GEO ENERGY GROUP

# GEO ENERGY RESOURCES LIMITED

(Incorporated in the Republic of Singapore on 24 May 2010)
(Company Registration Number 201011034Z)

## Unaudited Financial Statements Announcement for the Second Quarter and Six Months Ended 30 June 2013

**The initial public offering of the Company's shares was sponsored by Canaccord Genuity Singapore Pte. Ltd. (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.**

## PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS FOR SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2013

**1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

**1(a) (i) Consolidated statement of comprehensive income**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **3 months ended 30.06.2013 US$** (Unaudited) | **3 months ended 30.06.2012 US$** (Unaudited) | **Change +/(-) %** | **6 months ended 30.06.2013 US$** (Unaudited) | **6 months ended 30.06.2012 US$** (Unaudited) | **Change +/(-) %** |
| **Revenue** | 32,195,223 | 25,812,327 | 25 | 49,960,185 | 45,071,215 | 11 |
| Cost of sales | (22,537,943) | (16,018,512) | 41 | (30,556,043) | (27,629,638) | 11 |
| **Gross Profit** | 9,657,280 | 9,793,815 | (1) | 19,404,142 | 17,441,577 | 11 |
| Other income | 384,192 | 102,577 | 275 | 434,233 | 103,276 | 320 |
| General and administrative expenses | (2,186,594) | (1,760,457) | 24 | (4,225,549) | (3,306,843) | 28 |
| Other expenses | (36,551) | (1,012,659) | (96) | (27,169) | (1,181,648) | (98) |
| Finance costs | (697,977) | (606,732) | 15 | (1,126,699) | (919,569) | 23 |
| **Profit before income tax** | 7,120,350 | 6,516,544 | 9 | 14,458,958 | 12,136,793 | 19 |
| Income tax expenses | (1,901,055) | (1,721,862) | 10 | (4,108,180) | (3,058,857) | 34 |
| **Profit after income tax** | 5,219,295 | 4,794,682 | 9 | 10,350,778 | 9,077,936 | 14 |
| Other comprehensive income: | | | | | | |
| Exchange differences on translation | (2,556,834) | (202,152) | 1,165 | (3,913,646) | (1,049,522) | 273 |
| **Total comprehensive income** | 2,662,461 | 4,592,530 | (42) | 6,437,132 | 8,028,414 | (20) |
| | | | | | | |
| Profit attributable to: | | | | | | |
| Owners of the Company | 5,058,086 | 4,735,959 | 7 | 10,119,250 | 8,927,625 | 13 |
| Non-controlling interests | 161,209 | 58,723 | 175 | 231,528 | 150,311 | 54 |
| | 5,219,295 | 4,794,682 | 9 | 10,350,778 | 9,077,936 | 14 |
| | | | | | | |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 2,514,037 | 4,538,616 | (45) | 6,221,112 | 7,896,829 | (21) |
| Non-controlling interests | 148,424 | 53,914 | 175 | 216,020 | 131,585 | 64 |
| | 2,662,461 | 4,592,530 | (42) | 6,437,132 | 8,028,414 | (20) |

1(a) (ii) **Profit before income tax is arrived at after charging/(crediting) the following:**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **3 months ended 30.06.2013 US$** (Unaudited) | **3 months ended 30.06.2012 US$** (Unaudited) | **Change +/(-) %** | **6 months ended 30.06.2013 US$** (Unaudited) | **6 months ended 30.06.2012 US$** (Unaudited) | **Change +/(-) %** |
| Other income: | | | | | | |
| - Interest income | (160,841) | (6,938) | 2,218 | (321,801) | (12,012) | 2,579 |
| - Foreign exchange gain (net) | (200,412) | - | N.M. | (66,596) | - | N.M. |
| - Gain on disposal of property, plant and equipment (net) | - | - | - | (2,928) | (5,498) | (47) |
| Other expenses: | | | | | | |
| - Foreign exchange loss (net) | - | 112,397 | N.M. | - | 61,158 | N.M. |
| - Loss on disposal of property, plant and equipment (net) | 18,805 | 262 | 7,077 | - | - | - |
| - Listing expenses | - | 900,000 | N.M. | - | 900,000 | N.M. |
| Interest expense | 697,977 | 606,732 | 15 | 1,126,699 | 919,569 | 23 |
| Depreciation of property, plant and equipment | 3,107,472 | 2,827,023 | 10 | 6,168,701 | 5,180,851 | 19 |
| Amortisation of deferred expenditure | 13,633 | - | N.M. | 699,923 | - | N.M. |

