

GEO ENERGY RESOURCES LIMITED

(Company Registration No. 201011034Z)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF OPTIONS IN PT KENCANA WILSA

1. INTRODUCTION

The board of directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**” or the “**Purchaser**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company have entered into a conditional sale and purchase agreement dated 25 February 2013 (“**Agreement**”) for the acquisition of dual tranche transferable options (the “**Options**”) over existing shares (the “**Shares**” or “**Option Shares**”) in the capital of PT Kencana Wilsa (“**Target**”) from Gold Lion Resources Limited (the “**Vendor**”) (“**Proposed Transaction**”).

2. INFORMATION ON THE OPTIONS

The Options are dual tranche, each with different maturity dates but same option exercise prices (the first tranche of options, the “**Tranche A Options**”, and the second tranche of options, the “**Tranche B Options**”).

The Tranche A Options were constituted and granted to the Vendor by PT Karya Anugerah Kusuma (the “**Tranche A Option Grantor**”), an existing shareholder of the Target, on 16 August 2010, with an exercise period of five years. Each of the Tranche A Option allows the right (but not the obligation) to buy one Share from the Tranche A Option Grantor, at the exercise price of Rp 1,300,000 per Share (“**Tranche A Option Price**”). There are 630 Tranche A Options in aggregate, which when exercised, will result in the purchase of Shares representing 63% shareholding interest in the Target. The Tranche A Options are secured by a pledge of the Shares under the option.

The Tranche B Options were constituted and granted to the Vendor on 16 June 2011 by PT Tritunggal Bhakti (the “**Tranche B Option Grantor**”), an existing shareholder of the Target, with an exercise period of five years. Each of the Tranche B Option allows the right (but not the obligation) to buy one Share from the Tranche B Option Grantor, at the exercise price of Rp 1,300,000 per Share (“**Tranche B Option Price**”). There are 300 Tranche B Options in aggregate, which when exercised, will result in the purchase of Shares representing 30% shareholding interest in the Target. The Tranche B Options are secured by a pledge of the Shares under the option.

3. INFORMATION ON THE TARGET

PT Kencana Wilsa, a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Jl. Komplek Perumahan Keledang Mas Baru Jln. H.M. Ardans No. 01 RT 06 Kelurahan Sungai Keledang, Kecamatan Samarinda Seberang, Samarinda. The Company has an authorised, issued, and paid-up capital of one billion Rupiah (Rp. 1,000,000,000.00) divided into one thousand (1,000) shares each with nominal value of one million Rupiah (Rp. 1,000,000.00)

The Target is the holder of a production operations mining business license (*Izin Usaha Pertambangan Operasi Produksi*) (“**Concession**”) pursuant to the Decree of Regent of Kutai Barat Number: 545/K.1101/2010 dated 21 December 2010 for a concession area of 5,010ha located at Sub-District of Barong Tongkok, Regency of Kutai Barat (the “**Mining Permit**”).

Area”). The Concession has a term of 13 years commencing from the issuance date of the license.

As at the date of the Agreement, the Target has not commenced coal productions. For the financial year ending 31 December 2012, the Target recorded a net loss of Rp. 439,890,536.

4. RATIONALE FOR AND BENEFIT OF THE PROPOSED TRANSACTION

The Proposed Transaction is in line with the Company’s business strategy to expand its business operations and increase coal production levels. The Options when converted, will result in the Company holding an aggregate 93% shareholding interest in the Target, and allow it access to and control over the Concession and the coal deposits located in Mining Permit Area. This in turn increases the Company’s quantity of coal reserves available for production.

5. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

5.1 Consideration

Under the terms of the Agreement, the consideration (“**Consideration**”) is determined based on the formula set out below:-

$$C = (A \times B) - D - E$$

Where:

- C : Is the quantum of Consideration
- A : Is the aggregate quantity in metric tonnes ascribed to the proved and probable reserves (“Reserves”) as set out in the Independent Technical Report (as defined herein)
- B : Is the Tonnage Consideration
- D : Is the aggregate price to be paid by the Purchaser to the Option Grantors upon exercise of the Option to buy the Option Shares, as determined in accordance with the formula below:-

$$D = \text{Tranche A Option Price} \times 630 + \text{Tranche B Option Price} \times 300$$

