



## ***ARGUS/COALINDO INDONESIAN COAL INDEX REPORT***

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The most up-to-date Argus/Coalindo Indonesian Coal Index Report methodology is available on [www.argusmedia.com](http://www.argusmedia.com)

## Introduction

Argus and PT Coalindo Energy (Coalindo) publish the Argus/Coalindo Indonesian Coal Index Report once a week. The report contains benchmark prices for five grades of Indonesian coal.

### Price assessment schedule

The Argus/Coalindo Indonesian Coal Index Report is published once a week, every week of the year.

Spot physical prices are assessed on Fridays and the report is published on the same day.

If Friday is a public holiday in Indonesia, then the price assessment process will take place on the previous working day. If Friday is a public holiday in Singapore, then the price assessment process and the publication of the report will take place on the previous working day.

A schedule of publication is available from Argus Media.

### About Argus and Coalindo

Argus is a leading provider of price assessments, business intelligence and market data for the global crude oil, petroleum products, gas, LPG, coal, electricity, biofuels, biomass, emissions and transportation industries. It is headquartered in London, and has offices in every major centre of the energy industry. Argus was founded in 1970 and is a privately held UK-registered company, owned by its employees and the family of its founder.

Coalindo is headquartered in Jakarta, Indonesia and was founded in 2006 to develop specialist pricing services for the Indonesian coal markets. Shareholders in Coalindo include mining firms, regional power utilities and prominent individuals from the coal markets.

### Relationship to industry

The Argus and Coalindo methodologies are developed in consultation with the industry, in order to provide a service that is useful. Our goal is to develop price assessments that are reliable and consistent enough to be used as price benchmarks in spot trade, term contracts, forward markets, such as swaps and futures, and transfer pricing.

Argus and Coalindo managers are available to discuss our methodology and understand the needs of our clients for robust price reporting.

### Ethics and compliance

Argus and Coalindo have strict ethics policies that apply to all staff. Included in this policy are restrictions against staff trading in any energy commodity or energy related stocks, and guidelines for accepting gifts.

Argus and Coalindo also have strict policies regarding central archiving of email communication, maintenance and archiving of notes, and archiving of spreadsheets and deal lists used in the price assessment process.

### Corrections to assessments

Argus and Coalindo will on occasion publish corrections to price assessments after the publication date. We will correct errors that arise from clerical mistakes, calculation error, or a misapplication of our stated methodology.

We will not retroactively assess markets based on information learned after the assessments are published. We make our best effort to assess markets based on the information we gather by the time of publication.

## Methodological principles

### Overview of pricing process

The assessments published in the Argus/Coalindo Indonesian Coal Index Report represent an average of the assessments made by Argus Media and by Coalindo.

Each pricing service makes its assessments separately and without consultation with the other.

Argus and Coalindo make use of different methodologies in their pricing activities. The details of each methodology are provided separately below.

The combination of inputs from two different reporting agencies using two different methodologies eliminates the opportunity for gaming the mechanics of the final index.

### Specifications

All assessments are for deliveries on a fob Kalimantan basis.

Prices are in US dollars per metric tonne.

Assessments are provided on a gross as received (GAR) basis and a net as received (NAR) basis.

Grade (kcal)	Timing	Sulphur	Ash	TM	Size
6,500 GAR (6,200 NAR)	in 90 days	up to 1%	up to 12%	up to 12%	Panamax
5,800 GAR (5,500 NAR)	in 90 days	up to 0.8%	up to 10%	up to 18%	Panamax
5,000 GAR (4,600 NAR)	in 90 days	up to 0.6%	up to 8%	up to 30%	Panamax
4,200 GAR (3,800 NAR)	in 90 days	up to 0.4%	up to 6%	up to 40%	Mother vessel
3,400 GAR (3,000 NAR)	in 90 days	up to 0.2%	up to 4%	up to 50%	Mother vessel

For the purposes of the Argus/Coalindo Indonesian Coal Index Report a panamax is defined as a gearless 60-80,000t dry bulk carrier.

