

News Release

Amendments to the Indonesian Mining Law Potential Listing on the Indonesian Stock Exchange

- Indonesian Government State Secretariat released late last week, the first amendments to the Indonesian “Mineral and Coal Mining Law No.4 of 2009” that has been approved and enacted into law on 10 June 2020. Implementing regulations will be issued within one year after the enactment, but the scope and content remains uncertain.
- Potential Listing of one of the Group’s Indonesian mining subsidiaries on the Indonesian Stock Exchange (“IDX”).

SINGAPORE, 23 June 2020 – Geo Energy Resources Limited (“Geo Energy” or the “Company”, and together with its subsidiaries, the “Group”) (SGX:RE4) wishes to inform that the Indonesian House of Representatives (Dewan Perwakilan Rakyat) has 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 consolidates mining matters to be under the control of the Central Government, streamlining the licensing documentation process and giving incentives to businesses who provide value-added services downstream. It also specifies on the divestment obligations for foreign investments and allows the transfer of IUPs interests subject to certain conditions. The Amended Mining Law also highlights the importance of exploration and reclamation post-mining, as well as clarifies the position of mining services companies and supporting infrastructure for mines.

On the various amendments in the Indonesian Mining Law, Mr Tung Kum Hon, Chief Executive Officer of Geo Energy said, **“As a major coal producer in Indonesia, the amendments to the Indonesian Mining Law impacts our business. We appreciate that these amendments target to better facilitate business in the industry. Although the scope and content of the implementing regulations remain uncertain, we have to understand how some of these changes might affect our business going forward.**

The Group is currently in the process of extending the mining business licences of its PT Sungai Danau Jaya (“SDJ”) and PT Tanah Bumbu Resources (“TBR”) coal mining concessions with the Regional Government of South Kalimantan, Indonesia. The Minister of Energy and Mineral Resources has informed that the Regional Government will still issue approvals such as extensions. Hence, we believe we are still on course to achieve the extension of the SBJ and TBR mining licences in the next or



following month. We are applying for the extension of SDJ and TBR mining licences to 2027 and 2028, respectively.

As previously announced, we are completing our exploration at the TBR concession to increase its JORC proved and probable coal reserves. SMGC in its preliminary JORC reserves review has indicated an additional JORC reserve of 29 million tonnes, pending the finalisation of their report. This is in line with the Amended Mining Law that is encouraging more emphasis on exploration. We will continue to look at such opportunities if it is value accretive for our stakeholders.

We do not expect the Amended Mining Law to affect our plans towards achieving the conditions for the Mandatory Offer to Purchase Covenant (the “Put Option”) to fall away.

The Company had previously explored a dual listing of its shares on the Hong Kong Stock Exchange, which was put on hold subject to market conditions. As the Group’s mining assets are based in Indonesia, we have been encouraged to pursue a listing of one of our mining subsidiaries on the Indonesian Stock Exchange (“IDX”)(“Proposed Listing”), in line with the government’s plan to support the local stock exchange market. Indonesian President Joko Widodo has previously indicated that he aims to persuade companies that have significant operations in the country but are listed on overseas stock markets to sell shares on Indonesia's bourse.¹

IDX has been the most active IPO market in Southeast Asia in 2020, with 27 new listings up to 13 May 2020.² In terms of market valuation, Indonesia is also expected to be Southeast Asia’s biggest stock market, with a market value of US\$529 billion in early 2020.³

One of our Company’s goals is to widen its investor base to benefit from exposure to a wider range of retail and institutional investors, as well as further enhance its corporate profile as it seeks to further expand its business. Although it remains unclear if the divestment requirements per the Amended Mining Law apply to us or not, we believe there is merit to consider an IDX listing for one of our mining subsidiaries. It is expected that only SDJ would be affected during this period up to the maturity of our bonds on 4 October 2022, if a divestment requirement applies, provided the Put Option falls away.

