GEAR – FY2019 Results Briefing

Feb 2020

golden energy and resources

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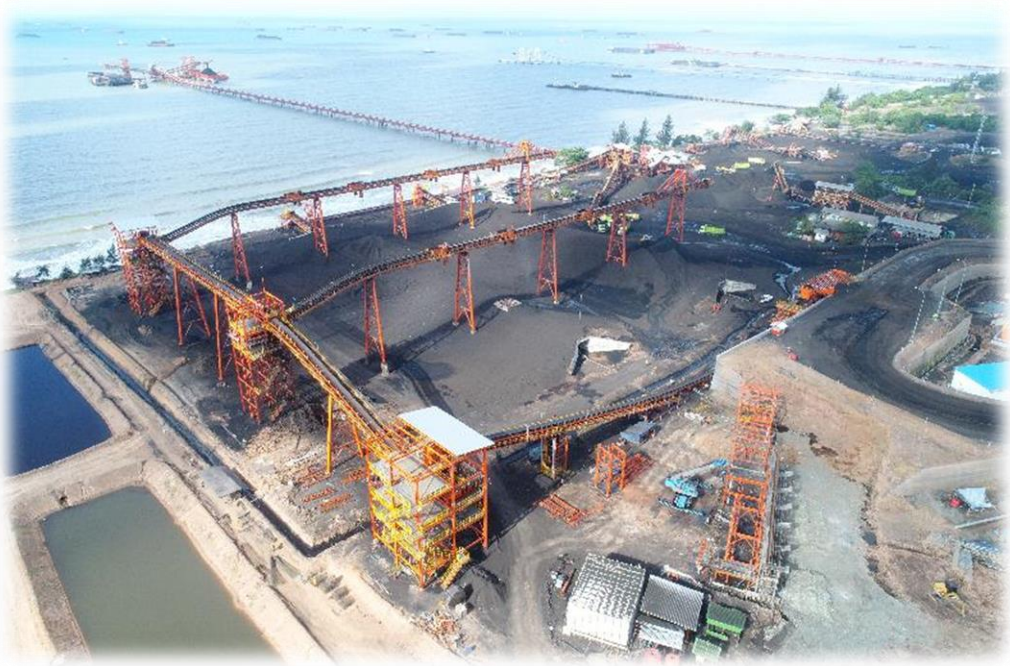
Agenda

1. Performance Highlights

2. Growth Strategies & Outlook

3. Q&A



Performance Highlights

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Performance Highlights

Strong production growth momentum

- **Record production** of
  30.8 Mt
  in FY2019
- **Exceeded production target** of 25.0 Mt.
  Y-o-Y production growth of 36% in-spite of challenging operating environment

- **Record revenue** of
  US$1.1b
  ▲6.9% from US$1.0b in FY2018
- Full year ASP of
  US$34.99/Mt
  vs. US$41.39/Mt in FY2018
- **Dividend** of
  US$4.0m
  received from Stanmore Coal investment

Revenue continues to be supported by higher production volume

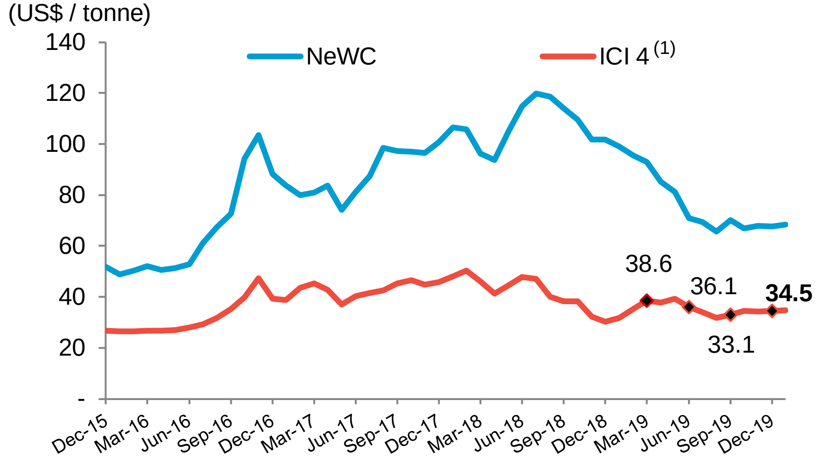
Balance sheet remains stable

- **Group cash position increased** to
  US$177.8m
  from US$113.1m as at 31 December 2018
- **Improvement in leverage ratio**[(2)] at 2.48x, from 3.05x in LTM 3Q'19

