



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 Third Quarter and Nine Months Ended 30 September 2014

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS FOR THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 30.09.2014 US\$ (Unaudited)	3 months ended 30.09.2013 US\$ (Unaudited)	Change +/(–) %	9 months ended 30.09.2014 US\$ (Unaudited)	9 months ended 30.09.2013 US\$ (Unaudited)	Change +/(–) %
Revenue	8,186,408	34,787,502	(76)	42,783,212	84,747,687	(50)
Cost of sales	(13,635,180)	(25,691,128)	(47)	(47,199,397)	(56,247,171)	(16)
Gross (Loss) Profit	(5,448,772)	9,096,374	(160)	(4,416,185)	28,500,516	(115)
Other income	983,346	774,302	27	1,053,566	1,138,604	(7)
General and administrative expenses	(2,337,085)	(2,049,902)	14	(6,705,122)	(6,275,451)	7
Other expenses	(136,750)	(2,812,682)	(95)	(242,478)	(2,769,920)	(91)
Finance costs	(1,934,938)	(712,158)	172	(3,081,723)	(1,838,857)	68
(Loss) Profit before income tax	(8,874,199)	4,295,934	(307)	(13,391,942)	18,754,892	(171)
Income tax	2,644,323	(702,656)	(476)	4,105,758	(4,810,836)	(185)
(Loss) Profit after income tax	(6,229,876)	3,593,278	(273)	(9,286,184)	13,944,056	(167)
 (Loss) Profit attributable to:						
Owners of the Company	(6,156,100)	3,456,984	(278)	(9,184,799)	13,576,234	(168)
Non-controlling interests	(73,776)	136,294	(154)	(101,385)	367,822	(128)
	(6,229,876)	3,593,278	(273)	(9,286,184)	13,944,056	(167)

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

	Group					
	3 months ended 30.09.2014 US\$ (Unaudited)	3 months ended 30.09.2013 US\$ (Unaudited)	Change +/(% 	9 months ended 30.09.2014 US\$ (Unaudited)	9 months ended 30.09.2013 US\$ (Unaudited)	Change +/(%
(Loss) Profit after income tax	(6,229,876)	3,593,278	(273)	(9,286,184)	13,944,056	(167)
Other comprehensive income, net of tax:						
<i>Items that may be subsequently reclassified to profit or loss</i>						
- Exchange differences on translation	(1,755,503)	(9,146,212)	(81)	74,966	(13,059,858)	(101)
<i>Items that will not be subsequently reclassified to profit or loss</i>						
- Revaluation of leasehold property	-	776,632	(100)	-	776,632	(100)
Total comprehensive income	(7,985,379)	(4,776,302)	67	(9,211,218)	1,660,830	(655)
Total comprehensive income attributable to:						
Owners of the Company	(7,904,999)	(4,829,738)	64	(9,112,066)	1,391,374	(755)
Non-controlling interests	(80,380)	53,436	(250)	(99,152)	269,456	(137)
	(7,985,379)	(4,776,302)	67	(9,211,218)	1,660,830	(655)

