



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 2014

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 2014

1(a) An income statement and statement of comprehensive income, or 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 profit or loss

	Group					
	3 months ended 30.06.2014 US\$ (Unaudited)	3 months ended 30.06.2013 US\$ (Unaudited)	Change +/(–) %	6 months ended 30.06.2014 US\$ (Unaudited)	6 months ended 30.06.2013 US\$ (Unaudited)	Change +/(–) %
Revenue	17,997,869	32,195,223	(44)	34,596,804	49,960,185	(31)
Cost of sales	(19,048,225)	(22,537,943)	(15)	(33,564,217)	(30,556,043)	10
Gross (Loss) Profit	(1,050,356)	9,657,280	(111)	1,032,587	19,404,142	(95)
Other income	229,330	384,192	(40)	316,539	434,233	(27)
General and administrative expenses	(2,209,524)	(2,186,594)	1	(4,368,037)	(4,225,549)	3
Other expenses	(1,574,484)	(36,551)	N.M.	(352,047)	(27,169)	N.M.
Finance costs	(570,432)	(697,977)	(18)	(1,146,785)	(1,126,699)	2
(Loss) Profit before income tax	(5,175,466)	7,120,350	(173)	(4,517,743)	14,458,958	(131)
Income tax	2,030,092	(1,901,055)	(207)	1,461,435	(4,108,180)	(136)
(Loss) Profit after income tax	(3,145,374)	5,219,295	(160)	(3,056,308)	10,350,778	(130)
(Loss) Profit attributable to:						
Owners of the Company	(3,100,814)	5,058,086	(161)	(3,028,699)	10,119,250	(130)
Non-controlling interests	(44,560)	161,209	(128)	(27,609)	231,528	(112)
	(3,145,374)	5,219,295	(160)	(3,056,308)	10,350,778	(130)

1(a) (ii) Consolidated statement of profit or loss and other comprehensive income

	Group					
	3 months ended 30.06.2014	3 months ended 30.06.2013	Change +/-)	6 months ended 30.06.2014	6 months ended 30.06.2013	Change +/-)
	US\$	US\$	%	US\$	US\$	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
(Loss) Profit after income tax	(3,145,374)	5,219,295	(160)	(3,056,308)	10,350,778	(130)
Other comprehensive income, net of tax:						
<i>Items that may be subsequently reclassified to profit or loss</i>						
- Exchange differences on translation	(2,227,069)	(2,556,834)	(13)	1,830,469	(3,913,646)	(147)
Total comprehensive income	<u>(5,372,443)</u>	<u>2,662,461</u>	(302)	<u>(1,225,839)</u>	<u>6,437,132</u>	(119)
Total comprehensive income attributable to:						
Owners of the Company	(5,304,482)	2,514,037	(311)	(1,207,067)	6,221,112	(119)
Non-controlling interests	(67,961)	148,424	(146)	(18,772)	216,020	(109)
	<u>(5,372,443)</u>	<u>2,662,461</u>	(302)	<u>(1,225,839)</u>	<u>6,437,132</u>	(119)

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

	Group					
	3 months ended 30.06.2014	3 months ended 30.06.2013	Change +/-)	6 months ended 30.06.2014	6 months ended 30.06.2013	Change +/-)
	US\$	US\$	%	US\$	US\$	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Other income:						
- Interest income	(174,992)	(160,841)	9	(204,038)	(321,801)	(37)
- Foreign exchange gain (net)	-	(200,412)	(100)	-	(66,596)	(100)
- Gain on disposal of property, plant and equipment (net)	-	-	-	-	(2,928)	(100)
Other expenses:						
- Foreign exchange loss (net)	1,481,134	-	N.M.	238,730	-	N.M.
- Loss on disposal of property, plant and equipment (net)	5,652	18,805	(70)	25,620	-	N.M.
Interest expense	570,432	697,977	(18)	1,146,785	1,126,699	2
Depreciation of property, plant and equipment	1,745,547	3,107,472	(44)	3,501,215	6,168,701	(43)
Amortisation of deferred expenditure	-	13,633	(100)	-	699,923	(100)

