

## NR INVESTMENTS LIMITED

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Ari Hudaya Esq  
President Director  
PT Bumi Resources TBK  
Bakrie Tower, 11<sup>th</sup> Floor  
Jakarta, Indonesia

8<sup>th</sup> November, 2011

Dear Ari,

I am writing to you in your capacity as President Director of PT Bumi Resources, and in mine as a major shareholder in Bumi plc and indirectly in PT Bumi Resources. It is now almost exactly one year since we announced the "Vallar Transaction", and Bumi plc is poised, by year-end, to achieve inclusion in the FTSE-250 and FTSE All-Share indices, an important milestone for the company. As you know, it has always been our aspiration to enter the FTSE-100, and I believe we are a considerable way along the path to achieving that special goal. We will be the first Indonesian company to enter the FTSE-100, and I am confident it can happen in 2012.

Furthermore, today's announcement by PT Bumi Resources that it has successfully refinanced \$600m of CIC debt is a 'step in the right direction' towards lowering its very high cost of capital. PT Bumi Resources' refinancing of debt yielding 19% with a short term bridge loan yielding LIBOR plus 6%<sup>(1)</sup> will lead to annual interest savings of around \$72m<sup>(4)</sup>, with immediate benefits to shareholders, including Bumi plc.

However, we need to acknowledge that the company is 'refinancing' as opposed to 'repaying' debt, despite the fact that PT Bumi Resources already possesses approximately \$867m<sup>(2)</sup> of 'investments and other assets' on its balance sheet that are unrelated to its coal and base metals businesses and could be readily monetised<sup>(4)</sup>. The existence of these assets are well known to the investment community (especially in Asia where PT Bumi Resources is the most liquid stock on the Jakarta exchange) and certain of these assets are invested with connected parties (e.g. Recapital, Bukit Mutiara). This is one of the principal reasons why PT Bumi Resources' shares trade at a significant 'corporate governance' discount to the broader Indonesian coal sector.

Hence a critical component of the "Vallar Transaction" remains our stated objective to bring the highest standards of corporate governance to bear at PT Bumi Resources, in line with what we

have already achieved at Bumi plc. Indeed our Chairman, Indra Bakrie, specifically referred to rolling out “best practices of corporate governance” across the group in his opening remarks at our London investor day on September 28th. Whilst many positive steps have already been taken, and many more are planned, I need to draw your attention to the following facts. These are, to the best of my knowledge, publicly available:

- 1) On 28 February 2011, PT Bumi Resources extended a \$236m<sup>(2)</sup> loan to PT Recapital Asset Management for “investment purposes” (Recapital Advisor’s Managing Partner, Rosan Roeslani is a non-executive director of Bumi plc, owns roughly 13% of Bumi plc shares, and is President Director of PT Berau, Bumi plc’s 84,7% owned subsidiary);
- 2) There is a further \$237m<sup>(2)</sup> loan outstanding from PT Bumi Resources to Bukit Mutiara, an affiliate of Recapital;
- 3) Another \$75m was loaned in 2010 from PT Berau to an entity called “Chateau Asean Fund 1”;
- 4) There are a further \$394m<sup>(2)</sup> of business development projects listed on the balance sheet of PT Bumi Resources.

These and other ‘balance sheet items’ (and those at PT Berau which Bumi plc is swiftly eradicating), remain the major factor in PT Bumi Resources’ over-leverage and its accompanying corporate governance discount. So whilst under any normal scenario you might be applauded for reducing the interest rate on \$600m of high yield debt from 19% to below 7%, minority investors in both PT Bumi Resources (and Bumi plc in its capacity as a 29.2% shareholder of PT Bumi Resources) want to see you initiate a radical ‘cleaning up’ of PT Bumi Resources’ balance sheet and corporate culture.