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

	Group					
	3 months ended 30.09.2014 US\$ (Unaudited)	3 months ended 30.09.2013 US\$ (Unaudited)	Change +/(% 	9 months ended 30.09.2014 US\$ (Unaudited)	9 months ended 30.09.2013 US\$ (Unaudited)	Change +/(%
Other income:						
- Interest income	(222,805)	(144,384)	54	(426,843)	(466,186)	(8)
- Foreign exchange gain (net)	(698,787)	-	N.M.	(460,057)	-	N.M.
- Gain from repayment of amount due to a related party	-	(601,717)	(100)	-	(601,717)	(100)
Other expenses:						
- Foreign exchange loss (net)	-	2,710,962	(100)	-	2,644,366	(100)
- Loss on disposal of property, plant and equipment (net)	105,444	82,993	27	131,064	80,065	64
Interest expense	1,934,938	712,158	172	3,081,723	1,838,857	68
Allowance for doubtful debt	31,306	-	N.M.	31,306	-	N.M.
Depreciation of property, plant and equipment	1,712,809	2,441,085	(30)	5,214,024	8,609,786	(39)
Amortisation of deferred expenditure	-	-	N.M.	-	656,106	(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	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	44,270,816	17,814,850	43,490,056	13,660,913
Trade and other receivables	36,182,364	25,529,358	62,065,504	49,221,457
Deposits and prepayments	28,902,318	26,380,496	233,555	114,317
Inventories	4,893,140	14,970,692	-	-
Total current assets	114,248,638	84,695,396	105,789,115	62,996,687
Non-current assets				
Deposits and prepayments	2,281,155	1,639,600	119,233	119,986
Investment in subsidiaries	-	-	72,933,310	16,087,770
Deferred expenditure	870,037	871,678	-	-
Property, plant and equipment	121,192,105	69,311,901	251,418	329,860
Investment property	3,453,690	3,475,513	3,453,690	3,475,513
Deferred tax assets	4,357,533	1,353,571	-	-
Other non-current asset	137,521	138,390	137,521	138,390
Total non-current assets	132,292,041	76,790,653	76,895,172	20,151,519
Total assets	246,540,679	161,486,049	182,684,287	83,148,206
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank borrowings	271,116	262,845	271,116	262,845
Trade and other payables	36,474,172	7,568,334	30,653,167	3,556,344
Amount due to a related party	-	1,980,677	-	-
Current portion of finance leases	9,985,795	10,389,961	-	-
Income tax payable	92,278	1,558,417	88,069	80,216
Total current liabilities	46,823,361	21,760,234	31,012,352	3,899,405
Non-current liabilities				
Bank borrowings	69,891	276,205	69,891	276,205
Finance leases	4,958,161	12,260,904	-	-
Notes payable	76,142,966	-	76,142,966	-
Provisions	1,681,925	1,274,381	92,170	89,422
Deferred tax liabilities	3,771,769	3,610,501	97,302	48,078
Total non-current liabilities	86,624,712	17,421,991	76,402,329	413,705

	Group		Company	
	30.09.2014	31.12.2013	30.09.2014	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	(20,016,049)	(20,088,782)	(3,363,062)	(3,359,822)
Retained earnings (Accumulated losses)	49,310,525	58,495,324	(4,662,638)	(1,100,388)
Equity attributable to owners of the Company	112,604,131	121,716,197	75,269,606	78,835,096
Non-controlling interests	488,475	587,627	-	-
Total equity	113,092,606	122,303,824	75,269,606	78,835,096
Total liabilities and equity	246,540,679	161,486,049	182,684,287	83,148,206

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

	Group			
	30.09.2014		31.12.2013	
	Secured	Unsecured	Secured	Unsecured
	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amount repayable in one year or less, or on demand	10,256,911	-	10,652,806	1,980,677
Amount repayable after one year	5,028,052	76,142,966	12,537,109	-
Total	15,284,963	76,142,966	23,189,915	1,980,677

Details of any collateral and security:

As at 30 September 2014, our Group's bank borrowings/facilities 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. Whereas the finance lease liabilities are secured by our leased assets.

In July 2014, our Group issued Medium Term Notes of S\$100 million. The Notes will mature in January 2018 and will bear interest at a fixed rate of 7% per annum payable semi-annually in arrear. Separately, our Group has pledged a fixed deposit of S\$3.5 million to cover one coupon payment, for the purpose of securing our coupon payment obligations.

