JOGMEC Starts the Coal JV with a Japanese Company in Australia

Japan Oil, Gas and Metals National Corporation (JOGMEC: Minato-ku, Tokyo, President: Mr. Keisuke KUROKI) is pleased to announce that it entered into a joint venture (JV) agreement (Nikkei JV agreement) to jointly explore coal in the Eastern Coal Project Area in Australia on May 10th, 2016, with Mitsui Matsushima Co Ltd (Mitsui Matsushima) and Mitsui Matsushima International Pty Limited (MMI, a subsidiary company of Mitsui Matsushima).

This is the first JV with a Japanese company in coal exploration since JOGMEC commenced “Nikkei JV scheme”, a new coal JV exploration scheme with Japanese companies, in 2015. This project will be supported by JOGMEC through the Nikkei JV scheme which is anticipated to contribute to reduce the project risk for Japanese companies involved in coal development projects using the JOGMEC’s knowledge and experiences during the period of low coal price, which leads to reinforce Japan’s resources security.

Since JOGMEC started the coal JV scheme in 2013, JOGMEC has formed five (5) coal JVs with foreign companies. When the JV finds promising coal seams and any Japanese companies show strong interest in them, JOGMEC invites those companies for bids, and transfers JOGMEC’s rights under the JV agreement to the successful bidder. In addition to this conventional JV scheme, JOGMEC also commenced “Nikkei JV scheme”, a new coal JV exploration scheme for JOGMEC to explore jointly with an applicant (Japanese company), in 2015 to support its coal exploration activity.

Mitsui Matsushima applied for the Nikkei JV scheme in relation to the Eastern Coal project, and JOGMEC entered into a Nikkei JV agreement for this project with Mitsui Matsushima and MMI after JOGMEC’s technical reviews. MMI currently conducts a joint exploration survey with Square Eastern Pty Ltd (SQE) under the primary JV agreement. In the Nikkei JV agreement, JOGMEC has the right to earn a part of MMI’s interest by contributing to MMI’s exploration expenditure under the primary JV agreement.

The Eastern Coal Project Area is situated in the southern part of the Bowen Basin, which is highly prospective for high quality coal resources, in the southeast of Queensland. Although the coal bearing sequence that is the exploration target for this project is different from the conventional target horizons in the Bowen Basin, this new target layer contains good quality coal seams, and further discoveries of economical thermal coal resources are anticipated by this JV.

The Nikkei JV scheme provides the JOGMEC’s support to the coal exploration activities of
Japanese companies by using JOGMEC’s knowledge and experiences, and by contributing exploration funding, which will lead to a rise in the ratio of self-development of coal in Japan.

- Project Outline

1) Exploration area

Eastern Coal Project consists of five (5) exploration tenements (about 3,228km²), in which some coal seams have been already identified. The Eastern Coal Project has been conducted by the primary JV between MMI (41.7%) and SQE (58.3%) since they purchased their part or all of their interests from Eastern Coal Pty Ltd, previous JV partner of SQE, in September 2015.

2) Agreement

JOGMEC will have a right to earn 42.1% (17.56% of total project interests) of the MMI’s interest in the primary JV by expending exploration costs of A$ 2.0 Million over two years. Mitsui Matsushima is the Guarantor of MMI in the JV agreement.

3) Exploration

SQE has been conducting drilling surveys, by which thick coal seams have been identified in the southern part of the tenements. One prospective area has estimated coal resources of 150Mt minable by open cut and underground methods.

- Mitsui Matsushima International Pty. Limited (MMI)

MMI is an Australian company and a wholly owned subsidiary of Mitsui Matsushima. MMI is a co-owner of the Liddell Coal Mine, which is located in the Hunter Valley area of New South Wales, with Glencore. MMI has been also conducting advanced stage exploration and development activities in Indonesia.

- Square Eastern Pty Ltd (SQE)

SQE is the tenement owner of the Eastern Coal project, and has a 58.3% interest in the primary JV with MMI. SQE is a wholly owned subsidiary of Square Resources Holdings, which is an coal focused trading, marketing, exploration, development and investment company, in Australia.