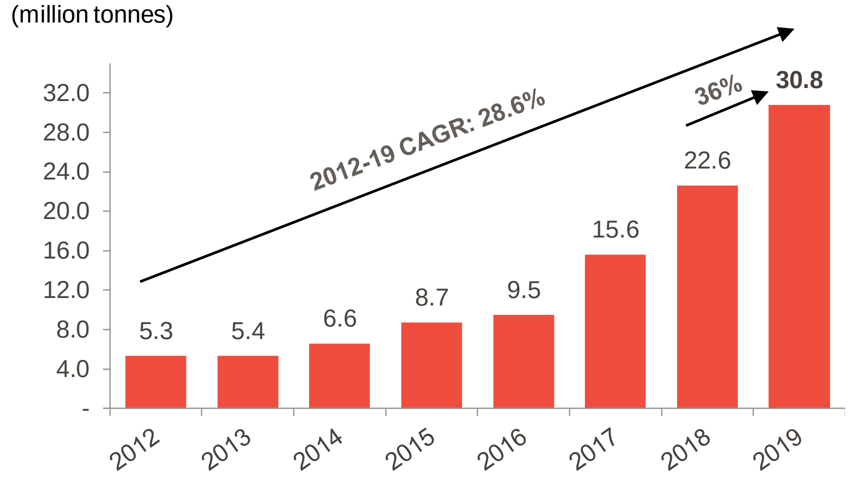
(1) Coal Mining Division
(2) Refers to Total debt to LTM EBITDA

Performance Highlights

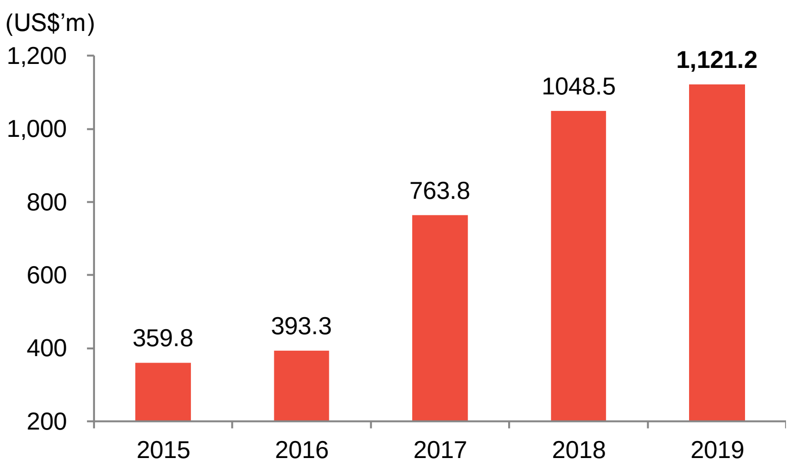
Coal Price Trend



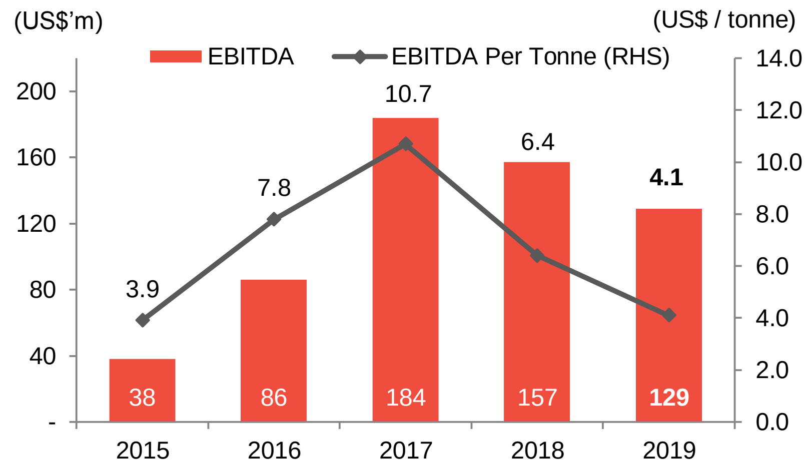
Production Volume Trend – Coal Mining



Revenue Growth Trend



EBITDA(2) Trend



Source: Company, Bloomberg
(1) ICI 4 prices represent average of the month
(2) EBITDA = Profit for the year + finance costs + income tax expense + depreciation and amortization + impairment loss – reversal of prior year interest expense – income tax benefit