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	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	10,933,559	17,814,850	10,181,861	13,660,913
Trade and other receivables	32,937,242	25,529,358	47,996,358	49,221,457
Deposits and prepayments	25,415,300	26,380,496	250,300	114,317
Inventories	8,863,765	14,970,692	-	-
Total current assets	78,149,866	84,695,396	58,428,519	62,996,687
Non-current assets				
Deposits and prepayments	2,164,007	1,639,600	129,626	119,986
Investment in subsidiaries	-	-	16,087,770	16,087,770
Deferred expenditure	887,701	871,678	-	-
Property, plant and equipment	67,414,302	69,311,901	282,417	329,860
Investment property	3,522,819	3,475,513	3,522,819	3,475,513
Deferred tax assets	2,359,621	1,353,571	-	-
Other non-current asset	140,273	138,390	140,273	138,390
Total non-current assets	76,488,723	76,790,653	20,162,905	20,151,519
Total assets	154,638,589	161,486,049	78,591,424	83,148,206
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank borrowings	3,513,577	262,845	273,100	262,845
Trade and other payables	4,146,773	7,568,334	706,976	3,556,344
Amount due to a related party	2,017,083	1,980,677	-	-
Current portion of finance leases	10,286,661	10,389,961	-	-
Income tax payable	191,428	1,558,417	72,498	80,216
Total current liabilities	20,155,522	21,760,234	1,052,574	3,899,405
Non-current liabilities				
Bank borrowings	141,706	276,205	141,706	276,205
Finance leases	7,386,997	12,260,904	-	-
Provisions	1,593,535	1,274,381	92,859	89,422
Deferred tax liabilities	4,282,844	3,610,501	83,089	48,078
Total non-current liabilities	13,405,082	17,421,991	317,654	413,705

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
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	-	-
Revaluation reserve	776,632	776,632	776,632	776,632
Translation reserve	(18,267,150)	(20,088,782)	(2,527,999)	(3,359,822)
Retained earnings (Accumulated losses)	55,466,625	58,495,324	(3,546,111)	(1,100,388)
Equity attributable to owners of the Company	120,509,130	121,716,197	77,221,196	78,835,096
Non-controlling interests	568,855	587,627	-	-
Total equity	121,077,985	122,303,824	77,221,196	78,835,096
Total liabilities and equity	154,638,589	161,486,049	78,591,424	83,148,206

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

	Group			
	30.06.2014		31.12.2013	
	Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amount repayable in one year or less, or on demand	13,800,238	2,017,083	10,652,806	1,980,677
Amount repayable after one year	7,528,703	-	12,537,109	-
Total	21,328,941	2,017,083	23,189,915	1,980,677

Details of any collateral and security:

As at 30 June 2014, our Group's bank borrowings were secured by (i) an investment property of the Company; (ii) certain current assets including a pledge on cash balance in the escrow account of a subsidiary; (iii) an undertaking to secure payment obligation from PT Geo Energy Coalindo and Mr. Yanto Melati; and (iv) a corporate guarantee issued by the Company.

Our Group's finance lease liabilities are secured by our leased assets.

