



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's Revenue Rose 41% to US\$83.2 million for 2Q2018 and underlying net profit increased 38% to US\$13.8 million; Declares interim dividend and announces a dividend policy

SINGAPORE, 13 August 2018 – Geo Energy Resources Limited (“Geo Energy” or the “Company”, and together with its subsidiaries, the “Group”) (SGX:RE4), announced its 2Q2018 results, declares an interim dividend and a dividend policy.

(US\$ '000)	2Q2018 (Unaudited)	2Q2017 (Unaudited)	% change	1H2018 (Unaudited)	1H2017 (Unaudited)	% change
Revenue	83,184	58,947	41	173,731	148,625	17
Cost of sales	(61,820)	(39,819)	55	(130,463)	(104,346)	25
Gross Profit	21,364	19,128	12	43,268	44,279	(2)
Other Income	1,137	292	290	3,026	584	418
Finance Costs	(7,538)	(1,168)	545	(15,220)	(2,577)	491
General & Administrative Expenses	(2,783)	(2,572)	8	(5,331)	(4,800)	11
Other Expenses	(1,132)	(408)	177	(2,817)	(2,352)	20
Net Profit Attributable to Owners of the Company	8,474	10,003	(15)	17,458	24,642	(29)
Earnings per share* - Fully diluted (US cents)	0.64	0.82	(22)	1.31	2.02	(35)

* Based on weighted average number of 1,329,273,113 ordinary shares for 2Q2018 (2Q2017: 1,222,558,827) and 1,329,273,113 ordinary shares for 1H2018 (1H2017: 1,217,444,383)

nm - not meaningful

Geo Energy Resources Limited

(Incorporated in the Republic of Singapore on 24 May 2010) (Co. Reg. No: 201011034Z)

12 Marina Boulevard, #16-01, Marina Bay Financial Centre Tower 3, Singapore 018982 T +65 6702 0888 F +65 6702 0880

The Suites Tower 17 Floor, Jln Boulevard, Pantai Indah Kapuk, No. 1 Kav OFS Jakarta 14470, Indonesia T +62 21 2251 1055 F +62 21 2251 1057

www.geocoal.com



Key Highlights

- PT Sungai Danau Jaya (“SDJ”) coal mine delivered 2.0 million tonnes of coal in 2Q2018, up 33% from 1.5 million tonnes of coal in 2Q2017.
- Revenue increased by US\$25.1 million to US\$173.7 million in 1H2018, despite challenging weather conditions. Key drivers for revenue growth were higher volume of coal shipped and the increase in the Average Selling Price (“ASP”) of coal sales.
- Cash profit for 2Q2018 averaged at US\$13 per tonne (1Q2018: US\$13 per tonne; 2Q2017: US\$15 per tonne) against the ASP of US\$42 per tonne for 4,200 GAR, giving a cash profit margin of 31%.
- Average production cash costs have decreased from US\$33 per tonne in 1Q2018 to US\$29 per tonne in 2Q2018, mainly due to the lower stripping ratio of mining in SDJ in 2Q2018. The stripping ratio for 2Q2018 was 3.21 compared to 4.35 in 1Q2018. Overall average stripping ratio for SDJ in 2018 is projected to be 2.8.
- Underlying net profit for 2Q2018 and 1H2018 were US\$13.8 million (1Q2018: US\$14.3 million; 2Q2017: US\$10.0 million) and US\$28.2 million (1H2017: US\$24.6 million) respectively.
- Geo Energy adopts a dividend policy to declare dividend of at least 30% of the Group’s profit attributable to Owners of the Company, subject to debt covenants and capital requirements needed to support growth and investments.
- As part of delivering and returning value to our investors, Geo Energy also declares an interim dividend of S\$0.01 per ordinary share for the financial period ended 30 June 2018.
- Ranked no. 35 in the Corporate Governance and Transparency Index 2018.

Commenting on the financial performance for the Group, Mr Tung Kum Hon, Chief Executive Officer of Geo Energy said, ***“Our Group is encouraged by the continued growth in its business and profitability in the 1H2018, which was contributed mainly by SDJ thus far. It highlighted the strength of Geo’s business strategy and is ongoing ability to adapt to changing market conditions. We achieved a revenue of US\$173.7 million in 1H2018, an increase of US\$25.1 million or 17% compared to 1H2017. This was mainly driven by a higher volume of coal sales and a higher ASP of coal due to better index prices for 4,200 GAR coal. If not for the heavy rain that affected the SDJ coal production for a few days, we could have done better.*”**

Geo Energy continued to build its coal production in 1H2018 with PT Tanah Bumbu Resources (“TBR”) commencing production in June 2018 and its first shipment of coal on 10 August 2018. We believe the ramping up of TBR’s production in the coming months will be a key growth driver for the Group in the next 18 months.

The Group's underlying net profit for 1H2018 increased from US\$24.6 million to US\$28.2 million. Despite the Group incurring higher finance costs due to interest expenses relating to our US\$300 million Senior



Notes raised in October 2017, these costs are partially offset by the interest income generated from short term investments and deposits from our undeployed cash positions.

Although there is negative carry in the cash raised from the Senior Notes, having a strong balance sheet, surplus cash, liquidity and funding will position our Group well to make new investments and acquisition of coal assets to strengthen our portfolio and further drive growth in the longer term. With a conservative approach to risk, we have so far not announced an acquisition. We expect to announce an acquisition in 2H2018.

As part of delivering and returning value to our investors, we have declared an interim dividend for 1H2018 and adopted a dividend policy to declare dividends of at least 30% of the Group's profit attributable to Owners of the Company, subject to debt covenants and capital requirements for growth and investments. The Group is committed to deliver dividends that increase over time in tandem with our growth in earnings. The declared interim dividend of S\$0.01 per share represent a dividend yield of 4.3% compared to current share price of S\$0.23 as at 13 August 2018.

