

SGX ANNOUNCEMENT

AMENDMENTS TO THE INDONESIAN MINING LAW

The Board of Directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (SGX:RE4) wishes to inform that the Indonesian House of Representatives (Dewan Perwakilan Rakyat) approved the first amendments to the Indonesian “Mineral and Coal Mining Law No. 4 of 2009” which was enacted into law on 10 June 2020 (the “**Amended Mining Law**”) as released by the Indonesian Government State Secretariat on its website late last week (<https://jdih.setneg.go.id/Terbaru>).

The Amended Mining Law stipulates that the implementing regulations will be issued within one year after the enactment.

There is currently uncertainty as to the scope and content of the implementing regulations, and such implementing regulations when issued may amend or impact the key provisions of interest of the Amended Mining Law that relate to and affect the Group and its mining businesses in Indonesia as below.

Consolidation of Indonesian Central Government Control

Under the Amended Mining Law, management of mineral and coal mining will be substantially under the control of the Central Government. The Central Government will have the sole authority to issue “mining business licences” (see below) albeit with authority to delegate certain functions to Regional Governments.

As a transitional measure, the authority of Regional Governments for management of certain aspects of the mining sector (other than issuing new mining licences) will remain for 6 months from the enactment of the Amended Mining Law (or earlier if the Government issues the implementing regulations to the Amended Mining Law). Soon after the issuance of the Amended Mining Law, the Minister of Energy and Mineral Resources (“**MoEMR**”) clarified in a circular letter on 18 June 2020 addressed to the Regional Governments that the prohibition on issuing new licenses applied only to licenses listed in the Amended Mining Law. The Regional Governments may still issue certain other licenses or approvals, including for extensions to Mining Business Licenses (Izin Usaha Pertambangan or “**IUPs**”).

The Group is in the process of extending the mining business licences of its SDJ and TBR coal mining concessions with the Regional Government of South Kalimantan, Indonesia.

Licensing

Amendments in this area include that a company wishing to engage in a mining business is now required to obtain a set of Business Licences (“**Perizinan Berusaha**”), as granted by the Central

Government, which consist of:

- a Business Identification Number (Nomor Induk Berusaha);
- a Standard Certification (“Sertifikasi Standar”), and/or Licences (“Izin”); and
- an applicable new mining business licence.

The Amended Mining Law does not elaborate on the Standard Certification and how it will differ from other ancillary licenses that a mining company should normally obtain. On the other hand, the Amended Mining Law simplifies the IUP, which was previously issued for exploration and production operation. Now, these activities are covered under one IUP and a holder is guaranteed to continue to the production operation stage under the IUP license.

A holder of mining licenses must obtain the above set of licenses and adjust its existing licenses within 2 years of enactment of the Amended Mining Law. As authority now rests with the Central Government, it may require the set of licenses above to be issued through the Online Single Submission (“**OSS**”) system.

The Company currently maintains its mining assets company status as a local company. It is unclear how the transformation from offline to the OSS system in mining licensing may affect the existing Company’s business structure.

Incentives in the downstream sector

The Amended Mining Law introduces longer mining business licence periods for:

- a) mineral IUPs/IUPKs with integrated processing and/or refining facilities; and
- b) coal IUPs/IUPKs with integrated coal development and/or utilisation facilities.

These IUP and IUPK holders are granted a 30-year business licence and may be eligible for extensions of 10 years upon each expiration (after fulfilling the requirements of prevailing laws and regulations). It is unclear how many extensions can be given to an integrated IUP, especially when the mining reserves are exhausted.

For mineral and coal IUPs/IUPKs without integrated processing and/or refining/development facilities these holders are granted only a 20-year business licence with a maximum extension of two-times 10 years. The Group companies’ IUPs are without integrated processing and/or refining/development facilities.

Furthermore, the Amended Mining Law addresses the issue of dualism between the authority of the MoEMR and the Ministry of Industry in the issuance of processing and refining business licenses. Companies engaged in processing and refining, rather than mining, are now required to obtain only an Industrial Business License (Izin Usaha Industri or “**IUI**”) issued by the Ministry of Industry. They are no longer required to maintain a Production Operation IUP specifically for Processing and Refining issued by the MoEMR. The holder of a Production Operation IUP specifically for Processing and Refining must convert its license to an IUI within one year of enactment of the Amended Mining Law.

Divestment of foreign shareholdings

The Amended Mining Law now specifies the percentage of divestment obligations for foreign investment mining companies. IUP and IUPK holders in the stage of production operation, whose shares are majority-owned by foreign investors, must gradually divest the foreign-owned shares so that 51% are owned by the following Indonesian participants (in sequential order):

- the Central Government;
- Regional Governments;
- state-owned enterprises (“SOEs”);
- region-owned business entities (Badan Usaha Milik Daerah or “BUMD”); and/or
- national private enterprises (Badan Usaha Swasta Nasional).

The Central Government (through the MoEMR) together with Regional Governments, SOEs, and/or BUMD can agree on the divestment arrangement. This may be intended to give the Minister flexibility in arranging the divestment where several government-related entities are involved.

If direct divestment cannot be carried out, the divestment should be through the Indonesian Stock Exchange. Further detail of share divestment is to be set out in the implementing regulations.

The Company is now considering a public listing of one of its Indonesian mining assets subsidiaries on the Indonesian Stock Exchange (“IDX”) (the “**Potential Listing**”).

The Company is a Singapore company which indirectly owns shares in mining assets subsidiaries in Indonesia. There is currently uncertainty as to whether the divestment requirement would apply to its mining assets subsidiaries or would be enforced against them.