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	3 months ended	6 months ended	6 months ended
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
(Loss) Profit before income tax	(5,175,466)	7,120,350	(4,517,743)	14,458,958
Adjustments for:				
Amortisation of deferred expenditure	-	13,633	-	699,923
Depreciation of property, plant and equipment	1,745,547	3,107,472	3,501,215	6,168,701
Loss (Gain) on disposal of property, plant and equipment	5,652	18,805	25,620	(2,928)
Interest expense	570,432	697,977	1,146,785	1,126,699
Interest income	(174,992)	(160,841)	(204,038)	(321,801)
Retirement benefit obligations	153,722	215,721	300,022	655,529
Net foreign exchange losses (gains)	343,879	(268,157)	507,847	28,060
Operating cash flows before movements in working capital	(2,531,226)	10,744,960	759,708	22,813,141
Trade and other receivables	(1,182,545)	(7,820,219)	(5,825,270)	(7,282,614)
Deposits and prepayments	501,989	5,229,318	729,882	(10,153,147)
Inventories	7,026,951	(4,803,672)	6,106,927	(11,562,184)
Trade and other payables	(644,488)	328,844	(3,422,991)	2,344,314
Cash generated from (used in) operations	3,170,681	3,679,231	(1,651,744)	(3,840,490)
Income tax paid	(787,808)	(5,662,262)	(1,938,110)	(6,448,510)
Income tax refund	299,701	-	299,701	-
Retirement benefit obligation paid	(2,121)	(135,934)	(26,042)	(159,623)
Net cash generated from (used in) operating activities	2,680,453	(2,118,965)	(3,316,195)	(10,448,623)
Investing activities				
Deferred expenditure (Note B)	-	-	-	(519,197)
Interest received	2,058	180,069	9,663	314,834
Advance payments for purchase of property, plant and equipment	(160,444)	(246,527)	(304,136)	(419,439)
Purchase of property, plant and equipment (Note C)	(150,343)	(952,607)	(153,347)	(1,735,771)
Proceeds on disposal of property, plant and equipment	666	74,321	666	102,253
Purchase of other non-current asset	-	(139,158)	-	(139,158)
Net cash used in investing activities	(308,063)	(1,083,902)	(447,154)	(2,396,478)

Group

	3 months ended 30.06.2014 US\$ (Unaudited)	3 months ended 30.06.2013 US\$ (Unaudited)	6 months ended 30.06.2014 US\$ (Unaudited)	6 months ended 30.06.2013 US\$ (Unaudited)
Financing activities				
Increase in restricted cash and fixed deposit pledged	(16,508)	(3,189)	(16,508)	(244,407)
Interest paid	(558,422)	(668,495)	(1,122,843)	(1,097,217)
Proceeds from bank borrowings	6,248,000	-	8,804,000	-
Repayment of bank borrowings	(5,629,421)	(64,797)	(5,693,920)	(129,996)
Repayment of obligations under finance leases	(2,583,915)	(3,124,415)	(5,305,493)	(5,355,200)
Net cash used in financing activities	(2,540,266)	(3,860,896)	(3,334,764)	(6,826,820)
Net decrease in cash and cash equivalents	(167,876)	(7,063,763)	(7,098,113)	(19,671,921)
Cash and cash equivalents at beginning of the period	10,659,533	54,812,629	17,814,850	68,791,416
Effect of exchange rate changes on the balance held in foreign currencies	425,394	(892,271)	200,314	(2,262,900)
Cash and cash equivalents at end of the period (Note A)	10,917,051	46,856,595	10,917,051	46,856,595

Notes to consolidated cash flow statement:

Note A:

Cash and bank balance	925,553	21,189,245	925,553	21,189,245
Fixed deposits	10,008,006	26,189,010	10,008,006	26,189,010
Total	10,933,559	47,378,255	10,933,559	47,378,255
Less: Fixed deposit pledged	-	(521,660)	-	(521,660)
Less: Restricted cash	(16,508)	-	(16,508)	-
Cash and cash equivalents as per cash flow statement	10,917,051	46,856,595	10,917,051	46,856,595

Note B:

During the 6 months ended 30 June 2014, our Group did not capitalise any deferred expenditure. During the 6 months ended 30 June 2013, our Group capitalised US\$564,176 as deferred expenditure of which US\$44,979 pertained to capitalisation of depreciation on property, plant and equipment and US\$519,197 was settled in cash.