- E : Is the total amount of outstanding shareholder loan (inclusive of principal and accrued interest, Rupiah denominated and bearing the interest rate of 8% per annum) owed by the Company to the Tranche A Option Grantor on Completion Date, as determined in accordance with the formula below:-

$$E = \text{Rp. } 10,951,627,997 \text{ (being the total amount outstanding under the shareholder loan as at 31 Dec 2012) + accrued interest on Rp. } 10,008,480,255 \text{ (being the principal amount of the shareholder loan outstanding) from 1 January 2013 to Completion Date at the interest rate of 8\% per annum}$$

Any required currency conversion shall be based on the relevant foreign exchange rate prevailing as at the date of the Agreement (as provided by Bank of Indonesia).

The Tonnage Consideration (being US\$2.26 per metric tonne) was arrived at pursuant to arm's length negotiations between the Company and the Vendor on a willing-buyer willing-seller basis, after taking into consideration minimum and/or maximum technical specifications required of the Reserves under the Agreement, such minimum and/or maximum technical specifications including specifications for minimum calorific value of 4,000 kcal/kg (GAR), maximum sulphur content of 1.0%, maximum ash content of 10% and maximum hardgrove grindability index of 60%. In the event the minimum and/or maximum technical specifications required for the Reserves are not met (subject to any specified variances) pursuant to the findings of the Independent Technical Report, the Company shall be entitled to either adjust the Tonnage Consideration downwards (subject to mutual agreement between the Company and the Vendor); or terminate the Agreement.

The Consideration to be paid by the Group on Completion cannot be determined as at the date of signing of the Agreement and the date of this Announcement as the Independent Technical Report is yet to be available. The Independent Technical Report will be prepared, in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, by an expert ("**Expert**") to be appointed by the Vendor (at the Vendor's sole cost and expense), in consultation with the Purchaser (the "**Independent Technical Report**"), in due course to determine the quantity and technical specifications of the Reserves in the Mining Permit Area, based on certain agreed upon measurement requirements. The Vendor shall procure that the Independent Technical Report be finalised and delivered to the Company within twelve months from the date of the Agreement.

The Consideration shall be payable wholly in cash only.

Within 14 business days from the signing of the agreement, the Company shall pay to the Vendor US\$0.5 million as a refundable deposit (the "**Deposit**"). The Deposit and the remainder of the Consideration (i.e. after the deduction of the Deposit) shall be paid on completion of the Proposed Transaction ("**Completion**").

5.2 Deposit and Guarantee

The Deposit is refundable and shall be refunded to the Company by the Vendor in the event the Agreement is terminated. The Deposit shall be refunded within 14 business days of the date of termination of the Agreement. For the purpose of securing the performance of the Vendor's obligation to refund, the Vendor has agreed to and shall provide a banker's guarantee of US\$0.5 million with the Purchaser as the beneficiary ("**Banker's Guarantee**"). The Banker's Guarantee shall have a term of no less than 12 months, and shall be continuously renewed at expiry for additional 12 months terms in the event Completion has not occurred at the relevant date of expiry of the Banker's Guarantee. In the event the Vendor fails to renew the Banker's Guarantee in accordance with the aforementioned requirements and stipulated time, the Consideration shall be reduced by the aggregate sum of US\$0.5 million. The Banker's Guarantee shall be provided to the Company within 14 business days of the signing of the Agreement, and in any event prior to the payment of the Deposit by the Company to the Vendor.

5.3 Due Diligence

The Company shall be entitled to carry out due diligence on the Target. In the event the due diligence inquiries are not to the satisfaction to the Company as the Company may determine in its sole discretion, the Company shall be entitled to terminate the Agreement.

