



GEO ENERGY GROUP

GEO ENERGY RESOURCES LIMITED

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

Unaudited First Quarter Financial Statements Announcement

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2017

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		Change +/(-) %
	3 months ended 31.3.2017 US\$ (Unaudited)	3 months ended 31.3.2016 US\$ (Unaudited)	
Continuing operations			
Revenue	99,282,837	11,888,413	735
Cost of sales	(73,952,778)	(11,640,745)	535
Gross profit	25,330,059	247,668	nm
Other income	112,793	620,703	(82)
General and administrative expenses	(1,821,125)	(1,329,353)	37
Other expenses	(1,943,358)	(970,624)	100
Finance costs	(1,815,707)	(1,580,722)	15
Profit (loss) before income tax	19,862,662	(3,012,328)	nm
Income tax (expense) credit	(5,227,802)	157,034	nm
Profit (loss) after income tax from continuing operations	14,634,860	(2,855,294)	nm
Profit for the period from discontinued operation	-	257,576	(100)
Profit (loss) for the period	14,634,860	(2,597,718)	nm
Other comprehensive income, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
- Exchange differences on translation	(154,357)	(2,139,179)	(93)
Total comprehensive income	14,480,503	(4,736,897)	nm

nm – 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	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>ASSETS</u>				
Current assets				
Cash and bank balances	56,567,965	67,703,681	40,647,597	53,417,879
Trade and other receivables	106,608,407	103,493,933	93,573,580	74,659,464
Deposits and prepayments	10,852,300	7,415,552	196,334	194,271
Inventories	5,987,566	8,890,420	-	-
Total current assets	180,016,238	187,503,586	134,417,511	128,271,614
Non-current assets				
Deposits and prepayments	5,146,609	5,067,764	85,076	82,285
Investment in subsidiaries	-	-	98,024,126	98,024,126
Deferred stripping costs	9,440,045	9,940,321	-	-
Property, plant and equipment	99,194,350	102,529,077	127,020	134,882
Investment property	547,256	542,572	-	-
Deferred tax assets	4,337,951	3,347,593	367,913	263,418
Other non-current asset	148,122	143,263	148,122	143,263
Total non-current assets	118,814,333	121,570,590	98,752,257	98,647,974
Total assets	298,830,571	309,074,176	233,169,768	226,919,588
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade and other payables	73,394,054	106,899,123	72,060,273	65,929,218
Current portion of finance leases	52,088	14,718	15,382	14,718
Income tax payable	12,521,015	7,447,250	-	-
Notes payable	72,159,033	-	72,159,033	-
Total current liabilities	158,126,190	114,361,091	144,234,688	65,943,936
Non-current liabilities				
Finance leases	119,614	43,887	41,468	43,887
Notes payable	-	68,675,591	-	68,675,591
Provisions	1,446,499	1,335,862	94,399	90,350
Deferred tax liabilities	20	-	-	-
Total non-current liabilities	1,566,133	70,055,340	135,867	68,809,828

	Group		Company	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Capital, reserves and non-controlling interests				
Share capital	89,670,842	89,670,842	89,670,842	89,670,842
Capital and other reserve	316,251	316,251	-	-
Translation reserve	(18,387,230)	(18,232,460)	(4,686,200)	(4,464,506)
Retained earnings	67,320,738	52,681,429	3,814,571	6,959,488
Equity attributable to owners of the Company	138,920,601	124,436,062	88,799,213	92,165,824
Non-controlling interests	217,647	221,683	-	-
Total equity	139,138,248	124,657,745	88,799,213	92,165,824
Total liabilities and equity	298,830,571	309,074,176	233,169,768	226,919,588

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

	Group			
	31.3.2017		31.12.2016	
	Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Amount repayable in one year or less, or on demand	52,088	72,159,033	14,718	-
Amount repayable after one year	119,614	-	43,887	68,675,591
	171,702	72,159,033	58,605	68,675,591

Details of any collateral and security:

As at 31 March 2017, the Group's finance lease liabilities are secured by the leased assets.

