



SGX Announcement

Geo Energy Resources Limited Business Update Third Quarter and Nine Months Ended 30 September 2021

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 2020. 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

Third Quarter and Nine Months Ended 30 September 2021

RECORD QUARTERLY RESULTS AS REVENUE REACHED US\$374 MILLION AND NET PROFITS SURGED TO US\$94 MILLION FOR 9M2021 AND ANNOUNCES THIRD INTERIM DIVIDEND OF S\$0.03 PER SHARE



**An Exceptional Record
9M2021 Operational and
Financial Performance**

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Following the revisions of rule 705 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2020 and 2021, the announcement of results on a half yearly basis with enhanced disclosures should be sufficient to keep shareholders and stakeholders informed of the state of affairs of the Group. Going forward, we will be presenting a business update for the first and third quarterly announcements.

Achieving new highs despite COVID-19 and weather challenges

We are pleased to share that the Group has achieved record revenue and profits from operations for 3Q2021 and 9M2021. In just three months, we had a revenue of US\$153.6 million, bringing our 9M2021 revenue to US\$373.9 million, a 70% increase from 9M2020. Profit from operations for 3Q2021 and 9M2021 were US\$58.5 million and US\$122.3 million respectively, which were complete turnarounds from the loss from operations (excluding the gain on repurchases of Notes) of US\$4.5 million in 3Q2020 and US\$10.1 million in 9M2020.

We achieved these new highs despite COVID-19 and weather challenges that continue to impact businesses and operations globally. In China, an energy crisis is brewing, with a confluence of factors affecting coal demand and supply. Severe coal shortages in China due to weather conditions and road disruptions plunged some major cities into darkness for several days. These factors, compounded by fresh outbreaks of COVID-19 around several key ports in China, led on to heightened quarantine restrictions and delays for cargoes¹. In Indonesia, torrential rains have caused production disruptions to coal mines. Despite the rainy season, we delivered 2.6 million tonnes of coal in 3Q2021, which is more than the 2.5 million tonnes delivered in 3Q2020. We have also previously optimised our mining plan for more coal production in 4Q2021 to target heightened prices from the winter demand.

¹ McCloskey Coal Report, Issue 519, 17 September 2021

The coal demand and supply factors have seen prices reaching record highs, with ICI4 as high as US\$154.61 per tonne as at 22 October 2021. However, they have since decreased following China's policies to control domestic coal prices.³ Despite the recent drop in coal prices, prices are expected to remain high for the rest of 2021 and 2022 based on the futures market.² China plans to limit the price miners sell thermal coal as it seeks to ease a power crunch. This is a domestic price control, while coal importers will obtain subsidies to balance their losses.³ Nevertheless, the shortage of coal supply and inventories, coupled with the fundamental demand of coal during the winter season, are market forces that would be difficult to arbitrarily control. Our export sales are based on market prices and our offtakers, Macquarie Bank and Trafigura, also sell to Japan, Korea, India and other South-East Asian countries.

Optimising our Credit Profile and Going Forward

As announced, the Group has completed the redemption of all its outstanding Notes on 10 October 2021. With these, the Group has the flexibility to declare and pay higher dividends. As part of climate change initiatives, it also places the Group in good stead to explore diversification opportunities away from coal as we seek to expand our revenue streams by way of potential joint ventures, trading and value accretive acquisitions that are self-funding.

The optional redemption has strengthened the Group's credit profile and saves up to US\$4.8 million in annual financing costs. The Group has a cash position of US\$115 million as at 9 November 2021, with little debt.

In just one month of October 2021, the Group sold 1.0 million tonnes of coal and achieved an EBITDA of around US\$33 million. We expect another record-breaking quarter for 4Q2021 as we ramp up for the highest quarterly production of 3.5 million tonnes this year, capturing the coal prices that have since rallied further in October.

Environment, Social and Governance ("ESG") remains an integral part of our wider sustainability efforts. In addition to diversification opportunities, we remain committed to managing climate change impacts through best practice and operational initiatives, as well as comply with applicable environmental regulations.