N.M. not meaningful

## 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| | Group | | Company | |
|---|---|---|---|---|
| | **30.06.2013 US$** (Unaudited) | **31.12.2012 US$** (Audited) | **30.06.2013 US$** (Unaudited) | **31.12.2012 US$** (Audited) |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 47,378,255 | 69,080,464 | 37,823,014 | 63,769,951 |
| Trade and other receivables | 12,977,545 | 4,149,661 | 23,591,143 | 2,230,120 |
| Prepayments | 13,267,098 | 3,113,951 | 190,899 | 37,483 |
| Inventories | 13,642,879 | 2,080,695 | - | - |
| Total current assets | 87,265,777 | 78,424,771 | 61,605,056 | 66,037,554 |
| **Non-current assets** | | | | |
| Prepayments | 1,052,118 | 2,520,225 | - | - |
| Investment in subsidiaries | - | - | 15,693,029 | 15,693,029 |
| Deferred expenditure | 1,082,908 | 1,248,869 | - | - |
| Property, plant and equipment | 95,622,230 | 72,098,450 | 3,003,127 | 2,789,652 |
| Deferred tax assets | 928,785 | 781,019 | - | - |
| Other non-current asset | 138,367 | - | 138,367 | - |
| Total non-current assets | 98,824,408 | 76,648,563 | 18,834,523 | 18,482,681 |
| **Total assets** | **186,090,185** | **155,073,334** | **80,439,579** | **84,520,235** |

| | Group | | Company | |
|---|---|---|---|---|
| | 30.06.2013 | 31.12.2012 | 30.06.2013 | 31.12.2012 |
| | US$ | US$ | US$ | US$ |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Bank borrowing | 259,538 | 266,764 | 259,538 | 266,764 |
| Trade and other payables | 10,805,730 | 2,897,937 | 4,094,522 | 4,637,844 |
| Amount due to a related party | 7,580,220 | 7,783,247 | - | - |
| Current portion of finance leases | 9,454,523 | 4,073,371 | - | - |
| Income tax payable | 2,170,519 | 3,988,577 | 37,859 | 62,313 |
| Total current liabilities | 30,270,530 | 19,009,896 | 4,391,919 | 4,966,921 |
| **Non-current liabilities** | | | | |
| Bank borrowing | 409,152 | 558,018 | 409,152 | 558,018 |
| Amount due to a related party | 6,115,619 | 6,279,420 | - | - |
| Finance leases | 13,561,092 | 1,542,833 | - | - |
| Provisions | 1,474,508 | 896,938 | 87,236 | - |
| Deferred tax liabilities | 4,087,904 | 3,051,981 | 20,197 | 8,174 |
| Total non-current liabilities | 25,648,275 | 12,329,190 | 516,585 | 566,192 |
| **Capital, reserves and non-controlling interests** | | | | |
| Share capital | 82,518,674 | 82,518,674 | 82,518,674 | 82,518,674 |
| Other reserve | 14,349 | 14,349 | - | - |
| Translation reserve | (8,570,304) | (4,672,166) | (3,339,393) | (1,195,856) |
| Retained earnings (Accumulated losses) | 55,699,609 | 45,580,359 | (3,648,206) | (2,335,696) |
| Equity attributable to owners of the Company | 129,662,328 | 123,441,216 | 75,531,075 | 78,987,122 |
| Non-controlling interests | 509,052 | 293,032 | - | - |
| Total equity | 130,171,380 | 123,734,248 | 75,531,075 | 78,987,122 |
| **Total liabilities and equity** | **186,090,185** | **155,073,334** | **80,439,579** | **84,520,235** |

### 1(b)(ii) Aggregate amount of group's borrowings and debt securities

| | Group | | | |
|---|---|---|---|---|
| | 30.06.2013 | | 31.12.2012 | |
| | Secured US$ (Unaudited) | Unsecured US$ (Unaudited) | Secured US$ (Unaudited) | Unsecured US$ (Unaudited) |
| Amount repayable in one year or less, or on demand | 9,714,061 | 7,580,220 | 4,340,135 | 7,783,247 |
| Amount repayable after one year | 13,970,244 | 6,115,619 | 2,100,851 | 6,279,420 |
| Total | 23,684,305 | 13,695,839 | 6,440,986 | 14,062,667 |

Details of any collateral and security:

1) Our Group's bank borrowing is secured by a legal mortgage over our leasehold property.

2) Our Group's obligations under finance lease are secured by the leased assets. In addition, certain obligations under finance lease are secured by a personal guarantee from a director of our Company. The aforementioned personal guarantee had been discharged on 10 July 2013.

