
PROPOSED ACQUISITION OF INTEREST IN COAL CONCESSION

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**” or the “**Purchaser**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a conditional sale and purchase agreement dated 18 July 2016 (the “**Agreement**”) with International Resources Investment Ltd (the “**Vendor**”) for the acquisition of ordinary shares representing 100% shareholding interest in Fortune Coal Resources Pte. Ltd. (the “**Ultimate Holding Company**”, the shares representing 100% shareholding interest in the Ultimate Holding Company, the “**UHC Shares**”, and the proposed acquisition, “**Proposed Acquisition**”).
- 1.2. Through various intermediate holding companies, the Ultimate Holding Company indirectly holds an effective equity interest in PT Tanah Bumbu Resources (“**TBR**” or the “**Target Company**”) of 98.73%. The Proposed Acquisition enables the Company to indirectly hold an effective equity interest in TBR of 98.73%.

2. INFORMATION ON THE VENDOR

The Vendor

- 2.1. The Vendor is an investment holding company established and governed under the law of Labuan Federal Territory, Malaysia, having its registered office at Level 7(A), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 Labuan, Federal Territory of Labuan, Malaysia. The Vendor holds 1 ordinary share in the capital of the Ultimate Holding Company, representing the full 100.0% shareholding interest in the Ultimate Holding Company. The Vendor’s sole shareholder is Batubara Development Pte Ltd. The Vendor and beneficiary owner of Batubara Development Pte Ltd, by Indonesian interests, are independent third parties and are not directly or indirectly related to the Company and/or its Directors, controlling shareholders or their respective associates.

3. INFORMATION ON THE TARGET COMPANY

PT Tanah Bumbu Resources

- 3.1. TBR is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Tanah Bumbu, Indonesia. As at the date of the announcement, TBR is the holder of a coal mining concession. TBR holds a Production Operations Permit (IUP-OP) issued to it pursuant to the Decree of Tanah Bumbu Regent No. 188.45/402/DISTAMBEN/2014 dated 13 August 2014, expiring on 11 January 2022. The concession area code is TB.10.JANPR.04 located at sub-district Angsana, Regency of Tanah Bumbu, South Kalimantan Province, Indonesia and covers approximately 489.1 ha of concession area with an estimated mineable coal tonnage of 44.4 million tonne, and an

average calorific value of not less than 4,200 kcal/kg¹, measures on an gross as received basis.