5.4 Conditions Precedent

The Proposed Transaction is conditional upon the satisfaction of the following conditions, amongst others:

- (a) If required, (i) the approval of the Board of Directors and/or Shareholders of the Company; and/or (ii) the approval of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);
- (b) The completion, finalisation and delivery of the Independent Technical Report by the Expert;
- (c) The satisfactory outcome of due diligence carried out by the Company into the financial, legal, contractual, tax, business, coal resource and reserves quantity and technical specifications and prospects aspects of the Target;
- (d) All necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including but not limited to the SGX-ST and the relevant regulatory authorities in Indonesia) having been obtained successfully, including but not limited to: (i) the recommendations from relevant governmental or regulatory authorities, if necessary (ii) all statutory requirements under the Indonesian company regulations, (iii) the issue of the necessary approvals and/or licences for the commencement of production operations at the Mining Permit Area, with respect to the Concession and the required environmental licenses, and (iv) all approvals or waivers of all lenders or any other third party for entering into the Proposed Transaction,
- (e) The quantity of Reserves being not less than 7 million metric tonnes;
- (f) Provision by the Vendor of evidence to the satisfaction of the Company in its sole discretion that the Concession is on the Clean and Clear List and the Target has obtained a certificate of clean and clear from the Ministry of Energy and Mineral Resources of the Republic of Indonesia;
- (g) All necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia) required for the Target to carry out mining activities in forestry areas that are governed by forestry laws and require permits and licences from the Indonesian government and/or Indonesian regulatory authorities, including but not limited to the borrow-use permit (*Izin Pinjam Pakai*), having been obtained successfully, including but not limited to: (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences;
- (h) In the determination of the Reserves within the Independent Technical Report by the Expert, the concession stripping ratio specified in the Agreement was used as the basis for the determination;
- (i) Provision of evidence of consent and/or agreement from holders of plantation licences/permits in respect of the Mining Permit Area, consenting and/or agreeing to relinquish the relevant areas of their respective plantations areas to the Company for its carrying on of mining activities, including but not limited to the obtaining of Joint Land Utilization Agreement (*Perjanjian Pemanfaatan Lahan Bersama*) or provision of a letter of confirmation from the Vendor confirming that there are no plantation

licences/permits applicable in respect of the Mining Permit Area, whichever is applicable;

- (j) Provision of evidence of payment of compensation by the Vendor to the individual/original land owners and the holders of plantation licences/permits in respect of the Mining Permit Area in consideration of the relinquishment of land areas to the Target for its carrying on of mining activities or provision of a letter of confirmation from the Vendor confirming that there are and/or have been no land relinquishments in respect of the Mining Permit Area, whichever is applicable;
- (k) Provision of evidence that any and all royalty and/or fee agreements and/or arrangements which the Target may have entered into with any and all parties (including former shareholder(s) of the Target) which requires the Target to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold, whether such coal is sourced from the Mining Permit Area or otherwise;
- (l) Transfer of all land, land use rights and/or land occupancy rights owned and/or held by the Vendor in respect of the Mining Permit Area or if the Vendor do not own or hold any such land, land use rights and/or land occupancy rights, a letter from the Vendor confirming the same;
- (m) All necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia) required for the Target to operate a special terminal located outside the working area (*Daerah Lingkungan Kerja*) and the interest area (*Daerah Lingkungan Kepentingan Pelabuhan*) of a public port having been obtained successfully, including but not limited to: (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences; and
- (n) The purchase and delivery of the necessary land and/or land use/occupancy rights by the Target for the construction and delivery of the special terminal, the location of such land as determined by the Purchaser in consultation with the Vendor.

5.5 Undertakings

The Vendor has undertaken, amongst others, to use its best endeavours to obtain all necessary requirements and approvals from governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia), including but not limited to recommendations from relevant governmental or regulatory authorities, if necessary, and all statutory requirements under the Indonesian company regulations.

The Company has undertaken to use its best efforts to (i) exercise the Options within six months from the date of Completion; and (ii) procure the Target to repay to the Tranche A Option Grantor the amount of outstanding shareholder loans (inclusive of accrued and unpaid interest) owed by the Target to the Tranche A Option Grantor as at the date of Completion, within six months from the date of Completion. In relation to the aforementioned repayment of such shareholder loans, The Company has agreed it shall make the necessary loans to the Target, if necessary, to effect such repayment.