Simultaneously, PT Bumi’s board needs to urgently recognise that after this latest refinancing they must order the monetisation of these ‘connected party investments’ and ‘business development assets’, as PT Bumi Resources’ bond covenants do not allow the group to take on any additional debt<sup>(3)</sup>. This, together with a laser-focus on operational cash flow, is all the more critical given that the bulk of the re-financing announced today is only for 6 months with an additional 6 month extension and accompanying punitive ‘step up’ in interest rate that is closer to 10%.

So, while your decision to come to London showed great vision and I am certain will unlock enormous hidden value for shareholders over time, we need to apply the high standards of corporate governance that Bumi plc demands across all of its subsidiaries and associates. Led by the Bumi plc board we are diligently and methodically implementing these procedures with great care and effort, a process that has the unanimous support of our shareholders and the board of Bumi plc. Until PT Bumi Resources changes its board to include plc directors, Bumi plc’s current mechanism to improve governance is through you, given that you currently act as CEO of both companies. This dual management role requires closer evaluation and scrutiny in the weeks and months ahead, particularly given the recently announced proposed acquisition of 23,7% of Bumi plc by PT Borneo Lumbung (which I fully support).

If we achieve our objectives, our investors should experience exceptional rewards. However, I am not satisfied that the current rate of progress at PT Bumi Resources is acceptable. As President Director of PT Bumi Resources you chose to extend a loan to a connected party as recently as February 2011, even as PT Bumi was facing increasing challenges as a result of its leverage and just days before the completion of the PT Bumi Resources component of the acquisition. Both myself and the Bakries need an immediate transformation of the way you are choosing to manage PT Bumi Resources. So too will Mr. Samir Tan, who I expect will want to join the Bumi plc board, and clearly sees the value in Bumi plc shares given his agreement to buy 23,7% of the plc at £10,91 per share. He will be welcomed and will no doubt bring a wealth of coal and auditing experience.

Your lack of response to requests both via the board, the audit committee, and in person have left me little recourse but to set out my views formally in a letter, the contents of which I am happy to make public as I believe it raises matters that should be of concern to all shareholders. I would ask that a clear and achievable timetable for the monetisation of the business development assets and the repatriation of the funds deposited with connected parties "for investments" be immediately established, and that we receive in writing from Recapital, Bukit Mutiara and 'Chateau Asean Fund I', an exact and detailed timetable for the repatriation of these funds to PT Bumi and PT Berau. Please also ensure that Bumi plc's auditors, PricewaterhouseCoopers and audit committee chairman, Lord Renwick, are given an equally exact and detailed briefing on the contents of the various business development assets that you authorised, as PT Bumi President Director, (the same applies for Rosan Roeslani in his capacity as President Director of PT Berau).

Finally, the further details of all these 'non-coal transactions' need to be released transparently and expeditiously to investors in PT Bumi Resources and Bumi plc by year end at the very latest. A preliminary announcement on the status of these 'investments' should ideally appear in our IMS announcement on November 17<sup>th</sup> later this month. I look forward to discussing this with you in more detail and hopefully seeing you at the December board meeting, which I very much hope you will attend.

Yours sincerely,



Nat Rothschild

**Notes:**

- (1) Recent \$600m CIC refinancing included \$14m in arrangement fees;
- (2) The assets recorded in the balance sheet of PT Bumi Resources as at 30 June 2011 include:
- |   |               |
|---|---------------|
| Available for sale financial assets:            | \$236m        |
| Other non current assets – business development | \$394m        |
| Long-term receivable – Bukit Mutiara            | \$237m        |
| <b>Total</b>                                    | <b>\$867m</b> |
- (3) Bond covenants at PT Bumi Resources limit the ratio of EBITDA to interest cost. PT Bumi Resources has very little ‘headroom’ under this covenant and must free-up additional cash from balance-sheet assets and improve operational cash flow as a priority.
- (4) The \$600m of CIC debt has been refinanced at below 7% per annum (previously 19% per annum), resulting in an annual saving of \$72m in interest charges. Were the \$867m of ‘investments and other assets’ held on the PT Bumi Resources balance sheet to be monetised and the proceeds used to refinance CIC debt, then an additional annual saving of \$104m in interest charges could be achieved.