The Board believes that the Potential Listing will meet the divestment of foreign shareholdings (if required) and increase market visibility of the Company and attract investors with different profiles.

The Potential Listing will widen the investor base of the Company and enable the Company to benefit from exposure to a wider range of retail and institutional investors. Apart from increasing liquidity of its shares, it is also an excellent opportunity for the Company to further enhance its corporate profile as it seeks to further expand its business.

The Company has not appointed any professional advisers for the purpose of advising on the Potential Listing.

As at the date of this announcement, the Company is still considering its options in relation to the Potential Listing, and no application has been made to the IDX, or to any other regulatory authority or stock exchange, in connection with the Potential Listing.

The Company wishes to highlight that the Potential Listing is in a preliminary stage, and is subject to, among others, satisfactory due diligence and assessment of suitability for listing by its sponsor and other professional advisers, approval from the IDX for the listing of, and permission to deal in, the



shares of its Indonesian subsidiary on the IDX, and approvals (if required) from any other regulatory approval authority or stock exchange. Accordingly, the Potential Listing may or may not occur.

Accordingly, there is no certainty or assurance as at the time of this announcement that application for the Potential Listing will be made to the IDX and/or any other regulatory authority and, if made, that the Potential Listing will eventually materialise. Information relating to the Potential Listing in this Announcement is also subject to change.

Transfer of IUPs/IUPKs and Transfer of Shares

The Amended Mining Law indicates that direct transfers of IUP/IUPK interests (which was previously not allowed) can now be carried out with approval from the MoEMR. Holders of IUPs/IUPKs who wish to transfer must meet the following minimum requirements:

- a) have completed exploration activities (have resources and reserves data); and
- b) have fulfilled various administrative, technical and financial requirements.

Approval by the MoEMR is required for any such transfer as well as for the transfer of shares in an IUP/IUPK company.

Holders of IUPs/IUPKs are prohibited from granting security over their IUPs/IUPKs including over their mining production.

Further details on the transfer process (including possible additional requirements and on the procedure) are to be set out in the implementing regulations. Depending on those requirements and procedures, the transfer of IUP or IUPK could be an option for the Company to restructure its mining assets for the purpose of Potential Listing.

Exploration Activities

The Amended Mining Law now requires IUP/IUPK holders to continue performing exploration activities, including through the setting aside of an exploration budget.

Holders of IUP-OPs/IUPK-OPs are also required to set aside a “mineral and coal reserve security fund” (Dana Ketahanan Cadangan Mineral dan Batubara) for new reserve discovery activities.

Further details will be provided in the implementing regulations.

Reclamation and Mine Closure

The Amended Mining Law imposes a more rigorous regime on the implementation of reclamation and post-mining obligations as follows:

- a) for reclamation to ensure a balance between land disturbance and land reclamation; and
- b) to carry out reclamation and post-mining activities to a 100% completion rate prior to relinquishing mining areas (for WIUPs/WIUPKs).

The Amended Mining Law sets out a severe criminal sanction of a maximum of 5 years in prison and a maximum fine of Rp100 billion for a violation of this obligation. Additional monetary sanction can also be imposed to facilitate reclamation and post-mining activities.

The Amended Mining Law stipulates that the implementing regulations will be issued within one year after the enactment.

Mining Infrastructure

Under the Amended Mining Law, holders of IUP and IUPK are obliged to use mining roads during their operation. The Amended Mining Law further elaborates the arrangements for the use of mining, which are: (i) IUP/IUPK holders themselves to build the mining roads; (ii) IUP/IUPK holders to cooperate with other IUP or IUPK holders who are also building mining roads; (iii) IUP/IUPK holders to cooperate with other parties that construct and own designated mining roads. The latter arrangement is common in practice but has not yet been stipulated until now. The implementing regulations are expected to further clarify the line of business and operational license of companies engaged in the mining infrastructure business.

Currently, the Group cooperate with other parties that construct and own designated mining roads for the hauling and transportation of its coal to the port or jetty for the delivery and sales. It is expected that the Amended Mining Law on the operational license of companies engaged in the mining infrastructure business does not apply to the Group.

Mining Services Business

One of the changes in the Amended Mining Law relating to the mining services business is on the scope of the mining services business license (Izin Usaha Jasa Pertambangan, IUJP). Previously, this did not include actual mining. As a result, the activity of coal or mineral extraction could not be carried out by a mining services company. The most common way was through wet lease heavy equipment rental. As a mining services company may carry out mining itself, a mining company should be able to subcontract its entire mining activities to a mining services company so it would no longer be necessary to maintain a wet lease service arrangement with a mining services company.

Currently, the Group uses a wet lease heavy equipment rental from its mining contractor, BUMA for its mining at SDJ and TBR. The Amended Mining Law will make it unnecessary for it to maintain a wet lease service arrangement but instead a direct mining services with BUMA for Group's mining at SDJ and TBR.

BY ORDER OF THE BOARD
Charles Antonny Melati
Executive Chairman
23 June 2020



CAUTION IN TRADING

Shareholders, investors, and other persons are advised to exercise caution in trading the securities of the Group. There is no certainty or assurance as at the date of this announcement that the Potential Listing will proceed or 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 Potential Listing. Shareholders, investors, and other persons are advised to read this announcement and any further announcements by the Company carefully. They should consult their stockbrokers, bank managers, solicitors, or other professional advisors if they have any doubt about the actions they should take.