



GEO ENERGY GROUP
天然煤礦集團

GEO ENERGY RESOURCES LIMITED

(Incorporated in the Republic of Singapore on 24 May 2010)
(Company Registration Number 201011034Z)

SGX Announcement

Geo Energy Resources Limited Business Update

First Quarter and Three Months Ended 31 March 2022

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. There is no certainty or assurance as at the date of this announcement that any transaction disclosed in this announcement will proceed or be completed or that no changes will be made to the terms thereof. Important factors that could cause these uncertainties include, but are not limited to, those discussed in Geo Energy's Annual Report 2021. 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. Shareholders, investors and other persons are advised to exercise caution in trading the securities of the Group.

Business Update

First Quarter and Three Months Ended 31 March 2022



GEO ENERGY ACHIEVES REVENUE OF US\$152 MILLION AND NET PROFIT OF US\$40 MILLION DESPITE TEMPORARY COAL EXPORT BAN IN JANUARY, DECLARES AN INTERIM DIVIDEND OF S\$0.02 PER SHARE

Dear Shareholders,

2021 was a record year for both the coal industry and Geo Energy. Despite the challenges and impact from COVID-19 on the global economy, the coal market exhibited a robust recovery and growth trend in 2021. We have worked and optimised our mining plan over the years, which allowed us to scale our production volumes, expand our operations during the upsurge in prices and achieve a record set of financial results for 2021.

2022 marks the 10th year anniversary since Geo Energy was listed on the Mainboard of SGX. We are pleased to share that we have ushered in 2022 with a strong start. The Group performed well in 1Q2022 with the high coal prices, despite the temporary coal export ban by Indonesia in January 2022.

In just three months, the Group has achieved a revenue of US\$152 million, an increase of 33% from 1Q2021, and net profit of US\$40 million, an increase of 42% from 1Q2021. The increase is due to the higher average selling price ("ASP") of US\$62.34 per tonne in 1Q2022 as compared to US\$38.83 per tonne in 1Q2021, as the average Indonesian Coal Index price for 4200 GAR coal ("ICI4") increased to US\$82.31 per tonne in 1Q2022.

Due to the temporary coal export ban in January 2022, we had to adjust our delivery plan and the Group delivered 2.4 million tonnes of coal for 1Q2022. The Group's Domestic Market Obligations ("DMO") volume was 43% of the total volume sold in 1Q2022. Our ASP was pushed lower in 1Q2022 due to the price cap of around US\$38 per tonne for our coal sold domestically. Nonetheless, by fulfilling a higher DMO volume in January and February, the Group would be able to capture the recent upsurge in export coal prices by increasing its exports in the coming months.

The Indonesian Government has released a tax regulation on 11 April 2022 that increases the royalty rate for IUPK converted from CCOW. The increase in royalty rates does not apply to our SDJ and TBR coal mines as they are holding IUP licenses. This regulation indirectly boosts the cost competitiveness of our coal assets going forward.

Credit Profile and Going Forward

We remain on track to achieve 5-6 million tonnes of coal sales for 1H2022. From 1 April 2022 up to the date of this announcement, we have delivered over 1.2 million tonnes of coal sales, achieving a revenue of close to US\$110 million and EBITDA of US\$55 million. We expect a strong quarter for 2Q2022 as we ramp up production while coal prices are high.

As previously announced, the Group has completed the full and early redemption of its outstanding Notes in October 2021. This has strengthened the Group's credit profile, with a cash position of US\$209 million as at 31 March 2022, with little debt. Following this, the Group have terminated its rating services with S&P, Moody's and Fitch.