### 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Group | | | |
|---|---|---|---|---|
| | 3 months ended 30.06.2013 US$ (Unaudited) | 3 months ended 30.06.2012 US$ (Unaudited) | 6 months ended 30.06.2013 US$ (Unaudited) | 6 months ended 30.06.2012 US$ (Unaudited) |
| **Operating activities** | | | | |
| Profit before income tax | 7,120,350 | 6,516,544 | 14,458,958 | 12,136,793 |
| **Adjustments for:** | | | | |
| Amortisation of deferred expenditure | 13,633 | - | 699,923 | - |
| Depreciation of property, plant and equipment | 3,107,472 | 2,827,023 | 6,168,701 | 5,180,851 |
| Loss (Gain) on disposal of property, plant and equipment | 18,805 | 262 | (2,928) | (5,498) |
| Interest expense | 697,977 | 606,732 | 1,126,699 | 919,569 |
| Interest income | (160,841) | (6,938) | (321,801) | (12,012) |
| Retirement benefit obligations | 215,721 | 161,384 | 655,529 | 338,887 |
| Net foreign exchange (gains) losses | (268,157) | 189,569 | 28,060 | (48,064) |
| Operating cash flows before movements in working capital | 10,744,960 | 10,294,576 | 22,813,141 | 18,510,526 |
| Trade and other receivables, and prepayments | (2,590,901) | 7,929,241 | (17,435,761) | 198,687 |
| Inventories | (4,803,672) | (1,011,283) | (11,562,184) | (582,748) |
| Trade and other payables | 328,844 | 1,637,833 | 2,344,314 | 208,421 |
| Cash generated from (used in) operations | 3,679,231 | 18,850,367 | (3,840,490) | 18,334,886 |
| Income tax paid | (5,662,262) | (2,824,984) | (6,448,510) | (4,695,600) |
| Retirement benefit paid | (135,934) | (91,591) | (159,623) | (91,591) |
| Net cash (used in) generated from operating activities | (2,118,965) | 15,933,792 | (10,448,623) | 13,547,695 |

| | Group | | | |
|---|---|---|---|---|
| | 3 months ended 30.06.2013 | 3 months ended 30.06.2012 | 6 months ended 30.06.2013 | 6 months ended 30.06.2012 |
| | US$ | US$ | US$ | US$ |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Investing activities** | | | | |
| Deferred expenditure (Note B) | - | - | (519,197) | - |
| Interest received | 180,069 | 6,938 | 314,834 | 12,012 |
| Advance payments for purchase of property, plant and equipment | (246,527) | (218,231) | (419,439) | (570,790) |
| Purchase of property, plant and equipment (Note C) | (952,607) | (194,692) | (1,735,771) | (550,554) |
| Proceeds on disposal of property, plant and equipment | 74,321 | 28,017 | 102,253 | 48,968 |
| Purchase of other non-current asset | (139,158) | - | (139,158) | - |
| Net cash used in investing activities | (1,083,902) | (377,968) | (2,396,478) | (1,060,364) |
| **Financing activities** | | | | |
| Fixed deposit pledged | (3,189) | (2,102) | (244,407) | (298,542) |
| Interest paid | (668,495) | (243,746) | (1,097,217) | (556,583) |
| Repayment of related party loans | - | (6,127,358) | - | (1,492,586) |
| Repayment of bank borrowing | (64,797) | (63,569) | (129,996) | (127,864) |
| Repayment of amount due to a related party | - | (30,943) | - | (30,943) |
| Repayment of obligations under finance leases | (3,124,415) | (2,903,030) | (5,355,200) | (5,936,733) |
| Net cash used in financing activities | (3,860,896) | (9,370,748) | (6,826,820) | (8,443,251) |
| Net (decrease) increase in cash and cash equivalents | (7,063,763) | 6,185,076 | (19,671,921) | 4,044,080 |
| Cash and cash equivalents at beginning of the period | 54,812,629 | 2,063,630 | 68,791,416 | 4,214,407 |
| Effect of exchange rate changes on the balance held in foreign currencies | (892,271) | 5,067 | (2,262,900) | (4,714) |
| **Cash and cash equivalents at end of the period (Note A)** | **46,856,595** | **8,253,773** | **46,856,595** | **8,253,773** |

**Notes to consolidated cash flow statement:**

Note A:

| | | | | |
|---|---|---|---|---|
| Cash and bank balance | 21,189,245 | 8,253,773 | 21,189,245 | 8,253,773 |
| Fixed deposit | 26,189,010 | 289,110 | 26,189,010 | 289,110 |
| Total | 47,378,255 | 8,542,883 | 47,378,255 | 8,542,883 |
| Less: Fixed deposit pledged | (521,660) | (289,110) | (521,660) | (289,110) |
| Cash and cash equivalents as per cash flow statement | 46,856,595 | 8,253,773 | 46,856,595 | 8,253,773 |

Note B:

During the six months ended 30 June 2013, our Group capitalised US$564,176 (30 June 2012: US$NIL) as deferred expenditure, of which US$44,979 (30 June 2012: US$NIL) pertained to depreciation on property, plant and equipment.

Note C:

During the six months ended 30 June 2013, our Group acquired property, plant and equipment amounting to US$32,190,091 (30 June 2012: US$4,023,049), of which US$22,941,375 (30 June 2012: US$2,741,600) were acquired under finance lease arrangements and US$86,362 (30 June 2012: US$NIL) pertained to the provision for reinstatement cost of office premises. As at 30 June 2013, US$5,563,479 (30 June 2012: US$NIL) remained unpaid and was included as part of trade and other payable.

In addition, our Group utilised the advance payment of US$1,863,104 (30 June 2012: US$730,895) which was previously paid to purchase property, plant and equipment. Cash payments of US$1,735,771 (30 June 2012: US$550,554) was made to purchase property, plant and equipment.

