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**ASX RELEASE**

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## **UPDATE TO SHAREHOLDERS ON INDONESIAN INVESTMENT CLIMATE**

### **New Regulations relating to Foreign ownership of mining concessions - MEMR Regulation 27 -2013 issued 13 September 2013**

The Indonesian Minister of Energy and Mineral Resources has recently issued new regulations regarding foreign ownership of companies holding mining concessions in Indonesia.

These new regulations supplement existing Government laws and regulations (UU4-2009, PP23-2010 & PP24-2012) which now collectively set various limits on foreign ownership of companies holding mining concessions and stipulate the various processes and timetable for equity divestment to achieve compliance but there are provisions that appear to be inconsistent with those previous laws and regulations.

The effect of the regulation is that there is now a new requirement where a company converts from the status of being 100% Indonesian owned into a foreign investment company. The Indonesian ownership requirements are:

- 25%, where the mine is at exploration phase; and
- 51%, where the mine is at production phase

KRL expects that sales to local Indonesian investors will be able to be made on terms agreed by the parties according to market principles. However, for divestments to local Indonesian government, MEMR Regulation 27-2013 provides that the price at which the shares are to be offered must be appraised based on the replacement cost of the accumulated investment cost incurred, minus depreciation and amortization adjusted by inflation and the financial obligations of the holder of the concession.

There have been various proposals, regulations and variations to them relating to foreign ownership of mining concessions in Indonesia in recent years and the application, effect and implication of aspects of MEMR Regulation 27-2013 is unclear and still being investigated by KRL. Given KRL's extensive portfolio of 14 Indonesian mining concessions (comprising a majority equity shareholding in 9 Indonesian mining concessions and ongoing work to complete the legal acquisition of majority equity positions in another 5 concessions) the KRL Board has sought independent legal advice in order to help determine the potential short term and long term impacts of these new regulations on the company's Indonesian investment.



KRL will revert with a further market update once the full impact of these new regulations is assessed and all potential options to proceed are fully evaluated.

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