1Q2022 Highlights

- The Group sold a total of 2.4 million tonnes of coal during the quarter, comprising 1.1 million tonnes of 4,200 GAR coal from the SDJ coal mine and 1.3 million tonnes from the TBR coal mine. This was a 17% decrease from 2.9 million tonnes in 1Q2021 due to the coal export ban by the Indonesian government in the beginning of 2022. The ban has since been lifted in late January 2022.
- Despite the export ban, revenue increased by 33% from US\$114.5 million in 1Q2021 to US\$152.0 million, mainly due to the higher ASP in 1Q2022. The average ICI4 was US\$82.31 per tonne in 1Q2022, almost doubled that of US\$41.84 per tonne in 1Q2021. The Group sold 1.1 million tonnes of DMO sales in 1Q2022 or 43% of the total volume sold.
- Cash profit for coal mining for 1Q2022 averaged at US\$25.71 per tonne (1Q2021: US\$15.71 per tonne), mainly driven by the higher ASP that was 60% higher than that of 1Q2021.
- EBITDA for 1Q2022 was US\$61.3 million (1Q2021: US\$44.8 million) with an EBITDA margin of 40%, driven by the robust cash profit.
- Net profit was US\$40.5 million (1Q2021: US\$28.5 million), driven by higher operating profit and lower finance costs from the full redemption of the Notes in October 2021.
- The Company is declaring an interim dividend for 1Q2022 of S\$0.02 per share, representing about 51% of the net earnings for 1Q2022. Including the final dividend for year ended 31 December 2021 of S\$0.05 per share paid on 10 May 2022, this represents a dividend yield of 14% based on the Company's share price of S\$0.495 per share as of 10 May 2022.

INTERIM DIVIDEND AND RETURNS FOR OUR SHAREHOLDERS

We thank our shareholders for their belief and support in the Group. In view of the financial performance of the Group in 1Q2022, the Company is declaring an interim dividend of S\$0.02 per share, as per our dividend policy to deliver not less than 30% returns to our shareholders based on our earnings, subject to any capital requirements.

Including the final dividend of S\$0.05 paid on 10 May 2022 and interim dividend declared in this quarter, the dividend yield to date is 14% based on the Company's share price of S\$0.495 per share as of 10 May 2022.

Our share price has appreciated since the start of 2021, from S\$0.19 per share to S\$0.495 per share as of 10 May 2022. This represents total shareholders' return of 223% including the dividends paid and declared during this period.

We continue to look on various opportunities to expand our revenue streams by way of potential joint ventures, trading, and value accretive acquisitions for the Company. These include strategically reviewing and optimising our assets portfolio, which may include acquisitions to complement our business and divestments to build a sustainable business for the future. We will continue to strengthen our core earnings and aim to emerge out of the COVID-19 pandemic as one of the top Indonesian integrated Mining Groups. We will continue to develop our people as we make strides towards a more resilient and sustainable business.



Tung Kum Hon
Chief Executive Officer/Director
12 May 2022

Consolidated statement of profit or loss

	Group		% Change
	3 months ended 31.3.2022	3 months ended 31.3.2021	
	US\$ (Unaudited)	US\$ (Unaudited)	
Revenue	152,049,114	114,510,662	33
Cost of sales	(94,713,200)	(73,726,732)	28
Gross profit	57,335,914	40,783,930	41
Other income	1,116,429	1,009,884	11
General and administration expenses	(2,356,777)	(2,474,723)	(5)
Other expenses	(269,568)	(747,557)	(64)
Finance costs	(13,022)	(1,326,928)	(99)
Profit from operations	55,812,976	37,244,606	50
Income tax expense	(15,337,023)	(8,723,225)	76
Net profit from operations, representing total net profit for the period	40,475,953	28,521,381	42

Profit from operation is arrived at after charging/(crediting) the following:

	Group		% Change
	3 months ended 31.3.2022	3 months ended 31.3.2021	
	US\$ (Unaudited)	US\$ (Unaudited)	
Interest income	(1,083,325)	(922,567)	17
Interest on Notes	-	1,183,740	(100)
Amortisation of transaction cost of Notes	-	133,369	(100)
Depreciation and amortisation	5,792,501	6,162,752	(6)
Write-back of allowance for inventory written-down	(301,965)	(419,930)	(28)

