3,225,004
	Japanese Yen	76,922,820	5,799,688	-	-
Accrued expenses	US Dollar	2,990,047	26,731,021	2,200,404	22,884,197
	Japanese Yen	55,655,302	4,196,198	69,063,431	5,466,882
Long-term loans	US Dollar	3,854,102	34,455,672	3,854,102	40,082,661
The Gold Project facility	US Dollar	4,944,161	44,200,801	12,023,940	125,048,980
Sub-total			239,173,200		328,324,908
Net Assets			**418,676,583**		**458,122,098**

29. SEGMENT INFORMATION

Based on the financial information used by the management in evaluating the performance of segments and in the allocation of resources, the management consider business segment as their primary segment, and the geographical segment as their secondary segment. The Company's business segment can be identified into two major business operations, consisting of nickel and gold and refinery. All transactions between segments have been eliminated.

Information concerning the business segment which is considered the primary segment is as follows:

	2002				
	Primary Segment				
	Nickel	Gold and Refinery	Other	Unallocated	Total
Net Sales	**1,072,178,118**	**483,481,623**	**155,740,076**	**-**	**1,711,399,817**
Outcome					
Income (loss) from operations	243,975,868	112,837,758	7,772,352	(74,969,215)	289,616,763
Interest income	304,753	740,844	105,088	37,871,274	39,021,959
Interest expense	(1,187,498)	(3,202,825)	-	(8,806,530)	(13,196,853)
Insurance claim	4,421,631	-	-	-	4,421,631
Income tax provision	-	-	-	(76,233,570)	(76,233,570)
Other income (expense) - net (excluding the accounts mentioned above)	(240,580)	2,280,895	(6,734,050)	(36,730,052)	(41,423,787)
Income (loss) before minority interests	**247,274,174**	**112,656,672**	**1,143,390**	**(158,868,093)**	**202,206,143**
Other information					
Segment assets	**825,609,264**	**718,866,529**	**76,610,493**	**866,023,733**	**2,487,110,019**
Segment liabilities	**104,251,909**	**98,877,067**	**70,344,932**	**268,606,681**	**542,080,589**
Acquisition of property, plant and equipment	**12,530,764**	**81,057,167**	**4,441,379**	**5,269,588**	**103,298,898**
Acquisition of intangible asset and other non current assets	**36,311,942**	**3,752,459**	**7,575,443**	**5,707,316**	**53,347,160**
Depreciation and amortization	**50,783,823**	**76,385,592**	**7,917,796**	**12,434,014**	**147,521,225**

(Expressed in thousands of Rupiah, unless otherwise stated)

29. SEGMENT INFORMATION (continued)

	2001				
	Primary Segment				
	Nickel	Gold and Refinery	Other	Unallocated	Total
Net Sales	**1,090,432,883**	**472,244,473**	**172,546,754**	**-**	**1,735,224,110**
Outcome					
Income (loss) from operations	369,703,997	122,010,724	42,640,987	(63,334,062)	471,021,646
Interest income	182,351	1,950,062	80,155	49,075,553	51,288,121
Interest expense	(1,970,828)	(6,913,243)	-	(10,113,682)	(18,997,753)
Income tax provision	-	-	-	(149,062,769)	(149,062,769)
Other income (expense) - net (excluding the accounts mentioned above)	(11,979,734)	26,288,040	(5,144,757)	(8,627,545)	536,004
Income (loss) before minority interests	**355,935,786**	**143,335,583**	**37,576,385**	**(182,062,505)**	**354,785,249**
Other information					
Segment assets	**739,542,482**	**702,039,832**	**75,187,443**	**1,038,741,097**	**2,555,510,854**
Segment liabilities	**75,411,898**	**163,157,871**	**76,208,545**	**314,800,466**	**629,578,780**
Acquisition of property, plant and equipment	**23,154,076**	**59,594,688**	**3,853,493**	**3,505,894**	**90,108,151**
Acquisition of intangible asset and other non current assets	**21,473,397**	**3,737,045**	**3,806,150**	**7,415,959**	**36,432,551**
Depreciation and amortization	**47,786,897**	**67,235,403**	**6,703,373**	**10,240,629**	**131,966,302**

