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ANALYSIS OF THE ACQUISITION OF PT. FREEPORT INDONESIA BY PT. INALUM

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Abstract. In the Timika area, Papua, Indonesia has a Freeport mine which is on of the largest mines in the world. Freeport is managed by PT. Freeport Indonesia, a mineral mining company which is an affilate of Freeport-McMoRan ang Mining Industry Indonesia. At the end of 2019, a 51,23% stake has officialy become the owner of the Indonesian goverment. The acquisition of the these shares is expected to be a new beginning for Indonesia to regain the rights that should have been obtained long ago. The acquisition of shares of 51%, the authors are interested in examining how much the comparison of the profits obtained with the threat of future losses is.

Keywords: Freeport, Inalum, Acquisitions

1. Introduction

PT. Freeport Indonesia is one of mining company gold largest in the world managed by the original company United States named Freeport McMoRan Copper& & Gold Inc. Located in a remote highland in the Sudirman Mountains, Mimika Regency, Province Papua, this company mines ore to produce concetrates that are containing copper, gold, and silver then marketed throughout the world including Indonesia through PT. Smelting. PT. Freeport Indonesia develops several mines large-scale hidh-grade underground in the mineral region of Grasberg, Papua. PT. Freeport Indonesia has started a contract in Indonesia since the era of President Soekarno's administration but the contract what was obtained was deemed unprofitable for Freeport, so that it was difficult for Freeport to operate in the country Indonesia.

Figure 1. Freeport to operate in Indonesia

PT. Freeport Indonesia has the status of contract of work I, ratified by the goverment of Indonesia and Freeport in 1967 based on Law Number 11 of 1967 concerning Basic Mining Provisions. Initially Freeport had a mining concession area of 10 hectares, but increased to 2.5 million hectares in 1989. And when Freeport is known to find gold reserves in the Garsberg region the company immediately make a new contract called the contract of work II. As a result of the new contract with this, the period of Freeport's existence in Indonesia was extended from only until 1991 to 2021. Around 2016-2017, President Joko Widodo continued his efforts changing the status of the contract of work to a Special Mining Business Permit (IUPK) owned by PT. Freeport

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Indonesia which has been planned since the reign of President Susilo Bambang Yudhoyono (Anugrah, 2017).

From the abudance of mining materials in Papua, the government has officially owned shares the majority of PT. Freeport Indonesia at the end of 2019. Ownership of the shares carried out through a domestic company, namely PT. Indonesia Asahan Aluminium or PT. Inalum Persero. The 51.23% stake has been controlled by the goverment from PT. Freeport Indonesia operating in Mimika, Papua. The share ownership is the largest percentage throuhout history that has been controlled by the Indonesian government. The shares will divided by two after payment. PT. Inalum Persero controls 41.2% and 10% for the Papuan Regional Government represented and entrusted to PT. Indonesia Papua Metal and Minerals.

Based on the statement of the Minister of BUMN, Rini Soemarno, which was published on the news page, Tirto, BUMN PT Inalum will get a share ownership of 51.23% as representatives of Indonesian participants in PT. FI after buying 40% participating stake owned by Rio Tinto, an Anglo-Australian mining company, at the Grasberg mine for USD 3.85 billion. PT Inalum is also required to take over 100% of FCX's shares in PT Indocopper the existing investment in PT FI of 9.36% so that the full share ownership of the participants Indonesia fell into the hands of state-owned PT Inalum. And in a effort to be preparred BUMN to provide funds for the purchase of shares, it was recorded that 11 foreign banks had prepare credit to fund the divestment process on condition of record of problems the environment has been taken care of and that is also what makes one of the requirements for KK status at PT. FI can be changed to IUPK.

2. Literature Review

Corporate Action

Is a company activity that affects prices shares and share ownership of the company concerned. Corporate action is an action taken by a company taht can affect the number of shares and stock prices and impact on market reactions. The purpose of a company taking corporate action is to fulfill the goals certain activities such as expansion, fundraising, increasing liquidity, financial strategy company, and other purposes. Several types of corporate actions are Initial Public Offering (IPO), Dividend, Right Issue, Private Placement, Bonus Shares, Stock Split, Reverse Stock Split, General Meeting of Shareholders (GMS), Tender Offer, and Mergers and Acquisitions.

