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)

SGX Announcement

RESPONSE TO SGX QUERIES

The Board of Directors of Geo Energy Resources Limited (the "Company", or together with its subsidiaries, the "Group") wishes to announce the following responses to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 9 March 2023 in relation to the Company's unaudited consolidated financial statements announcement for the year ended 31 December 2022 ("FY2022"):

Query (1):

Please disclose:
(i) the breakdown of the Group's other receivables (where applicable);
(ii) the nature of the non-current receivables; and
(ii) the Board's assessment of the recoverability of the non-current trade and other receivables.

Specifically, please provide more details about the Cooperation Agreement as disclosed on page 15 of the unaudited financial statements. Please explain why significant fair value losses have been recognised for the Trade and other receivables under Cooperation Agreement.

Company's Response:

(i) The breakdown of the Group's other receivables as disclosed on page 15 of the unaudited consolidated financial statements announcement for the year ended 31 December 2022 is as below:

(a) advance payments for coal purchase and refundable deposit to acquire interest in two mining concessions, including interests charged – US$ 35.7 million;
(b) other receivables to be collected based on a Settlement Agreement with a former supplier – US$ 0.6 million; and
(c) demurrages claimed from the Group's service provider – US$ 6.6 million,

in which the Group has made full allowance for (a) and (b).

(ii) The nature of the non-current receivables and the Board's assessment of the recoverability is as the following:

- Tax recoverable of US$12.3 million. One of the subsidiaries was assessed by the Indonesian Tax Office ("ITO") for an underpayment of corporate income tax arising from different interpretation of tax treatments. The Group has made payment to the ITO based on their assessment, while the Group, with our professional tax consultant, continues to engage the ITO on this tax matter. Based on the advice of our professional tax consultant, the Group is of the view that there is reasonable basis to support this tax recoverable position; and

- Trade and other receivables under the Cooperation Agreement of US$20.5 million. The Group recognised fair value losses totaling US$14.6 million in 2019 and 2020 due to market disruptions as well as Indonesia's new regulation on Domestic Market Obligations (which require coal producers to set aside 25% of their coal productions for the domestic market) to manage the country's coal supply that posed restrictions to the mines' operations.

  The Group entered into a Cooperation Agreement in 2018 to settle certain debtors' long outstanding trade and other receivables. The Cooperation Agreement would involve joint coal mining activities with sharing of cash profit. For further details, please refer to page 131 of our 2021 Annual Report.

  The Group remains satisfied with the recoverability of the receivables as the Group has started receiving partial repayments in 2022. The Group continues to perform due diligence on these coal mines, including to ensure that mining licenses remain valid and production quotas for 2023 have been obtained, and to verify that they are able to continue operations and make repayments.

Query (2):

Please disclose a breakdown of trade and other payables amounting to US$ 122,246,434 as at 31 December 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response:

Total trade and other payables comprise:

	US$
Trade payables to third parties	83,943,534
Accrued expenses to third parties	28,407,594
Withholding taxes and VAT payables	7,434,768
Deferred gain	1,608,685
Deposits and advances received	367,138
Other payables to third parties	484,715
	122,246,434

Our other payables of US$484,715 were all to third parties, including various professional fees and despatch amounts payable to our service provider. Of these, 35% is not due or past due within 30 days, 30% due within 31 to 120 days and the remaining 35% is older than 121 days.

Query (3):

Please provide the reason(s) for the significant trade and other payables of US$122,246,434 when the Group recorded a cash and cash equivalent of US$234,082,769 as at 31 December 2022.

Company's Response:

The Group's trade and other payables are part of the Group's ordinary course of business. These were mainly invoices that are not yet due based on the credit terms agreed with our vendors as well as accrued expenses that were not yet billed as at 31 December 2022.

As disclosed in our 4Q2022 Results Announcement released on 27 February 2023, production costs were higher due to the higher coal index prices, higher mining strip ratio (which refers to the amount of waste to be removed/mined per unit of coal) due to the geology at the mines and higher fuel prices. These translate to higher trade payables and accrued expenses.

Query (4):

It is disclosed in page 16 of the unaudited financial statement that "Due to the coal mine owner's inability to fulfil certain conditions precedent to the CSPA, as well as its failure to deliver the coal, the refundable deposit and the remaining balance of advance payments were reclassified as other receivables and became immediately repayable."

Please disclose:
(i) the steps taken by the Company to recover the refundable deposits and advance payments for coal purchase paid to the third party coal mine owner;
(ii) Whether due diligence has been performed on the third party coal mine owner;
(iii) whether the Company continues to transact with the third party coal mine owner and if so, what are the commercial reasons in doing so; and
(iv) the Board's assessment of the recoverability of the remaining current trade and other receivables.

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<u>Company's Response:</u>

(i) The Group continues to discuss with the third party coal mine owner (the "counterparty") over several potential avenues of repayments for the settlement of the outstanding receivables.

(ii) As part of the Group's process before the advances were made for the coal purchases, standard due diligence was performed.

The Group engaged external JORC consultants to assist in its technical due diligence on the coal mines and associated infrastructure, as well as performed a site visit to these areas. The Group also conducted due diligence by verifying the relevant permits and licenses of the coal mines and associated infrastructure and reviewing the financial statements.

(iii) No, the Group has not continued to transact with the third party coal mine owner.

(iv) The Group assessed the expected credit loss using the probability-weighted amount based on different scenarios by taking into account historical default experience, future prospects of the industry, various external sources of actual and forecast economic information, as appropriate, as well as time value of money in estimating the probability of default and loss upon default. As at year end, the Group has made full allowance for credit loss on the receivables. However, the Group continues to work closely with the counterparty for the settlement of the outstanding receivables, as set out in the response to Query 4(i) above.

<u>Query (5):</u>

It is disclosed in page 22 of the unaudited financial statement that "Additional tax recoverable during the year relates to amount receivable pending resolution of tax matters with the tax authorities". Please provide more details regarding the "tax matters", explain why these amounts have been classified as "Non-current assets" by the Company and steps taken by the Company to recover these amounts.

<u>Company's Response:</u>

As mentioned in the response to Query 1, one of the subsidiaries was assessed by the Indonesian Tax Office ("ITO") for an underpayment of corporate income tax. The Group has made payment to the ITO based on their assessment, while the Group, with our professional tax consultant, continues to engage the ITO on this tax matter. Based on the advice of the professional tax consultant, the Group is of the view that there is reasonable basis to support this tax recoverable position.

The amount has been classified as non-current as the resolution of tax matters with the ITO can take more than 1 year.

BY ORDER OF THE BOARD

Charles Antonny Melati
Executive Chairman and CEO

13 March 2023