3Q2021 & 9M2021 HIGHLIGHTS

- The Group achieved record quarterly revenue of US\$153.6 million, an increase of 159% from 3Q2020, driven by the higher average selling price ("ASP"). For 9M2021, the Group recorded a revenue of US\$373.9 million, an increase of 70% from 9M2020. The average ICI4 was US\$72.28 per tonne in 3Q2021 and US\$55.95 per tonne in 9M2021, compared to US\$23.95 per tonne in 3Q2020 and US\$28.39 per tonne in 9M2020.
- The Group delivered coal sales of 2.6 million tonnes in 3Q2021, comprising 1.2 million tonnes and 1.4 million tonnes of 4,200 GAR coal from the SDJ and TBR coal mines respectively, and another 0.03 million tonnes of 3,400 GAR coal from the BEK coal mine. This was slightly higher than the 2.5 million tonnes in 3Q2020.
- For 9M2021, the Group delivered coal sales of 8.0 million tonnes, comprising 3.1 million tonnes and 4.8 million tonnes of 4,200 GAR coal from the SDJ and TBR coal mines respectively, and another 0.1 million tonnes of 3,400 GAR coal from the BEK coal mine. This was higher than the 7.6 million tonnes in 9M2020.
- Cash profit from coal mining for 3Q2021 and 9M2021, after taking into account the domestic market obligation ("DMO") sales at lower price set by the Indonesian Government, averaged at US\$25.80 per tonne and US\$18.49 per tonne respectively (3Q2020: US\$3.88 per tonne; 9M2020: US\$5.49 per tonne), driven by coal prices but offset against higher production cash cost as part of the Group's resilient business model that has costs move in tandem with the coal index. The Group sold 2.3 million tonnes of coal to the domestic market during 9M2021, achieving over 80% of its required DMO volumes for 2021.
- With fewer DMO coal to sell in 4Q2021, the Group will be able to achieve a higher proportion of export sales that has better margins at prevailing coal prices in 4Q2021, as DMO sales are subject to a price cap of US\$38 per tonne. Cash profit on export sales for October 2021 was around US\$45 per tonne and is close to US\$50 per tonne at current ICI4 coal price of US\$89.89 per tonne. The Group is targeting a 3.5 million tonnes production and sale in 4Q2021 and 11.5 million tonnes for 2021.
- EBITDA for 3Q2021 and 9M2021 were US\$65.8 million and US\$143.3 million, respectively (3Q2020: US\$7.2 million; 9M2020: US\$34.8 million) at respective margins of 43% and 38%.

² <https://www.sgx.com/derivatives/delayed-prices-futures?cc=M42F&category=coal>

³ The Business Times, 28 October 2021

- Excluding the gain on repurchases of Notes, profit from operations for 3Q2021 and 9M2021 were US\$58.5 million and US\$122.3 million, respectively. These were complete turnarounds from loss from operations of US\$4.5 million in 3Q2020 and US\$10.1 million in 9M2020, respectively.
- Income tax expense was US\$13.0 million with effective tax rate of 22% in 3Q2021, and US\$28.3 million with effective tax rate of 23% in 9M2021. These were an increase from 7% in 3Q2020 and 5% in 9M2020 as the profit then was driven by the non-taxable gain on repurchases of Notes that is capital in nature. In comparison, there was no gain on repurchases of Notes in 3Q2021 and 9M2021.

INTERIM DIVIDEND AND RETURNS FOR OUR SHAREHOLDERS

We thank our shareholders for their belief and support in the Group. In view of the positive financial performance of the Group in 9M2021, the Company is declaring a third interim dividend for 2021 of S\$0.03 per share (after the first and second interim dividends of S\$0.005 per share each paid in June and September 2021), as per our dividend policy to deliver not less than 30% returns to our shareholders based on our earnings, subject to any capital requirements. This brings our total dividend pay-out ratio to date at 44% of our 9M2021 net earnings.

Including the final dividend and interim dividends paid and declared this year, this represents a dividend yield to date of 15% based on the Company's share price of S\$0.325 per share as of 9 November 2021.

Our share price has appreciated from S\$0.19 per share at the start of the year to S\$0.325 per share as of 9 November 2021. This represents a total shareholders' return of 96% including the dividends paid and declared to date this year.

