GEO ENERGY GROUP
天然煤矿集团

GEO ENERGY RESOURCES LIMITED

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

News Release

Geo Energy Recorded a Lower Revenue of US$249.1 Million and a Net Loss of US$37.8 Million, Driven by Weaker Coal Prices, Demurrage Charges, Write-Off of Stock and Impairment of BEK Mining Property. EBITDA was US$23.0 Million and Coal Sales of 7.4 Million Tonnes From SDJ and TBR Coal Mines.

SINGAPORE, 28 February 2020 – Geo Energy Resources Limited ("Geo Energy" or the "Company", and together with its subsidiaries, the "Group") (SGX:RE4) announced its financial results for the twelve months ended 31 December 2019 ("**2019**").

2019 Highlights

- Revenue decreased by 17% from US$299.2 million in 2018 to US$249.1 million in 2019 due to lower Average Selling Price ("ASP") resulting from the decrease in the average Indonesian Coal Index ("**ICI**") price in 2019 compared to 2018. The average ICI price for 4,200 GAR coal was US$35.05 per tonne in 2019, down from US$41.96 per tonne in 2018. As a result, ASP was US$33.67 per tonne in 2019, down from US$42.08 per tonne in 2018.

- The Group sold 7.4 million tonnes of coal in 2019, compared to 7.1 million tonnes sold in 2018. In 2019, SDJ sold 2.4 million tonnes while TBR sold 5.0 million tonnes. Included in the 7.4 million tonnes of coal was 2.4 million tonnes sold in the Indonesian market as part of the Domestic Market Obligations ("**DMO**").

- Cash profit for coal mining in 2019 averaged US$4.19 per tonne compared to an average of US$11.28 per tonne in 2018, mainly driven by the lower ASP as a result of the lower coal prices. EBITDA was US$23.0 million for the year.

- Production cash costs are maintained at around US$29 per tonne after the Group's renegotiation with suppliers for lower costs tied to lower coal prices in 2019.

- Repurchased US$16.1 million in aggregate principal amount of the US$300 million 8% Senior Notes due 2022 ("**Senior Notes**") in December 2019 to support the Senior Notes price in the market and a recorded a gain of US$5.3 million.

- The Group targets production and sales of 8 million tonnes for both SDJ and TBR in 2020.

- Geo Energy has won the Gold Award for the Best Investor Relations, for SGX listed companies with market capitalisation less than S$300 million, at the 2019 Singapore Corporate Award. We were shortlisted for the 2020 Le Fonti Innovation Awards under the coal mining sector for corporate excellence, leadership, technological achievement and employee engagement.

Commenting for the industry and market outlook for coal, Mr Charles Antonny Melati, Executive Chairman of Geo Energy said, "**Coal price was volatile and weaker in 2019 and thus a lower revenue was recorded as of 31 December 2019. Referring to a report published by DBS Research Group, the demand from China would continue to support healthy coal prices in Indonesia as China imports approximately 10% of its coal supply per year, translating to 250 to 300 million tonnes of overseas coal annually. Furthermore, the COVID-19 outbreak has also contributed to the recent increase in imported coal prices as China had reduced its domestic production. However, the longer-term outlook remains clouded as the market weighs the impact of supply disruption against demand destruction.[1]**

The Energy and Mineral Resources Ministry projects that domestic coal consumption will rise by 12 percent this year, due to additional demand from up to eight new mineral smelters. Indonesia is expected to use up to 155 million tonnes of coal this year to fire up its power plants, smelters and steel factories, up from 138 million tonnes last year.[2] We will continue to supply to our current domestic buyers to meet the 25% DMO requirement in 2020.

Commenting on the financial performance and business outlook for the Group, Mr Tung Kum Hon, Chief Executive Officer of Geo Energy said, **"Our 2019 financial performance was impacted by the weaker coal prices in the year which led to a lower average selling price. We recorded a net loss of US$37.8 million in 2019 mainly due to the following:**

- **write-off of inventory of US$3.8 million due to rainy conditions at the jetty which led to the collapse of stockpile and causing the coal to be submerged under the water, affecting the quality of the coal;**
- **impairment loss on BEK mining property and inventory of US$7.8 million in view of the continued weak price for low calorific value coal (BEK low calorific value of 3,448 GAR coal);**
- **provision for additional tax and other expenses of US$2.1 million following the finalisation of prior year tax assessments of one of its subsidiaries and write-off of deferred tax assets of US$3.5 million on tax losses relating to the Group's non-operating entities in Indonesia; and**
- **demurrage charge of US$6.2 million as a result of some changes in government regulations delaying some shipments.**

These were partially offset by the gain of US$5.3 million on the purchase and redemption of the Group's Senior Notes. Excluding these non-recurring items, our Group's net loss was US$19.7 million, mainly due to depreciation and amortisation of US$23.2 million and interest paid on the Senior Notes of US$24.0 million.