Acquisition

According to PSAK (Statement of Financial Accounting Standards) No. 2 of 1999, the acquisition is a combination of companies in which the acquiring company gains control over acquired company for asets, liabilities, and capital owned by the company. So that it can be concluded that the acquisition is a process in which a takeover or change in ownership of a company or certain assets so that they become rights management by the acquiring company (Maksum et al., 2022). There are three procedure when a company make acquisition:

1. Merger or consolidation, merger is the combination of two more companies that eliminate one company but keep the other company others to exist. Meanwhile, consolidation is the merging of two companies or more which then form a new company with new name.
2. Stock acquisition is the takeover of a company through the purchase of shares either through cash or other securities.
3. Asset acquisition, namely the takeover of the company through the purcase of assets that owned by the company so it has no effect on the value of share ownership company to buy.

There are three type of acquisition, namely:

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1. Horizontal acquisitions, takeovers of companies in similiar businesses that based on expanding the market and reducing the level of competition.
2. Vertical acquisitions, namely acquisitions made to companies that are in the same business same but devoted to business support activities to increase resources company’s power.
3. Conglomerate acquisitions, the acquiring company makes acquisitions of target companies that have different business lines for diversification needs.

The company’s motives for acquisitions also vary, which can be in the form of expansion to expand the company’s business lines, increase the value of synergies, increase the value of the company, management interests, etc. The premium in a merger or acquisition is defined as the difference between the bid price and the target market price prior to the announcement of the transaction. Premiums are paid in the hope of meeting the expectations of the shareholders of the acquiring company in an effort to increase the value of the acquiring company. The results show that the equity market is actually skeptical about the acquirer's ability to create shareholder value for the acquiring firm. There are several reasons why companies the acquirer and the acquisition target are interested in doing acquisition. According to Sherman et al (2006) motivation acquisitions for the target company are as follows:

- Ownership nearing retirement or ready to get out of;
- Inability to compete as a problem independent company;
- The need or desire to save costs through economies of scale; and
- Access to greater resources than acquiring company.

Meanwhile, the acquisition motivation for the company acquirer are as follows:

- Increased revenue;
- Cost reduction;
- Operational synergies or vertical economies of scale and/or horizontally;
- Growth pressure from investors;
- Underutilized resources;
- Desire to reduce the number of competitors (increase market share and reduce price competition);
- The need to gain a foothold in the market new geographies (especially if the market is currently being fed up); and
- Desire to diversify into products and new services.

Acquisition is an integral part of corporate strategy. Acquisition has the potential to create value through several mechanisms, for example increase market power, scale and scope economy, increase the knowledge base, and complement asset accessibility (Cavaglia et al: 2022). This value can also be obtained from the use of target company assets better that then it is expected to increase the stock price company. This makes acquisitions a means of important for managers to grow a business or enter a new line of business.

Value-based management assumes that value creation should be a consideration key to managerial decision making. In order to make the right acquisition decision, the acquirer must know what it can create value and why, and translate that knowledge to measure the potential of creation value of an acquisition. Value is created when Net Present Value (NPV) of implementing a strategy positive value (Krishnamurti & Vishwanath S.R., 2008).

In making an acquisition, usually the company will take over the assets company, includes any assets owned by the company which will then be transferred to companies that make acquistions and become company ownership rights acquirer. Takeovers also occur in corporate debt, when a company decides to make an acquisition in a company, then any long-term debt long

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and short term form the company will also be transferred to the company acquirer and becomes an additional liability for the acquirer. And then can be a takeover of the company's management due to the acquisition of a company most of the management will remain the manager of the company that has been acquired because the operational activities of the company would have been better known by employees who have worked there by reducing costs for training ang new employee development.