Yours sincerely,



Tung Kum Hon
Chief Executive Officer/Director
10 November 2021

Consolidated Statement of Profit or Loss

	Group			Group		
	3 months ended 30.9.2021	3 months ended 30.9.2020	%	9 months ended 30.9.2021	9 months ended 30.9.2020	%
	US\$ (Unaudited)	US\$ (Unaudited)	Change	US\$ (Unaudited)	US\$ (Unaudited)	Change
Revenue	153,578,863	59,400,118	159	373,906,756	220,026,890	70
Cost of sales	(91,571,831)	(56,984,549)	61	(242,135,740)	(199,920,713)	21
Gross profit	62,007,032	2,415,569	nm	131,771,016	20,106,177	555
Other income	1,042,118	1,031,585	1	3,115,282	2,900,719	7
General and administrative expenses	(2,562,797)	(3,576,100)	(28)	(7,223,959)	(9,888,782)	(27)
Other expenses	(695,007)	(659,039)	5	(1,459,227)	(6,481,538)	(77)
Finance costs	(1,324,102)	(3,756,041)	(65)	(3,952,275)	(16,762,710)	(76)
Profit (loss) from operations	58,467,244	(4,544,026)	nm	122,250,837	(10,126,134)	nm
Income tax expense	(13,002,665)	(1,771,904)	634	(28,264,680)	(4,888,430)	478
Net profit (loss) from operations	45,464,579	(6,315,930)	nm	93,986,157	(15,014,564)	nm
Gain on repurchases of Notes	-	31,405,039	(100)	-	106,636,932	(100)
Total	45,464,579	25,089,109	81	93,986,157	91,622,368	3

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

	Group			Group		
	3 months ended 30.9.2021	3 months ended 30.9.2020	%	9 months ended 30.9.2021	9 months ended 30.9.2020	%
	US\$ (Unaudited)	US\$ (Unaudited)	Change	US\$ (Unaudited)	US\$ (Unaudited)	Change
Interest income	(944,350)	(863,007)	9	(2,717,471)	(2,447,358)	11
Gain on repurchase of Notes	-	(31,405,039)	(100)	-	(106,636,932)	(100)
Interest on Notes	1,170,587	2,082,573	(44)	3,511,761	10,631,522	(67)
Amortisation of transaction costs of Notes	136,333	1,658,624	(92)	404,553	6,083,854	(93)
Depreciation and amortisation	6,009,263	7,564,450	(21)	17,540,964	22,441,069	(22)
(Write-back of) allowance for inventory written-down	(130,397)	38,366	nm	(807,056)	95,442	nm
Fair value loss on trade and other receivables	-	(40,269)	(100)	-	5,132,443	(100)

nm – not meaningful

Selected items from the Statements of Financial Position

	Group		Company	
	30.9.2021	31.12.2020	30.9.2021	31.12.2020
	US\$ (Unaudited)	US\$ (Audited)	US\$ (Unaudited)	US\$ (Audited)
Total assets	473,776,446	372,116,013	241,220,595	225,666,725
Comprising:				
Cash and bank balances	126,517,132	52,662,193	41,763,965	17,558,432
Inventory	29,317,446	20,769,393	-	-
Trade and other receivables	75,173,318	59,426,840	14,624,430	28,023,984
Deferred stripping costs	49,523,182	53,928,081	-	-
Mining properties	124,586,289	135,099,782	-	-
Total liabilities	179,543,734	153,470,045	80,925,181	54,425,033
Comprising:				
Trade and other payables	79,044,517	80,979,715	50,450,200	52,395,309
Notes payable	61,400,762	58,760,656	-	-
Shareholders' equity	293,363,916	218,462,313	160,295,414	171,241,692

Selected items from the Consolidated Statement of Cashflows

	Group		Group	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	US\$	US\$	US\$	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating cashflow	60,852,267	(911,935)	116,555,982	26,093,397
Comprising:				
Operating cash flows before movements in working capital	64,257,083	6,773,318	140,681,284	32,779,895
Working capital	(35,153)	(9,210,822)	(21,644,999)	(6,146,803)
Income tax (paid) refund	(3,363,108)	1,528,963	(2,467,516)	(532,963)
Investing cashflow	(1,089,296)	413,348	(1,767,724)	554,193
Comprising:				
Capital expenses	(1,194,960)	(401,905)	(2,061,445)	(1,775,436)
Financing cashflow	(17,406,824)	(44,603,890)	(40,837,434)	(134,939,430)
Comprising:				
Repurchases of Notes	-	(42,114,962)	-	(118,115,069)
Dividend paid	(5,202,146)	-	(18,855,188)	-
Repayments of lease liabilities obligations and interest	(12,468,321)	(121,391)	(19,846,602)	(382,325)
Interest paid for Notes	-	(2,330,588)	(2,367,480)	(14,145,966)

