

**Growth is a Journey**

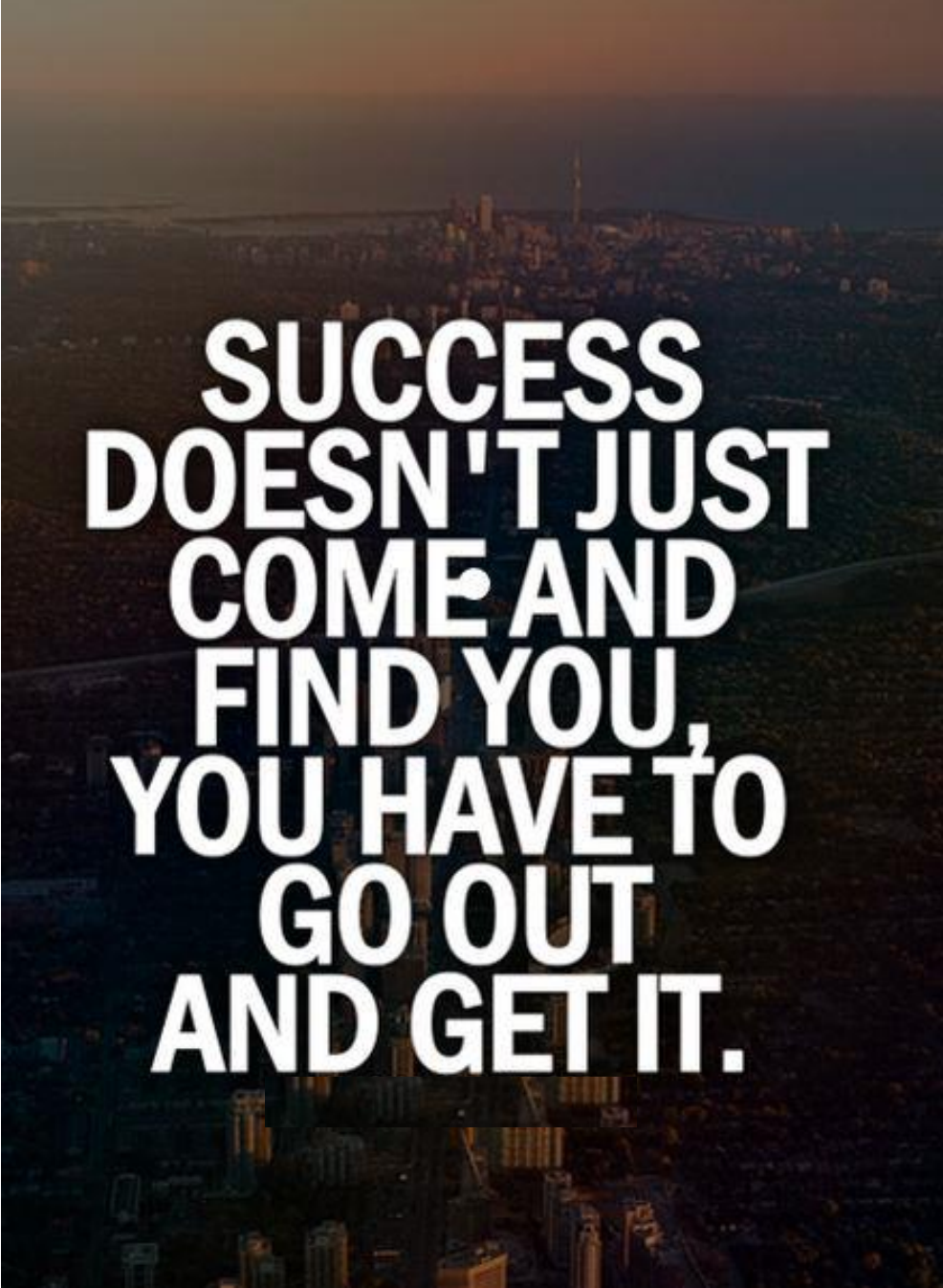
Geo Energy is ranked 17th in the inaugural award for Singapore's Fastest Growing Companies 2019 presented by The Straits Times and Statista, out of a long list of over 2,000 shortlisted companies based on the strongest revenue growth in recent years.