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

## Group – financial period ended 30.06.2013 (Unaudited)

| | Share capital US$ | Other reserve US$ | Translation reserve US$ | Retained earnings US$ | Equity attributable to owners of the Company US$ | Non-controlling interests US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 82,518,674 | 14,349 | (4,672,166) | 45,580,359 | 123,441,216 | 293,032 | 123,734,248 |
| Total comprehensive income for the period | - | - | (1,354,089) | 5,061,164 | 3,707,075 | 67,596 | 3,774,671 |
| **Balance at 31 March 2013** | 82,518,674 | 14,349 | (6,026,255) | 50,641,523 | 127,148,291 | 360,628 | 127,508,919 |
| Total comprehensive income for the period | - | - | (2,544,049) | 5,058,086 | 2,514,037 | 148,424 | 2,662,461 |
| **Balance at 30 June 2013** | 82,518,674 | 14,349 | (8,570,304) | 55,699,609 | 129,662,328 | 509,052 | 130,171,380 |

## Group – financial period ended 30.06.2012 (Unaudited)

| | Share capital US$ | Translation reserve US$ | Convertible loans reserve US$ | Retained earnings US$ | Equity attributable to owners of the Company US$ | Non-controlling interests US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | 153,846 | (244,775) | - | 26,655,020 | 26,564,091 | 89,640 | 26,653,731 |
| Arising from convertible loans | - | - | 832,253 | - | 832,253 | - | 832,253 |
| Total comprehensive income for the period | - | (833,453) | - | 4,191,666 | 3,358,213 | 77,671 | 3,435,884 |
| **Balance at 31 March 2012** | 153,846 | (1,078,228) | 832,253 | 30,846,686 | 30,754,557 | 167,311 | 30,921,868 |
| Total comprehensive income for the period | - | (197,343) | - | 4,735,959 | 4,538,616 | 53,914 | 4,592,530 |
| **Balance at 30 June 2012** | 153,846 | (1,275,571) | 832,253 | 35,582,645 | 35,293,173 | 221,225 | 35,514,398 |

## Company – financial period ended 30.06.2013 (Unaudited)

| | Share capital US$ | Translation reserve US$ | Accumulated losses US$ | Total US$ |
|---|---|---|---|---|
| **Balance at 1 January 2013** | 82,518,674 | (1,195,856) | (2,335,696) | 78,987,122 |
| Total comprehensive income for the period | - | (1,040,731) | (799,854) | (1,840,585) |
| **Balance at 31 March 2013** | 82,518,674 | (2,236,587) | (3,135,550) | 77,146,537 |
| Total comprehensive income for the period | - | (1,102,806) | (512,656) | (1,615,462) |
| **Balance at 30 June 2013** | 82,518,674 | (3,339,393) | (3,648,206) | 75,531,075 |

## Company – financial period ended 30.06.2012 (Unaudited)

| | Share capital US$ | Translation reserve US$ | Accumulated losses US$ | Total US$ |
|---|---|---|---|---|
| **Balance at 1 January 2012** | 153,846 | 46,884 | (311,106) | (110,376) |
| Total comprehensive income for the period | - | (23,236) | (180,937) | (204,173) |
| **Balance at 31 March 2012** | 153,846 | 23,648 | (492,043) | (314,549) |
| Total comprehensive income for the period | - | 22,393 | (576,217) | (553,824) |
| **Balance at 30 June 2012** | 153,846 | 46,041 | (1,068,260) | (868,373) |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the Company's share capital of S$100,668,617 (US$82,518,674) between 31 March 2013 and 30 June 2013.

There were no outstanding convertibles or treasury shares held by the Company as at 30 June 2013 and 30 June 2012, save that the Company had received convertible loans amounting to S$19.6 million (US$15.4 million) which were converted to 98,702,639 ordinary shares on 5 October 2012.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Total number of issued shares (excluding treasury shares) | 1,157,050,891 | 1,157,050,891 |

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. Our Company did not hold any treasury shares.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by our Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

Except as disclosed in Paragraph 5, our Group has consistently applied the same accounting policies and methods of computation in our Group's financial statements for the current reporting period as compared with the audited financial statements for the year ended 31 December 2012.

5. **If there are any changes in accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Our Group has adopted the applicable new and revised Financial Reporting Standards ("**FRS**") and Interpretations of Financial Reporting Standards ("**INT FRS**") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013. The adoption of these new/revised FRSs INT FRSs and amendments to FRSs has no material impact on the financial performance or position of the Group.

During the first quarter ended 31 March 2013, our Group commenced its coal trading business activities. Inventories held for trading business are measured at fair value less costs to sell, with changes in fair value less costs to sell recognised in the profit or loss in the period of the charge.