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	9 months ended	9 months ended
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
(Loss) Profit before income tax	(8,874,199)	4,295,934	(13,391,942)	18,754,892
Adjustments for:				
Amortisation of deferred expenditure	-	-	-	656,106
Depreciation of property, plant and equipment	1,712,809	2,441,085	5,214,024	8,609,786
Loss on disposal of property, plant and equipment	105,444	82,993	131,064	80,065
Allowance for doubtful debts	31,306	-	31,306	-
Interest expense	1,934,938	712,158	3,081,723	1,838,857
Interest income	(222,805)	(144,384)	(426,843)	(466,186)
Gain from repayment of amount due to a related party	-	(601,717)	-	(601,717)
Retirement benefit obligations	120,718	188,822	420,740	844,350
Net foreign exchange (gains) losses	(2,062,431)	923,570	(1,493,555)	949,538
Operating cash flows before movements in working capital	(7,254,220)	7,898,461	(6,433,483)	30,665,691
Trade and other receivables	(2,485,938)	(2,858,114)	(8,311,208)	(10,140,727)
Deposits and prepayments	(3,480,820)	(5,701,274)	(2,750,938)	(15,854,421)
Inventories	3,970,625	(3,272,877)	10,077,552	(14,835,061)
Trade and other payables	2,292,234	701,175	(1,130,757)	3,045,488
Cash generated used in operations	(6,958,119)	(3,232,629)	(8,548,834)	(7,119,030)
Income tax paid	(796,678)	(1,715,554)	(2,734,788)	(8,164,064)
Income tax refund	3,899	-	303,600	-
Retirement benefit obligation paid	(8,967)	(56,752)	(35,009)	(216,375)
Net cash generated used in operating activities	(7,759,865)	(5,004,935)	(11,015,031)	(15,499,469)
Investing activities				
Deferred expenditure (Note B)	-	-	-	(478,658)
Interest received	129,301	26,705	138,964	341,539
Advance payments for purchase of property, plant and equipment	(171,120)	(264,714)	(459,190)	(632,447)
Purchase of property, plant and equipment (Note C)	(26,909,551)	(787,333)	(27,062,898)	(2,578,930)
Proceeds on disposal of property, plant and equipment	61,809	6,259,136	62,475	6,361,389
Purchase of other non-current asset	-	-	-	(139,158)
Net cash (used in) from investing activities	(26,889,561)	5,233,794	(27,320,649)	2,873,735

Group

	3 months ended 30.09.2014 US\$ (Unaudited)	3 months ended 30.09.2013 US\$ (Unaudited)	9 months ended 30.09.2014 US\$ (Unaudited)	9 months ended 30.09.2013 US\$ (Unaudited)
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Financing activities

Increase in restricted cash and fixed deposit pledged	(2,808,994)	(4,879)	(2,825,502)	(239,796)
Interest paid	(441,164)	(684,210)	(1,564,008)	(1,781,427)
Proceeds from bank borrowings	-	-	8,804,000	-
Repayment of bank borrowings	(3,307,150)	(64,504)	(9,001,070)	(194,501)
Proceeds from issuance of notes payable	80,593,166	-	80,593,166	-
Transaction costs pursuant to issuance of notes payable	(3,915,749)	-	(3,915,749)	-
Repayment of amount due to a related party	(2,060,465)	(10,380,760)	(2,060,465)	(10,380,760)
Repayment of obligations under finance leases	(2,614,781)	(2,880,171)	(7,920,274)	(8,235,371)
Net cash from (used in) financing activities	65,444,863	(14,014,524)	62,110,098	(20,831,855)
Net increase (decrease) in cash and cash equivalents	30,795,437	(13,785,665)	23,774,418	(33,457,589)
Cash and cash equivalents at beginning of the period	10,917,051	46,856,595	17,814,850	68,791,416
Effect of exchange rate changes on the balance held in foreign currencies	(211,507)	(19,043)	(88,287)	(2,281,940)
Cash and cash equivalents at end of the period (Note A)	41,500,981	33,051,887	41,500,981	33,051,887

Notes to consolidated cash flow statement:

Note A:

Cash and bank balance	31,689,364	8,004,178	31,689,364	8,004,178
Fixed deposits	12,581,452	25,497,987	12,581,452	25,497,987
Total	44,270,816	33,502,165	44,270,816	33,502,165
Less: Fixed deposit pledged	(2,769,835)	(450,278)	(2,769,835)	(450,278)
Cash and cash equivalents as per cash flow statement	41,500,981	33,051,887	41,500,981	33,051,887

Note B:

During the 9 months ended 30 September 2014, our Group did not capitalise any deferred expenditure. During the 9 months ended 30 September 2013, our Group capitalised US\$521,891 as deferred expenditure of which US\$43,233 pertained to capitalisation of depreciation on property, plant and equipment and US\$478,658 was settled in cash.

Note C:

During the 9 months ended 30 September 2014, our Group acquired property, plant and equipment amounting to US\$57,238,590 (30 September 2013: US\$34,110,068) of which US\$111,064 (30 September 2013: US\$29,519,699) were acquired under finance lease arrangements and US\$Nil (30 September 2013: US\$87,760) pertained to the provision for reinstatement cost of office premises. As at 30 September 2014, US\$30,036,594 (30 September 2013: US\$ US\$60,575) 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 September 2013: US\$1,863,104) which was previously paid to purchase property, plant and equipment. During the 9 months ended 30 September 2014, our Group made advance payments of US\$459,190 (30 September 2013: US\$632,447) and cash payments of US\$27,062,898 (30 September 2013: US\$2,578,930) 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 30.09.2014

	<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
Loss for the period	-	-	-	-	(3,028,699)	(3,028,699)	(27,609)	(3,056,308)
Other comprehensive income for the period	-	-	-	1,821,632	-	1,821,632	8,837	1,830,469
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
Loss for the period	-	-	-	-	(6,156,100)	(6,156,100)	(73,776)	(6,229,876)
Other comprehensive income for the period	-	-	-	(1,748,899)	-	(1,748,899)	(6,604)	(1,755,503)
Balance at 30 September 2014	82,518,674	14,349	776,632	(20,016,049)	49,310,525	112,604,131	488,475	113,092,606

Group – financial period ended 30.09.2013

	<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 2013	82,518,674	14,349	-	(4,672,166)	45,580,359	123,441,216	293,032	123,734,248
Profit for the period	-	-	-	-	10,119,250	10,119,250	231,528	10,350,778
Other comprehensive income	-	-	-	(3,898,138)	-	(3,898,138)	(15,508)	(3,913,646)
Balance at 30 June 2013	82,518,674	14,349	-	(8,570,304)	55,699,609	129,662,328	509,052	130,171,380
Profit for the period	-	-	-	-	3,456,984	3,456,984	136,294	3,593,278
Other comprehensive income	-	-	776,632	(9,063,354)	-	(8,286,722)	(82,858)	(8,369,580)
Balance at 30 September 2013	82,518,674	14,349	776,632	(17,633,658)	59,156,593	124,832,590	562,488	125,395,078

Company – financial period ended 30.09.2014

	<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	-	-	-	(2,445,723)	(2,445,723)
Other comprehensive income for the period	-	-	831,823	-	831,823
Balance at 30 June 2014	82,518,674	776,632	(2,527,999)	(3,546,111)	77,221,196
Loss for the period	-	-	-	(1,116,527)	(1,116,527)
Other comprehensive income for the period	-	-	(835,063)	-	(835,063)
Balance at 30 September 2014	82,518,674	776,632	(3,363,062)	(4,662,638)	75,269,606

Company – financial period ended 30.09.2013

	<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 2013	82,518,674	-	(1,195,856)	(2,335,696)	78,987,122
Loss for the period	-	-	-	(1,312,510)	(1,312,510)
Other comprehensive income for the period	-	-	(2,143,537)	-	(2,143,537)
Balance at 30 June 2013	82,518,674	-	(3,339,393)	(3,648,206)	75,531,075
Loss for the period	-	-	-	(1,140,644)	(1,140,644)
Other comprehensive income for the period	-	776,632	16,192	-	792,824
Balance at 30 September 2013	82,518,674	776,632	(3,323,201)	(4,788,850)	75,183,255

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 30 June 2014 and 30 September 2014.