The Purchaser has, on 25 February 2013, also entered into three other separate sale and purchase of options agreements with the Vendor in relation to the sale and purchase of existing options over existing shares of (i) PT Bomboy Central Prima Coal, a limited liability established under the laws of the Republic of Indonesia, having its domicile at Jl. HM. Ardans

No. 1 Perum. Keledang Mas Baru, Kel. Sungai Keledang, Kec. Samarinda Seberang, Samarinda; (ii) PT Central Coalindo Utama, a limited liability established under the laws of the Republic of Indonesia, having its domicile at Jl. HM. Ardans No. 1 Perum. Keledang Mas Baru, Kel. Sungai Keledang, Kec. Samarinda Seberang, Samarinda; and (iii) PT Karya Permata Prima, a limited liability company established under the laws of the Republic of Indonesia having its domicile at Jl. Komplek Perumahan Keledang Mas Bary Jln. H.M. Ardans No. 01 RT 06 Kelurahan Sungai Keledang, Kecamatan Samarinda Seberang, Samarinda (the “**Sale and Purchase of Options Agreements**”). Please refer to the relevant announcements dated 25 February 2013 by the Company regarding the proposed acquisition of options in PT Bomboy Central Prima Coal, PT Central Coalindo Utama and PT Karya Permata Prima respectively for further details on the aforementioned proposed acquisition of options.

The Purchaser has undertaken to use its best efforts to complete the proposed transactions contemplated under the Sale and Purchase of Options Agreements, save that such obligation of the Purchaser shall cease and determine and no party shall have any claim against the Purchaser for costs, damages, compensation or otherwise if (i) any of the conditions precedents set out in the Sale and Purchase of Options Agreements are not satisfied by the respective long-stop dates set out in the Sale and Purchase of Options Agreements; or (ii) the respective Sale and Purchase of Options Agreements is terminated in accordance with its provisions; or (iii) the failure of the Purchaser to complete any of the proposed transactions contemplated under the Sale and Purchase of Options Agreements is through no fault of the Purchaser.

5.6 Long-Stop Date

If the conditions set out in the Agreement are not fulfilled by the date falling 24 months from the signing of the Agreement, or such later date as the Company may determine in its sole discretion, the Agreement shall be terminated.

6. RULE 1006

As the Consideration amount can only be determined when the Independent Technical Report has been commissioned and prepared and the Reserves has been determined, the Company is currently not able to provide the relative figures computed on the bases set out in Rule 1006. In the event the relative figures exceed 20%, the Proposed Transaction will constitute a “major transaction” within the meaning of Chapter 10 of the Listing Manual, and shall be conditional on approval by Shareholders in general meeting.

The Company will release a further announcement concerning the relative figures under the Rule 1006 bases when the Consideration has been determined.

Rule 1005 of the Listing Manual states that in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

The Company, has on 25 February 2013, also entered into and announced the Sale and Purchase of Options Agreements with the Vendor. As such, the Proposed Transaction may be aggregated with the other proposed transactions contemplated under the Sale and Purchase of Options Agreements pursuant to Rule 1005 of the Listing Manual.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

As stated above, the Consideration can only be determined when the Independent Technical Report has been commissioned and prepared and the Reserves have been determined. Accordingly, the Company is currently not able to provide the financial effects of the Proposed Transaction as required under Rule 1010 of the Listing Manual. A further announcement concerning the financial effects of the Proposed Transaction will be released by the Company when the Consideration has been determined.

8. OTHERS

Upon the determination of the Reserves and the Consideration, the Company shall release further announcements as appropriate and/or required pursuant to the Listing Manual, and shall also proceed, in due course (if necessary) dispatch a circular to Shareholders seeking approval for the Proposed Transaction at an extraordinary general meeting to be convened.

Save as disclosed in this announcement, none of the existing directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction (other than through their respective shareholdings in the Company).

The directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/ or reproduced in the announcement in its proper form and context.

Shareholders should note that the Proposed Transaction is subject to the completion of satisfactory due diligence by the Company, the satisfaction of conditions set out in the Agreement, the obtaining of the relevant regulatory approvals and if necessary Shareholders' approval, amongst others, and accordingly should exercise caution when trading in the shares.

Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers. Further announcements will be made by the Company as and when appropriate.

A copy of the Agreement may be inspected at the registered office of the Company at 10 Anson Road, #20-16 International Plaza Singapore 079903 during normal business hours for a period of three (3) months from the date of this Announcement.

By Order Of The Board

Charles Antony Melati
Executive Chairman

27 February 2013