**UBS CREDIT  
INVESTORS'  
BRIEFING, JAKARTA**

6 MARCH 2019  
KH Tung, CEO/Director

We remain committed to sustainable growth and enhancing shareholder value, and staying on strategy for growth.

“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty”. Winston Churchill.



**SUCCESS  
DOESN'T JUST  
COME AND  
FIND YOU,  
YOU HAVE TO  
GO OUT  
AND GET IT.**

## Forward Looking Statements

This presentation 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 presentation that any transaction disclosed in this presentation 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 2017 and/or the offering memorandum dated 27 September 2017 in relation to the US\$300 million 8.00% senior notes due 2022 offering by Geo Coal International Pte. Ltd., a wholly-owned subsidiary of Geo Energy. 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 presentation 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 presentation. 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 presentation 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 presentation or that the information contained herein is correct as at any time subsequent to its date. No statement in this presentation is intended as a profit forecast or a profit estimate. This presentation 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 presentation 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.



Tung Kum Hon  
CEO/Director

# CEO Message

In 2018, Geo Energy achieved an underlying net profit of US\$36 million and cash profit of US\$80 million despite weakened coal prices. Despite weakened coal prices with the Indonesian Coal Index Price (“ICI”) falling as low as US\$28.85 per tonne in 30 November 2018 causing a 4Q2018 loss of US\$5 million. Underlying net profit for 2018 was US\$36 million, a decrease of 25% compared to US\$48 million in 2017.

Following the Life of Mine Coal Offtake (“Oftake”) for its TBR coal mine with Macquarie Bank Limited (“Macquarie”) in November 2018, the **Group has completed its first shipment of export sales to Macquarie of 38,400 metric tonnes in January 2019**. Together with the existing SDJ coal mine’s offtake, **the Group is confident in delivering stronger cash profits to enhance the shareholder returns going forward as the coal prices improve**; coal prices have increased US\$6.72 from US\$30.29 on 28 December 2018 to US\$37.01 on 22 February 2019. Current market prices for 4,200 GAR coal loading in March 2019 is at US\$38.00 to US\$38.50 per tonne.

# CEO Message

Although coal prices weakened in 4Q2018 mainly due to policies in China restricting imports of seaborne thermal coal, these import restrictions have since eased in 2019, as reported by increased trading activity across key Asian thermal markets. **The view remains positive on coal prices in the long run**, as China's proactive supply control will prevent the recurrence of any structural global coal oversupply.

**The fundamentals in the Indonesian market remains strong** and even a period of lasting lower realised prices should be manageable for Geo Energy due to a strong balance sheet and competitive low mining costs.

**The Group maintained existing cash balance of over US\$200 million as at 31 December 2018** for investment in new coal assets and businesses and for working capital. Barring any unforeseen circumstances, we believe in continuing our growth momentum and staying on strategy for sustainable growth in the years ahead.

**We continue to remain focused on our strategic objectives in 2019:**

- Continue monitoring market opportunities and optimising business value
- Actively assessing and implementing cost reduction measures
- Strengthening our capital position; and
- Returning value to shareholders

**The Group has also submitted a non-binding offer for a producing coal mine in East Kalimantan, and if successful, will increase the Group's production, EBITDA and net earnings to be a major coal producer in Indonesia.**



# About Us

Geo Energy Resources Limited (“Geo Energy”) is one of the major coal producers in Indonesia and is listed on the Singapore Stock Exchange and is part of the Singapore FTSE-ST index.

# About Us

Geo Energy Resources Limited (“Geo Energy”) (Bloomberg Ticker: GERL SP) is one of the major coal producers in Indonesia and is listed on the Singapore Stock Exchange and is part of the Singapore FTSE-ST index. The Group is ranked 17th in the inaugural award for Singapore’s Fastest Growing Companies 2019 presented by The Straits Times and Statista based on the strongest revenue growth in recent years.

The Group’s operations are primarily located in Indonesia. It is a coal mining specialist with an established track record in the operation of coal mining sites for the purpose of coal production and coal sales since 2008. It owns major mining concessions and coal mines in East and South Kalimantan, Indonesia.