Other than the above, our Group has consistently applied the same accounting policies and methods of computation in our Group's financial statements for the current reporting period as compared with the audited financial statements for the year ended 31 December 2012.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| | | Group | | | |
|---|---|---|---|---|---|
| | | **3 months ended 30.06.2013** (Unaudited) | **3 months ended 30.06.2012** (Unaudited) | **6 months ended 30.06.2013** (Unaudited) | **6 months ended 30.06.2012** (Unaudited) |
| Earnings for computing basic earnings per share (US$) | | 5,058,086 | 4,735,959 | 10,119,250 | 8,927,625 |
| (i) | Basic earnings per share (US cents) | 0.44 | 0.59 | 0.87 | 1.12 |
| | - Weighted average number of ordinary shares | 1,157,050,891 | 800,000,000* | 1,157,050,891 | 800,000,000* |
| Adjusted earnings for computing diluted earnings per share (US$) | | 5,058,086 | 5,098,945** | 10,119,250 | 9,290,611** |
| (ii) | Diluted earnings per share (US cents) | 0.44 | 0.57 | 0.87 | 1.03 |
| | - Adjusted weighted average number of ordinary shares | 1,157,050,891 | 898,702,639*** | 1,157,050,891 | 898,702,639*** |

* The weighted average number of ordinary shares is arrived at on the assumption that the sub-division of every one ordinary share into 4,000 ordinary shares had taken place on 1 January 2012 (sub-division was completed on 5 October 2012).

** Earnings after adjustment for imputed interest on convertible loans.

*** For the purpose of computing diluted earnings per share, the adjusted weighted average number of shares comprises:
(a) weighted average number of ordinary shares in issue, on the assumption that the sub-division of every one ordinary share into 4,000 ordinary shares had taken place on 1 January 2012 (sub-division was completed on 5 October 2012); and
(b) weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares arising from converting the convertible loans into 98,702,639 ordinary shares on 5 October 2012.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **30.06.2013** | **31.12.2012** | **30.06.2013** | **31.12.2012** |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net asset value per ordinary share (US cents) | 11.21 | 10.67 | 6.53 | 6.83 |

Net asset value per ordinary share is calculated based on equity attributable to owners of the Company divided by 1,157,050,891 issued shares excluding treasury shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**8.1 Income Statement (2Q2013 vs. 2Q2012)**

**8.1 (a) Income and Expenses**

Our Group recorded gross profit and net profit of US$9.7 million and US$5.2 million respectively for the second quarter ended 30 June 2013 ("**2Q2013**"). Gross profit remained relatively stable in 2Q2013 and the second quarter ended 30 June 2012 ("**2Q2012**"). Earnings from coal cooperation contracts had ceased in September 2012 due to termination of the contracts, and such earnings were mainly replaced by the new earnings streams from coal trading and mining services which commenced in the first quarter of 2013 (**"1Q2013"**) and fourth quarter of 2012 (**"4Q2012"**) respectively.

Other expenses decreased by US$0.9 million while other income increased by US$0.3 million, and these were partially offset by the increases in (i) general and administrative expenses of US$0.4 million and (ii) income tax expenses of US$0.2 million.

As a result of the aforementioned, net profit increased by US$0.4 million from US$4.8 million in 2Q2012 to US$5.2 million in 2Q2013.

**8.1 (b) Revenue**

Our Group derived revenue from coal sales, coal trading, mining services and equipment rental. Revenue increased by US$6.4 million from US$25.8 million in 2Q2012 to US$32.2 million in 2Q2013, mainly due to:
(i) increase in coal production and sales from BEK mining concession;
(ii) increase in equipment rental income; and
(iii) additional revenue from mining services and coal trading,
which were partially offset by the termination of coal cooperation contracts and the decrease in average selling price (**"ASP"**) by US$13.3 per tonne from US$57.2 per tonne in 2Q2012 to US$43.9 per tonne in 2Q2013.

The decrease in ASP was mainly due to the lower average calorific value of coal produced from our BEK mining concession as compared to coal sales under our coal cooperation contracts, which was partially mitigated by the higher ASP of coal sales under coal trading due to higher average calorific value.

### 8.1 (c) Gross Profit and Gross Profit Margin

Our Group's gross profit remained relatively stable at US$$9.8 million in 2Q2012 and US$9.7 million in 2Q2013. Earnings from coal cooperation contracts had ceased in September 2012, and such earnings were mainly replaced by the new earnings streams from coal trading and mining services which commenced in 1Q2013 and 4Q2012 respectively.

Gross profit margin had reduced by 8 percentage points from 38% in 2Q2012 to 30% 2Q2013 mainly due to the lower margin commanded by coal trading and mining services as compared to coal sales under cooperation contracts and BEK mining concession.

### 8.1 (d) Other Income

Other income mainly relates to foreign exchange gain and interest income. The increase from US$0.1 million in 2Q2012 to US$0.4 million in 2Q2013 was mainly due to the interest generated from the placement of unutilised IPO proceeds with financial institutions and gains from foreign exchange.

### 8.1 (e) General and Administrative Expenses

General and administrative expenses increased by US$0.4 million, from US$1.8 million in 2Q2012 to US$2.2 million in 2Q2013. The increase was mainly due to higher professional service fees, in line with our business expansion and conversion to a public listed company.

### 8.1 (f) Other Expenses

Other expenses decreased by US$0.9 million, from US$1.0 million in 2Q2012 to US$0.1 million in 2Q2013. The decrease was mainly due to non-recurrent IPO listing expenses of US$0.9 million incurred in 2Q2012.