We have achieved the full year DMO requirement in 2019. With the current low coal price, the Group's production and sales for 2020 was set at 8 million tonnes for both SDJ and TBR. If the coal prices improve, the Group will apply to increase SDJ and TBR's Rencana Kerja Anggaran Biaya ("RKAB") (Work Plan and Budget) production quota by 4 million tonnes in second half of 2020, subject to obtaining the relevant Indonesian Government regulatory approvals.

In June 2019, we signed the SDJ new coal offtake with Trafigura in which Trafigura will buy the entire production of coal from the SDJ mine for the remaining life of mine less its DMO starting in January 2020. We have commenced coal delivery and completed 9 shipments with 538,995 tonnes of coal sold to Trafigura to-date. Together with the TBR's coal offtake with Macquarie Bank, we have secured buyers for 75% of our production over the life of mine going forward.

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[1] DBS Research Group. Equity – All eyes on China in 2020, 3 December 2019
[2] https://jakartaglobe.id/business/indonesia-to-use-up-12-more-coal-this-year-as-new-mineral-smelters-start-operation

We have extended the long stop date for the completion of the acquisition of two producing coal mines in South Kalimantan – PT Bara Anugrah Sejahtera ("BAS") and PT Banjarsari Pribumi ("BP") (the "Proposed Acquisition"), due to pending receipt of certain regulatory approvals by the Vendors (PT Titan Infra Energy ("TIE") and PT Jaya Utama Indonesia). We will update our shareholders and make the relevant announcement in due course.

Pending the completion of the Proposed Acquisition, we signed coal purchase agreements with TIE with prepayments of US$32.5 million ("Coal Purchase Prepayment") to trade in BAS and BP coal for exports in 2020. With the Coal Purchase Prepayment, repurchase and the payment of interest on the Senior Notes and the payment of dividend of US$4.1 million during the year, the Group cash balance decreased to US$139.0 million as at 31 December 2019.

With the completion of the Proposed Acquisition or any new acquisitions, we expect our cash position to improve in 2020.

A company going through a downturn with cash has a considerable advantage to seize opportunity amid uncertainty. We are looking at making strategic coal asset acquisitions at depressed multiples that can create long-term accretive value for shareholders and meet the requirements of the first call date on 4 April 2021 for the put option on the Senior Notes. We will continue to manage our risks, substantially reduce our costs as we invest and expand our business by diversifying our product portfolio to put our Group on a stronger and more sustainable growth path.

How to respond to the demand of investors for greater transparency around the social, economic and environmental impacts of coal mining? Create value beyond compliance, integrating Environment, Social and Governance principles into the decision-making and expand our approach to Corporate Social Responsibilities, change the image of mining and get better at brand and reputation management.

Following the recent amendments to the listing rules of the SGX-ST Listing Manual, the Company is exempted from quarterly reporting of financial results. However, we believe the continuation of quarterly reporting of the Company's financial results will enable the Company to update and engage with its various stakeholders more regularly on the Group's financial performance."

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ABOUT GEO ENERGY RESOURCES LIMITED (Bloomberg Ticker: GERL SP)

Geo Energy Resources Limited ("Geo Energy") is a major Indonesian coal producer with an established track record in operating coal mines, coal production and selling coal throughout the region. Geo Energy commenced its business in 2008 as a coal mining services provider and became a listed company on the Mainboard of the SGX in 2012, under the stock code: RE4 and is part of the Singapore FTSE-ST index.

Since then, Geo Energy has transitioned from being primarily a coal mining services provider to a coal producer that subcontracts its coal mining operations. This transition has allowed the Group to change the business model from operating as a relatively small-scale mining services provider in an environment of high capital expenditure and relatively low operational efficiency, with high dependence on owners of coal mining concessions, to being a low-cost coal producer with high-quality coal mining assets, working in collaboration with word-class business partners.

The Group's investment strategy is mainly focused on acquisition of new mining concessions to increase production quantity and at the same time diversify its sources of coal. The Group owns four mining concessions through its wholly owned subsidiaries PT Bumi Enggang Khatulistiwa, PT Sungai Danau Jaya, PT Tanah Bumbu Resources and PT Surya Tambang Tolindo in Kalimantan, Indonesia.

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