Investing in Environment, Social, Governance (“ESG”) is important and much emphasis is now given by asset managers and investors on their investments in companies. We believe in creating sustainable value through good ESG practices and corporate governance, including building of schools, bridges and local infrastructure for communities, cattle and livestock breeding, scholarships, bursaries and support for the National Cancer Centre to raise awareness and support of cancer research.

Geo Energy was ranked 35th in the Corporate Governance and Transparency Index 2018, placed amongst the top listed companies. Our Board, including Independent Director Mr. Jim Rogers, together with the management team, have worked closely in maintaining a high standard of corporate governance.

For more information, please visit [www.geocoal.com](http://www.geocoal.com)



# About Us

## 2018 Happenings and Awards

Geo Energy signed the Life of Mine Coal Offtake (“Offtake”), multi-year prepayment facility and trade finance with Macquarie Bank Limited (“Macquarie”) for its TBR coal mine, together with a 5% equity investment in the Group.



Creative Awards 2018

Win GOLD at Hermes Creative Awards 2018 for the best design of our Annual Report 2017 – “The Year That Transformed Geo Energy”



Singapore's Fastest Growing Companies 2019

Ranked 17th Singapore's Fastest Growing Companies 2019 presented by The Straits Times and Statista based on the strongest revenue growth in recent years



Corporate Governance and Transparency Index

Ranked 35th in the Corporate Governance and Transparency Index 2018, placed amongst the top listed companies





# About Us

## Our People

**Our leaders have invaluable experience in the coal mining and commodities industry, investment, and corporate finance** to drive growth to meet strategic objectives to create value for our stakeholders.

(Please refer to the Board of Directors profile in the Annual Report)



Charles Antony Melati  
Executive Chairman/Director



Tung Kum Hon  
CEO/Director



Jim Rogers  
Independent Director

# About Us

## Our Vision

- Top 10 Coal Producer in Indonesia
- More than 10% Market Share in the 4200 GAR Coal Internationally
- More than 150Mt coal reserves
- ROE in excess of 20% with expansion of business

## What are our Competitive Strengths?

- Leadership
- Superior asset characteristics
- Low cash cost
- Low cash requirement with strong source of liquidity from prepayment option



# About Us

## What are our Challenges?

- Small scale of operations
- Geographical concentration

## What are our Risks?

- Coal price fluctuations
- Operational risks
- Regulatory risks

## What is our Strategy for Sustainable Growth?

- Sales ramp-up
- M&A and investments





# Our Performance

Geo Energy Reported a Revenue of US\$299 million with an Underlying Net Profit of US\$36 million and Cash Profit of US\$80 million in 2018 despite Weakened Coal Prices.

# Our Performance

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## Revenue

2018 - US\$299m (2017 – US\$316m) **-5%**

## Cash Profit

2018 – US\$80m (2017 – US\$98m) **-18%**

## Underlying net profit

2018 - US\$36m (2017 – US\$48m) **-25%**

### Results Review and Strategy Update Fourth Quarter and Twelve Months Ended 31 December 2018



#### In 2018, Geo Energy achieved an underlying net profit of US\$36 million and cash profit of US\$80 million despite weakened coal prices

The Group's results were impacted by the weaker coal price in 2018 and higher production costs in the first 9 months of the year, resulting in a loss of US\$5 million for 4Q2018. We adjusted our coal production in 4Q2018 to a lower coal production volume due to weaker coal prices, achieving a total of 7.9 million tonnes of coal production for the 12 months ended 31 December 2018 compared to our 2018 planned production and sales of 8-9 million tonnes (which was revised previously for the later start of the TBR coal mine production during the year). The coal that we do not mine will remain underground. We will be able to deliver a greater value for our stakeholders when the market conditions improve.

Despite weakened coal prices with the Indonesian Coal Index Price ("ICI") for 4,200 GAR coal falling as low as US\$28.85 per tonne on 30 November 2018 causing a 4Q2018 loss of US\$5 million, the Group managed to achieve a cash profit of US\$80 million in 2018. Underlying net profit for 2018 was US\$36 million, a decrease of 25% compared to US\$48 million in 2017.