3. Methods

In this research method, the author uses a descriptive research method by analyzing the profit or loss of the acquisition of Freeport shares and Business Appraisal Method. In making an assessment, analysts often refer to five types of values, namely: First, book value refers to the accounting value of the company, namely the value reported in the balance sheet. The book value of equity, also referred to as a company's net worth, is equal to its total assets minus its total liabilities. It represents the residual value of the company, assuming that assets can be sold at reported values and that the proceeds are used to meet all liabilities at recorded values.

Second, decide value refers to the amount that can be realized if the company is broken down into salable units that can be disposed of in a negotiated transaction. This concept is especially relevant for companies consisting of various individual business units, divisions, or segments. Third, Liquidation value refers to the amount that can be realized if a company is liquidated in a distress sale. The liquidation value of a company is usually lower than its book value and liquidation because assets that must be disposed of quickly are usually sold at a discount.

Fourth, Fundamental value, also called intrinsic value, refers to the value based on the after-tax cash flows that the company expects to generate in the future, discounted at an appropriate rate that reflects the riskiness of those cash flows (Santoso, 2020). This is a forward-looking concept and requires the potential future cash flows of the company. And fifth, Market value refers to the value set in an orderly market such as the securities market. For example, the market value of equity, also called market capitalization, is equal to the share price multiplied by the number of shares outstanding.

Business appraisal is one of the practices of assessment science. In the most sense simple, theory encompassing the value of business interests depend on the useful life the future that the business owner will get the. The value of the business interest depends on the estimated future benefits and the level of discounting required returns return future benefits to their present value, at assessment date (Pratt & Niculita, 2008:56). According to Financial Services Authority Regulation Number 68/PJOK.04/2017 concerning Appraisers Who Perform Activities in the Capital Market, business appraisal activities that is:

- Company and/or business entity assessment;
- Valuation of participation in the company;
- Valuation of financial instruments;
- Valuation of intangible assets;
- Giving fairness opinion on the transaction;
- Preparation of project and business feasibility studies;
- Assessment of the economic benefits/losses caused by an activity or an event certain;
- Other business appraisals.

In carrying out the appraisal process of a company usually involves five steps, namely the First Step. Identifying and screening potential targets thoroughly to ensure that the proposed transaction is appropriate from a strategic point of view. Step Two conducts an Analysis of the target's historical performance to ensure that it is the right partner from a financial point of view, as well as to gain a thorough understanding of the target's business model, operations and capital structure.

The third step is to predict the performance of the target in the future by preparing pro forma financial reports. Nothing is more important in assessing target value than complete and accurate

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modeling of the company's operations. This critical step requires a sound understanding of the target environment, its business model (including revenue and cost drivers) and realistic assumptions about the target's future operations and, potentially, capital structure. The fourth step is to apply one or more valuation methods to obtain an estimate or estimated target value. And the last step is to assess the sensitivity of the key pro forma and assessment assumptions on the target value.

Assessment methods are classified into four categories, based on two dimensions. The first dimension distinguishes between direct (or absolute) valuation methods and indirect (or relative) valuation methods; while the second dimension separates models that rely on cash flow from models that depend on other financial variables, such as sales (revenue), revenue, or book value. The idea that "time is money" or, alternatively stated, that "time is an expensive and finite commodity" is one of the main reasons for the relative valuation method. Another reason is that it is easy to implement and easy to understand. Basically, the relative valuation method provides executives and company analysts with a "quick and dirty" way to estimate a company's value.

The relative scoring method relies on the use of multiples/multipliers. A multiple is the ratio between two financial variables. In most cases, the numerator of the multiplier is the firm's market price (in the case of a price multiple) or its firm value (in the case of a firm value multiple). The firm value of a company is usually defined as the market value of its capital (debt and equity), after deducting cash. The denominator of the lot is an accounting metric, such as a company's revenue, sales, or book value. The multiplier can be calculated from the amount per share (market price per share, earnings per share, sales per share, or book value per share) or the total amount.