## Argus methodology

### General methodology

The Argus coal team consists of specialist market reporters/analysts in Singapore, Beijing, Tokyo, Sydney, London, Moscow, Washington, Johannesburg and Bogota, drawing on Argus' global network of energy correspondents.

The team carries out a survey of a wide cross-section of coal market participants during the week via telephone, instant messenger, and through email communication. A balance is maintained in the survey between sellers, buyers and trading companies.

The market reporters/analysts ask market participants in the survey whether they have bought or sold any Indonesian coal, whether they have heard of any trade in Indonesian coal, and whether they have received or made any bids or offers for Indonesian coal. The participants are asked where they see the level of prices for Indonesian coal traded on the international spot market.

Argus publishes prices that report and reflect prevailing levels for open-market arm's length transactions (please see the Argus Global Compliance Policy for a detailed definition of arm's length).

### Pricing procedure

The Argus price assessments are based on two elements – a survey of market participants' views on where prices stand, and a volume-weighted average of any trades in the past week which fit the standard industry specifications for the five grades of coal and which Argus has been able to verify.

Reporters monitor the market on each working day of the week and the assessment includes all relevant trades reported to Argus during the week. The final price is an average of the survey value and the volume-weighted trade value.

Argus applies editorial judgment to the surveys and will eliminate information that appears to be 'off the consensus' in its final assessment of the price.

Information on transactions and offers that lie outside the specifications of timing, size and quality will be taken into account, but information that lies within the listed specifications of the assessment will be given most weight.

The market reporters/analysts record the transactions that are reported and verify all data. They then construct a volume weighted average of the transaction prices that meet the assessment criteria listed in the specification above. Transactions within the specifications above will influence the final assessment.

Participants in the market survey are also asked where they see the level of prices in the market and, if applicable, if they have received or made any firm bids and/or offers for coal. Argus market specialists then assess the price of the specified grades of coal using all verified information.

Information on transactions and offers that lie outside the specifications may be taken into account but information that lies within the listed specifications of the assessment will be given most weight.

Prices on electronic trading platforms may be used as indicators of prevailing market prices, provided they meet all relevant specifications.

## Coalindo methodology

Coalindo assessments are derived from the inputs supplied by its panelists on a weekly basis.

Coalindo applies reliability tests on the submissions, after which the top and bottom 10% of submissions are eliminated. The remaining submissions are then averaged for each grade assessed.

These final assessments are submitted to Argus as the Coalindo element of the Argus/Coalindo Indonesian Coal Index.

### The panel system

The Coalindo panels are comprised of a wide number of members balanced between representatives of coal producers, coal consumers and coal market intermediaries (traders and brokers). Coalindo ensures that no one element of the market is over-represented.

Separate panels contribute to Coalindo, reflecting the different profile of producers and consumers across all grades.

### The panel's price inputs

Panel members submit their views of the market price of Indonesian coal to Coalindo every week on the last working day of the week at 15:00 PM Jakarta time.

These price submissions must represent the value of deals actually known to be done by the panelists or the value at which a deal could be done in the free and open market for delivery over the next 90 days.

### Panel reliability

The submissions made by the panel are reviewed by Coalindo and its representatives to ensure that they are reliable and representative of the prompt spot market.

Coalindo and its representatives may use a variety of means to ensure the reliability of the panel submissions, including but not limited to:

- Excluding any submissions that are more than 20% higher or lower than inputs that were used in previous weeks accepted panel submissions
- Excluding any submissions that are more than 10% higher or lower than the previous week's ICI price for a given grade after it is adjusted to account for moves in other regional markets
- Other tests determined by Coalindo to be appropriate and proper to ensure accuracy.

Coalindo carries out regular reviews of each panel member's submissions to ensure that there is no observable high-side or low-side balance in their assessments. Panelists are offered regular feedback and support.

### Panellist confidentiality

Coalindo treats each individual panelist's inputs on an entirely confidential basis.

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