Information concerning the geographical segment which is considered as secondary segment is as follows:

	Secondary Segment			
	Nickel	Gold and Refinery	Other	Total
2002				
Net Sales:				
Export	1,071,893,396	174,601,986	128,701,657	1,375,197,039
Local	284,722	308,879,637	27,038,419	336,202,778
Total	**1,072,178,118**	**483,481,623**	**155,740,076**	**1,711,399,817**
2001				
Net Sales:				
Export	1,088,980,624	166,774,800	142,232,166	1,397,987,590
Local	1,452,259	305,469,673	30,314,588	337,236,520
Total	**1,090,432,883**	**472,244,473**	**172,546,754**	**1,735,224,110**

(Expressed in thousands of Rupiah, unless otherwise stated)

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

a. Financial Obligations Under Various Mining Rights

As mining rights holders, the Company and its Subsidiaries are required to pay concession fees per hectare of mining rights explored, developed and extracted which are payable to the Ministry of Energy and Mineral Resources of the Republic of Indonesia. The amount of concession fees is based on the type of mineral and the quantity of production.

b. Environmental Matters

The operations of the Company and its Subsidiaries have been, and may in the future be, affected from time to time in varying degrees by changes in environmental regulations. Their policy is to meet or, if possible, surpass the requirements of all applicable regulations issued by the Government of the Republic of Indonesia, by application of technically proven and economically feasible measures. Approvals were received from the Ministry of Energy and Mineral Resources of the Republic of Indonesia for the environmental reports entitled Environmental Evaluation Study, Environmental Management Plan and Environmental Monitoring Plan. These reports provided information and preliminary plans on the Company's and its Subsidiaries' environmental program.

The Company and its Subsidiaries have made a provision for estimated environmental protection and rehabilitation costs (see Note 18).

c. Derivative Contracts

Beginning in 1998, the Company has entered into hedging sales agreements with NM Rothschild & Sons (Australia) Limited (NMR) (formerly Rothschild Australia Limited), whereby the Company agreed to sell gold and silver to, and buy Rupiah and US Dollar from NMR, on a monthly basis at certain amounts based on mutual agreement.

The details of outstanding contracts as of December 31, 2002 are as follows:

	Maturity Date	Number of Contracts	Total Quantity (Toz)	Contract Value per Toz (Rp)	Fair Value (Rp)
Gold	January 31, 2003	1	1,000	3,300	3,300,000
	January 31, 2003 - June 30, 2003	6	6,000	3,400	20,400,000
	Total	**7**			**23,700,000**

At end of 2002, the Company also has unrealized sell call option amounting to 5,000 Toz of gold, equivalent to US$ 1,725,000 and unrealized gold spot deferred delivery amounting to 18,500 Toz of gold, equivalent to US$ 6,037,145.64.

Changes in the fair value of derivative contracts as of December 31, 2002 amounted to Rp 1,693,673 and were charged to income in the current year.

(Expressed in thousands of Rupiah, unless otherwise stated)

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Company's Ownership in Contract of Work Companies

The Company has ownership interests in the following Contract of Work companies as follows:

	Percentage of Ownership	Status in 2002
PT Sorikmas Mining	25%	Continued detailed exploration*
PT Gag Nikel	25	Negotiation development on nickel project*
PT Galuh Cempaka	20	Process of feasibility study
PT Dairi Prima Minerals	20	Pre Feasibility Study
PT Gorontalo Minerals	20	Exploration*
PT Sumbawa Timur Mining	20	Exploration *
PT Uncak Kapuas Mining	20	Process of termination
PT Bima Wildcat Minahasa	15	Exploration *
PT Pelsart Tambang Kencana	15	Exploration *
PT Weda Bay Nickel	10	Exploration *

* *Exploration activities temporarily suspended either for safety reasons and/or because the mining area is declared to be in a protected forest area/national park.*

The Government of the Republic of Indonesia, based on the decision letter of the Ministry of Energy and Mineral Resources of the Republic of Indonesia No. 2028K/20/MEM/2001 dated August 14, 2001 approved the termination of Contract of Work between the Government of the Republic of Indonesia and PT Nusratim Mining in Ende residential, Sikka, Flores Timur and Alor, Nusa Tenggara Timur Province (wherein Company has a 20% ownership).