Note C:

During the 6 months ended 30 June 2014, our Group acquired property, plant and equipment amounting to US\$294,221 (30 June 2013: US\$32,190,091) of which US\$111,412 (30 June 2013: US\$22,941,375) were acquired under finance lease arrangements and US\$Nil (30 June 2013: US\$86,362) pertained to the provision for reinstatement cost of office premises. As at 30 June 2014, US\$1,428 (30 June 2013: US\$ US\$5,563,479) remained unpaid and is included as part of trade and other payables.

In addition, our Group utilised the advance payment of US\$28,034 (30 June 2013: US\$1,863,104) which was previously paid to purchase property, plant and equipment. During the 6 months ended 30 June 2014, our Group made advance payments of US\$304,136 (30 June 2013: US\$419,439) and cash payments of US\$153,347 (30 June 2013: US\$1,735,771) 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 30.06.2014

	<u>Share capital</u> US\$	<u>Other reserve</u> US\$	<u>Revaluation reserve</u> US\$	<u>Translation reserve</u> US\$	<u>Retained earnings</u> US\$	<u>Equity attributable to owners of the Company</u> US\$	<u>Non-controlling interests</u> US\$	<u>Total</u> US\$
Balance at 1 January 2014	82,518,674	14,349	776,632	(20,088,782)	58,495,324	121,716,197	587,627	122,303,824
Profit for the period	-	-	-	-	72,115	72,115	16,951	89,066
Other comprehensive income for the period	-	-	-	4,025,300	-	4,025,300	32,238	4,057,538
Balance at 31 March 2014	82,518,674	14,349	776,632	(16,063,482)	58,567,439	125,813,612	636,816	126,450,428
Loss for the period	-	-	-	-	(3,100,814)	(3,100,814)	(44,560)	(3,145,374)
Other comprehensive income for the period	-	-	-	(2,203,668)	-	(2,203,668)	(23,401)	(2,227,069)
Balance at 30 June 2014	82,518,674	14,349	776,632	(18,267,150)	55,466,625	120,509,130	568,855	121,077,985

Group – financial period ended 30.06.2013

	<u>Share capital</u> US\$	<u>Other reserve</u> US\$	<u>Translation reserve</u> US\$	<u>Retained earnings</u> US\$	<u>Equity attributable to owners of the Company</u> US\$	<u>Non-controlling interests</u> US\$	<u>Total</u> 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
Profit for the period	-	-	-	5,061,164	5,061,164	70,319	5,131,483
Other comprehensive income	-	-	(1,354,089)	-	(1,354,089)	(2,723)	(1,356,812)
Balance at 31 March 2013	82,518,674	14,349	(6,026,255)	50,641,523	127,148,291	360,628	127,508,919
Profit for the period	-	-	-	5,058,086	5,058,086	161,209	5,219,295
Other comprehensive income	-	-	(2,544,049)	-	(2,544,049)	(12,785)	(2,556,834)
Balance at 30 June 2013	82,518,674	14,349	(8,570,304)	55,699,609	129,662,328	509,052	130,171,380

Company – financial period ended 30.06.2014

	<u>Share capital</u> US\$	<u>Revaluation reserve</u> US\$	<u>Translation reserve</u> US\$	<u>Accumulated losses</u> US\$	<u>Total</u> US\$
Balance at 1 January 2014	82,518,674	776,632	(3,359,822)	(1,100,388)	78,835,096
Loss for the period	-	-	-	(1,220,525)	(1,220,525)
Other comprehensive income for the period	-	-	286,788	-	286,788
Balance at 31 March 2014	82,518,674	776,632	(3,073,034)	(2,320,913)	77,901,359
Loss for the period	-	-	-	(1,225,198)	(1,225,198)
Other comprehensive income for the period	-	-	545,035	-	545,035
Balance at 30 June 2014	82,518,674	776,632	(2,527,999)	(3,546,111)	77,221,196

Company – financial period ended 30.06.2013

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

- 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 2014 and 30 June 2014.