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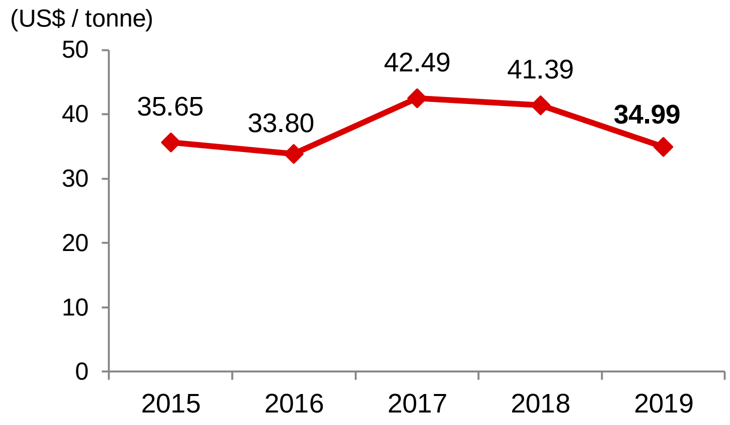
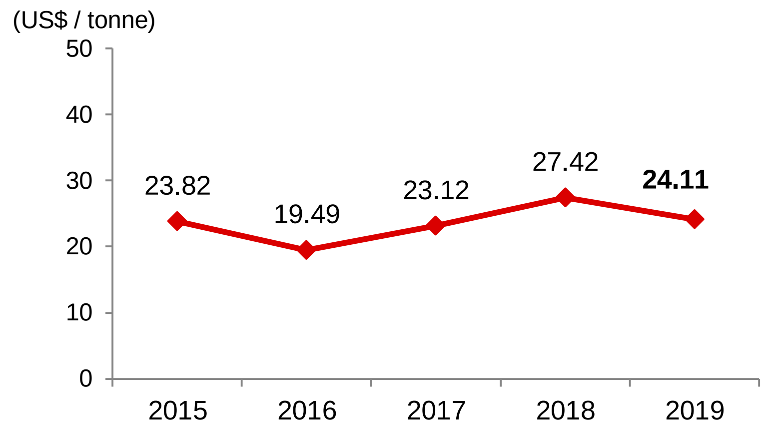
Performance Highlights