The Government of the Republic of Indonesia, based on the Decision Letters of the Ministry of Energy and Mineral Resources of the Republic of Indonesia No. 271K/40/MEM/2002 and No. 272K/40/MEM/2002, both dated April 8, 2002, approved the termination of the Contract of Work between the Government of the Republic of Indonesia and PT Ingold Maluku Satu and PT Flores Barat Mining (where the Company has 15% and 20% ownership, respectively).

e. Agreement for Feasibility Study and/or Establishment of Joint Venture to Undertake Exploration, Evaluation and Development Work

The Company has entered into a joint venture agreement (JVA) with Herald Mining Group (HMG) to undertake exploration, evaluation and development work in relation to mining rights held by an affiliate of HMG covering areas located in North Sumatera as follows:

Mining Rights	Location	Company's Interest
KW99JLP005	Kendit	20%
KW98APP035	Parongil	20%

Based on the Decision Letter of Directorate General of Geology and Mineral Resources No. 039/40.00/DJG/2002 dated April 2, 2002 regarding the first extension of the contract of work area in the exploration stage of PT Dairi Prima Minerals, another affiliate of HMG, both mining rights in Kendit and Parongil were merged with PT Dairi Prima Minerals' mining rights.

(Expressed in thousands of Rupiah, unless otherwise stated)

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

f. Joint Operation Agreement

On May 8, 2001, the Company entered into a joint operation agreement with PT Suvarna Bhumi Persada (SBP) to undertake processing of quartz sand into gravel pack sand and fracturing sand, including marketing of such sand. Under this agreement, the Company shall provide funds amounting to US$ 400,000. The term of this agreement is for two years and the Company has an option to extend it for another year. Under the agreement, the Company is entitled to receive 45% of the net income arising from such joint operation.

Based on a letter dated September 27, 2002, sent by the Company to SBP, the Company will withdraw its participation from this joint operation on May 8, 2003.

The Company's management is of the opinion that amounts receivable from the joint operation representing funds already advanced are fully collectible.

g. Sales Agreements

As of December 31, 2002, the Company has various commitments to sell certain products/ commodities to various buyers at specified agreed quantities. The delivery of products will be for periods ranging from one (1) month to thirteen (13) years.

h. Agreements to Undertake Exploration and Development Work on the Mining Rights

The Company entered into several memoranda of understanding (MoU)/joint venture agreements (JVA) to undertake exploration and development work in relation with its mining rights as follows:

No.	Partners	Date of MoU/JVA	Mining Rights	Location	Area after Relinquishment (hectares)
1.	PT Mitra Tambang Nusantara PT Yamabri Dwibakti Utama	November 15, 1996	DU.866* (KW.96PP0347)	Papandayan (West Java)	28,600
2.	Atapa Mineral Ltd. PT Oceanic Union Marine	February 13, 1996	DU.870* (KW.96PP0456)	Cikidang (West Java)	426
3.	PT Basya Tunggal Jaya Straits Resources Limited	May 17, 1996	DU.955* (KW.96PP00123) (KW.96PP00059)	Gunung Patuha (West Java)	26,720 4,514
4.	Atapa Mineral Ltd. PT Oceanic Union Marine	August 14, 1995	KW.96PP077*	Cikotok (West Java)	33,060
5.	Austindo Resources Corporation NL.	March 29, 1996	DU.1048 (KW.96PP019)	Cibaliung (West Java)	15,710
6.	Diadem Resources Ltd.	April 12, 1996	DU.1131* (KW.96PP0124)	Gunung Tikukur (West Java)	23,350

* *Exploration activities temporarily suspended either for safety reasons or because the mining area is declared to be in a protected forest area/national park.*

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

i. Ferronickel III Project

On November 21, 2000, the Company appointed RWE Industrie-Lösungen GmbH (formerly Tessag Industrie-Anlagen GmbH) as the contractor for the Engineering, Procurement and Construction (EPC) Contract of the Company's ferronickel III expansion project (the "Feni III Project").