Key Operating Matrix

	Group		Group	
	3 months ended	3 months ended	9 months ended	9 months ended
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue – Coal mining				
Sales Volume (million tonnes)	2.6	2.5	8.0	7.6
- SDJ	1.2	1.1	3.1	3.3
- TBR	1.4	1.4	4.8	4.3
- BEK	0.03	-	0.1	-
Average Indonesian Coal Index Price (US\$/tonne)	72.28	23.95	55.95	28.39
Average Selling Price (US\$/tonne)	58.51	23.46	46.72	27.91
Production				
Production Volume – Finished goods (million tonnes)	2.6	2.7	7.9	7.7
- SDJ	1.3	1.1	3.2	3.3
- TBR	1.3	1.6	4.6	4.4
- BEK	0.03	-	0.1	-
Strip Ratio (times)				
- SDJ	1.9	1.9	2.4	2.9
- TBR	3.4	3.0	2.6	3.3
Production Cash Cost (US\$/tonne)	32.71	19.58	28.23	22.42
Cash Profit (US\$/tonne)	25.80	3.88	18.49	5.49
Cash Profit Margin (%)	44.1	16.5	39.6	19.7
Net Operating Profit Margin (%)	29.6	(10.6)	25.1	(6.8)
Net Profit Margin ⁽¹⁾ (%)	29.6	42.2	25.1	41.6
Net Asset Value – Group (SG cents) ⁽²⁾	28.42	21.05	28.42	21.05
Earnings per Share ^{(2) (3)}:				
Basic (SG cents)	4.38	2.45	9.05	8.94
Diluted (SG cents) ⁽⁴⁾	4.32	2.45	8.91	8.94

(1) The net profit margin in 1Q2020 and 9M2020 included the gain on the repurchases of the Notes.

(2) Numbers were translated using the 30 September 2021 and 2020 of US\$:S\$ exchange rates of 1.3573 and 1.3674 respectively.

(3) 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.

(4) 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	
	9 months ended 30.9.2021 (Unaudited)	9 months ended 30.9.2020 (Unaudited)
12-month trailing EBITDA (US\$ millions)	165.5	39.5
Net (Cash) Debt (US\$ millions)	(61.0)	28.9
Net (Cash) Debt / EBITDA (times)	(0.4)	0.7
Debt / Equity (times)	0.2	0.3
Total Shareholders' Return (%)⁽¹⁾	96	(27)
Dividend Yield (%)⁽²⁾	15	-
Enterprise Value (US\$ millions)⁽³⁾	222.9	134.3
Enterprise Value / 12-month trailing EBITDA (times)⁽³⁾	1.4	3.4
Revenue per Employee (US\$ millions)	1.9	1.2

- (1) Based on share price as at 9 November for 2021 and 2020, inclusive of the final dividend and interim dividends declared and paid during the respective period.
- (2) Yield periods pertain to 1 January to 9 November for 2021 and 2020. Yield for 2021 includes interim dividends of S\$0.03 per share declared for 3Q2021, S\$0.005 per share for each of 1Q2021 and 2Q2021 (paid on 16 June and 1 September 2021, respectively), and the 2020 final dividend of S\$0.008 per share paid on 17 May 2021. There were no dividends declared or paid in 9M2020.
- (3) Based on market capitalisation and share price as of 30 September for 2021 and 2020.

Market updates

Coal prices are expected to remain strong, at least for the near future. The M42 Futures Index (4,200 GAR coal) on the SGX estimates 4Q2021's average coal prices to be about US\$90 per tonne, and for 2022 to be around US\$70-80 per tonne.⁴ The November coal HBA reference price was set by the ESDM at US\$215.63 per tonne, the highest in nearly a decade.