There were no outstanding convertibles or treasury shares held by the Company as at 30 June 2014 and 30 June 2013.

- 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 2014	31 December 2013
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 below, 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 2013.

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 2014. 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.

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 30.06.2014 (Unaudited)	3 months ended 30.06.2013 (Unaudited)	6 months ended 30.06.2014 (Unaudited)	6 months ended 30.06.2013 (Unaudited)
Earnings for computing earnings per share (US\$)		(3,100,814)	5,058,086	(3,028,699)	10,119,250
(i)	Basic earnings per share (US cents)	(0.27)	0.44	(0.26)	0.87
	- Weighted average number of ordinary shares	1,157,050,891	1,157,050,891	1,157,050,891	1,157,050,891
Earnings for computing diluted earnings per share (US\$)		(3,100,814)	5,058,086	(3,028,699)	10,119,250
(ii)	Earnings per ordinary share on a fully diluted basis (US cents)	(0.27)	0.44	(0.26)	0.87
	- Adjusted weighted average number of ordinary shares	1,157,050,891	1,157,050,891	1,157,050,891	1,157,050,891

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	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net asset value per ordinary share (US cents)	10.42	10.52	6.67	6.81
Number of issued shares	1,157,050,891	1,157,050,891	1,157,050,891	1,157,050,891

Net asset value per ordinary share is calculated based on equity attributable to owners of the Company divided by the number of issued 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 (2Q2014 vs. 2Q2013)

Revenue, cost of sales and gross profit

Our Group derived revenue from coal production, coal trading, mining services and equipment rental. Revenue decreased by US\$14.2 million from US\$32.2 million in the second quarter ended 30 June 2013 ("2Q2013") to US\$18.0 million in the second quarter ended 30 June 2014 ("2Q2014"). This was mainly due to:

- (i) weak demand for coal with low calorific value and downward trend in coal price which resulted in a decrease in coal sales of US\$9.3 million and coal trading business of US\$2.5 million; and
- (ii) decrease in revenue of \$2.5 million from mining services and equipment rental.

Our cost of sales decreased accordingly by US\$3.5 million from US\$22.5 million in 2Q2013 to US\$19.0 million in 2Q2014. The decrease in cost was less than proportionate as compared to the decrease in revenue, mainly due to the decrease in coal production volume.

Due to the decrease in coal sales volume and pricing as mentioned above, our Group's gross profit decreased by US\$10.8 million, from US\$9.7 million profit in 2Q2013 to a loss of US\$1.1 million in 2Q2014.

Other income and indirect expenses

Other income decreased from US\$0.4 million in 2Q2013 to US\$0.2 million in 2Q2014, and it mainly comprised interest income and rental income (2Q2013: interest income and foreign exchange gains).

General and administrative expenses remained stable at US\$2.2 million in 2Q2013 and 2Q2014.

Other expenses increased by US\$1.6 million, from US\$0.04 million in 2Q2013 to US\$1.6 million in 2Q2014. The increase was mainly due to foreign exchange losses of US\$1.5 million in 2Q2014.

Finance costs decreased by US\$0.1 million, from US\$0.7 million in 2Q2013 to US\$0.6 million in 2Q2014, due to a reduction in finance leases, but partially offset by an increase in bank borrowing.

Income tax

Income tax expense decreased by US\$3.9 million from US\$1.9 million tax expense in 2Q2013 to US\$2.0 million tax credit in 2Q2014, in line with the decrease in profit. The higher effective tax credit rate was mainly attributed to a release of overprovision made in prior year.

Profit after income tax

Profit after income tax decreased by US\$8.3 million from a profit of US\$5.2 million in 2Q2013 to a loss of US\$3.1 million in 2Q2014, mainly due to the operating losses and higher other expenses, offset by the income tax credit.