In relation with the Feni III Project, in December 2000, the Company entered into an Advisory Agreement with IKB Deutsche Industriebank AG (IKB), Dusseldorf, as the arranger, wherein IKB shall undertake the following:

- Advise the Company during the initial due diligence phase.
- Assist the Company during the arranging phase of the Feni III Project's debt financing through the development of cash flow related financing plan adapted to the specific requirements of the Feni III Project.
- Structure and execute the appropriate long-term loan funding for the Feni III Project.

In October 2001, Hermes Kreditversicherungs-AG (Hermes), the German Export Credit Agency (ECA), gave its preliminary approval of the Project Information Memorandum which was completed by IKB. Hermes also approved the appointment of a foreign independent consultant (consultant) to evaluate the Feni III Project.

In April 2002, the consultant of Feni III Project issued its report on the evaluation of the Feni III Project to the ECA, which was formally presented to the related authorities on May 16, 2002. On June 6, 2002, Hermes advised IKB that the transaction that was presented to the Ministry of Economics and Technology of the Federal Republic of Germany for approval, was sanctioned in principle. The detailed letter of general approval was issued on June 18, 2002.

On June 19, 2002, the shareholders, subject to the management of the Company's decision on the source of financing of the FENI III Project, approved the following:

1. The proposed security package for the debt financing.
2. Limitation on payment of cash dividends to a maximum of 30% of preceeding year's net profit after tax, commencing with fiscal year 2002.

On July 31, 2002, the Company decided to use the ECA financing option, which is the combination of funding from the Company's equity and debt financing from the IKB consortium local bank, which is more suitable for the Feni III Project. The draft of the loan agreement is currently being reviewed by the Company's lawyers and IKB's lawyers. PT Bank Mandiri (Persero) (Mandiri) as a local bank, which will finance Feni III Project, has give its financing commitment amounting to US$ 75,000,000 as stated in its letter No. RMN.CRA/CG2.454/2002 dated June 7, 2002.

j. Contract Agreement for Expansion Project for FeNi Smelting Plant No. III, Pomalaa

On August 30, 2002, the Company entered into an agreement with RWE Industrie-Lösungen GmbH (RWE) to construct a new Ferronickel Smelting Plant No. III in Pomalaa. Under the agreement, RWE will provide the Company with design, engineering, procurement, construction, facilitation of Export Credit Agency (ECA) supported debt financing and other services, and plant equipment, construction materials and other supplies necessary for constructing the FeNi Plant III in Pomalaa.

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

j. Contract Agreement for Expansion Project for FeNi Smelting Plant No. III, Pomalaa (continued)

The contract price comprises of a portion in the Euro currency plus US Dollar currency for supplies and services to be carried out by RWE from foreign Countries (Offshore Portion) and a portion in the amount of US Dollar currency for supplies and services to be performed in Indonesia (Onshore Portion). The agreement also provides for a change in the contract price currency subject to certain conversion rate agreed by both parties.

The contract shall become effective on the date the following conditions, among others, are fulfilled:

1. Approval for the related insurance coverages by ECA.
2. Execution of the complete documentation for the financing of the project and the related securities by and between the Company and lender.
3. Written declaration of readiness for disbursement by the lender for the financing of the project.

k. Engineering, Procurement and Construction Agreement

On August 30, 2002, the Company entered into an Engineering, Procurement and Construction Agreement with MAN B&W Diesel Aktiengesellschaft (MAN) whereby MAN undertakes to perform the following, among others:

(a) Design, engineer, procure, manufacture, construct and deliver to the Company and install in Pomalaa one heavy fuel oil fired diesel engine generating power plant, with a total nominal capacity of 82.4 MW electricity.

(b) Refurbish and convert certain units of the existing power plants of the Company in Pomalaa to run on heavy fuel oil.