There were no outstanding convertibles or treasury shares held by the Company as at 30 September 2014 and 30 September 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 September 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 30.09.2014 (Unaudited)	3 months ended 30.09.2013 (Unaudited)	9 months ended 30.09.2014 (Unaudited)	9 months ended 30.09.2013 (Unaudited)
Earnings for computing earnings per share (US\$)		(6,156,100)	3,456,984	(9,184,799)	13,576,234
(i)	Basic earnings per share (US cents)	(0.53)	0.30	(0.79)	1.17
	- 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\$)		(6,156,100)	3,456,984	(9,184,799)	13,576,234
(ii)	Earnings per ordinary share on a fully diluted basis (US cents)	(0.53)	0.30	(0.79)	1.17
	- 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	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net asset value per ordinary share (US cents)	9.73	10.52	6.51	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 (3Q2014 vs. 3Q2013)

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\$26.6 million from US\$34.8 million in the third quarter ended 30 September 2013 ("3Q2013") to US\$8.2 million in the third quarter ended 30 September 2014 ("3Q2014"). This was mainly due to:

- (i) the downward trend in coal price and soft demand for coal with low calorific value which resulted in a reduction of our coal revenue by US\$20.7 million; and
- (ii) decrease in revenue of \$5.9 million from mining services and equipment rental.

Our cost of sales decreased accordingly by US\$12.1 million from US\$25.7 million in 3Q2013 to US\$13.6 million in 3Q2014. The decrease in cost was less than proportionate as compared to the decrease in revenue, mainly due to the decrease in coal production volume as well as other non-recurring operational costs to streamline manpower and reallocate our capacity utilisation.

Due to the decrease in coal sales volume and pricing as mentioned above, our Group's gross profit decreased by US\$14.5 million, from US\$9.1 million profit in 3Q2013 to a loss of US\$5.4 million in 3Q2014.

Other income and indirect expenses

Other income increased from US\$0.8 million in 3Q2013 to US\$1.0 million in 3Q2014, and it mainly comprised foreign exchange gains, interest income and rental income (3Q2013: interest income and gain from repayment of amount due to a related party).

General and administrative expenses increased from US\$2.0 million in 3Q2013 to US\$2.3 million 3Q2014. The increase was mainly due to certain non-claimable VAT expenses incurred by our Indonesian entities.

Other expenses decreased by US\$2.7 million, from US\$2.8 million in 3Q2013 to US\$0.1 million in 3Q2014. The decrease was mainly due to our Group recording foreign exchange losses in 3Q2013 as compared to foreign exchange gains in 3Q2014.

Finance costs increased by US\$1.2 million, from US\$0.7 million in 3Q2013 to US\$1.9 million in 3Q2014, mainly due to interest expense arising from the medium term notes payable issued in July 2014.

Income tax

Income tax expense decreased by US\$3.3 million from US\$0.7 million tax expense in 3Q2013 to US\$2.6 million tax credit in 3Q2014, in line with the decrease in profit. The higher effective tax credit rate was mainly attributed to certain non-tax-adjustable items.

Profit after income tax

Profit after income tax decreased by US\$9.8 million from a profit of US\$3.6 million in 3Q2013 to a loss of US\$6.2 million in 3Q2014, mainly due to the operating losses and higher general and administrative expenses and finance costs, offset by lower other expenses and income tax credit.

Other comprehensive income

Other comprehensive income consists of exchange gains and losses on translating the financial statements of our Group entities from their functional currencies to our Group's presentation currency. The translation losses in 3Q2014 and 3Q2013 were largely due to the weakening of IDR against USD.