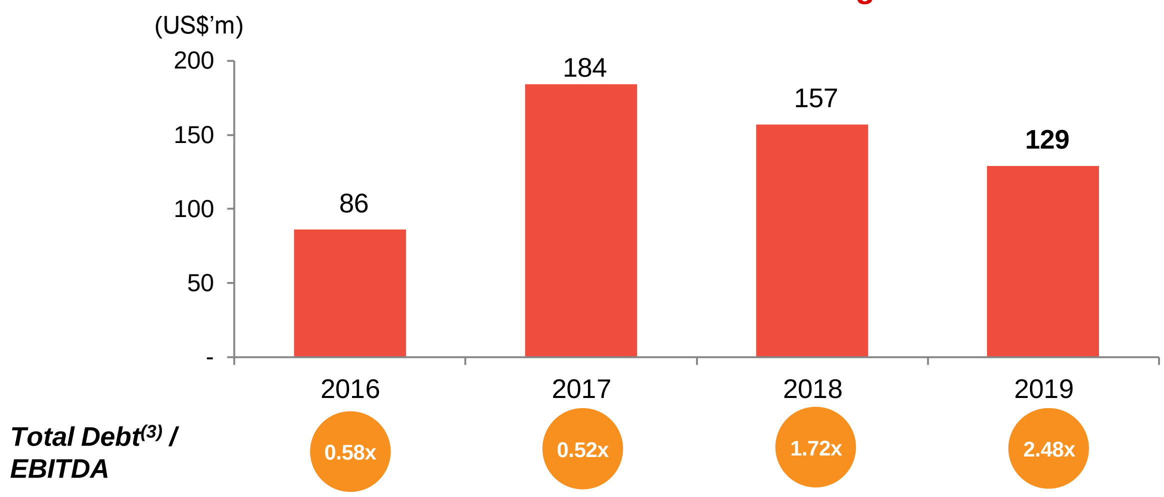
Average Selling Price – Coal Mining



Cash Cost[1] - Coal Mining



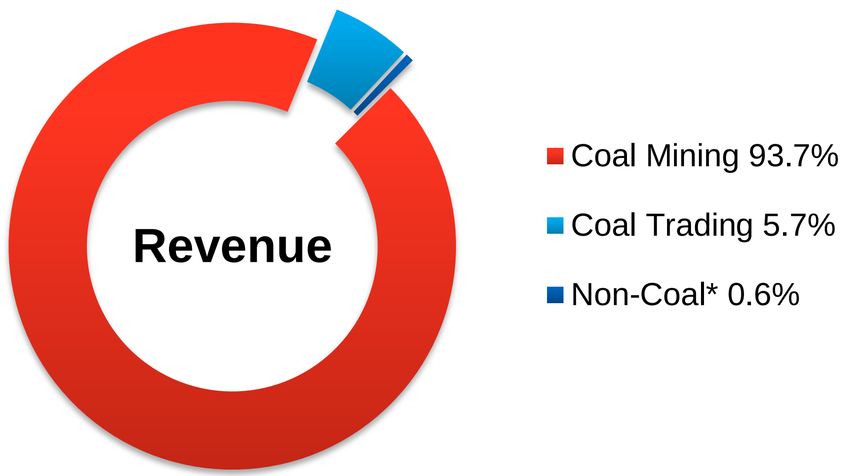
LTM EBITDA[2] and Leverage



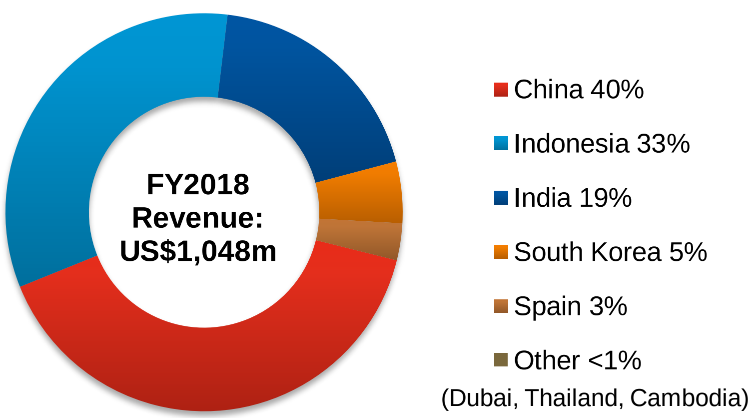
(1) Includes COGS and selling expenses, excludes royalty and non cash items such as depreciation and amortization (D&A)
(2) EBITDA = Profit for the year + finance costs + income tax expense + depreciation and amortization + impairment loss – reversal of prior year interest expense – income tax benefit.
(3) Total Debt = Loans and borrowings

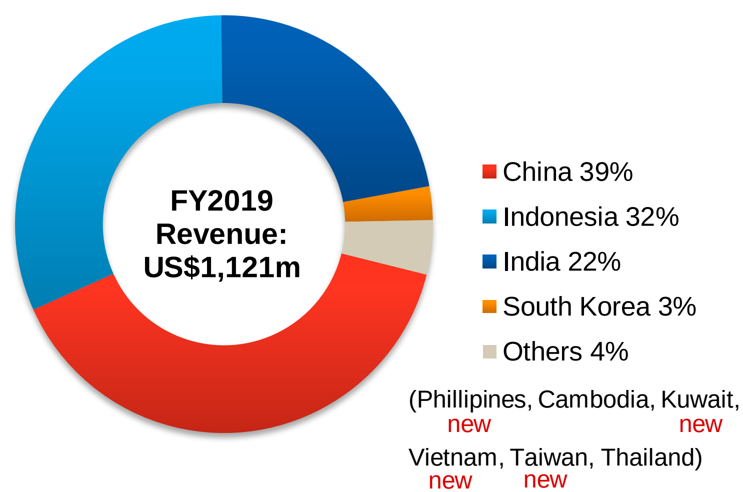
Performance Highlights

Revenue breakdown by division (FY2019)