There is a global energy crisis and in China, curbs on power consumption have disrupted daily life and factory production. Supply in China has also been impacted as severe weather led to 27 coal mines being closed due to flooding.⁵ With an unusually cold winter in Europe and China looming, and coal stocks being low throughout the world, coal prices are expected to remain high at least through winter.⁶ Although coal prices have decreased following China's policies to control domestic coal prices, the prices are still expected to remain high for the rest of 2021 and into 2022 based on the futures market. In fact, The Economist reports that the age of fossil-fuel abundance is dead, and dwindling investments in oil, gas and coal mean high prices are here to stay.⁷

Chinese coal prices have risen to record high owing to tight domestic supply and recovering global demand, with further support coming from government policy on energy consumption and imports. Tight Chinese domestic coal supplies are part of a wider global shortage this year, as demand recovers from the impact of COVID-19 while supply has been sluggish following a string of disruptions. China plans to limit the price miners sell thermal coal as it seeks to ease a power crunch. This is a domestic price control, while coal importers will obtain subsidies to balance their losses.³ Global thermal coal exports rose on the year and climbed to around 80 million tonnes in the month of August, according to Argus estimates.⁸ Australian coal exports continue to rise despite China ban.⁹

China's main economic planning agency (the "NDRC") has issued a directive to reduce thermal coal prices under an existing price law, at a time when the onset of winter is affecting several Chinese regions and coal prices are already at historical highs. The agency said it will pay close attention to coal market dynamics and price trends and investigate supply issues. China's daily coal production has also reached its highest level this year - hitting 11.5 million tonnes per day, an increase of 1.2 million tonnes per day from around mid-September and is the highest daily volume this year. South Korean government decision to roll back coal-fired capacity restrictions could support demands, and this leads to an increase on coal import in September 2021 compared a year earlier.¹⁰ Argus coal daily report highlighted that the NDRC accused power utilities of defaulting on buying domestic coal cargoes as coal prices fall sharply with increased government intervention. Coal prices have fallen sharply since the introduction of domestic price caps in China, eroding gas' competitiveness against the solid fuel in South Korea and providing a firmer outlook for coal-fired generation, particularly with firm overall power demand forecast.¹¹

The modern energy politics are focused on aspiration to achieve carbon neutrality. Despite the importance and irreplaceability of coal in the energy sector, legislators and several other countries have made the decision to label this energy source in

⁴ <https://www.sgx.com/derivatives/delayed-prices-futures?cc=M42F&category=coal>

⁵ <https://www.washingtonpost.com/business/2021/10/09/energy-crisis-global/>

⁶ <https://www.wsj.com/articles/coal-shortages-push-up-prices-weigh-on-economies-11633525885>

⁷ <https://www.economist.com/finance-and-economics/the-age-of-fossil-fuel-abundance-is-dead/21805253>

⁸ Argus Coal Daily International highlights, 1 October 2021

⁹ McCloskey Coal Report, Issue 521, 15 October 2021

¹⁰ Argus Coal Daily International highlights, 22 October 2021

¹¹ Argus Coal Daily International highlights, 5 November 2021

particular as the main cause of environmental pollution and climate change. In the period of decreasing carbon footprint, the carbon intensity of fuel in general and coal in particular take on a particular importance. Coal is still the cheapest and most reliable source of energy.¹² China commits to net-zero emissions before 2060, but for years to come it will continue burning a lot of coal to keep its economy charging ahead.¹³

In addition, the world could face further energy market volatility as governments begin to phase out coal use but fail to invest enough on renewables to fill the gap, said the International Energy Agency (IEA). Global coal demand is likely to begin declining from 2025 at the earliest and then ease to 5.13 billion tonnes by 2030, a 4% drop from last year's 5.32 billion tonnes. There was much uncertainty as to whether renewables will be sufficient enough to replace coal during this transition. China will remain the world's biggest coal consumer. On the supply side, IEA forecast coal production to match demand at 5.13 billion tonnes in 2030, down 6% from 5.46 million tonnes.¹⁴

Dividends

Amount per share:

Name of dividend:	Interim
Dividend type:	Cash
Dividend rate:	S\$0.03 per ordinary share

Previous corresponding period:

None.

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.

¹² Coal Carbon Intensity Report, 16 August 2021

¹³ https://www.wsj.com/articles/chinas-ambitious-climate-goals-collide-with-reality-imperiling-global-efforts-11635346919?st=izjhmyfnw7iixih&reflink=article_gmail_share

¹⁴ McCloskey Coal Report, Issue 521, 15 October 2021