Following the Life of Mine Coal Offtake ("Offtake") for its TBR coal mine with Macquarie Bank Limited ("Macquarie") in November 2018, the Group has completed its first shipment of export sales to Macquarie of 38,400 metric tonnes in January 2019. Together with the existing SDJ coal mine's offtake, the Group is confident in delivering stronger cash profits to enhance the shareholder returns going forward as the coal prices improve; coal prices have increased US\$6.72 from US\$30.29 on 28 December 2018 to US\$37.01 on 22 February 2019. Current market prices for 4,200 GAR coal loading in March 2019 is at US\$38.00 to US\$38.50 per tonne.

Although coal prices weakened in 4Q2018 mainly due to policies in China restricting imports of seaborne thermal coal<sup>1</sup>, these import restrictions have since eased in 2019, as reported by increased trading activity across key Asian thermal markets. According to DBS Group Research report, the view remains positive on coal prices in the long run, as China's proactive supply control will prevent the recurrence of any structural global coal oversupply.<sup>2</sup>

S&P Global Ratings said in their report on 13 February 2019 that the earnings and cash flows of Indonesian mining companies could come under strain in 2019 if pricing remains subdued for coal with low calorific value. However, they believe the fundamentals in the Indonesian market remains strong and even a period of lasting lower realised prices should be manageable for Geo Energy due to a strong balance sheet and competitive low mining costs.<sup>3</sup>

The Group maintained existing cash balance of over US\$200 million as at 31 December 2018 for investment in new coal assets and businesses and for working capital. Barring any unforeseen circumstances, we believe in continuing our growth momentum and staying on strategy for sustainable growth in the years ahead.

<sup>1</sup> Chinese authorities tighten port restrictions to control coal imports, S&P Global Platts, 16 November 2018  
<sup>2</sup> DBS Group Research. Equity – Indonesia Industry Focus Thermal Coal, 22 November 2018  
<sup>3</sup> S&P Global Ratings, Indonesian Coal Miners Could See Weaker Earnings in 2019, 13 February 2019

# Our Performance

## Key Highlights

- **Revenue decreased by 5%** from US\$316 million in 2017 to **US\$299 million in 2018 due to lower volume of coal sold**. The Group sold **7.1 million tonnes of coal in 2018**, compared to 7.7 million tonnes sold in 2017. During 2018, SDJ coal mine sold 6.7 million tonnes of coal while TBR coal mine sold 0.4 million tonnes mainly to the Indonesian domestic coal market. **The Group adjusted to a lower production volume due to weaker coal prices** but will be ready to ramp up quickly when market conditions improve.
- The Group achieved an **Average Selling Price (“ASP”) of US\$42.08 per tonne for 2018, higher than US\$40.29 per tonne in 2017**. The increase of 2018 ASP was mainly driven by our pricing which is based on the average index prices of 3 and 4 weeks prior to laycan shipment date and higher coal prices in the first 9 months of 2018.

# Our Performance

## Key Highlights

- **Cash profit for coal mining in 2018 was an average of US\$11.28 per tonne** compared to an average of US\$12.74 per tonne in 2017. This was mainly due to **increased cost of production linked to higher coal prices for the first 9 months of 2018**. **Average production cash costs** increased from US\$27.55 per tonne in 2017 to **US\$30.80 per tonne in 2018**. During the year, the cost was partially offset by lower stripping ratio of SDJ coal mine from 3.7 in 2017 to 2.9 in 2018.
- The Group achieved a **net profit of US\$18 million and an underlying net profit of US\$36 million** in 2018, a decrease of 51% and 25% respectively compared to 2017. This was **mainly due to (1) lower volume of coal sold, (2) the steep fall in prices in November** driven by policies in China restricting imports of seaborne thermal coal in November and December 2018, (3) **higher production costs** and (4) **higher interests cost on the USD Senior Notes of US\$24 million**. G&A Expenses remains at around S\$12 million.

# Our Performance

## Key Highlights

- **A final dividend of S\$0.004 per share** as our commitment to deliver returns to shareholders. Including the interim dividend of S\$0.01 paid on 5 September 2018 (2017: S\$0.02 paid), this implies a **dividend yield of 7.4%** based on the closing price of S\$0.19 on 27 February 2019.
- The Group **targets production and sales of at least 8 million tonnes of coal** for both SDJ and TBR in 2019 based on the production quota received. We will be reviewing the RKAB in 6 months to increase the production quota with the Indonesian mining authorities, if needed.
- The Group has also **submitted a non-binding offer for a producing coal mine in East Kalimantan**, and if successful, will increase the Group's production, EBITDA and net earnings to be a major coal producer in Indonesia. The payment of the acquisition is to be **financed by internal funding and a certain amount of debt**, subject to the existing debt covenants. The Company will update shareholders in due course.