The contract price of the agreement shall be in Euro currency (Euro portion) which will cover foreign supplies including transportation and training in Germany and the supervision of erection and commissioning plus US Dollar currency which will cover civil works and local supplies services. Under the terms of the agreement, the Company is entitled to convert 85% of the Euro portion contract prices into US Dollars. The agreement also provides for a change in the contract price currency subject to certain conversion rate agreed by both parties.

The agreement shall become effective on the date the following conditions, among others, are fulfilled:

1. Approval has been obtained for all insurance coverage by ECA.
2. Confirmation from the financier to the Company and MAN that the loan is ready to be disbursed.

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

l. The Mining Operations at Cikidang

On December 31, 2001, based on the Consent Resolutions of the Directors of the Company and IARL, the Subsidiary, the Company and IARL agreed, among others, to give IARL management the authority to close the mining operations at Cikidang and to terminate employees of PT AR and IARL in accordance with the legal requirements.

Based on the agreement dated April 26, 2002 between the Company and IARL, IARL agreed to sell, assign and transfer to the Company, effective March 31, 2002, all of its rights, title and interest in and to the issued and outstanding shares of AR held by IARL. This transaction will be subject to a definitive agreement which will include the terms regarding the structure and procedures necessary to complete the acquisition, customary representations and warranties with respect to the business, properties, business prospects, assets, liabilities and financial condition of each of AR and IARL.

Based on the notification from the Company to IARL dated September 11, 2002, because of certain legal, accounting and regulatory issues, the Company has elected not to proceed with the restructuring of IARL.

m. Lawsuit

The Company is a party to a lawsuit filed by PT Hardy & Kee Engineering ("Plaintiff") before the District Court of Central Jakarta, registered under Case No. 325/PDT.G/1999/PN.JKT.PST dated June 28, 1999. Pursuant to the said District Court decision dated December 7, 1999, the Court decided against the Company and required the Company to pay US$ 4,268,076 in damages to the Plaintiff.

In response to such Court decision, the Company's legal counsel presented to the High Court, Memorandum of Appeal No. 379/SRT/PDT/BDG/1999/PN/JKT/PST dated December 13, 1999. On May 16, 2000, in its memorandum No. 137/PDT/2000/PT DKI, the Jakarta High Court decided on the following, among others:

a. Cancellation of the Central Jakarta District Court Decision No. 325/PDT.G/1999/PN JKT. PST. dated December 7, 1999.
b. Rejection of all the Plaintiff's claims.
c. Declaration of the termination of the cooperation agreement between the Company and the plaintiff as set forth in the agreement No. 3530/912/DAT/1997 dated September 29,1997 and its attachment.

The Plaintiff appealed to the Supreme Court of the Republic of Indonesia through its letter No. 325/PDT.G/1999/PN.JKT.PST Jo. No. 172/SRT.PDT.KAS/2000/PN JKT PST of October 26, 2000. The Company has also sent the counter memorandum of appeal to the Supreme Court of the Republic of Indonesia through the same registration number on November 8, 2000.

On June 20, 2002, the Supreme Court, in its decision letter No. 720 k/Pdt/2001, rejected the plaintiff's appeal.

30. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

n. Value Added Tax

The Director General of Taxes based on the Decision Letters No. 151/WPJ.07/BD.04/2002 and No. 152/WPJ.07/BD.04/2002, both dated April 8, 2002, and No. 215/WPJ.07/BD.04/2002 and No. 222/WPJ.07/BD.04/2002, both dated May 3, 2002, rejected the objection of AR, the Subsidiary, regarding the tax assessment letter on AR's underpayment of value added tax amounting to Rp 7,277,791. On July 3, 2002, AR, the Subsidiary, filed an appeal against such decision.

As of February 28, 2003, the appeal has not been resolved. The Subsidiary's management believes that no significant loss will be incurred on this matter.

31. SUBSEQUENT EVENT

On February 1, 2003, the Company entered the Cooperative Resources Agreement with PT International Nickel Indonesia Tbk. (Inco) to develop the contract area of Inco in Pomalaa, wherein Inco will mine and sell to the Company, and the Company will purchase from Inco, saprolitic nickel ore.