In July 2014, the Group issued Medium Term Notes ("MTN") of S\$100 million. The Notes matures in January 2018 and bears interest at a fixed rate of 7% per annum payable semi-annually in arrears. Separately, the Group has pledged a deposit of S\$3.5 million for the purpose of securing its interest 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 31.3.2017 US\$ (Unaudited)	3 months ended 31.3.2016 US\$ (Unaudited)
Operating activities		
Profit (loss) before income tax (Note A)	19,862,662	(2,660,968)
Adjustments for:		
Depreciation of property, plant and equipment	4,599,872	2,027,690
Amortisation of deferred stripping costs	500,276	201,847
Gain on disposal of property, plant and equipment	(14,374)	(11,269)
Gain on sales and leaseback of property, plant and equipment	-	(9,756)
Interest expense	1,408,824	1,847,261
Interest income	(98,419)	(37,744)
Retirement benefit obligations	88,912	56,231
Net foreign exchange losses	2,068,687	154,856
Operating cash flows before movements in working capital	28,416,440	1,568,148
Trade and other receivables	(9,055,706)	(2,658,495)
Deposits and prepayments	(3,466,644)	(694,792)
Inventories	2,100,467	(404,864)
Trade and other payables	(7,857,534)	4,168,349
Cash generated from operations	10,137,023	1,978,346
Income tax paid	(1,105,495)	(5,059)
Retirement benefit obligation paid	-	(482)
Net cash generated from operating activities	9,031,528	1,972,805
Investing activities		
Interest received	66,566	7,799
Addition to deferred stripping costs	-	(2,924,414)
Advance payments for purchase of property, plant and equipment	(49,768)	-
Advance payments for conditional acquisition of mining concessions	(13,000,000)	-
Deferred payment for purchase of property, plant and equipment	(4,482,388)	-
Purchase of property, plant and equipment	(328,551)	(131,805)
Proceeds on disposal of property, plant and equipment	51,750	50,757
Purchase of other non-current asset	-	(22,780)
Net cash used in investing activities	(17,742,391)	(3,020,443)
Financing activities		
Interest paid	(2,511,383)	(2,853,042)
Repayment of obligations under finance leases	(7,359)	(941,407)
Net cash used in financing activities	(2,518,742)	(3,794,449)

	Group	
	3 months ended 31.3.2017 US\$	3 months ended 31.3.2017 US\$
	(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents	(11,229,605)	(4,842,087)
Cash and cash equivalents at beginning of the period	62,761,457	7,421,269
Effect of exchange rate changes on cash balances held in foreign currencies	11,054	126,708
Cash and cash equivalents at end of the period	51,542,906	2,705,890

Cash and cash equivalents at the end of the period consist of:

Cash and bank balances	41,469,110	2,705,890
Deposits	15,098,855	5,112,935
Total	56,567,965	7,818,825
Less: Deposit pledged	(5,025,059)	(5,112,935)
Cash and cash equivalents at end of the period	51,542,906	2,705,890

Note A

Profit (loss) before income tax:

Continuing operations	19,862,662	(3,012,328)
Discontinued operation	-	351,360
	19,862,662	(2,660,968)

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

	<u>Share capital</u>	<u>Capital, revaluation and other reserve</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Equity attributable to owners of the Company</u>	<u>Non-controlling interests</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Group Balance at 1.1.2017	89,670,842	316,251	(18,232,460)	52,681,429	124,436,062	221,683	124,657,745
Profit for the period	-	-	-	14,639,309	14,639,309	(4,449)	14,634,860
Other comprehensive income for the period	-	-	(154,770)	-	(154,770)	413	(154,357)
Balance at 31.3.2017	89,670,842	316,251	(18,387,230)	67,320,738	138,920,601	217,647	139,138,248

	<u>Share capital</u> US\$	<u>Capital, revaluation and 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\$
Group							
Balance at 1.1.2016	86,170,842	790,737	(22,946,814)	29,718,918	93,733,683	237,342	93,971,025
Issue of share capital	3,500,000	-	-	-	3,500,000	-	3,500,000
Loss for the period	-	-	-	(2,585,708)	(2,585,708)	(12,010)	(2,597,718)
Other comprehensive income for the period	-	-	(2,139,637)	-	(2,139,637)	458	(2,139,179)
Balance at 31.3.2016	89,670,842	790,737	(25,086,451)	27,133,210	92,508,338	225,790	92,734,128