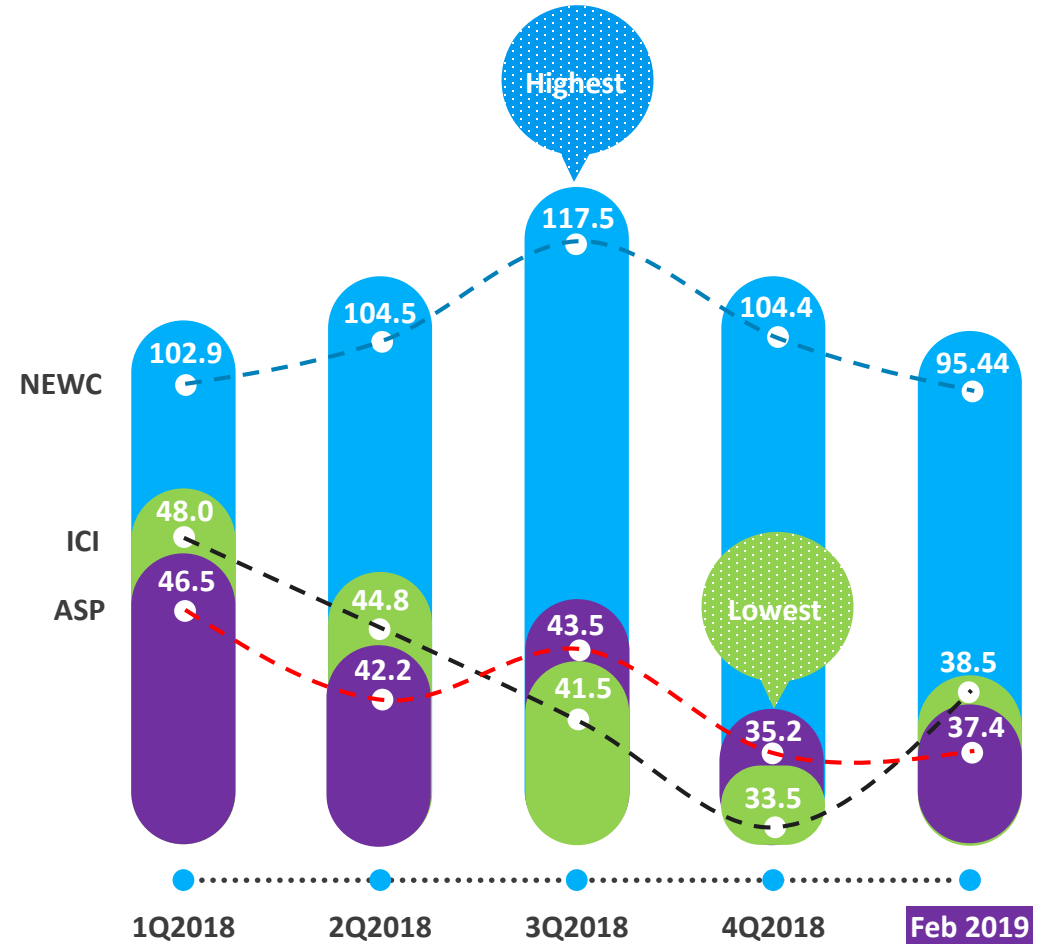
# Our Performance

A higher discount from the Newcastle benchmark has contributed to the pressure. The Newcastle index reflects the selling price of high-quality coal (meaning coal with a gross calorific value--GAR--of 6,300 kilocalories per kilogram). The price reached US\$107/mt on average in 2018, compared with US\$88/mt in 2017.