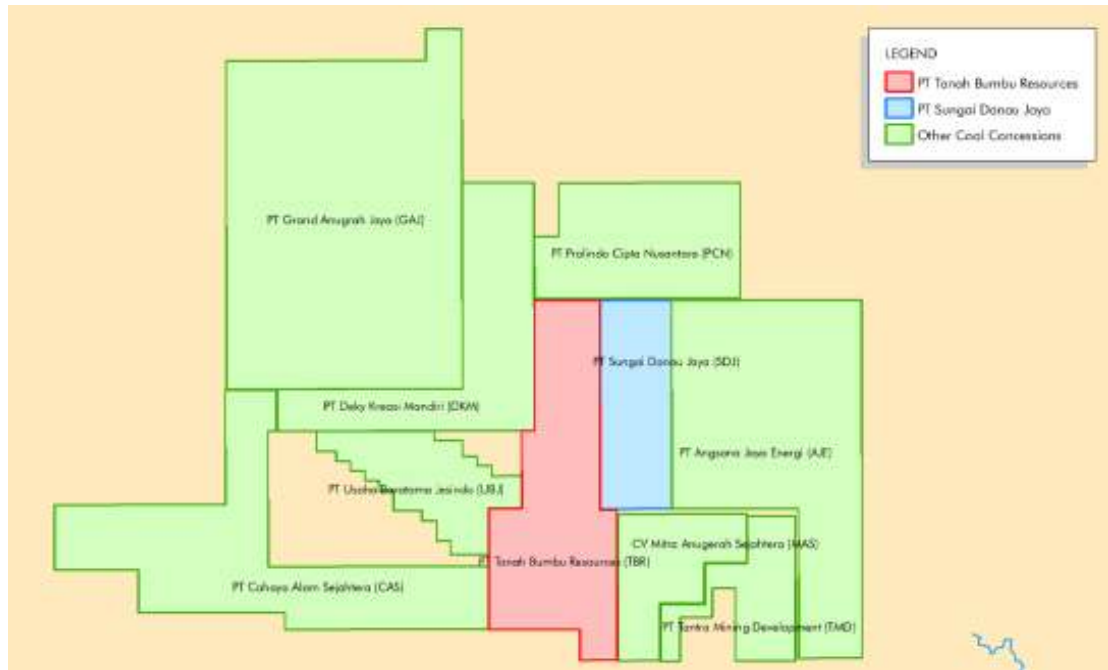


Table 1 – Summary of Coal Reserves as of 31st May 2016

Reserve Classes	Total Waste (Mbcm)	Total Coal (Mt)	Incremental Stripping Ratio (bcm/t)	Proved Coal (Mt)	Probable Coal (Mt)	Proved + Probable Coal (Mt)
In-situ Coal Reserve	164.8	49.4	3.3	40.8	3.7	44.5
Mineable Coal Reserve	165.2	48.9	3.4	40.7	3.7	44.4
Run-of Mine Coal Reserve	165.9	45.6	3.6	38.2	3.4	41.6
Marketable Coal Reserve	165.9	45.6	3.6	38.2	3.4	41.6

**This table must be presented with the entire JORC Reserve statement from which it was obtained.*

Table 2 – Estimated Quality of Product Coal

Product Type	Ash (%) (adb)	VM (%) (adb)	TM (%) (arb)	RD (t/m3) (arb)	TS (%) (adb)	GAR (Kcal/Kg) (arb)
Total	5.1	39.4	34.4	1.28	0.24	4,219

¹ Based on a draft JORC Reserve Report by PT SMG Consultants dated May 2016.

- 3.2. TBR and PT Sungai Danau Jaya (“**SDJ**”), a neighbouring mine already owned by the Company, have in place a mutual mining arrangement dated 2 July 2014 and its amendment and addendum (collectively hereinafter referred to as the “**Mutual Mining Agreement**”). Under the Mutual Mining Agreement, each party is allowed to pass through, cross or enter into certain areas of the other party for the purpose of conducting overburden removal, to use the area of the other party as a disposal area, and to use the area of the other party as hauling road. The Parties expect that implementation of the Mutual Mining Agreement will be more efficient and effective for both mining operations.
- 3.3. PT Satui Energi (the “**Indonesian Local Company**”) is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Tangerang, Indonesia. The Indonesian Local Company has an authorised capital of one billion Rupiah (Rp. 1,000,000,000.00) and issued and paid up capital of six hundred million Rupiah (Rp. 600,000,000.00) divided into 600 shares each with nominal value of one million Rupiah (Rp. 1,000,000.00). The Indonesian Local Company holds 9,900 ordinary shares in the capital of TBR, representing approximately 99.00% shareholding interest in TBR.
- 3.4. PT Satui Jasabara (the “**Indonesian PMA Company**”) is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at South Jakarta, Indonesia. The Indonesian PMA Company has an authorised capital of twelve billion Rupiah (Rp. 12,000,000,000.00) and issued, and paid up capital of twelve billion Rupiah (Rp. 12,000,000,000.00) divided into 120,000 shares each with nominal value of one hundred thousand Rupiah (Rp. 100,000.00). The Indonesian PMA Company holds 599 ordinary shares in the capital of the Indonesian Local Company, representing approximately 99.83% shareholding interest in the Indonesian Local Company.
- 3.5. The Ultimate Holding Company is a company incorporated in Singapore having its registered office at 144 Robinson Road #09-02 Robinson Square, Singapore 068908. The Ultimate Holding Company has a share capital of one thousand Singapore Dollars (S\$1,000.00) divided into 1,000 shares. The Ultimate Holding Company holds 119,880 ordinary shares in the capital of the Indonesian PMA Company, representing approximately 99.90% shareholding interest in the Indonesian PMA Company.

4. RATIONALE FOR AND BENEFIT OF THE PROPOSED ACQUISITION

- 4.1. The Proposed Acquisition is in line with the Company’s business strategy to expand its business operations and increase its coal reserves and production levels.