Inco agreed to sell to the Company during each of the twelve - month period 1,000,000 wet tonnes of saprolitic nickel ore at US$ 7.00 per wet tonne provided that Inco's mining cost is at US$ 4.00 per wet tonne. Selling price is subject to change for any variation in Inco's mining cost per tonne.

The initial term of this agreement is for 36 months following the date of commencement of Inco's production in its Pomalaa contract area and shall be extended.

32. ECONOMIC CONDITIONS

Indonesia continues to experience adverse economic conditions which started in 1997, mainly resulting from currency depreciation, the principal consequences of which have been the lack of liquidity and volatile exchange and interest rates. Although the economic conditions showed improvement, the country's economic conditions continue to be affected by uncertainties in the social and political situation. As of December 31, 2002, the Rupiah had strengthened to Rp 8,940 (in full amount) to US$ 1 compared to Rp 10,400 (in full amount) to US$ 1 as of December 31, 2001.

The operations of the Company and its Subsidiaries have been affected by the economic conditions. Given the economic pressures on the Company's and its Subsidiaries' suppliers, the availability of certain materials and services used in the processing of the Company's and its Subsidiaries' products has tightened, thus, increasing related costs.

In response to the continuing adverse economic conditions, the Company and its Subsidiaries plan to adopt more stringent criteria in disbursing capital expenditures and expenses. Since a substantial portion of the Company's and its Subsidiaries' sales are denominated in US Dollar, management believes that the cash flows to be generated from future operations will be adequate to fund repayment of debts as they mature.

(Expressed in thousands of Rupiah, unless otherwise stated)

32. ECONOMIC CONDITIONS (continued)

Recovery of the economy depends on measures that have been and will be undertaken by the Indonesian government, actions which are beyond the Company's and its Subsidiaries' control. It is not possible to determine the future effects of the economic conditions on the Company's and its Subsidiaries' liquidity and earnings. Related effects will be reported in the consolidated financial statements as they become known and can be estimated.

33. SIGNIFICANT DIFFERENCE BETWEEN INDONESIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND AUSTRALIAN GAAP

The Company's consolidated financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in Indonesia, which vary in certain respects with Australian GAAP. The significant difference as it applies to the Company is the capitalization of foreign exchange loss.

Indonesian GAAP allow capitalization of foreign exchange losses incurred on loans used to finance acquisition of assets resulting from severe depreciation against which there is no practical means of hedging. Such exchange differences are capitalized to the carrying amount of the related asset, provided that the adjusted carrying amount does not exceed the lower of the replacement cost and the amount recoverable from the sale or use of the assets.

Australian GAAP do not allow capitalization of foreign exchange losses on borrowings arising from a severe depreciation of the currency. These foreign exchange losses are charged to income under Australian GAAP.

The following is a summary of the significant adjustments to net income and stockholders' equity for the years ended December 31, 2002 and 2001 which would be required had Australian GAAP been applied instead of Indonesian GAAP to the consolidated financial statements.

	2002	2001
Net income per consolidated statements of income prepared under Indonesian GAAP	202,022,820	358,155,343
Australian GAAP adjustments		
Increase (decrease) due to:		
Depreciation of the capitalized foreign exchange losses based on Indonesian GAAP	9,063,859	9,063,859
Income tax related to above adjustment	(2,719,158)	(2,719,158)
Net adjustment	6,344,701	6,344,701
Approximate net income in accordance with Australian GAAP	**208,367,521**	**364,500,044**
Earnings per share (in full amount)	109.22	191.07

(Expressed in thousands of Rupiah, unless otherwise stated)

33. SIGNIFICANT DIFFERENCE BETWEEN INDONESIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND AUSTRALIAN GAAP (continued)

	2002	2001
Stockholders' equity per consolidated balance sheets prepared under Indonesian GAAP	1,939,342,400	1,919,725,155
Australian GAAP adjustments		
Increase (decrease) due to:		
Capitalization of foreign exchange losses - net	(67,344,710)	(76,408,569)
Deferred tax liabilities	18,734,150	21,453,308
Net adjustments	(48,610,560)	(54,955,261)
Approximate stockholders' equity in accordance with Australian GAAP	**1,890,731,840**	**1,864,769,894**