

MEDIA RELEASE

12 November 2020

GEO ENERGY RECORDED A NET PROFIT OF US\$25.1 MILLION IN 3Q2020 (US\$91.6 MILLION IN 9M2020), FOLLOWING A 34% REDUCTION IN CASH COSTS AND 78% REDUCTION IN GEARING**3Q2020 Highlights**

- The Group sold 1.1 million tonnes of 4,200 GAR coal from the SDJ coal mine and another 1.4 million tonnes from the TBR coal mine, totalling 2.5 million tonnes of coal during the quarter. This was comparable to 2Q2020 and an increase from 2.0 million tonnes in 3Q2019.
- Revenue decreased by 12% from US\$67.2 million in 3Q2019 to US\$59.4 million mainly due to the lower Average Selling Price (“ASP”) following the downward trend in the Indonesian Coal Index (“ICI”) prices in the period, offset by higher sales volume.
- Cash profit for coal mining for 3Q2020 averaged at US\$3.88 per tonne (2Q2020: US\$6.25 per tonne; 3Q2019: US\$2.01 per tonne). The cash profit margin of 17% was lower than the 23% in 2Q2020, but higher than the 6% in 3Q2019, mainly due to the decrease in ASP notwithstanding the lower production cash cost from the Group’s cost cutting measures taken since the start of 2020.
- Average production cash costs of US\$19.58 per tonne in 3Q2020 was a decrease from US\$20.92 per tonne in 2Q2020 and US\$31.74 per tonne in 3Q2019, following the Group’s cost cutting measures and the lower mining strip ratio this quarter.
- EBITDA was US\$7.2 million (3Q2019: US\$2.4 million) and US\$34.8 million (9M2019: US\$18.3 million) in 3Q2020 and 9M2020 respectively.
- Net profit was US\$25.1 million (2Q2020: US\$35.2 million; 3Q2019: net loss of US\$11.5 million), mainly driven by higher sales volume and higher cash profit as a result of lower production cash cost, and by the gain on the Group’s repurchases of its Senior Notes.
- The Company won in the Corporate Excellence & Fast Enterprise category under Mining and Energy Industry of the prestigious Asia Pacific Enterprise Awards (“APEA”) 2020.

Commenting on the financial performance and business outlook for the Group, Mr Tung Kum Hon, Chief Executive Officer and Executive Director of Geo Energy said:



“Indonesian coal prices have been under pressure at the start of the year since the COVID-19 outbreak began in China, and Chinese ports rolled out new import controls measures amidst the ongoing disruptions and uncertainty arising from the COVID-19 pandemic.

To make our business more resilient, we have improved our cost base through negotiations with service providers for a cost structure that remains viable even in a depressed coal

price environment. Our cost has reduced by 34% from the average cost in 2019. This has allowed the Group to remain profitable despite weak coal prices.

Although the ICI prices have been under pressure with average ICI price for 4,200 GAR coal in 3Q2020 at US\$23.95 per tonne (2Q2020: US\$26.78 per tonne; 3Q2019: US\$33.01 per tonne), prices have been recovering since mid-September with ICI price at US\$28.93 per tonne on 6 November 2020. This was mostly driven by the ramping up of China's import market with power plants tendering for winter restocking as well as tighter import restrictions on Australian coal.¹

Strengthen our Core Earnings

Key Operating Matrix	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020	% Change Y-o-Y
In million tonnes						
Sales Volume	2.0	1.9	2.5	2.5	2.5	25
Production Volume	2.2	1.5	2.6	3.2	3.0	36
In US\$ / tonne						
Average ICI 4	33.01	34.15	34.44	26.78	23.95	(27)
Average Selling price	33.75	33.20	33.22	27.17	23.46	(30)
Production Cash Cost	31.74	29.05	26.86	20.92	19.58	(38)
Cash Profit	2.01	4.15	6.36	6.25	3.88	93

We have improved our cost base through negotiations with our service providers for a cost structure that remains viable even in a depressed coal price environment, with a reduction of 34% to US\$19.58/mt from the average cost in 2019.

Strengthen our Core Earnings

Key Financials US\$ million	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020	% Change Y-o-Y
Income Statement						
Revenue	67	64	88	73	59	(12)
12-mth trailing EBITDA	24	23	35	35	40	67
Net (loss) profit	(11)	(28)	31	35	25	nm
US\$ million	30 Sep 2019	31 Dec 2019 (A)	31 Mar 2020	30 Jun 2020	30 Sept 2020 (B)	% Change (B-A)/A
Balance Sheet						
Debt ¹	305	284	195	134	62	(78)
Cash	184	139	107	78	33	(76)
Net Debt	121	145	88	56	29	(80)
Equity	151	123	155	190	215	75

¹ Debt is calculated as the aggregate of the Group's lease liabilities and Senior Notes (including interest payable)
nm – not meaningful

The Group has achieved another quarter of record sale of 2.5 million tonnes, a 25% increase from 3Q2019. Furthermore, the Group has the flexibility to produce up to 12.0 million tonnes following the approval of the increased Rencana Kerja Anggaran Biaya production quota.

Following the COVID-19 crisis, we have optimised our capital structure and reduced our gearing by 78%, through a series of repurchases totalling US\$240.8 million of the Group's Senior Notes in 10 months from December 2019 to September 2020. This reduced the annual interest by 80% from US\$24.0 million to US\$4.7 million.

¹ McCloskey Coal Report, Issue 494 (18 September 2020) and Issue 496 (16 October 2020)

Further, S&P in a report, believes our higher production quota together with our variable cost structure put us in a better position to weather the current challenging operating environment. Our recent bond repurchases have also improved our balance sheet strength.

Sustainability remains of key importance to the Group. We believe in setting the right culture from the first step, by prioritising the safety, health and wellbeing of its workforce and communities. We give back to the society and community, by providing jobs and building school, committing to post-mining reclamation, providing bursary scholarships for university students, and sponsoring annual Run for Hope event. We donated to the Red Cross Home for the Disabled (“RCHD”) and will be participating in their BlueStar 2020 Virtual Charity Walk, in support of their aim to raise S\$150,000 for the RCHD and their mission to Give Joy and Spread Love to the residents of the RCHD and to promote healthy lifestyle amongst donors and sponsors.

Geo Energy has won in the Corporate Excellence & Fast Enterprise category under Mining & Energy Industry of the prestigious Asia Pacific Enterprise Awards (“APEA”) 2020, which recognise enterprises and business leaders across the Asia Pacific region who have shown outstanding track records, perseverance and growth in the business.

We will continue to seek acquisitions of mining concessions to increase production quantity and at the same time, diversify to expand our revenue streams by way of potential joint ventures and trading of third party coal. We will continue to work to strengthen our core earnings through opportunities in these times of crisis and aim to emerge out of these crises as one of the top Indonesian integrated Mining Groups.

During a period with a major pandemic and economic distress, transparency is an essential means of ensuring investors feel reassured that they know what’s happening at a company, where it is going and also what the company may not know yet. We are continuing our investor relations efforts with clear and regular reporting, update announcements, and sharing our future plans in our results briefings.”

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ABOUT GEO ENERGY

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 world-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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