8.2 Income Statement (9M2014 vs. 9M2013)

Revenue, cost of sales and gross profit

Revenue decreased by US\$41.9 million from US\$84.7 million for the nine months ended 30 September 2013 ("9M2013") to US\$42.8 million for the nine months ended 30 September 2014 ("9M2014"). This was mainly due to:

- (i) downward trend in coal price and soft demand for coal with low calorific value which resulted in a reduction of our coal revenue by US\$34.2 million; and
- (ii) decrease in revenue of US\$7.7 million from mining services and equipment rental.

Our cost of sales decreased by US\$9.0 million from US\$56.2 million in 9M2013 to US\$47.2 million in 9M2014. This included an unrealised loss from our trading inventories of US\$2.4 million (9M2013: unrealised gains of US\$2.5 million). Excluding the unrealised losses, there was a net decrease of cost of sales by US\$13.9 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 as well as other non-recurring operational costs to streamline manpower and reallocate our capacity utilisation.

Due to the decrease in coal sales volume and pricing as mentioned above, our Group's gross profit decreased by US\$32.9 million, from US\$28.5 million profit in 9M2013 to a loss of US\$4.4 million in 9M2014.

Other income and indirect expenses

Other income remained stable at US\$1.1 million in 9M2013 and in 9M2014, and it mainly comprised foreign exchange gains, interest income and rental income (9M2013: interest income and gain from repayment of amount due to a related party).

General and administrative expenses increased by US\$0.4 million, from US\$6.3 million in 9M2013 to US\$6.7 million in 9M2014. The increase was mainly due to additional rental expense as we relocated to our new Singapore office in June 2013 and certain non-claimable VAT expenses incurred by our Indonesian entities.

Other expenses decreased by US\$2.6 million, from US\$2.8 million in 9M2013 to US\$0.2 million in 9M2014. The decrease was mainly due to our Group recording foreign exchange losses in 9M2013 as compared to foreign exchange gains in 9M2014.

Finance costs increased by US\$1.3 million, from US\$1.8 million in 9M2013 to US\$3.1 million in 9M2014, mainly due to interest expense arising from the medium term notes payable issued in July 2014.

Income tax

Income tax expense decreased by US\$8.9 million from US\$4.8 million tax expense in 9M2013 to US\$4.1 million tax credit in 9M2014, in line with the decrease in profit. The higher effective tax credit rate was mainly attributed to certain non-tax-adjustable items and a release of overprovision made in prior year.

Profit after income tax

Profit after income tax decreased by US\$23.2 million from a profit of US\$13.9 million in 9M2013 to a loss of US\$9.3 million in 9M2014, mainly due to the operating losses, higher general and administrative expenses and finance costs, offset by lower other expenses and income tax credit.

Other comprehensive income

Other comprehensive income consists of exchange gains and losses on translating the financial statements of our Group entities from their functional currencies to our Group's presentation currency. The translation losses in 9M2013 were largely due to the weakening of IDR against USD.

8.3 Statement of Financial Position (Group)

Our Group's equity attributable to owners of the Company decreased by US\$9.1 million, from US\$121.7 million as at 31 December 2013 to US\$112.6 million as at 30 September 2014. The decrease relates to the losses in 9M2014.

Current assets

Our Group's current assets increased by US\$29.5 million, from US\$84.7 million as at 31 December 2013 to US\$114.2 million as at 30 September 2014. The increase was mainly due to increases in (i) cash and cash equivalents of US\$26.5 million; (ii) trade and other receivables of US\$10.7 million; and (iii) deposits and prepayments of US\$2.5 million; partially offset by the decrease in inventories of US\$10.1 million.

Trade and other receivables as at 30 September 2014 mainly comprised US\$23.6 million of trade receivables, US\$5.1 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\$3.2 million to secure the rights to use and purchase jetty facilities.

Inventory balance decreased by US\$10.1 million, from US\$15.0 million as at 31 December 2013 to US\$4.9 million as at 30 September 2014, partly as a result of our efforts to improve working capital position.