The most popular price multiplier is the revenue multiplier. The price-to-earnings (P/E) ratio, which equals a company's market price per share divided by its earnings per share (EPS), is the most widely used multiple of earnings. It provides an indication of how much investors are willing to pay for the company's earnings. The variant is the ratio of price to earnings before interest and taxes (P/EBIT). Yet there are other analysts who are concerned about the distorting effect on income of accounting policies with respect to depreciation of tangible assets and amortization of intangible assets and so prefer to use price-to-earnings before interest, taxes, depreciation, and amortization (P/EBITDA Ratio).

The most popular alternative is sales, which refers to the price-to-sales (P/S) ratio. The Price/Sales ratio is useful in the early stages of a company's life cycle, when market acceptance and market share growth are considered the two best indicators of a company's probable future operating income and cash flow.

Another multiplier is the ratio of price to book value of equity (P / Book value). This indicates the relative premium that investors are willing to pay more than the book value of their equity investment in the company. Unfortunately, the book value of companies is very sensitive to accounting standards and management accounting decisions. Because cash flows are less sensitive than earnings to accounting choices and potential accounting manipulations, some analysts prefer to base their judgments on the price-to-cash ratio (P/CF) rather than on P/E, P/EBIT, or even P/EBITDA ratios.

Corporate executives and analysts are often interested in calculating the total value of the target firm, which is reflected in debt and equity. In this case, firm value is the basis for a better valuation, so firm value multipliers are widely used when assessing acquisition targets. The most popular firm value multiplier is the EV/EBITDA value, although the EV/Sales value can be used for companies that are not making a profit.

In contrast to stock valuation methods, direct valuation, or equity objectives are disclosed by investors per share price. The most prominent among the direct valuation methods group is the discounted cash flow (DCF) model. The DCF model is based on one of the most fundamental principles of the firm: The present value of the firm is equal to the present value of the future (but uncertain) cash flows to be generated by the firm's operations, discounted at a rate that reflects the riskiness (or uncertainty) of those cash flows.

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The most widely used version of the DCF model is sometimes referred to as the free cash flow to firm model, or the weighted average cost of capital model. It provides an estimate of the company's total value, based on its free cash flow (FCF) to the company discounted by the weighted average cost of capital (WACC). The company's FCF is the cash flow from operations available to all providers of capital, after deducting the capital investment required to maintain the company as a going concern. The WACC reflects the level of resistance that capital providers need, based on the risk they face from investing in the company.

Equity value per share that is, the value earned by shareholders is given by the operating value of the company minus the value of claims on the company's cash flows by debt holders, preferred shareholders, non-controlling (minority shareholders, and contingent claimants. The variance is a free cash flow to equity model, which provides a direct estimate of the company's equity per share value. Instead of relying on the FCF available to all providers of capital, this calculation considers the FCF available to equity holders: FCF to the company minus all cash flows owed to claimants other than common stockholders. Because the focus is on shareholders, the discount rate is the cost of equity, or hurdle rate for common shareholders.

The FCF to companies and the FCF to equity models are very effective valuation methods, especially when the target capital structure is expected to remain stable over time. However, some acquisitions are based on a material change in capital structure, as in the case of LBO. In this situation, the adjusted present value (APV) model is easier to implement than other DCF models.

Under the APV model, the target value is decomposed into two components: the value of the firm assuming fully financed by equity, and the value of the tax shield (benefits) provided by the finance firm's actual (or expected) debt. Because interest is tax-deductible, using financial leverage increases a firm's value by reducing its cash outflow for income taxes. When a company's capital structure changes over time, the first component (unleveraged, or unlevered value) is not affected; changes in financial leverage affect only the second component (interest tax hedge), which is relatively easy to estimate.

Real options analysis is another cash flow based valuation, based on the option pricing model and the DCF model. Analysts rarely use real options analysis to assess the company as a whole. However, this valuation method proves useful when the company has an investment opportunity that has features such as options; these features are usually difficult, if not impossible, to capture using the DCF model. For example, it may have the right (but not the obligation) to suspend investments, expand the company into new markets, transfer resources between projects, or exit investments. These rights are a valuable option, especially in an uncertain environment. Real options analysis, which applies to real assets some of the techniques used to value financial options, allows analyzing a wide range of rights that a company has.

