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JOGMEC Launches the First Coal Joint Venture in Indonesia for Supporting Exploration and Acquiring Coal Marketing Right

JOGMEC (President: Keisuke Kuroki) is pleased to announce that it entered into a new agreement to jointly explore coal in the BOSS and PB Areas on March 10th, 2016 with PT Bangun Olah Sarana Sukses (BOSS) and PT Pratama Bersama (PB), Indonesian coal companies.

Instead of acquiring equity, JOGMEC will acquire coal marketing right in this new JV scheme, and this is the first JV for JOGMEC in Indonesia to secure a new supply source of thermal coal to Japan.

The BOSS/PB Project Areas are situated in the Kutai Sedimentary Basin, which is highly prospective for thermal coal resources, in the middle basin of Mahakam River.

Coal supply to Japan relies on import from Indonesia by about 20% of total import amount. The country is producing mainly thermal coal for power industry as well as for general industries, which attracts Japanese companies.

However, investment environment in Indonesia for mining sector is not always favorable, due to such as chaotic situation of issuing mining licenses triggered by the decentralization of authority, complex forms of the ownership of mining interests, and strengthening of the foreign share divestment rule and the domestic market obligation amid the upsurge of resource nationalism. Therefore, acquiring marketing rights from coal producers are the mainstream measures for Japanese companies to participate in Indonesian projects.

JOGMEC has hence established a new JV scheme to acquire marketing right, in addition to conventional JV scheme to acquire equity, and entered into such new agreement with BOSS and PB.

This is the first JV for JOGMEC in Indonesia, and it is anticipated that acquiring marketing right would contribute to diversify the coal procurement measures by Japanese companies during the natural resource price fall, which leads to reinforce Japan's resources security.

■ Project Outline

1) Exploration area

The BOSS/PB Project is located about 150km west of Samarinda, a capital of East Kalimantan Province of Republic of Indonesia, in the Balikpapan Coal Bearing Formation of the Kutai

Sedimentary Basin and consists of 2 coal concessions (total about 53km²), each of them owned by BOSS and PB respectively. Presence of high quality thermal coal seams has been confirmed by exploration to date, and open pit mining operation has been conducted in the BOSS Area since 2013.

2) JOGMEC investment condition

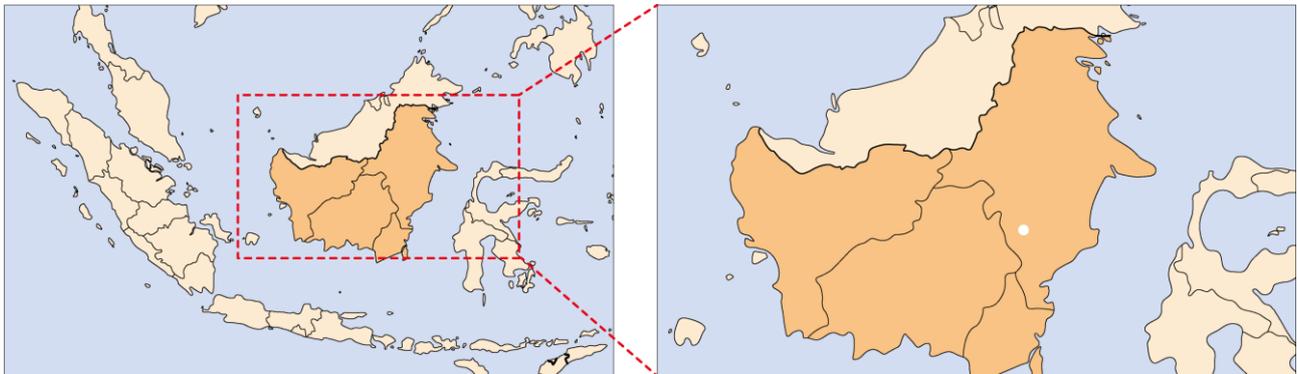
JOGMEC has the right to acquire marketing right of 2 million tons of the coal produced from the concessions by paying US\$3 million of exploration expenditure in two years.

3) Exploration

Exploration had been done mainly in the BOSS Area which is currently operating. By confirming the presence of the same coal seams in the PB Area which are extension of the known seams in BOSS Area, open pit mining in the PB Area is also anticipated.

■ BOSS, PB and its parent company, PT Megah Pratama Resources (MPR)

MPR (Head Office: Jakarta) is a coal company owning 9 coal concessions (total 460km²) in the middle basin of the Mahakam River. Other than coal business, the group runs property development business as well.



Location of BOSS/PB Project