Other comprehensive income

Other comprehensive income consists of exchange losses on translating the financial statements of our Group entities from their functional currencies to our Group's presentation currency. Such translation losses were largely due to the weakening of IDR against USD.

8.2 Income Statement (6M2014 vs. 6M2013)

Revenue, cost of sales and gross profit

Revenue decreased by US\$15.4 million from US\$50.0 million for the six months ended 30 June 2013 (“6M2013”) to US\$34.6 million for the six months ended 30 June 2014 (“6M2014”). This was mainly due to:

- (i) weak demand for coal with low calorific value and downward trend in coal price which resulted in a decrease in coal sales of US\$17.7 million; and
- (ii) decrease in revenue of US\$1.9 million from mining services and equipment rental.

This was partially offset by the higher revenue contribution of US\$4.2 million from coal trading business which commenced in 1Q2013.

Our cost of sales increased by US\$3.0 million from US\$30.6 million in 6M2013 to US\$33.6 million in 6M2014. This included an unrealised loss from our trading inventories of US\$2.8 million (6M2013: unrealised gains of US\$2.7 million). Excluding the unrealised losses, there was a net decrease of cost of sales by US\$2.5 million. The decrease in cost was less than proportionate as compared to the decrease in revenue, mainly due to the decrease in coal production volume.

Due to the decrease in coal sales volume and pricing as mentioned above, our Group’s gross profit decreased by US\$18.4 million, from US\$19.4 million in 6M2013 to US\$1.0 million in 6M2014.

Other income and indirect expenses

Other income decreased slightly from US\$0.4 million in 6M2013 to US\$0.3 million in 6M2014, and it mainly comprised interest income and rental income (6M2013: interest income and foreign exchange gains).

General and administrative expenses increased by US\$0.2 million, from US\$4.2 million in 6M2013 to US\$4.4 million in 6M2014. The increase was mainly due to additional rental expense as we relocated to our new Singapore office in June 2013.

Other expenses increased by US\$0.4 million, from US\$0.03 million in 6M2013 to US\$0.4 million in 6M2014. The increase was mainly due to our Group recording foreign exchange gains in 6M2013 as compared to foreign exchange losses in 6M2014.

Finance costs remained stable at US\$1.1 million in 6M2013 and 6M2014.

Income tax

Income tax expense decreased by US\$5.6 million from US\$4.1 million tax expense in 6M2013 to US\$1.5 million tax credit in 6M2014, in line with the decrease in profit. The higher effective tax credit rate was mainly attributed to a release of overprovision made in prior year.

Profit after income tax

Profit after income tax decreased by US\$13.5 million from a profit of US\$10.4 million in 6M2013 to a loss of US\$3.1 million in 6M2014, mainly due to the lower gross profit, higher general and administrative expenses and higher other expenses, offset by the income tax credit.

Other comprehensive income

Other comprehensive income consists of exchange gains on translating the financial statements of our Group entities from their functional currencies to our Group’s presentation currency. The increase in other comprehensive income of US\$5.7 million, from losses of US\$3.9 million in 6M2013 to gains of US\$1.8 million in 6M2014, was mainly caused by the strengthening of IDR against USD in 6M2014.

8.3 Statement of Financial Position (Group)

Our Group's equity attributable to owners of the Company decreased by US\$1.2 million, from US\$121.7 million as at 31 December 2013 to US\$120.5 million as at 30 June 2014. The decrease relates to the losses offset with the foreign exchange translation gain in 6M2014.

Current assets

Our Group's current assets decreased by US\$6.6 million, from US\$84.7 million as at 31 December 2013 to US\$78.1 million as at 30 June 2014. The decrease was mainly due to decreases in (i) cash and cash equivalents of US\$6.9 million; and (ii) deposits and prepayments of US\$1.0 million, and (iii) inventories of US\$6.1 million; partially offset by the increases in trade and other receivables of US\$7.4 million.