Economic income models, also called residual income models, differ from DCF models and real options analysis, in that they do not rely on cash flows, but on earnings to estimate the fundamental value of the firm. However, in contrast to price and firm value multiples which are based on accounting profit, the economic income model relies on economic income. Economic income is usually defined as net income less costs for using equity---one of the problems with accounting incomes such as net income is that they include costs for using debt (interest expense), but not for using equity. The principle behind the economic income model is that companies that generate positive economic income create shareholder value. As a result, it should be priced at a higher share price. The most popular economic income model is the economic value analysis, although other versions are also available.

4. Result and Discussions

4.1. Result

In the case of the PT Freeport Indonesia company, in the end the government decided that the status of the existence of the subsidiary of Freeport McMoran Copper & Gold Inc. Must be

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changed from a Control of Work to a Special Mining Business Permit (IUPK) with consideration of the impact that the company has had on the country so far, as following:

1. Profit sharing imbalance, based in contract work Indonesiawith PT. Freeport Indonesia (FI), royalties paid from PT.FI for Indonesia was 1% and changed to 3.75% for gold, silver, and copper after PP No. 9 in 2012 and only paid in 2014. Weakness the bargaining position of this advantage allows Indonesia to get very little profit.
2. There are issues of manipulation, corruption, and abuse of office in the making of contract work PT. FI in 1967 and 1991 on extended contract work.
3. Environmental disruption due to the establishment of PT. FI and no results significantly related to efforts to protect the environment.
4. The Papuan people have not prospered at all since their land has been exploited, in particular which has customary rights in the area of PT. FI.

On the basis of these considerations, Indonesia's intention to change the status and acquire most of the shares for Indonesia in the company increasingly big. The estimated benefits of changing status from contract work to IUPK are as follows:

1. Changing the status of the country being "above" the company as the owner "give permission" because previously the status of the contract made the state dimiciled "equal" with the company.
2. Fiscally, PT FI will be subject to additional fees other than royalties, fixed fees, PPh, PBB, and Regional Taxes such as regional levies, etc. According to government policy.
3. Strengthening the existence of a national role in foreign capital mining companies.
4. Ensure PT. FI obtained operating license after issuance of PP No. 1. Year 2017, which is the fourth amendment to PP No. 23 of 2010 concerning implementation of Mineral and Coal Mining Business Activities (PP Minerba), requires foreign investors to build smelters (stated in Law No. 4 of 2009 concerning Minerba, specifially article 170 which states that companies added that the Contract of work holder is required to carry out purification and processing within five years of the law being passed), divest 51% stake owned by Indonesian participants, as well as changing the status of Contact work becomes IUPK.
5. Pt. FI cannot get permission to operate for up to 50 years because it is appropriate with the regulation of articel 83 point G of law no. 4 of 2009 concerning Minerba that the term the time given to the IUPK is 20 years with two extensions 10 years each.

And the possibility obtained after the divestasis of shares is 51% in PT. FI, as following:

1. State income increased, even though every year with stock conditions that are small, PT. FI continues to strive to contribute to the country with the payment of taxes, royalties, and some other obligations although sometimes not working properly. When Indonesia has succeeded divested it is shares by 51.23%, the dividend increased dramatically by around 739 million dollars. Plus the receipt of royalty and tax payments of around 621 million dollars, then the gross count of government revenues rose 80% to reach 1.36 billion dollars per year.
2. The Indonesian government can prosper the Papuan people with ownership 5-10% shares owned by the Regional Government of Papua Province and Timika Regency from 100% shares of PT. FI.
3. Reducing the role of "Foreign Agencies" in the management of mining natural resources in Indonesia.
4. PT. FI also plays a big role in helping the state to employ local residents even though there was a dispute due to the existence of a Furlough policy and realizing Indonesia's aspiration to become a country with an income of USD 23,199 in 2045 year and is ranked in the Ease of doing business rankings.
5. Making the nation's children a place to learn freely in the mining world.