Prepayments as at 30 September 2014 included US\$27.9 million of upfront payments made pursuant to coal purchase contracts entered into previously.

Non-current assets

Our Group's non-current assets increased by US\$55.5 million, from US\$76.8 million as at 31 December 2013 to US\$132.3 million as at 30 September 2014. The increase was mainly due to increases in (i) property, plant and equipment of US\$51.9 million; (ii) deferred tax assets of US\$3.0 million; and (iii) deposits and prepayments of US\$0.6 million.

In 3Q2014, our Group completed the acquisition of 66% shareholding in Borneo International Resources Pte Ltd ("**BIR**") for a consideration of US\$55.0 million. BIR, through its subsidiary, has an interest in a mining concession at the sub-district Angsana, Regency of Tanah Bumbu, South Kalimantan ("**SDJ mining concession**"). The increase in property, plant and equipment was mainly due to the addition of mining property as a result of the aforementioned acquisition.

Current liabilities

Our Group's current liabilities increased by US\$25.0 million, from US\$21.8 million as at 31 December 2013 to US\$46.8 million as at 30 September 2014. The increase was mainly due to the increase in trade and other payables of US\$28.9 million, which was partially offset by decreases in (i) amount due to a related party of US\$2.0 million; (ii) income tax payable of US\$1.5 million; and (iii) finance leases of US\$0.4 million.

The increase in trade and other payables was mainly due to the remaining unpaid purchase consideration of US\$30.0 million relating to the acquisition of BIR.

Non-current liabilities

Our Group's non-current liabilities increased by US\$69.2 million, from US\$17.4 million as at 31 December 2013 to US\$86.6 million as at 30 September 2014. The increase was mainly due to increases in (i) medium term notes payable of US\$76.1 million; (ii) provisions of US\$0.4 million; and (iii) deferred tax liabilities of US\$0.2 million. This was partially offset by decreases in (i) finance leases of US\$7.3 million; and (ii) bank borrowings of US\$0.2 million.

Please refer to Paragraph 1(b)(ii) for more details of the medium term notes payable.

8.4 Statement of Financial Position (Company)

Our Company's equity decreased by US\$3.5 million from US\$78.8 million as at 31 December 2013 to US\$75.3 million as at 30 September 2014.

Current assets

Our Company's current assets increased by US\$42.8 million, from US\$63.0 million as at 31 December 2013 to US\$105.8 million as at 30 September 2014. The increase was mainly due to increases in cash and cash equivalents of US\$29.8 million and trade and other receivables of US\$12.8 million. Trade and other receivables mainly comprised intercompany receivables, refundable deposit of US\$2.0 million in relation to the conditional acquisition of mining concessions and payments to a third party of US\$3.2 million to secure the rights to use and purchase jetty facilities. The increase in trade and other receivables arise mainly from increase in intercompany receivables of US\$9.2 million, which was mainly due to 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 increased by US\$56.7 million from US\$20.2 million as at 31 December 2013 to US\$76.9 million as at 30 September 2014, mainly due to increase in investment in subsidiary, due to acquisition of BIR.

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 increased by US\$27.1 million, from US\$3.9 million as at 31 December 2013 to US\$31.0 million as at 30 September 2014, mainly due to the remaining unpaid purchase consideration of US\$30.0 million relating to the acquisition of BIR, offset by the decrease in intercompany payables of US\$3.1 million.

Non-current liabilities

Our Company's non-current liabilities mainly consist of medium term notes payable, bank borrowing, provisions and deferred tax liabilities. Our Company's non-current liabilities increased by US\$76.0 million, from US\$0.4 million as at 31 December 2013 to US\$76.4 million as at 30 September 2014, mainly due to increase in medium term notes payable of US\$76.1 million, offset by repayments of bank borrowing of US\$0.2 million.