Trade and other receivables as at 30 June 2014 mainly comprised US\$21.7 million of trade receivables, US\$4.4 million of prepaid taxes, refundable deposit of US\$2.0 million in relation to the conditional acquisition of mining concessions and payments to a third party of US\$3.0 million to secure the rights to use and purchase jetty facilities.

Inventory balance decreased by US\$6.1 million, from US\$15.0 million as at 31 December 2013 to US\$8.9 million as at 30 June 2014. Inventories as at 30 June 2014 comprised US\$1.1 million of coal inventories held for trading; US\$6.4 million of coal inventories from BEK mining concession; and the remaining being consumable inventories.

Prepayments as at 30 June 2014 included US\$24.5 million of upfront payments made pursuant to coal purchase contracts entered into previously.

Non-current assets

Our Group's non-current assets decreased marginally by US\$0.3 million, from US\$76.8 million as at 31 December 2013 to US\$76.5 million as at 30 June 2014. The decrease was mainly due to decrease in property, plant and equipment of US\$1.9 million, partially offset by increases in (i) deposits and prepayments of US\$0.5 million; and (ii) deferred tax assets of US\$1.0 million.

The decrease in property, plant and equipment was mainly due to depreciation expense, partially offset by additions and translation gain arising from the strengthening of IDR against USD in 6M2014.

Current liabilities

Our Group's current liabilities decreased by US\$1.6 million, from US\$21.8 million as at 31 December 2013 to US\$20.2 million as at 30 June 2014. The decrease was mainly due to decreases in (i) trade and other payables of US\$3.4 million; (ii) finance leases of US\$0.1 million; and (iii) income tax payable of US\$1.4 million. This was partially offset by the increase in bank borrowings of US\$3.3 million.

Non-current liabilities

Our Group's non-current liabilities decreased by US\$4.0 million, from US\$17.4 million as at 31 December 2013 to US\$13.4 million as at 30 June 2014. The decrease was mainly due to decreases in (i) finance leases of US\$4.9 million; and (ii) bank borrowings of US\$0.1 million. This was partially offset by increases in provisions of US\$0.3 million and deferred tax liabilities of US\$0.7 million.

8.4 Statement of Financial Position (Company)

Our Company's equity decreased by US\$1.6 million from US\$78.8 million as at 31 December 2013 to US\$77.2 million as at 30 June 2014.

Current assets

Our Company's current assets decreased by US\$4.6 million, from US\$63.0 million as at 31 December 2013 to US\$58.4 million as at 30 June 2014. The decrease was mainly due to decreases in (i) cash and cash equivalents of US\$3.5 million; and (ii) trade and other receivables of US\$1.2 million, partially offset by an increase in deposits and prepayments of US\$0.1 million. Trade and other receivables mainly comprised intercompany receivables and the net decrease was due to repayments, offset by utilisation of IPO proceeds by our subsidiaries. Please refer to Paragraph 14 for the breakdown of IPO proceeds utilisation.

Non-current assets

Our Company's non-current assets remained stable at US\$20.2 million as at 31 December 2013 and as at 30 June 2014.

Current liabilities

Our Company's current liabilities mainly consist of bank borrowing, trade and other payables and income tax payable. Our Company's current liabilities decreased by US\$2.8 million, from US\$3.9 million as at 31 December 2013 to US\$1.1 million as at 30 June 2014, mainly due to decrease in trade and other payables of US\$2.8 million.

Non-current liabilities

Our Company's non-current liabilities mainly consist of bank borrowing, provisions and deferred tax liabilities. Our Company's non-current liabilities decreased by US\$0.1 million, from US\$0.4 million as at 31 December 2013 to US\$0.3 million as at 30 June 2014, mainly due to repayments of bank borrowing of US\$0.1 million.