The Proposed Acquisition will result in the Company indirectly holding an effective shareholding interest in TBR of 98.73%, allowing it access to and control over the mining concession and the coal deposits located in the mining permit area next to the Company’s SDJ coal mine. This in turn would increase the Company’s mining efficiency and synergy by having a much larger combined mining area and increase the quantity of high calorific value coal reserves available for production.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1. Consideration

The Consideration for the purchase of the UHC Shares shall be based on a willing buyer and willing seller basis by the Company and the Vendor at US\$90 million, which shall be funded by the Company's internal resources, and shall be payable as follows:

- (a) US\$37 million, of which US\$8.5 million shall have been paid subject to paragraph 5.1.1 below, and the remainder being payable in cash on Completion;
- (b) US\$13 million by the issuance of 117 million new ordinary shares in the Company at S\$0.15 per share based at a fixed exchange rate of US\$1:S\$1.35, (the "**Consideration Shares**"), which is subject to receiving approval in principle for the listing and quotation of the shares by the SGX-ST and payable on Completion; and
- (c) the remainder in alternative form and/or method as agreed between the Company and the Vendor, and payable on Completion.

5.1.1. Within 14 Business Days from the signing of the Agreement, the Company shall pay to the Vendor US\$18.5 million, of which US\$8.5 million serves as a refundable deposit (the "**Deposit**"). The Deposit shall be refunded to the Company by the Vendor in the event the Agreement is terminated. The Deposit shall be refunded within 14 Business Days of the date of termination of the Agreement. In the event the Deposit is not refunded to the Company by the Vendor within the stipulated time, the Company shall be entitled to demand payment from the Vendor.

The Vendor undertakes and warrants that it shall not sell or otherwise dispose of any of the Consideration Shares for a period of 3 years from the date on which the Consideration Shares have been validly issued to the Vendor, except where the Company has provided prior written consent for such sale or disposal.

The Consideration was arrived at pursuant to arm's length negotiations between the Company and the Vendor on a willing-buyer, willing-seller basis, after taking into account (i) the current market prices for comparable coal quality, and (ii) the Company's willingness to take over capital investment and operating costs for continued mining production.

For the purposes of this Paragraph 5.1, capitalised terms shall have the same meanings as defined in the Agreement.

5.2. Due Diligence

The Company is entitled to carry out due diligence on TBR. In the event the due diligence inquiries are not to the satisfaction to the Company (as the Company may decide in its sole discretion), the Company is entitled to terminate the Agreement.

5.3. Conditions Precedent

The Proposed Acquisition is conditional upon the satisfaction of the following conditions, amongst others:

- (a) If required, (i) the approval of the Board of Directors and/or Shareholders of the Purchaser; and/or (ii) the approval of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);
- (b) The satisfactory outcome of due diligence carried out by the Purchaser into the financial, legal, contractual, tax, business, coal resource and reserves quantity and technical specifications and prospects aspects of the Group Companies;
- (c) All necessary requirements and approvals from governmental or regulatory authorities and/or other third parties (including the SGX-ST) having been successfully obtained, including but not limited to:- (i) the maintenance of the *Penanaman Modal Asing* (PMA) status of the Indonesian PMA Company, (ii) the recommendations from relevant governmental or regulatory authorities, if necessary, (iii) all statutory requirements under the Indonesian company regulations including but not limited requirements under the MOLHR, (iv) complied with and/or the necessary approvals and/or licences for the commencement of production operations at the Mining Permit Area, with respect to the Concession (such as *Area Penggunaan Lain*) and the required environmental licences and all other necessary approvals and/or licences for the business operations of the Group Companies, such approval and/or licences continuing to be in force and effect and not having been withdrawn, suspended, amended or revoked, and (v) all approvals or waivers of all lenders or any other third party for entering into the Proposed Acquisition. For avoidance of doubt, the cost of procuring any of the aforementioned shall be borne by the Vendor and/or its shareholders;
- (d) Provision by the Vendor of evidence to the satisfaction of the Purchaser in its sole discretion that the Concession is on the Clean and Clear List and the Indonesia Operating Company having obtained a certificate of clean and clear from the MEMR;
- (e) All loans (whether documented or undocumented) which are extended to any of the Group Companies have been fully repaid or settled as evidenced by letters from all creditors (if any);
- (f) All security agreements pursuant to which any of the Group Companies or their assets are bound have been released and all of the Group Companies do not have any obligation whatsoever under such agreement and each of their assets have been set free from any Encumbrances as evidenced by the release letter from all security holders;
- (g) Revocation and cancellation of all corporate guarantee(s) issued by any of the Group Companies;
- (h) Save for the amounts owing to related parties of the Vendor of US\$2.5 million, all

past liabilities have been duly settled to the satisfaction of the Purchaser and following the Completion, all of the Group Companies shall have no further obligations and liabilities relating to such Past Liabilities (as defined herein).