Revenue breakdown by geography





* Majority represents dividends from Stanmore Coal investment

Outlook and Growth Strategies

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Outlook & Growth Strategies

Production target 31 million tonnes for FY2020

- Production target subject to approval of production quota from the government

Growing demand from key export markets in Asia

- China is expected to remain the world's largest consumer of coal and account for 39% of global coal demand in 2040
- India’s economic growth to support a 4.6% annual growth in coal demand through to 2024
- Vietnam and Indonesia are forecast to drive a 5.0% increase in coal demand in Southeast Asia

Diversification into counter-cyclical precious metals

- Joint venture with EMR Capital for acquisition of **Ravenswood Gold Mine** marks second investment in gold mining in Australia
- Existing investments:
  - **Westgold Resources** (Gold Producer)
  - **Stanmore Coal** (Coking Coal Producer)

Recent Developments

Acquisition of Ravenswood Gold Mine in 50% Joint Venture with EMR Capital

GEAR's second investment into Australia's gold mining sector

Ravenswood Gold Mine

- Located in **Queensland**, Australia approximately 130km south of Townsville
- A **proven producing asset** with multiple open pits to support large scale, low cost and long term production
- Total gold resource of **5.92 million ounces** and a total gold reserve of **2.74 million ounces** as at 30 June 2019
- Produced approximately **54,000 ounces** of gold for year ended 31 December 2019
- Consists of an underground mine, Mt Wright, and open pits, Buck Reef West, Sarsfield and Nolans
- Developed infrastructure which includes triple stage crushing, SAG and ball mill grinding, and CIP processing with a gravity circuit
- Processing plant capacity recently increased from **3 to 5 million tonnes per annum**

Processing plant with the grinding mill and beneficiation circuit

Strategic partner : EMR Capital

EMR Capital is a specialist mining private equity manager with a proven track record in successful resources project development, operation and investment in a variety of commodities.

EMR Capital currently owns and operates 8 mining operations and projects in 6 countries globally with an enterprise value in excess of US$5Bn and revenues in excess of US$1.5Bn

Latest Credit Rating Reports

Moody's Investors Service – 4 Feb 2020
B1 ; Stable Outlook

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Golden Energy and Resources' B1 ratings; outlook stable

04 Feb 2020

Singapore, February 04, 2020 -- Moody's Investors Service has affirmed the B1 corporate family rating (CFR) of Golden Energy and Resources Ltd (GEAR). At the same time, Moody's has affirmed the B1 rating on the senior secured bond issued by GEAR.

The outlook remains stable.

RATINGS RATIONALE

"The rating affirmation reflects our expectation that GEAR will continue to grow its thermal coal production and maintain profitable operations, despite volatile thermal coal prices," says Maisam Hasnain, a Moody's Assistant Vice President and Analyst.

GEAR's credit profile is supported by growing production at its 67% owned subsidiary, PT Golden Energy Mines Tbk (GEMS), which has a long reserve life of around 26 years. GEMS produced around 31 million tons of coal in 2019, which is more than three times higher than the 9.5 million tons it produced in 2016.

At the same time, GEAR's credit profile is constrained by its dependence on cash dividends from subsidiaries to service its debt. Moody's expects that GEAR's interest cover from dividends received will register around 2.2x over the next 12-18 months, with GEMS being the primary source of cash for the holding company.

The rating affirmation also incorporates Moody's expectation that GEAR will maintain prudent financial policies as it undertakes investments to diversify earnings.

As part of its diversification strategy, GEAR announced in January 2020 that it had entered into a 50-50 joint venture with private equity firm EMR Capital to acquire the Ravenswood gold mine in Queensland, Australia. The acquisition is expected to close by 31 March 2020. GEAR has committed to invest an initial AUD70 million ($47 million) in the mine, which will be funded via internal sources.

Over the last 15 months, GEAR also acquired a 28% stake in Stanmore Coal, a metallurgical and thermal coal producer in Australia, for around $51 million funded primarily through incremental debt.