### 8.1 (g) Finance Costs

Finance costs increased by US$0.1 million, from US$0.6 million in 2Q2012 to US$0.7 million in 2Q2013, in line with the additional finance leases entered into since 1Q2013 to finance our acquisition of mining equipment.

### 8.1 (h) Profit Before Income Tax

Profit before income tax increased by US$0.6 million from US$6.5 million in 2Q2012 to US$7.1 million in 2Q2013, mainly due to a decrease in other expenses.

### 8.1 (i) Other Comprehensive Income

Other comprehensive income consists of exchange losses on translating the financial statements of the Group entities from their functional currencies to the Group's presentation currency. The increase of US$2.4 million from US$0.2 million to US$2.6 million mainly arose from the depreciation of SGD and IDR against USD in 2Q2013.

## 8.2 Income Statement (6M2013 vs. 6M2012)

### 8.2 (a) Income and Expenses

Our Group recorded gross profit and net profit of US$19.4 million and US$10.4 million respectively for the six months ended 30 June 2013 ("**6M2013**"). The improvement in financial performance in 6M2013 as compared to the six months ended 30 June 2012 ("**6M2012**") was mainly due to:

(i) increase in coal production and sales from BEK mining concession;
(ii) increase in profit generated from equipment rental; and
(iii) commencement of mining services and coal trading in 4Q2012 and 1Q2013 respectively,

which were partially offset by the cessation of earnings from coal cooperation contracts which were terminated in September 2012.

The increase in gross profit of US$2.0 million, increase in other income of US$0.3 million and decrease in other expenses of US$1.1 million were partially offset by increases in (i) general and administrative expenses of US$0.9 million and (ii) income tax expenses of US$1.0 million.

As a result of the aforementioned, net profit increased by US$1.3 million from US$9.1 million in 6M2012 to US$10.4 million in 6M2013.

### 8.2 (b) Revenue

Our Group derived revenue from coal sales, coal trading, mining services and equipment rental. Revenue increased by US$4.9 million from US$45.1 million in 6M2012 to US$50.0 million in 6M2013, mainly due to:

(i) increase in coal production and sales from BEK mining concession;
(ii) increase in revenue from equipment rental; and
(iii) additional revenue from mining services and coal trading,

which were partially offset by the termination of coal cooperation contracts and the decrease in ASP by US$27.5 per tonne from US$62.2 per tonne in 6M2012 to US$34.7 per tonne in 6M2013.

The decrease in ASP was mainly due to the lower average calorific value of coal produced from our BEK mining concession as compared to coal sales under our coal cooperation contracts, which was partially mitigated by the higher ASP of coal sales under coal trading, due to higher average calorific value.

The Group's ASP increased by US$21.0 per tonne from US$22.9 per tonne in 1Q2013 to US$43.9 per tonne in 2Q2013 due mainly to the higher average calorific value of coal sold under our coal trading segment.

### 8.2 (c) Gross Profit Margin and Gross Profit

Gross profit increased by US$2.0 million, from US$17.4 million in 6M2012 to US$19.4 million in 6M2013. The increase in gross profit was mainly due to:

(i) increases in revenue from BEK mining concession and equipment rental;
(ii) additional revenue from mining services and coal trading;
(iii) recognition of changes in fair value less costs to sell under the inventories held for coal trading,

which were partially offset by the termination of coal cooperation contracts.

Our Group's gross profit margin remained at 39% in 6M2013 and 6M2012.

### 8.2 (d) Other Income

Other income mainly relates to interest income and foreign exchange gain. The increase from US$0.1 million in 6M2012 to US$0.4 million in 6M2013 was mainly due to the interest generated from the placement of unutilised IPO proceeds with financial institutions.

### 8.2 (e) General and Administrative Expenses

General and administrative expenses increased by US$0.9 million, from US$3.3 million in 6M2012 to US$4.2 million in 6M2013. The increase was mainly due to higher remuneration related expenses and professional fees, in line with our business expansion and conversion to a public listed company.

### 8.2 (f) Other Expenses

Other expenses decreased by US$1.1 million, from US$1.2 million in 6M2012 to US$0.1 million in 6M2013. The decrease was mainly due to the non-recurrent IPO listing expense of US$0.9 million incurred in 6M2012.

### 8.2 (g) Finance Costs

Finance costs increased by US$0.2 million, from US$0.9 million in 6M2012 to US$1.1 million in 6M2013, in line with the additional finance leases entered into since 1Q2013 to finance our acquisition of mining equipment.

### 8.2 (h) Profit Before Income Tax

Profit before income tax increased by US$2.4 million from US$12.1 million in 6M2012 to US$14.5 million in 6M2013, mainly due to an increase in gross profit.

### 8.2 (i) Other Comprehensive Income

Other comprehensive income consists of exchange losses on translating the financial statements of the Group entities from their functional currencies to the Group's presentation currency. The increase of US$2.9 million from US$1.0 million to US$3.9 million mainly arose from the depreciation of SGD and IDR against USD in 6M2013.