For the purpose of this sub-paragraph (h), "Past Liabilities" means all liabilities including compliance obligations, and/or outstanding debts of the Group Companies incurred, in existence or attributed to any condition, circumstances or action taken place on or prior to Completion (including liabilities that arose or shall arise in connection with any royalty or fee agreements and/or arrangements which any of the Group Companies may have entered into with any and all parties (including former shareholder(s) of any of the Group Companies) which requires any of the Group Companies to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold, whether such coal is sourced from the Mining Permit Area or otherwise). The Past Liabilities will be confirmed by the general meeting of shareholders of each Group Companies conducted by the existing shareholders prior to the Completion;

- (i) All mining activity reports, yearly contribution (*deadrent* or *iuran tetap tahunan*), reclamation deposit (*jaminan reklamasi*), mine closure deposit (*jaminan penutupan tambang*) or other compliances obligations as required under the Mining Law or the Concession having been submitted or reported to the relevant government agency;
- (j) All necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia) required for the Target Company to carry out mining activities in forestry areas that are governed by forestry laws and require permits and licences from the Indonesian government and/or Indonesian regulatory authorities (including but not limited to the borrow-use permit of forestry area operation production (*Izin Pinjam Pakai Kawasan Hutan Operasi Produksi*)) having been obtained successfully, including but not limited to:- (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences, or (b) or provision of a letter of confirmation from the Vendor confirming that there are no forestry licences/permits applicable in respect of the Mining Permit Area, whichever is applicable. For avoidance of doubt, the cost of procuring any of the aforementioned shall be borne by the Vendor and/or its shareholders. Furthermore, the *Izin Pinjam Pakai Kawasan Hutan Operasi Produksi* obtained or which is to be obtained by the Indonesian Operating Company shall cover the opening pit, disposal area, hauling road and other mining infrastructure in the Concession area under the mine design as agreed between the Company and Vendor, of which the total area is 91.11 hectares; and
- (k) Provision of evidence of the termination of any and all royalty and/or fee agreements and/or arrangements which TBR (or any of the Target Group Companies, as the case may be) may have entered into with any and all parties (including former shareholder(s) of TBR and/or the Target Group Companies) which requires any of the Target Group Companies to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold,

whether such coal is sourced from the Mining Permit Area or otherwise.

For the purposes of this Paragraph 5.3, capitalised terms shall have the same meanings as defined in the Agreement.

5.4. **Undertakings**

For the Proposed Acquisition, the Vendor has undertaken, amongst others:

- (a) to use its best endeavours to ensure that the conditions precedent shall be fulfilled on or before the Long-Stop Date;
- (b) to procure and ensure prior to Completion Date the cancellation of any and all royalty and/or fee agreements and/or arrangements which any of the Group Companies may have entered into with any and all parties (including but not limited to former shareholder(s) of any of the Group Companies) which requires any of the Group Companies to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold, whether such coal is sourced from the Mining Permit Area or otherwise;
- (c) to procure that the Target Group Companies obtain and/or maintain the validity and effectiveness of all necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia), including but not limited to: (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences required for any of the Target Group Companies (and in particular, TBR) to carry out mining activities in forestry areas that are governed by forestry laws and required permits and licences from the Indonesian government and/or Indonesian regulatory authorities including but not limited to the permit to borrow and use of forest area for Operation Production (*Izin Pinjam Pakai Kawasan Hutan Operasi Produksi*);
- (d) to procure that the Group Companies obtain and/or maintain the validity and effectiveness of all necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia), including but not limited to:- (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences required for any of the Group Companies (and in particular, the Target Company) to carry out mining activities in areas that are allocated for plantation or any other business sector use by the relevant authorities in Indonesia and which under Indonesian laws (including agriculture laws) require permits and licences from the Indonesian government and/or Indonesian regulatory authorities (including but not limited to the Ministry of Agriculture);
- (e) to procure that the Target Group Companies obtain and/or maintain the validity and effectiveness of any and all required agreements and consents from existing

plantation/other business licence/permit holders in respect of the Mining Permit Area that the existing plantation/other business licence/permit holders agree and consent to relinquish the relevant areas of its respective plantations/other business areas to TBR for its carrying on of mining activities, including but not limited to the obtaining of Joint Land Utilization Agreement (*Perjanjian Pemanfaatan Lahan Bersama*); and

- (f) to procure that the Group Companies obtain and/or maintain the validity and effectiveness of all the necessary governmental and regulatory consents and approvals and the like (including but not limited to obtaining and/or maintaining the PMA status of the Indonesian PMA Company prior to Completion and the various approvals in connection with the Concession, such as *Area Penggunaan Lain*) that each of the Group Companies may require for the lawful conduct of its business, activities and operations (including but not limited to the holding of the Concession and the carrying on of the relevant coal mining activities); and
- (g) TBR obtain the necessary coal export permit(s) and approvals for TBR to export its coal.