	<u>Share capital</u> US\$	<u>Revaluation reserve</u> US\$	<u>Translation reserve</u> US\$	<u>Retained earnings</u> US\$	<u>Total</u> US\$
Company					
Balance at 1.1.2017	89,670,842	-	(4,464,506)	6,959,488	92,165,824
Loss for the period	-	-	-	(3,144,917)	(3,144,917)
Other comprehensive income for the period	-	-	(221,694)	-	(221,694)
Balance at 31.3.2017	89,670,842	-	(4,686,200)	3,814,571	88,799,213

Company					
Balance at 1.1.2016	86,170,842	776,632	(4,324,438)	(5,981,107)	76,641,929
Issue of share capital	3,500,000	-	-	-	3,500,000
Loss for the period	-	-	-	(2,111,077)	(2,111,077)
Other comprehensive income for the period	-	-	(2,338,745)	-	(2,338,745)
Balance at 31.3.2016	89,670,842	776,632	(6,663,183)	(8,092,184)	75,692,107

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

As at 31 March 2017, the Company's share capital comprised 1,212,273,113 shares (31 December 2016: 1,212,273,113). There were no outstanding convertibles or treasury shares as at 31 March 2017 and 31 March 2016.

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.

	<u>31.3.2017</u>	<u>31.12.2016</u>
Total number of issued shares (excluding treasury shares)	<u>1,212,273,113</u>	<u>1,212,273,113</u>

- 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 2016.

- 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 Amendments to FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and amendments to FRS has no material impact on the financial statements of the Group and Company.

- 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 31.3.2017 (Unaudited)	3 months ended 31.3.2016 (Unaudited)
Earnings per share ("EPS")		
Earnings for computing EPS (US\$)		
- Continuing operations	14,639,309	(2,843,284)
- Discontinued operation	-	257,576
Weighted average number of ordinary shares	1,212,273,113	1,188,042,344
Basic and diluted EPS ⁽¹⁾⁽²⁾ based on weighted average number of ordinary shares (US cents)		
- Continuing operations	1.21	(0.24)
- Discontinued operation	-	0.02

	Group	
	3 months ended 31.3.2017 (Unaudited)	3 months ended 31.3.2016 (Unaudited)
Basic and diluted EPS ⁽¹⁾⁽²⁾ based on weighted average number of ordinary shares (SG cents) ⁽³⁾		
- Continuing operations	1.69	(0.32)
- Discontinued operation	-	0.03

(1) The calculation for the basic and diluted EPS is based on the weighted average number of ordinary shares in issue during the respective financial periods.

(2) The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial periods.

(3) Numbers were translated using 31 March 2017 and 2016 exchange rates of 1.3975 and 1.3505 respectively.

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	
	31.3.2017 (Unaudited)	31.12.2016 (Audited)	31.3.2017 (Unaudited)	31.12.2016 (Audited)
Net assets value (US\$)	138,920,601	124,436,062	88,799,213	92,165,824
Number of ordinary shares issued	1,212,273,113	1,212,273,113	1,212,273,113	1,212,273,113
Net asset value per ordinary share (US cents)	11.46	10.26	7.33	7.60
Net asset value per ordinary share (SG cents) ⁽¹⁾	16.01	14.82	10.24	10.98

(1) Numbers were translated using 31 March 2017 and 31 December 2016 exchange rates of 1.3975 and 1.4449 respectively.

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

Financial performance

(1Q2017 vs. 1Q2016)

Revenue from continuing operations increased by US\$87.4 million to US\$99.3 million in 1Q2017 mainly due to revenue increased from coal mining as well as new revenue from coal trading and coal mining management services during the period. As compared to 4Q2016, revenue increased by US\$7.3 million to US\$99.3 million.