8.5 Cash Flow Statement (2Q2014 vs. 2Q2013)

Our Group's net cash generated from operating activities in 2Q2014 was US\$2.7 million. Operating cash flows before movements in working capital was an outflow of US\$2.5 million and this was offset by cash inflows of US\$5.7 million from our working capital movements. Another US\$0.5 million was used for net payment of income tax and retirement benefit.

Net cash used in investing activities in 2Q2014 of US\$0.3 million was mainly due to advance payments and purchase of property, plant and equipment of US\$0.3 million.

Net cash used in financing activities in 2Q2014 of US\$2.5 million was mainly due to cash outflows in relation to (i) repayment of bank borrowing and finance leases of US\$8.2 million; and (ii) interest payment of US\$0.6 million, partially offset by cash inflow of US\$6.2 million from additional drawdown of bank borrowing.

As a result of the aforementioned, there was a net decrease of US\$0.2 million in cash and cash equivalents in 2Q2014.

8.6 Cash Flow Statement (6M2014 vs. 6M2013)

Our Group's net cash used in operating activities in 6M2014 was US\$3.3 million. Operating cash flows before movements in working capital was an inflow of US\$0.8 million and this was offset by cash outflows of (i) US\$2.4 million to meet our working capital requirements; and (ii) US\$1.7 million for net payment of income tax and retirement benefit.

Net cash used in investing activities in 6M2014 of US\$0.4 million was mainly due to advance payments and purchase of property, plant and equipment of US\$0.5 million.

Net cash used in financing activities in 6M2014 of US\$3.3 million was mainly due to cash outflows in relation to (i) repayment of bank borrowing and finance leases of US\$11.0 million; and (ii) interest payment of US\$1.1 million, partially offset by cash inflow of US\$8.8 million from additional drawdown of bank borrowing.

As a result of the aforementioned, there was a net decrease of US\$7.1 million in cash and cash equivalents in 6M2014.

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

There is no material deviation in the actual results for the second quarter ended 30 June 2014 from what was previously discussed under paragraph 10 of the Company's financial statements for the first quarter ended 31 March 2014.

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

The Indonesian coal mining industry continues to be under pressure from an expansionary supply situation and weak demand resulting in a general expectation of coal prices to remain relatively soft in the near future. Accordingly the Indonesian Coal Reference Price (HBA) decreased during the last three months from US\$74.81 in April 2014 to US\$73.64 in June 2014⁽¹⁾. In addition, we expect our key operating costs, mainly in relation to fuel and labour, to increase generally in line with the inflation rates in Indonesia. In view of the above, our Group expects lower profitability for the next reporting period compared to the corresponding period of the immediately preceding financial year.

Pursuant to the sales and purchase contract with CV. Mandiri Makmur Citra Tambang ("MMCT") entered into in July 2014, our Group had redeployed some of our equipment to MMCT and have commenced removal of overburden at MMCT concession site. Barring unforeseen circumstances, our Group expects to commence the production and sales of coal on or about the fourth quarter ending 31 December 2014 to supplement the current revenue streams. 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 had entered into conditional sale and purchase agreements to purchase five mining concessions in Kutai Barat Regency, East Kalimantan and one mining concession in Tanah Bumbu Regency, South Kalimantan. Please refer to the respective announcements for further information.

⁽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 2014.

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 which value exceeded S\$100,000 during the second quarter and six months ended 30 June 2014.

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	(19.1)	5.9
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	(10.0)	-
General working capital purposes	26.7	(26.7)*	-
Net proceeds	63.7	(57.2)	6.5

* As of 4 July 2013, the amount allocated for general working capital purposes was fully utilised. US\$26.7 million was used to satisfy the upfront payments in relation to mining cooperation agreements, and payment of corporate taxes, employee salaries, renovation costs for the Company's new corporate office, and payment for coal purchased for trading and consumable inventories.

15. Negative confirmation pursuant to Rule 705(5)

We, Charles Antony 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 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Charles Antony Melati
Executive Chairman

Dhamma Surya
Chief Executive Officer

12 August 2014