## 8.3 Statement of Financial Position (Group)

Our Group's equity attributable to owners of the Company increased by US$6.3 million, from US$123.4 million as at 31 December 2012 to US$129.7 million as at 30 June 2013. The increase reflected our Group's earnings in 6M2013, partially offset by the translation loss.

### 8.3 (a) Current Assets

Our Group's current assets increased by US$8.9 million, from US$78.4 million as at 31 December 2012 to US$87.3 million as at 30 June 2013. The increase was mainly due to increases in (i) trade and other receivables of US$8.8 million; (ii) prepayments of US$10.2 million; and (iii) inventory of US$11.6 million, partially offset by the decrease in cash and cash equivalents of US$21.7 million.

Trade and other receivables as at 30 June 2013 mainly comprised US$6.9 million of trade receivables, US$3.3 million of prepaid taxes and US$2.0 million of refundable deposit in relation to the conditional acquisition of mining concessions.

Trade receivable balance increased by US$3.2 million, from US$3.7 million as at 31 December 2012 to US$6.9 million as at 30 June 2013, mainly due to:

(i) increase in mining services and equipment rental revenue; and
(ii) credit terms extended to coal sale customers (31 December 2012: advance payment basis).

As at the date of this announcement, the outstanding trade receivable balance is within our general collection cycle.

Inventory balance as at 30 June 2013 comprised US$10.0 million of coal inventories held for trading activities, US$1.7 million of coal inventories produced from BEK mining concession, and the remaining pertained to consumable inventories. The increase in inventory balance is in line with higher production output from our BEK mining concession and the commencement of our coal trading business activities in 1Q2013.

Prepayments as at 30 June 2013 included US$12.1 million of upfront payments pursuant to coal purchase contracts entered into previously.

**8.3 (b) <u>Non-current Assets</u>**

Our Group's non-current assets increased by US$22.2 million, from US$76.6 million as at 31 December 2012 to US$98.8 million as at 30 June 2013. The increase was mainly due to an increase in property, plant and equipment of US$23.5 million, partially offset by a decrease in prepayments of US$1.5 million.

The increase in property, plant and equipment was due mainly to additions of mining equipment and machinery in 6M2013, which was partially offset by depreciation expense and translation loss.

**8.3 (c) <u>Current Liabilities</u>**

Our Group's current liabilities increased by US$11.3 million, from US$19.0 million as at 31 December 2012 to US$30.3 million as at 30 June 2013. The increase was mainly due to increases in (i) trade and other payables of US$7.9 million, and (ii) finance leases of US$5.4 million, which were partially offset by a decrease in income tax payable of US$1.8 million.

Trade and other payables as at 30 June 2013 mainly comprised (i) US$2.1 million of trade payables, (ii) US$5.6 million of payables for purchase of mining equipment, and (iii) US$2.0 million for accrued operating expenses.

**8.3 (d) <u>Non-Current Liabilities</u>**

Our Group's non-current liabilities increased by US$13.3 million, from US$12.3 million as at 31 December 2012 to US$25.6 million as at 30 June 2013. The increase was mainly due to increases in (i) finance lease of US$12.0 million to finance our acquisitions of mining equipment, (ii) provision of US$0.5 million relating to retirement benefit obligations, and (iii) deferred tax liabilities of US$1.0 million.

**8.4 <u>Statement of Financial Position (Company)</u>**

Our Company's equity decreased by US$3.5 million from US$79.0 million as at 31 December 2012 to US$75.5 million as at 30 June 2013.

**8.4 (a) <u>Current Assets</u>**

Our Company's current assets decreased by US$4.4 million, from US$66.0 million as at 31 December 2012 to US$61.6 million as at 30 June 2013. The decrease was mainly due to a decrease in cash and cash equivalents of US$25.9 million, partially offset by the increase in trade and other receivables of US$21.4 million. The increase in trade and other receivables was mainly due to the utilisation of IPO proceeds by our subsidiaries. Please refer to Paragraph 14 for a breakdown of IPO proceeds utilisation.

**8.4 (b) <u>Non-current Assets</u>**

Our Company's non-current assets increased by US$0.3 million, from US$18.5 million as at 31 December 2012 to US$18.8 million as at 30 June 2013. The increase was mainly due to renovation and additions of furniture and fixtures for the Company's new corporate office of US$0.2 million and the purchase of country club membership of US$0.1 million.

#### 8.4 (c) Current Liabilities

Our Company's current liabilities mainly consist of bank borrowing, trade and other payables and income tax payable. Trade and other payable decreased by US$0.5 million due to settlement of non-trade balance payable to subsidiaries.

#### 8.4 (d) Non-Current Liabilities

Our Company's non-current liabilities mainly consist of bank borrowing and deferred tax liabilities. Bank borrowing decreased by US$0.1 million due to repayments.

### 8.5 Cash Flow Statement (2Q2013 vs. 2Q2012)

Our Group's net cash used in operating activities in 2Q2013 was US$2.1 million. Operating cash flows before movements in working capital amounted to US$10.7 million, which was partially offset by cash outflows of (i) US$7.1 million to meet our working capital requirements arising from the non-recurrent upfront payment for coal purchase contracts, and (ii) US$5.8 million for payments of income tax and retirement benefit obligations.