8.5 Cash Flow Statement (3Q2014 vs. 3Q2013)

Our Group's net cash used in operating activities in 3Q2014 was US\$7.8 million. Operating cash flows before movements in working capital was an outflow of US\$7.3 million and this was offset by cash inflows of US\$0.3 million from our working capital movements. Another US\$0.8 million was used for net payment of income tax and retirement benefit.

Net cash used in investing activities in 3Q2014 of US\$26.9 million was mainly due to advance payments and purchase of property, plant and equipment of US\$27.1 million.

Net cash generated from financing activities in 3Q2014 of US\$65.4 million was mainly due to issuance of medium term notes payable of US\$80.6 million which was offset by cash outflows in relation to (i) repayment of bank borrowings and finance leases of US\$5.9 million; (ii) transaction costs relating to issuance of medium term notes payable of US\$3.9 million; (iii) fixed deposit pledged of US\$2.8 million; (iv) repayment of amount due to a related party of US\$2.1 million; and (v) interest payment of US\$0.4 million.

As a result of the aforementioned, there was a net increase of US\$30.8 million in cash and cash equivalents in 3Q2014.

8.6 Cash Flow Statement (9M2014 vs. 9M2013)

Our Group's net cash used in operating activities in 9M2014 was US\$11.0 million. Operating cash flows before movements in working capital was an outflow of US\$6.4 million. Another US\$2.1 million was used to meet our working capital requirements and a further US\$2.5 million was used for net payment of income tax and retirement benefit.

Net cash used in investing activities in 9M2014 of US\$27.3 million was mainly due to advance payments and purchase of property, plant and equipment of US\$27.5 million.

Net cash generated from financing activities in 9M2014 of US\$62.1 million was mainly due to cash inflows in relation to (i) issuance of medium term notes payable of US\$80.6 million; and (ii) additional drawdown of bank borrowings of US\$8.8 million. This was partially offset by cash outflows in relation to (i) repayment of bank borrowings and finance leases of US\$16.9 million; (ii) transaction costs relating to issuance of medium term notes payable of US\$3.9 million; (iii) fixed deposit pledged of US\$2.8 million; (iv) repayment of amount due to a related party of US\$2.1 million; and (v) interest payment of US\$1.6 million.

As a result of the aforementioned, there was a net increase of US\$23.8 million in cash and cash equivalents in 9M2014.

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 third quarter ended 30 September 2014 from what was previously discussed under paragraph 10 of the Company's financial statements for the second quarter ended 30 June 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\$73.64 in June 2014 to US\$69.69 in September 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 quarter and for the full year ending 31 December 2014 compared to the corresponding periods 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. MMCT had commenced the production and sales of coal during September 2014. 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.

The Group had on 18 August 2014 completed the acquisition of 66% of Borneo International Resources Pte Ltd (“BIR”). BIR, which through its Indonesian’s subsidiaries owns the coal mining concession (“SDJ”), located in South Kalimantan, Indonesia. Barring for unforeseen circumstances and subject to the completion of certain conditions subsequent, the Group expects to commence land clearing and overburden removal in 2015. Please refer to the relevant announcements for further information.

In addition, the Group had on 20 October 2014 entered into a cooperation agreement for the management and operation of a port terminal in South Kalimantan with PT Bandar Laut Biru (“BLB”). Pursuant to the Cooperation Agreement, our Group will manage and operate the Port Terminal for public interest, including managing and operating the jetty and all facilities and infrastructure installed at the Port Terminal. Please refer to the respective announcement 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 third quarter ended 30 September 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 third quarter and nine months ended 30 September 2014.

14. Use of IPO Proceeds

As of the date of this announcement, the Group’s IPO proceeds has been fully utilised. The breakdown of the use of 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	(25.0)	-
Construction of jetty and barge loading facilities	2.0	(2.0)	-
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	(63.7)	-

* 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 third quarter and nine months ended 30 September 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

13 November 2014