The Group sold 2,212,893 tonnes of coal from the SDJ mine in 1Q2017, a great increase from the 484,836 tonnes sold in 1Q2016. This is a slight decrease as compared to 2,362,207 tonnes sold in 4Q2016, mainly due to the rainy season which had slowed down production. The average selling price of coal in 1Q2017 was US\$39.45 per tonne, an increase of US\$0.52 over the US\$38.93 per tonne in 4Q2016.

In 1Q2017, the Group also traded 411,421 tonnes of coal sourced from third parties at an average selling price of US\$28.44 per tonne and commenced its coal mining management service for PT Angsana Jaya Energi ("AJE"), a holder of coal mining permit in South Kalimantan as announced earlier.

Included in the 1Q2017 net revenue was a marketing price adjustment of US\$2.4 million, as compared with US\$0.6 million for 1Q2016 and US\$2.3 million for 4Q2016, respectively.

Gross profit was US\$25.3 million in 1Q2017. Excluding non-cash depreciation and amortisation totalling US\$4.9 million, the Group's cash gross profit in 1Q2017 was US\$30.3 million, out of which US\$29.9 million was contributed by the coal mining segment. As compared with 4Q2016, Group's cash gross profit from coal mining segment decreased by US\$2.8 million due to the slightly lower volume shipped due to the rainy season.

Cash profit for coal mining segment was an average of US\$13.52 per tonne compared to an average of US\$13.86 per tonne in 4Q2016 and US\$3.02 per tonne in 1Q2016. The slight decrease between the average per tonne for 1Q2017 and 4Q2016 was mainly due to increased production costs arising from the increase in coal price as some of the mining costs were pegged to the Indonesia Coal Index ("ICI") as well as marketing fee paid to Engelhart Commodities Trading Partners (Singapore) Pte Ltd ("ECTP").

The ICI for 4200 GAR (Gross As Received) price index for coal sales increased from the average index price of US\$41.95 per tonne in 4Q2016 to US\$42.77 per tonne in 1Q2017, an increase of US\$0.82 per tonne. As compared to 1Q2016 average index price of US\$26.34 per tonne in 1Q2016, the average index price increased by US\$16.43 per tonne or 62%.

(All figures in US\$'000 except as indicated)	Coal mining	Coal trading	Coal mining management services	Total
Group				
<u>Continuing operations</u>				
3 months ended 31.3.2017				
Volume (tonnes)	2,212,893	411,421	-	2,624,314
Revenue	87,295	11,702	286	99,283
Cost of sales	(62,321)	(11,470)	(162)	(73,953)
Gross profit	24,974	232	124	25,330
Non-cash items (depreciation & amortisation)	4,941	-	-	4,941
Cash profit	29,915	232	124	30,271
3 months ended 31.3.2016				
Volume (tonnes)	484,836	-	-	484,836
Revenue	11,888	-	-	11,888
Cost of sales	(11,641)	-	-	(11,641)
Gross profit	247	-	-	247
Non-cash items (depreciation & amortisation)	1,217	-	-	1,217
Cash profit	1,464	-	-	1,464
3 months ended 31.12.2016				
Volume (tonnes)	2,362,207	-	-	2,362,207
Revenue	91,950	-	-	91,950
Cost of sales	(64,260)	-	-	(64,260)
Gross profit	27,690	-	-	27,690
Non-cash items (depreciation & amortisation)	5,057	-	-	5,057
Cash profit	32,747	-	-	32,747

Profit before income tax of US\$19.9 million in 1Q2017 includes:

- General and administrative expenses of US\$1.8 million, an increase of US\$0.5 million from 1Q2016. The increase was mainly due to higher staff costs as the Group expanded its operations;
- Other expenses of US\$1.9 million, an increase of US\$0.9 million from 1Q2016. The increase was mainly due to forex difference on the S\$ MTN against the US\$;
- Finance costs of US\$1.8 million, an increase of US\$0.2 million from 1Q2016. This was mainly due to higher bank administrative charges incurred in processing Letter of Credits for sale of coal as the number of shipments in 1Q2017 were greater as compared to 1Q2016 which also resulted in the increase in revenue in 1Q2017; and
- Depreciation and amortisation of US\$5.1 million, an increase of US\$3.7 million from 1Q2016. The increase was due to amortisation of the mining assets based on the increase production of the SDJ mine operations during the period as compared to 1Q2016.