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6. Enable Indonesian companies to learn new about mining technology, create jobs, and have oppurtunities great for domestic business.

4.2. Discussions

The Government’s steps to involve BUMN for debt will increase burden borne due to the fact that PT. Inalum issued four debt securities with a total of USD 4 billion, more than the amount to be paid for the divestment. If calculated along with the interest, the money that must be paid back by PT. Inalum reaches around USD 6.68 billion. An increase of 67% of the original debt made statement by Fahmy Radhi, an economist at UGM who has calculated based on 2017 financial audit report PT. FI, the funds disbursed by the Indonesian government will be paid off in three years feels odd. Because in reality it will be more than three years to pay it off.

In addition to the impact of increasing debt, Indonesiamust be aware of environmental issues that arise still not optimal handing. Minister of LHK gave a deadline of six months at PT. FI to tackle tailings waste that damaged Papua after it is publication Decree of the Minister of Environmental and Foresty 175/2018 in 2018. This regulation succeeded in making PT. FI committed to complying with all the rules given. And so far PT. FI has manage tailings by river flow which will transport the waste to the zone area specifically called Mod ADA to be deposited. System this deposition has been approved by the Government of Indonesia after conducting a technical study and repeated reviews every year. Besides that, PT. FI also took the initiative to recycle tailings as a concrete mix to build local infrastructure and has collaborated wth the Papuan Regional Government since 2007-2014. The program will continue again from 2019.

The plan still has to be watched out for considering that the BPK has previously investigated material environmental losses taht were once difficult to resolve and didnot cover possibility if the plan of the program doesnot go well in the uture. So that, the impact of this environmental issues has the potential to cause share dilution due to the presence of shareholders sahares that refuse to increase their capital.

In the Head of Agreement signed between PT Inalum (Persero) and Freeport, at least three steps are needed until RI holds 51% of the mining shares.

These three steps will later be executed by PT Inalum (Persero), as the holding company for the state-owned mining company.

1. The first step is for RI to purchase PT Rio Tinto Indonesia (RTI)'s 40% participating interest in PTFI's Grasberg mine. The purchase of shares was made in cash by the government to Rio Tinto.
2. After Inalum buys Rio Tinto's participating rights, it will be converted into shares in PT Freeport Indonesia. For the size of the shares, PT Freeport Indonesia will conduct a rights issue. As a result of this transaction there will be a dilution of shares, which were originally owned by Indonesia at 9.36% 5.6%. Meanwhile, Rio Tinto owns 40% of the shares, which later became the shares of the Indonesian government.

In total, from these two transactions, RI has a 45.6% stake in PTFI. Meanwhile, for the divestment of shares required to become the majority is 51%. This means that Indonesia only needs 5.4% of the shares. This is where the third transaction comes in.

3. Inalum bought 5.4% of Freeport McMoran's shares to become 51%. This transaction is done by cash or cash payment. This is where RI will buy Indocopper's shares in Freeport at a price of US$ 350 million. The total money needed for this transaction is US$ 3.85 billion. "The US$ 3.5 billion goes to Rio Tinto.

5. Conclussions

Based on the explanation regarding the delay in the construction of a new smelter in Gresik, East Java, according to the author, it would be better if the construction wasnot delayed but still followed by complying with the health protocols that have been set by the government. Thus, even though the developments is still running slowly and it is possible make the year’s target also change, at least the development doesnot stall just like that and progress can be monitored.

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Then from the presentation of the data on the distribution of the results of the acquisition of shares of PT. FI, stated by the Papuan government only gets 10%. It would be better if the share proceeds were distributed to The Papuan government was raised to 20%. Even though we know, if the results are from stocks Freeport will be included in the APBN to build infrastructure and facilities Indonesia, but still this is not enough fot the Papuan people.

In acquiring Freeport's shares, Indonesia did get more profit than loss. However, this small loss carries a considerable weight. Therefore, the Indonesian government should be more strict in overcoming these two losses by urging Freeport to pay off immediately fines due to mining activities that damage the envirinment and more often communicate interest wit the President Director of Freeport to produce the right decision but not to the detriment of both parties.