Selected items from the Statement of Financial Position

	Group		Company	
	31.3.2022	31.12.2021	31.3.2022	31.12.2021
	US\$ (Unaudited)	US\$ (Audited)	US\$ (Unaudited)	US\$ (Audited)
Total assets	568,744,860	525,710,853	276,168,055	255,753,651
Comprising:				
Cash and bank balances	209,053,281	190,595,157	19,957,237	11,173,163
Inventory	28,066,365	24,128,714	-	-
Trade and other receivables	92,276,261	68,957,455	71,675,264	59,979,221
Deposits and prepayments	33,132,341	31,161,757	188,550	217,751
Deferred stripping costs	46,939,543	47,782,687	-	-
Mining properties	117,251,051	119,805,046	-	-
Total liabilities	179,920,029	176,603,883	84,645,285	85,988,210
Comprising:				
Trade and other payables	111,216,099	117,289,173	81,016,015	82,267,380
Income tax payable	49,927,549	40,875,944	-	-
Bank borrowing	3,629,270	3,720,830	3,629,270	3,720,830
Shareholders' equity	387,225,654	347,784,417	191,522,772	169,765,441

Selected items from the Consolidated Statement of Cashflows

	Group	
	3 months ended 31.3.2022 US\$ (Unaudited)	3 months ended 31.3.2021 US\$ (Unaudited)
Operating cashflow	19,612,145	29,748,955
Comprising:		
Operating cash flows before movements in working capital	60,305,032	44,306,738
Working capital	(38,028,021)	(12,992,261)
Income tax paid	(2,663,473)	(1,565,522)
Investing cashflow	(283,059)	(48,075)
Comprising:		
Capital expenses	(457,215)	(136,537)
Financing cashflow	(774,605)	(141,735)
Comprising:		
Repurchases of shares	(725,002)	-
Repayment of bank borrowing	(91,560)	-
Repayment of lease liabilities obligations and interest	(1,110)	(116,885)
Interest paid for Notes	-	(24,850)

Key Operating Matrix

	Group	
	3 months ended 31.3.2022 (Unaudited)	3 months ended 31.3.2021 (Unaudited)
Revenue		
Sales Volume – Coal Mining (million tonnes)	2.4	2.9
- SDJ	1.1	1.1
- TBR	1.3	1.8
Average Indonesian Coal Index Price (US\$/tonne)	82.31	41.84
Average Selling Price (US\$/tonne)	62.34	38.85
Production – Finished Goods		
Production Volume (million tonnes)	2.5	2.9
- SDJ	1.0	1.1
- TBR	1.5	1.8
Strip Ratio (times)		
- SDJ	2.9	2.5
- TBR	2.7	1.6
Production Cash Cost (US\$/tonne)	36.63	23.14
Cash Profit (US\$/tonne)	25.71	15.71
Cash Profit Margin (%)	41.2	40.4
Net Profit Margin (%)	26.6	24.9
Net Asset Value - Group (SG cents) ⁽¹⁾	37.18	23.77
Earnings per Share ^{(1) (2)}:		
Basic (SG cents)	3.86	2.72
Diluted (SG cents) ⁽³⁾	3.86	2.72

- (1) Numbers were translated using the 31 March 2022 and 2021 of US\$:S\$ exchange rates of 1.3530 and 1.3470 respectively.
- (2) The calculation for the basic EPS is based on the weighted average number of ordinary shares in issue during the respective financial period. The calculation for the diluted EPS is based on the weighted average number of ordinary shares in issue during the respective financial period, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.
- (3) The employee stock option issued by the Group has a dilutive effect as the average market price of ordinary shares during the period exceeded the exercise price of the employee stock option.