"These investments will improve GEAR's business profile by increasing its geographic diversification and reducing its exposure to thermal coal. However, the successful execution of major investments across commodities and over a wider geographic area could stretch GEAR's management resources and increase execution risk, particularly if earnings at GEMS' thermal coal operations are pressured by prolonged weak coal prices," adds Hasnain, who is also Moody's Lead Analyst for GEAR.

Based on Moody's medium-term price assumptions for Newcastle thermal coal of around $75 per ton, Moody's estimates GEAR's adjusted leverage -- as measured by adjusted debt/EBITDA -- will decline to 2.5x-2.7x over the next 12-18 months from around 3.5x as of September 2019.

The decline in leverage will be driven by debt reduction via scheduled amortization payments, and incremental earnings as the company continues to increase coal production and maintain strict cost controls at its coal mining operations at GEMS.

Moody's expects GEAR to maintain adequate liquidity, with cash sources sufficient to meet its planned uses over the next 12 months. Moody's also expects that GEAR will pursue conservative financial policies such that any further investments, including future investments to support expanding production at the Ravenswood gold mine, do not materially weaken its liquidity and credit metrics.

The rating also considers GEAR's exposure to environmental, social and governance (ESG) risks as follows:

First, GEAR faces elevated environmental risks associated with the coal mining industry through its key subsidiary GEMS, including carbon transition risk as countries seek to reduce their reliance on coal power.

Fitch Ratings - 28 Nov 2019
B+ ; Positive Outlook

11/29/2019 Press Release

FitchRatings

Fitch Revises Outlook on GEAR to Stable; Affirms 'B+' Rating

Fitch Ratings - Singapore - 28 November 2019:

Fitch Ratings has revised its Outlook on Golden Energy and Resources Limited (GEAR) to Stable from Positive and affirmed the Long-Term Issuer Default Rating (IDR) of GEAR at 'B+'. The agency has also affirmed GEAR's senior unsecured US dollar bond at 'B+' with a 'RR4' Recovery Rating.

The Outlook revision reflects Fitch's expectation that GEAR's scale of EBITDA will be lower than previously expected under Fitch's recently lowered long-term coal price assumptions (see Fitch Ratings Updates Mid-Cycle Metals and Mining Price Assumptions, dated 6 November 2019). This is despite the company's on-track production volume ramp-up.

We calculate GEAR's EBITDA and credit metrics with proportionate consolidation of its 67%-owned key subsidiary, PT Golden Energy Mines Tbk (B+/Stable), as we assess GEAR's linkage with GEMS as moderate. We do not expect GEAR's adjusted EBITDA to rise above USD150 million before 2022.

GEAR's 'B+' ratings reflect the group's adequate financial profile, healthy reserve life and low cost position of its key mine, PT Borneo Indobara (BIB). The Recovery Rating of 'RR4' reflects average recovery prospect for its US dollar bondholders.

Key Rating Drivers

Moderate Linkages: The linkages between GEAR and GEMS are moderate, as assessed under Fitch's Parent and Subsidiary Rating Linkage criteria. GEMS accounts for almost all of the group's consolidated EBITDA; GEAR's standalone operations are not significant and most of its earnings are derived from GEMS's dividends. GEAR retains majority representation over GEMS's board, and is actively involved in managing GEMS's operation.

An agreement between GEMS's shareholders ensures that the company will maximise profit distribution by paying at least 80% of its free cash flow as dividends. However, GMR Coal Resources Pte. Ltd, which owns 30% of GEMS, has also appointed key management personnel and has veto power in major corporate transactions.

We expect GEAR to continue to seek acquisitions or investments to diversify its portfolio. We may reassess the linkages between GEAR and GEMS, including the Standalone Credit Profile of GEAR and its dependence on cash flow from GEMS, after further acquisitions.

Decline in Profitability: We expect GEMS's EBITDA per tonne to remain between USD4/tonne and USD5/tonne (2018: USD6.8/tonne) during 2019-2022, mainly on account of lower average selling prices. The decline in the profitability is in line with the industry; however, for GEMS the impact on cash flow is offset partly by our expectation of volume growth. We also expect the group to maintain a net debt position until 2022, as compared with a net cash position in 2017.

Q & A