But overall, according to the data on the advantages and threats of losses received after Indonesia acquired a 51% stake owned by PT. FI, in general it was declared successful benefit the government from all sides. The success of offering this divestment is progress great for Indonesia to fight this success, the Indonesian government is expected to remain firm in enforcement law related to environmental pollution that occurs as a result of the exploitation of the land of Papua, guarantees channeling funds for Papua's infrastructure development without sabotage and corruption, and be aware of the dilution of shares that can occur due to several complex issues that attack mining companies.

And it will make even more sense if Papuans who live closer to the location of the establishment of a large company arenot valued lower that foreign workers seeking money on their land. One of the tasks of local governments in the context of empowering and advancing human resources Papuan natives is to ensure some of its citizens can occupy positions official staff not wokers in every foreign company that stands on their land especially Freeport.

Many want to know the benefits that PT Inalum (Persero) and Indonesia will get after completing the acquisition. The following are some of the benefits obtained by PT Inalum (Persero) and Indonesia.

1. Financial Gain

Inalum spent 3.85 billion US dollars or Rp 54 trillion for the acquisition of PTFI. Citing the Inalum document, PTFI's net profit is predicted to reach more than 2 billion US dollars per year from 2023 to 2041. If Inalum owns 51% of its shares, the company is projected to gain a net profit of 18 billion US dollars or Rp. 261 trillion from PTFI in that period of time.

2. Management Advantage

Quoting the Inalum document, after PTFI has operated for 51 years, now the Indonesian side has a significant influence in determining dividends, articles of association, directors and commissioners.

3. PTFI's Position under The Government

The completion of the acquisition of PTFI also has an impact on the change in PTFI's operations from being based on a Contract of Work (KK) to one based on a Special Mining Business Permit (IUPK). When operating through the CoW, PTFI's position is equal to the Government of Indonesia and the CoW acts like a law. With the change of KK to IUPK, currently PTFI's status is under the government.

4. The World's Largest Gold Reserves

The largest gold mine in the world is in Indonesia, precisely in Mimika Regency, Papua. The name is the Grasberg mine and has been managed by PTFI. Its mining wealth, which consists of gold, copper, and silver, is estimated to have a value of more than 150 billion US dollars or Rp. 2,190 trillion. Citing Inalum documents, gold and copper in the Grasberg underground mine is not expected to run out until 2060.

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5. Benefit the Papuan People

From the 100 percent stake in PTFI, 10 percent will be owned by the local Papuan government so that the Papuan people can directly benefit from its natural resources. However, until now the shares are still held by Inalum and cannot be given to the Papua Regional Government (Pemda) because the negotiation process is still ongoing between the Papua Provincial Government and the Mimika Regency Government regarding the formation of a BUMD to accommodate the shares.

6. Absorption of Local Labor

PTFI has the capacity to provide 30 thousand jobs. Currently, the majority of workers at PTFI are Indonesians. As of March 2018, the number of employees at PTFI who were directly recruited by PTFI was 7,028 people. Around 2,888 of its employees are Papuans.

7. Local Community Development

The presence of PTFI contributes to the development of the local community. In 2018, PTFI is committed to building local communities in PTFI's operational areas. In 2016 and 2017, PTFI contributed a total of 33 million US dollars and 44 million US dollars, respectively.

8. The Source of the Papuan Regional Economy

Around 90 percent of the economic activities of the 300 thousand inhabitants of Mimika Regency depend on PTFI operations. In the future, local economic development will be one of the priorities so that the community becomes independent.

9. Transfer of Technology and Knowledge

The Grasberg underground mine operated by PT Freeport Indonesia is the most complex mine in the world. The mine is the best learning place for mining experts in Indonesia so that their knowledge can be applied in other underground mines in Indonesia and in other countries.

Those are some of the benefits that PT Inalum (Persero) and Indonesia got after completing the acquisition.

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