Key Financial Ratios

	Group	
	3 months ended 31.3.2022 (Unaudited)	3 months ended 31.3.2021 (Unaudited)
12-month trailing EBITDA (US\$ millions)	287.4	86.8
Net Cash (US\$ millions)	205.4	20.4
Debt / Equity (times)	0.01	0.3
Total Shareholders' Return (%)⁽¹⁾	73.8	20.0
Dividend Yield (%)⁽²⁾	14.0	6.0
Enterprise Value (US\$ millions)⁽³⁾	284.0	156.2
Enterprise Value / 12-month trailing EBITDA (times)⁽³⁾	0.99	1.78
Revenue per Employee (US\$ millions)	0.8	0.6

- (1) Based on share price as at 10 May for 2022 and 2021, inclusive of the final dividends paid and interim dividends declared during the respective period.
- (2) Yield periods pertain to 1 January to 10 May for 2022 and 2021. Yield for 2022 includes interim dividend of S\$0.02 per share declared for 1Q2022 and final dividend of S\$0.05 per share declared for 4Q2021 (paid on 10 May 2022). Yield for 2021 includes final dividend of S\$0.008 per share declared for 4Q2020 (paid on 14 May 2021) and interim dividend of S\$0.005 per share declared for 1Q2021 (paid on 16 June 2021).
- (3) Based on market capitalisation and share price as of 31 March for 2022 and 2021.

Market updates

Coal prices are expected to remain strong amid supply disruption from the ongoing conflict in Ukraine. In an analyst report dated 8 April 2022, the average estimates for the Newcastle coal price index were raised to US\$150 per tonne in 2022 and US\$125 per tonne in 2023, to reflect strong coal prices in the first quarter resulting from Indonesia's coal export ban, the Ukraine conflict, as well as already-elevated prices caused by China's 2021 power crunch.¹

The higher coal prices are likely supported by China resuming coal imports in 2022 as coal import likely the best alternative energy procurement especially with the risk of war and prolonged high gas prices. However, the recent lockdown in China may reduce imports in the short term as economic activities are temporarily halted. Indonesia's coal production will likely grow on improving weather from the second quarter, and this could address the current coal shortages.¹

India plans to import 10.5 million tonnes of coal in coming months to arrest widespread power cuts. The move by India, the world's second largest coal importer, could lead to a further increase in global prices, which are already trading near record highs due to fears of a supply crunch following the European Commission's decision to ban coal imports from Russia after its invasion of Ukraine. Coal miners in South Africa, Australia and Indonesia are likely to be the main beneficiaries of India's buying spree.²

The ICI4 price was US\$89.68 per tonne as at 10 May 2022, with the SGX M42 Futures Index³ indicating a price of around US\$96 per tonne in the coming months.

The modern energy politics continue to focus on aspiration to achieve carbon neutrality. Coal and natural gas are the main fuels for electricity generation. The global energy demand will increase by 14% by 2050, while the International Energy Agency's (IEA's) 2021 Net-Zero models a reduction by 10% by 2030 to reach net-zero emissions. The government policy to switch from coal to natural gas to slow or limit global warming has resulted many international banks, institutions, and conglomerates withdrawing from coal but are actively supporting natural gas. Policies that focus only on combustion but leave out the true and full life cycle emissions of all types from mining, processing, transportation, and utilization, will lead to environmental surprises and potentially very large economic costs. Investors should not favour natural gas over coal for electricity production but should support all reliable energy systems in a manner which avoids an energy crisis, including variable renewable energy systems.⁴

¹ The Business Times Article, 11 April 2022 - <https://www.businesstimes.com.sg/asean-business/indonesia-coal-miners-likely-to-gain-from-rising-prices-supply-disruptions>

² <https://www.reuters.com/world/india/exclusive-indias-big-industrial-states-plan-massive-coal-imports-stave-off-2022-04-21/>

³ Extracted from SGX on 10 May 2022

⁴ Article on Climate Impacts in today's Energy Systems (version 03/2022), by Dr Lars Schernikau, an energy economist, investor and commodity traders

Dividends

Amount per share:

Name of dividend: Interim
Dividend type: Cash
Dividend rate: S\$0.02 per ordinary share

Previous corresponding period:

Name of dividend: Interim
Dividend type: Cash
Dividend rate: S\$0.005 per ordinary share

Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country whether the dividend is derived:

Dividend declared is tax exempt (one-tier).

The date the dividend is payable:

To be announced at a later date.

The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined:

To be announced at a later date.