For the purposes of this Paragraph 5.4, capitalised terms shall have the same meanings as defined in the Agreement.

5.5. Completion

Completion of the Proposed Acquisition is to be the date falling 5 Business Days after the date on which all the conditions have been fulfilled or otherwise waived in writing.

5.6. Long-Stop Date

The long-stop date is to be the date falling twelve (12) months from the date of the Agreement.

6. RELATIVE FIGURES UNDER RULE 1006

Relative Figures for the Proposed Acquisition

The relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST, are as follows:-

Rule	Base	Relative Figure (%)
1006(a)	Net asset value of the assets to be disposed of compared with the Group's net asset value.	Not applicable
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits. ⁽¹⁾	n/m ⁽²⁾
1006(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation. ⁽³⁾	71.95%
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue. ⁽⁴⁾	9.65%
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:-

- (1) Under Rule 1002(3)(b), "net profit/loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) n/m – Not material. The concession to be acquired has yet to be developed; as such no profits have been attributable to the assets to be acquired.
- (3) The aggregate value of the consideration given for the Proposed Acquisition is US\$90 million (which is equivalent to S\$122 million based on the exchange rate of US\$1:S\$1.35), compared to the Company's market capitalisation of S\$169 million (based on 1,212 million shares in issue and the weighted average price of S\$0.1393 per share of the Company transacted on 14 July 2016 and 15 July 2016 (preceding the trading halt), being the market day immediately prior to the signing of the Agreement).
- (4) The "number of equity securities issued by the Company as consideration" is based on the assumption that the US\$13 million of consideration shares are valued at S\$0.15 per ordinary share, converted at a foreign exchange conversion rate of US\$1: S\$1.35. On that basis, 117 million consideration shares will be issued.

Pursuant to the test for Rule 1006 (c) above, the Proposed Acquisition is a major transaction for the purposes of Chapter 10 of the Listing Manual of the SGX-ST. Accordingly, the Proposed Acquisition is subject to the approval of the shareholders of the Company at an EGM to be convened. A circular setting out the relevant information on the Proposed Acquisition, together with a notice of the EGM to be convened, will be despatched to the shareholders in due course.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Company after the Proposed Acquisition set out in this announcement below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company following the completion of the Proposed Acquisition.

The objective of presenting the pro forma financial effects of the Proposed Acquisition as shown below is to illustrate what the historical financial information might have been had the Proposed Acquisition been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at the earlier date.

Pro Forma Financial Effects on the Proposed Acquisition

The pro forma financial effects of the Proposed Acquisition are based on the following assumptions:

- (a) in the calculation of the net tangible assets (“**NTA**”) and NTA per share, for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 31 December 2015;
- (b) in the calculation of earnings per share (“**EPS**”), for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 1 January 2015;
- (c) the Consideration of US\$90 million is fully paid, and assumed to be fully funded by internal financing;

7.1. Effect of Share Capital

	No. of Shares	US\$
Total number of issued shares as at the date of this announcement	1,212,273,113	89,670,842
Add: consideration shares	117,000,000	13,000,000
Enlarged total number of issued shares after the Proposed Acquisition	1,329,273,113	102,670,842

7.2. Effect on EPS by the Proposed Acquisition

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit/(loss) attributable to the owners of the Company (US\$)	(16,306,250)	(16,306,250)
Weighted average number of shares	1,172,163,220	1,289,163,220
EPS (US cents)	(1.39)	(1.26)

7.3. Effect on NTA per Share by the Proposed Acquisition

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA value attributable to the owners of the Company (US\$)	93,733,683	106,733,683
Number of issued shares	1,185,050,891	1,302,050,891
NTA per share (US cents)	7.91	8.20

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for the directors' shareholdings in the Company, none of the directors or controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition.

9. SERVICE AGREEMENT

No new director will be appointed to the Board of the Company in connection with the Proposed Acquisition.

10. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement is available for inspection during normal business hours at the Company's registered office at 12 Marina Boulevard #16-01, Marina Bay Financial Centre Tower 3, Singapore 018982 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Charles Antonny Melati
Executive Chairman
18 July 2016