Net cash used in investing activities in 2Q2013 of US$1.1 million was mainly due to cash outflows for advance payments and payments for the purchase of property, plant and equipment of US$1.2 million, partially offset by cash inflows from interest income of US$0.2 million.

Net cash used in financing activities in 2Q2013 of US$3.9 million was mainly due to cash outflows in relation to (i) repayment of bank borrowing and finance leases of US$3.2 million, and (ii) interest payment of US$0.7 million.

As a result of the aforementioned, there was a net decrease of US$7.1 million in cash and cash equivalents in 2Q2013.

### 8.6 Cash Flow Statement (6M2013 vs. 6M2012)

Our Group's net cash used in operating activities in 6M2013 was US$10.4 million. Operating cash flows before movements in working capital amounted to US$22.8 million, which was partially offset by cash outflows of (i) US$26.7 million to meet our working capital requirements arising from the non-recurrent upfront payment for coal purchase contracts and increase in trade and other receivables and inventories; and (ii) US$6.6 million for payments of income tax and retirement benefit obligations.

Net cash used in investing activities in 6M2013 of US$2.4 million was mainly due to cash outflows for (i) advance payments and payments for the purchase of property, plant and equipment of US$2.2 million, and (ii) deferred expenditure of US$0.5 million partially offset by cash inflows from interest income of US$0.3 million.

Net cash used in financing activities in 6M2013 of US$6.8 million was mainly due to cash outflows in relation to (i) repayment of bank borrowing and finance leases of US$5.5 million, and (ii) interest payment of US$1.1 million.

As a result of the aforementioned, there was a net decrease of US$19.7 million in cash and cash equivalents in 6M2013.

## 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

We noted that the Indonesian Coal Reference Price (HBA) has decreased by approximately 10.1% in the last three months from US$85.33 in May 2013 to US$76.70 in August 2013[1]. Of late, the Indonesian coal mining industry has been under pressure from an expansionary supply situation, resulting in a deteriorating coal price environment and market expectations are that coal prices will remain relatively soft in the near future. On the other hand, market expects growth in demand from India and China to take place for as long as seaborne coal prices are more competitive than domestic prices. In addition, India's deregulation of its coal sector to pass on the costs of imported coal to consumers may also spell good news to the Indonesian coal mining industry. Barring unforeseen circumstances and subject to execution risks, we expect our sales volume to increase, in line with our planned increase in production capacity. We expect our key operating costs, mainly in relation to fuel and labour, to increase generally in line with the inflation rates in Indonesia.

Our Group will continue to look out for business expansion opportunities which may include acquisitions, joint ventures and/or strategic alliances to expand our business operations and increase our coal production levels. In addition to the mining services contracts as well as coal sale and purchase contracts which we have recently secured, we intend to continue to enter into suitable coal mining arrangements with other third party sources to gain access to new concession areas to expand our operations. Since the beginning of FY2013, we have entered into conditional sale and purchase agreements to purchase five mining concessions in Kutai Barat Regency, East Kalimantan. Please refer to the respective announcements for further information.

Note:

[1] Source: Coalspot.com - Indonesian Coal Reference Price (HBA)

**11. If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared**

None.

**(b)(i) Amount per share**

Not applicable.

**(b)(ii) Previous corresponding period**

None.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country whether the dividend is derived**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined**

Not applicable.

## 12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the second quarter ended 30 June 2013.

## 13. If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

No IPT mandate has been obtained from shareholders. In addition, there was no IPT whose value exceeded S$100,000 during the second quarter and six months ended 30 June 2013.

## 14. Use of IPO Proceeds

As of the date of this announcement, the utilisation of our Group's IPO net proceeds is set out below:

| Use of proceeds | Amount allocated (as disclosed in the Prospectus) (US$ 'million) | Amount utilised as at the date of this announcement (US$ 'million) | Balance of net proceeds as at the date of this announcement (US$ 'million) |
|---|---|---|---|
| Acquisition of additional mining equipment and machinery | 25.0 | (6.3) | 18.7 |
| Construction of jetty and barge loading facilities | 2.0 | (1.4) | 0.6 |
| Business expansion including acquisitions, joint ventures and/or strategic alliances | 10.0 | (5.0) | 5.0 |
| General working capital purposes | 26.7 | (26.7)* | - |
| **Net proceeds** | **63.7** | **(39.4)** | **24.3** |

* As of 13 May 2013, US$17.4 million was used to satisfy the upfront payments pursuant to coal purchase contracts, corporate tax payments, employee salaries and renovation costs for the Company's new corporate office. Subsequently, an additional US$9.3 million was utilised to satisfy a further coal purchase upfront payment and payment of coal inventories purchased for trading activities.

## 15. Negative confirmation pursuant to Rule 705(5)

We, Charles Antonny Melati and Dhamma Surya, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company (the "**Board**") that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter and six months ended 30 June 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Charles Antonny Melati
Executive Chairman

Dhamma Surya
Chief Executive Officer

12 August 2013