As part of our liability management and restructuring of our capital structure, we have reduced our annual interest costs by US\$13.4 million and net debt as at 31 May 2020 to US\$52.6 million, to be repaid in less than two and a half years on 4 October 2022, provided the Put Option falls away. We are also seeking alternative methods of growth, including joint ventures and production sharing opportunities. The relaxation on the transfer of IUP in the Amended Mining Law would increase the flexibility of future M&A transactions, if we are presented with the right opportunity.

¹ Companies with major Indonesia business should get Jakarta listings, Reuters, 4 July 2017

² Indonesia IPOs surge ahead, defying coronavirus slump, Nikkei Asia Review, 13 May 2020

³ Indonesia set to become Southeast Asia biggest stock market, Bloomberg, 17 January 2020



The Indonesian Coal Index (ICI) price has fallen by almost US\$10 per tonne from an average of US\$34.44 per tonne in 1Q2020 to US\$24.34 per tonne as at 19 June 2020. We have implemented measures to reduce our expenses and fixed overheads, as well as successfully negotiated with our service providers to reduce their rates in view of the current economic conditions, lowering our cash cost by more than 20% from the average of US\$26.86 per tonne in 1Q2020, to be one of the lowest costs coal producers that generate positive EBITDA on its mining business, amidst the current COVID-19 conditions. The potential upside for the Group is great, if coal prices trends up to US\$30 per tonne in 2H2020. With the increased RKAB production quota from 8 million tonnes to 12 million tonnes in 2020, this would give the Group flexibility to increase its production volumes and revenue, if coal prices are favourable, albeit with increased levels of precautionary controls.

We are committed to sustainable growth and enhancing shareholders value with sustainability at the forefront of our business strategy. We believe that a strategic approach to post-mining reclamation is the cornerstone to good environmental management in our industry. Our coal reserves are located underneath an oil palm plantation where we have agreed with the landowner to borrow, use, and return the land once mining activities are completed. We are fortunate that due to land use arrangements with the landowner and activities, the impacts of our operations to local biodiversity are kept at a minimum.

As part of our land reclamation plan, we proactively reclaim and rehabilitate land once an operation in particular area has finished. In this regard, we are in line with the Amended Mining Law targeting at reclamation and post-mining activities.

We will monitor the implementing regulations and ensure that we comply with the Amended Mining Law.”

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CAUTION IN TRADING

Shareholders, investors, and other persons are advised to exercise caution in trading the securities of Geo Energy. There is no certainty or assurance as at the date of this News Release that any potential acquisition(s) will proceed or be completed, or that the Group’s business and operations will not be affected further by the current COVID-19 pandemic and the current depressed coal prices, if they continue further. Geo Energy will continue to closely monitor the situation and will make the necessary announcements and provide further updates as and when there are material developments. Shareholders, investors, and other persons are advised to read this News Release and any further announcements by Geo Energy carefully. They should consult their stockbrokers, bank managers, solicitors, or other professional advisors if they have any doubt about the actions they should take.



This News Release does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. None of the Geo Energy and GCI intends to make any public offering of securities in the United States.

ABOUT GEO ENERGY RESOURCES LIMITED (Bloomberg Ticker: GERL SP)

Geo Energy Resources Limited (“Geo Energy”) is a major Indonesian coal producer with an established track record in operating coal mines, coal production and selling coal throughout the region. Geo Energy commenced its business in 2008 as a coal mining services provider and became a listed company on the Mainboard of the SGX in 2012, under the stock code: RE4 and is part of the Singapore FTSE-ST index.

Since then, Geo Energy has transitioned from being primarily a coal mining services provider to a coal producer that subcontracts its coal mining operations. This transition has allowed the Group to change the business model from operating as a relatively small-scale mining services provider in an environment of high capital expenditure and relatively low operational efficiency, with high dependence on owners of coal mining concessions, to being a low-cost coal producer with high-quality coal mining assets, working in collaboration with world-class business partners.

The Group’s investment strategy is mainly focused on acquisition of new mining concessions to increase production quantity and at the same time diversify its sources of coal. The Group owns four mining concessions through its wholly owned subsidiaries PT Bumi Enggang Khatulistiwa, PT Sungai Danau Jaya, PT Tanah Bumbu Resources and PT Surya Tambang Tolindo in Kalimantan, Indonesia.

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