

PT J Resources Nusantara

Analysts: Christyanto Wijaya / Yogie Surya Perdana

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / christyanto.wijaya@pefindo.co.id / yogie.perdana@pefindo.co.id

CREDIT PROFILE

Corporate Rating *idA/Stable*

Rated Issues

MTN I/2017 *idA*
MTN II/2017 *idA*
MTN III/2017 *idA*

Rating Period

February 13, 2018 – February 1, 2019

Rating History

SEP 2017 *idA/Stable*
JUL 2017 *idA/Stable*
MAY 2017 *idA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended

| | Sep-2017 (Unaudited) | Dec-2016 (Audited) | Dec-2015 (Audited) | Dec-2014 (Audited) | Dec-2013 (Audited) |
|--------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total adjusted assets [USD Mn] | 846.8 | 816.6 | 793.9 | 821.1 | 821.1 |
| Total adjusted debt [USD Mn] | 377.2 | 320.5 | 334.2 | 397.8 | 397.8 |
| Total adjusted equity [USD Mn] | 321.7 | 308.6 | 284.5 | 252.3 | 252.3 |
| Total sales [USD Mn] | 164.0 | 235.1 | 286.6 | 280.2 | 280.2 |
| EBITDA [USD Mn] | 77.5 | 119.2 | 133.6 | 111.4 | 111.4 |
| Net income after MI [USD Mn] | 12.4 | 21.3 | 25.2 | 24.2 | 24.2 |
| EBITDA margin [%] | 47.2 | 50.7 | 46.6 | 39.8 | 39.8 |
| Adjusted debt to EBITDA [X] | *3.7 | 2.7 | 2.5 | 3.6 | 3.6 |
| Adjusted debt to adjusted equity [X] | 1.2 | 1.0 | 1.2 | 1.6 | 1.6 |
| FFO to adjusted debt [%] | *17.7 | 23.5 | 24.2 | 16.3 | 16.3 |
| EBITDA to IFCCI [X] | 3.9 | 4.1 | 4.7 | 3.5 | 3.5 |
| USD exchange rate [IDR/USD] | 13,492 | 13,436 | 13,795 | 12,440 | 12,440 |

FFO = EBITDA – IFCCI + gross interest income – current tax expense

EBITDA = (operating profit + depreciation exp. + amortization exp.)

IFCCI = (gross interest expense + other financial charges + capitalized interest); FX loss not included

MI = minority interest *annualized

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PEFINDO affirms "idA" ratings to PT J Resources Nusantara and its MTN

PEFINDO has affirmed its "idA" ratings to PT J Resources Nusantara (JRES), its Medium Term Note (MTN) I/2017, MTN II/2017, and MTN III/2017. The outlook for the corporate ratings is "stable".

An obligor rated *idA* has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.

The ratings reflect JRES' sizeable mining reserves and resources, low cash cost, and the high demand for gold. The ratings are constrained by the Company's aggressive capital structure, exposure to the fluctuation of gold prices and unfavorable weather, and risks related to the development of unproduced mines.

The rating may be raised if JRES improves its capital structure, as indicated by a debt to EBITDA ratio below 2.0x on a sustained basis, while maintaining its profitability margin and low cash cost position. This should also be supported by an increase in its mining reserves and gold production volume on a sustained basis. The rating will be lowered if it aggressively finances its expansion with substantially larger debt than projected, without being compensated by stronger revenue and/or EBITDA generation. A significant drop in the gold price may also trigger ratings downgrade since it could adversely affect its financial profile.

JRES was established in 2003 under the name PT Bara Kutai Energi. It is a subsidiary of PT J Resources Asia Pasifik Tbk (PSAB), the largest Indonesian listed gold producing company. Its operations cover the exploration, mining, and processing of gold. It has a geographically diverse portfolio of assets across Indonesia and Malaysia, specifically in Penjom (Malaysia), Seruyung (North Kalimantan), Bakan, Lanut, Pani, Doup, Bolangitang, and Bulagidun in North Sulawesi. As of September 30, 2017, it had four producing mines, two mines in the development stage, and two in the exploration stage. As of September 30, 2017, its shareholders were PT J Resources Asia Pasifik Tbk (98.87%), PT Mentari Bukit Makmur (1.11%), and others (0.02%).

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents in this report or publication. PEFINDO cannot be held liable for its use, its partial use, lack of use, in combination with other products or used solely, nor can it be held responsible for the result from its use or lack of its use in any investment or other kinds of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the base of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO public ratings and analyses are made available on its Website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.