

IMPLEMENTATION OF DIVESTMENT BY MINERAL AND COAL MINING COMPANIES

Nov 19, 2013

The recently issued Regulation of the Minister of Energy and Mineral Resources No. 27 of 2013 on The Procedures for Divestment and Share Pricing and Changes to Investment in Mineral and Coal Mining Businesses ("Regulation No. 27/2013") is the long awaited answer to Article 99 of Government Regulation No. 23 of 2010. Regulation No. 27/2013 requires foreign investment mineral and coal mining companies holding a Production Operation Mining Business License (Izin Usaha Pertambangan Operasi Produksi - "IUP Produksi") or Special Production Operation Mining Business License (Izin Usaha Pertambangan Khusus Operasi Produksi - "IUPK Produksi"), which have been in production for more than 5 (years), to divest their shares gradually so that in the tenth year of production, at least 51% of their shares are owned by Indonesian shareholders.

It is worth noting that Regulation No. 27/2013 does not consider offering shares on the stock exchange as fulfillment of the divestment obligation.

As well as the detailed procedure for required divestment and share pricing for the divestment, Regulation No. 27/2013 also provides the procedure for the submission of applications for amendments to articles of association, changes to the shareholders, board of directors and board of commissioners.