Income tax expense increased by US\$5.4 million, from US\$0.2 million tax credit in 1Q2016 to US\$5.2 million tax expense in 1Q2017. The increase was due to the Group's turnaround from loss to profit before tax position. Overall the effective tax rate was 26%.

Overall, the Group's **net profit** for the period increased by US\$17.2 million, from US\$2.6 million net loss in 1Q2016 to US\$14.6 million net profit in 1Q2017.

8.2 Financial Position

Group

Current assets

Current assets were US\$180.0 million as at 31 March 2017.

- Cash and bank balances decreased by US\$11.1 million to US\$56.6 million as at 31 March 2017, mainly due to the advances paid in relation to the proposed acquisition of the PT Tanah Bumbu Resources ("TBR") mining concession of US\$13.0 million.
- Trade and other receivables of US\$106.6 million as of 31 March 2017 comprise mainly trade receivables of US\$37.9 million (of which US\$16.5 million was received in April 2017) and non-trade receivables of US\$68.7 million. The increase of US\$3.1 million from US\$103.5 million as at 31 December 2016 was mainly due to higher trade receivables of US\$3.9 million.
- Inventories decreased by US\$2.9 million to US\$6.0 million as at 31 March 2017. This was due to higher coal sales and lower stock holdings. The average stock holding days was 8.4 days for the 3 months ended 31 March 2017.

Non-current assets

Non-current assets decreased by US\$2.8 million, to US\$118.8 million as at 31 March 2017. The decrease was mainly due to the depreciation and amortisation on property, plant and equipment and deferred stripping costs of US\$4.6 million and US\$0.5 million respectively. These were offset by the increase in deferred tax asset of US\$1.0 million for tax losses that was audited and confirmed but was previously written off on claiming Tax Amnesty under the Indonesia laws.

Current liabilities

Current liabilities increased by US\$43.7 million to US\$158.1 million as at 31 March 2017. This was mainly due to reclassification of the amount owing on MTN of US\$72.2 million from non-current liabilities to current liabilities as it matures within a year. Beside the notes payable, current liabilities as at 31 March 2017 mainly comprised trade and other payables of US\$20.8 million (mainly due within 90 days), accrued production costs from the operations of the SDJ coal mine and other accrued expenses totalling US\$17.1 million, and income tax payable of US\$12.5 million. It also includes a US\$3.0 million refundable performance guarantee deposit from the SDJ mining contractor, and US\$32.5 million prepayment from ECTP on the SDJ coal offtake.

Non-current liabilities

Non-current liabilities decreased by US\$68.5 million to US\$1.6 million as at 31 March 2017, mainly due to the reclassification of the amount owing on MTN to current liabilities.

Company

Current assets

Current assets increased by US\$6.1 million to US\$134.4 million as at 31 March 2017.

Current assets as at 31 March 2017 of US\$134.4 million comprise mainly cash and bank balances of US\$40.6 million, receivables from external parties upon the disposal of the mining and haulage services business of US\$25.2 million, intercompany receivables of US\$31.0 million, refundable deposit and advances relating to the proposed acquisition of the TBR mining concession of US\$31.5 million (please refer to the relevant announcements for further information), refundable deposit of US\$3.1 million to secure the rights to use a jetty, and US\$3.0 million refundable performance guarantee deposit from the SDJ mining contractor.

Non-current assets

Non-current assets comprise mainly investment in subsidiaries of US\$98.0 million.

Current liabilities

Current liabilities increased by US\$78.3 million to US\$144.2 million as at 31 March 2017. This was mainly due to reclassification of the amount owing on MTN from non-current liabilities as it matures within a year, and an increase in intercompany payables.

Non-current liabilities

Non-current liabilities as at 31 March 2017 comprises provision and finance leases. The decrease of US\$68.7 million, to US\$0.1 million as at 31 March 2017, was due to reclassification of amount owing on MTN to current liabilities.