We are pleased to have been ranked no. 35 in the Corporate Governance and Transparency Index 2018 amongst the major blue chips and top companies in Singapore.¹ This is in line with the Group's strategic objective in creating sustainable value through good corporate governance measures."

Outlook

The Group's results for 2018 is currently expected to be higher than 2017 based on the 1H2018 results announced.

The Group near term outlook is subject to:

- Market conditions
- Impact of foreign exchange on Domestic Market Obligation ("DMO") coal sale
- Regulatory changes

Key drivers are:

- Coal production at TBR coal mine has commenced since June 2018.
- The Group announced the delivering of TBR's first shipment of approximately 50,000 tonnes of coal to a subsidiary of Tsingshan Holding Group ("Tsingshan") in Indonesia, which also fulfils part of the Group's Indonesia DMO.
- The Group is currently finalising the Life of Mine Coal Offtake for its TBR coal mine.

¹ Singapore Governance and Transparency Index 2018 by Centre for Governance, Institutions and Organisation



- With the commencement of coal production for TBR coal mine, the Group is on track to deliver its targeted coal production of 11-12 million tonnes in 2018.
- The Group is making good progress on new investments and acquisitions and expect to make an announcement on this in due course.

In August 2018, the Group completed its first shipment of coal of approximately 50,000 tonnes from its TBR coal mine to PT. Sulawesi Mining Investment, a subsidiary of Tsingshan. Tsingshan is part of the top 150 Chinese state-owned Enterprise group. The Group is in the process of finalising the Life of Mine Coal Offtake for TBR.

With the existing cash balance of over US\$230 million as of 30 June 2018, the Group is currently exploring opportunities to optimise its coal assets portfolio, by acquiring additional coal mining concessions to complement the Group's portfolio of coal mining assets. The Group aims to increase its Proved and Probable coal reserves by 50-100 million tonnes with additional yearly production and sales of 5-10 million tonnes at a targeted return on investment in excess of 20%.

Commenting on the business outlook and strategic objectives for the Group, Mr. Charles Antonny Melati, Executive Chairman of Geo Energy added, ***"The ICI price for 4,200 GAR coal continues to be strong and trading above US\$40 per tonne in 1H2018, enabling the Group to maintain profitability. Asian steam coal imports are set to rise over the next two decades, led by India and ASEAN, with power growth across Asia stimulating greater coal burn in the region². According to IHS, thermal coal remains strong in demand. Even though China intends to switch to cleaner sources of fuels, 4,200 GAR coal with low ash and low sulfur remains unique with no substitutes³. The Indonesian government has given guidance on the minimum DMO to be 25% of approved production quota. As part of planning ahead, the Group has been working on domestic sales to domestic end-users from industries such as cement, smelters and power plants. Our agreement to supply coal to Tsingshan marks the start of a strong partnership and potentially play an important role in the Group's fulfilment of its DMO quota going forward.***

On top of that, we are in the process of finalising the offtake agreement for our TBR coal mine. With the ramping up of the Group's production and coal sales, and based on the production mine plan and current cash profit margins of US\$10-15 per tonne, the Group targets for an annual EBITDA in excess of US\$150 million in 2019 and for the coming years.

The Group will continue to remain focused on our key strategic objectives going forward: (1) gaining momentum and staying on strategy for sustainable growth; (2) managing our cash cost base and

² SGX – Risk Management for Coal Trading, Bali Coaltrans 2018

³ IHS Markit – Changing Pricing Landscape: A Risk Management tool for Indonesian low-rank coal, Bali Coaltrans 2018



creating operational leverage; (3) strengthening our capital position and broadening our investors and business; and (4) returning value to our shareholders.”

- End -

FORWARD LOOKING STATEMENTS

This announcement contains statements that are, or may be deemed to be, “forward looking statements” which are prospective in nature. These forward looking statements may generally be identified by the use of forward looking terminology, or the negative thereof such as “plans”, “expects” or “does not expect”, “is expected”, “seeks”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “projects”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, assumptions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy, any of which could prove to be inaccurate. By their nature, forward looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of Geo Energy Resources Limited (“Geo Energy”). Forward looking statements are not guarantees of future performance and may and often do differ materially from actual results. Important factors that could cause these uncertainties include, but are not limited to, those discussed in Geo Energy’s Annual Report 2017 and/or the offering memorandum dated 27 September 2017 in relation to the US\$300 million 8.00% senior notes due 2022 offering by Geo Coal International Pte. Ltd., a wholly-owned subsidiary of Geo Energy. Neither Geo Energy nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations (including under the listing rules of the Singapore Exchange Securities Trading Limited), Geo Energy is not under any obligation and Geo Energy and its affiliates expressly disclaim any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This announcement shall not, under any circumstances, create any implication that there has been no change in the business or affairs of Geo Energy since the date of this announcement or that the information contained herein is correct as at any time subsequent to its date. No statement in this announcement is intended as a profit forecast or a profit estimate. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this announcement does not constitute a recommendation regarding any securities.

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

Geo Energy Resources Limited (“Geo Energy” or the “Group”) is one of the major coal producers in Indonesia and is listed on the Singapore Stock Exchange and is part of the Singapore FTSE-ST China index.

The Group’s operations are primarily located in Indonesia. Geo Energy is a coal mining specialist with an established track record in the operation of coal mining sites for the purpose of coal production and coal sales since 2008. It now owns major mining concessions and coal mines in East and South Kalimantan, with JORC marketable coal reserves of over 90 million tonnes.

For more information, please visit www.geocoal.com

For more information please contact:
Romil SINGH, Colin LUM
geoenergy@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064