8.3 Cash Flows

Group

(1Q2017 vs. 1Q2016)

Net cash generated from operating activities in 1Q2017 was US\$9.0 million, as compared to US\$2.0 million in 1Q2016. Operating cash flows before movements in working capital was an inflow of US\$28.4 million, mainly due to the Group's operating profit in 1Q2017. However, movements in working capital were an outflow of US\$18.3 million, as compared to the US\$0.4 million cash inflow in 1Q2016. The outflow was due to increase in trade and other receivables, deposits and prepayment and a reduction in trade and other payables which were set-off by a decrease in inventories. In addition, US\$1.1 million taxes were paid.

Net cash used in investing activities in 1Q2017 of US\$17.7 million was mainly due to advance payments for conditional acquisition of TBR mining concessions of US\$13.0 million, deferred payments for purchase of property, plant and equipment on SDJ of US\$4.5 million and purchase of property, plant and equipment of US\$0.3 million.

Cash used in financing activity in 1Q2017 of US\$2.5 million was mainly due to MTN interest paid of US\$2.5 million during the period.

As a result of above movement, the Group recorded a net decrease in cash and cash equivalents of US\$11.2 million in 1Q2017.

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

The Group is pleased to achieve coal sales of 2,212,893 tonnes for the first quarter ended 31 March 2017, despite it being the wet season for the first quarter of 2017, where production is typically lower due to heavy rains. This marks the Group's good progress towards achieving our commitment and target sales of 10 million tonnes of coal in 2017, as well as demonstrating the Group's consistent ability to manage our coal mining operations well.

10. A commentary at the date of the announcement of the significant trends and 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 ICI continues to show promising signs of a sustained uptrend on coal prices. ICI 4200 GAR coal prices had increased from US\$26.69 per tonne in January 2016 to an average indexed coal price for the quarter of US\$42.77 per tonne, an increase of US\$16.08 per tonne or 60% in the period.

China's policies to reduce its domestic coal production and weather disruptions affecting mines in Australia have tightened Asia's coal markets, while demand in China and other key import markets remains strong, lifting prices¹. The Indonesian coal mining industry had earlier benefitted from policy developments in China where the number of statutory working days for coal miners were reduced from 330 days to 276 days a year, and sustained demand due to the high switching costs for energy and long-term investment nature of coal-fired power plants.

In 1Q2017, the Group continued to deliver on its commitment to accretive acquisitions. On the proposed acquisition of PT Parisma Jaya Abadi ("PJA"), the Group had negotiated with the Vendor, Sunrise Wealth Success Limited, for the reduction of the purchase consideration². The Group is also still in the process of completing the acquisition of TBR, which is a mining concession strategically located next to the Group's SDJ coal mine. After the completion of these acquisitions, targeted to be in 2Q2017, the Group's coal reserves are expected to increase to over 90 million tonnes.

We remain on track to deliver our target of 10 million tonnes for production and sale in 2017, which could see the Group becoming one of the top 10 Indonesia coal producers. Based on the current cash profits of over US\$10 per tonne, this would translate to an operating free cash flow of not less than US\$100 million in 2017 at today's coal price and current production cash costs.

From a position of stronger cash flows and profitability, the Group is embarking on an exercise to optimise its capital structure taking into account the MTN due in January 2018. The MTN carries a 7 percent interest rate per annum. We are exploring ways to lower our weighted average cost of capital, as well as reviewing the gearing and capital structure for our Company.

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.

¹ Asia's coal markets tighten on Indonesia port probe, Australian cyclone. 29 March 2017, Reuters.

² Please refer to the announcements dated 29 February 2016 and 24 September 2013 for previously disclosed details of the relationship between the Group and PJA.

(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 first quarter ended 31 March 2017.

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 first quarter ended 31 March 2017.

14. Negative confirmation pursuant to Rule 705(5)

We, Charles Antony Melati and Tung Kum Hon, 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 results for the first quarter ended 31 March 2017 to be false or misleading in any material aspect.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7 of the Listing Manual) under Rule 720(1) of the Listing Manual.

On behalf of the Board of Directors

Charles Antony Melati
Executive Chairman

Tung Kum Hon
Chief Executive Officer

11 May 2017