## Market Price Analysis

# US\$33-48/mt

The average ICI price for 4,200 GAR coal was **US\$33.48 per tonne in 4Q2018**, down from US\$41.50 per tonne in 3Q2018 and US\$45.69 in 4Q2017. The Group recorded an **Average Selling Price ("ASP") of US\$35.16 per tonne for 4Q2018**, lower than US\$42.40 per tonne in 4Q2017. The higher ASP compared to the ICI price was due to our pricing based on the average index prices of 3 and 4 weeks prior to laycan shipment date.

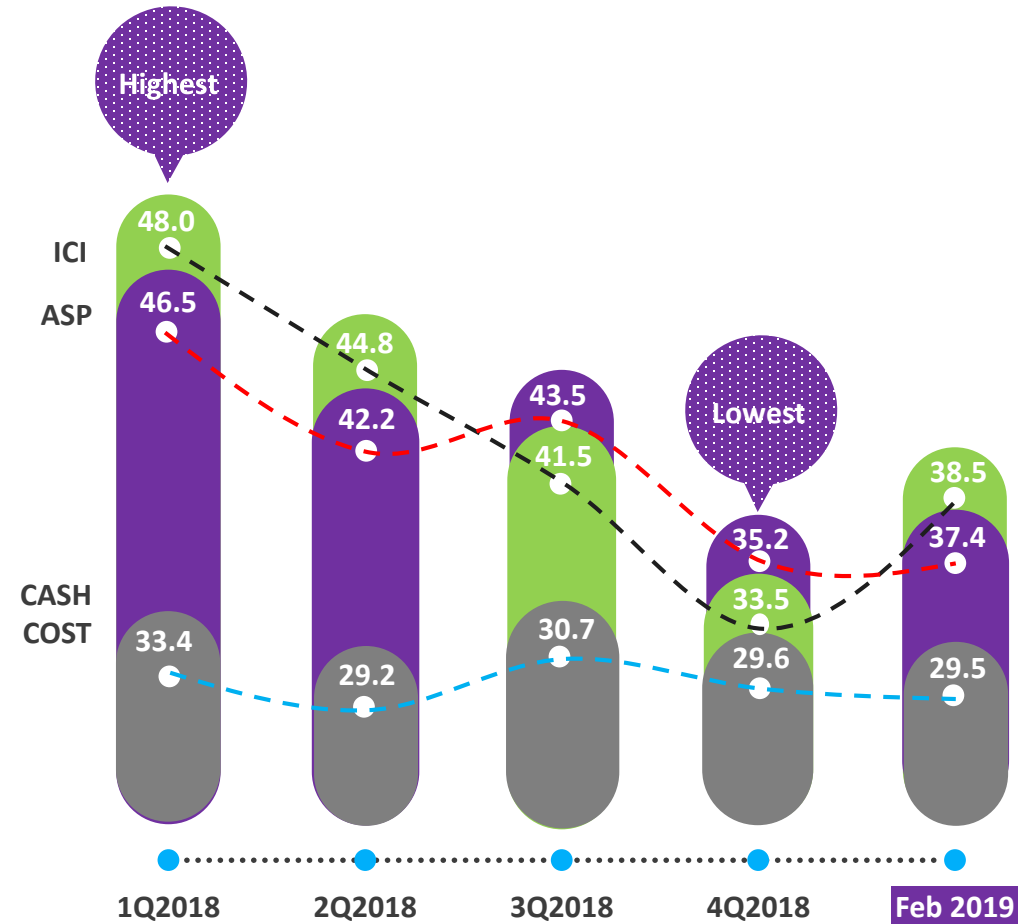


# Our Performance

## Cash Profit Analysis

# US\$6-13/mt

Cash profit for coal mining was US\$11.28 per tonne in 2018 as compared with US\$12.74 per tonne in 2017, mainly due to increased cost of production linked to higher coal prices in the first 9 months of 2018.





# Our Financial Position

The Group maintained existing cash balance of over **US\$200 million** as at 31 December 2018 for investment in new coal assets and businesses and for working capital. Barring any unforeseen circumstances, we believe in continuing our growth momentum and staying on strategy for sustainable growth in the years ahead.

## Non-current Assets

Non-current assets increased to US\$282.5 million, mainly due to increases in deferred stripping costs by US\$50.0 million (pre-stripping cost upon commencement of production at the TBR coal mine), deposits and prepayments by US\$19.2 million (due to advance payment for provision of integrated coal mining support and infrastructure services).

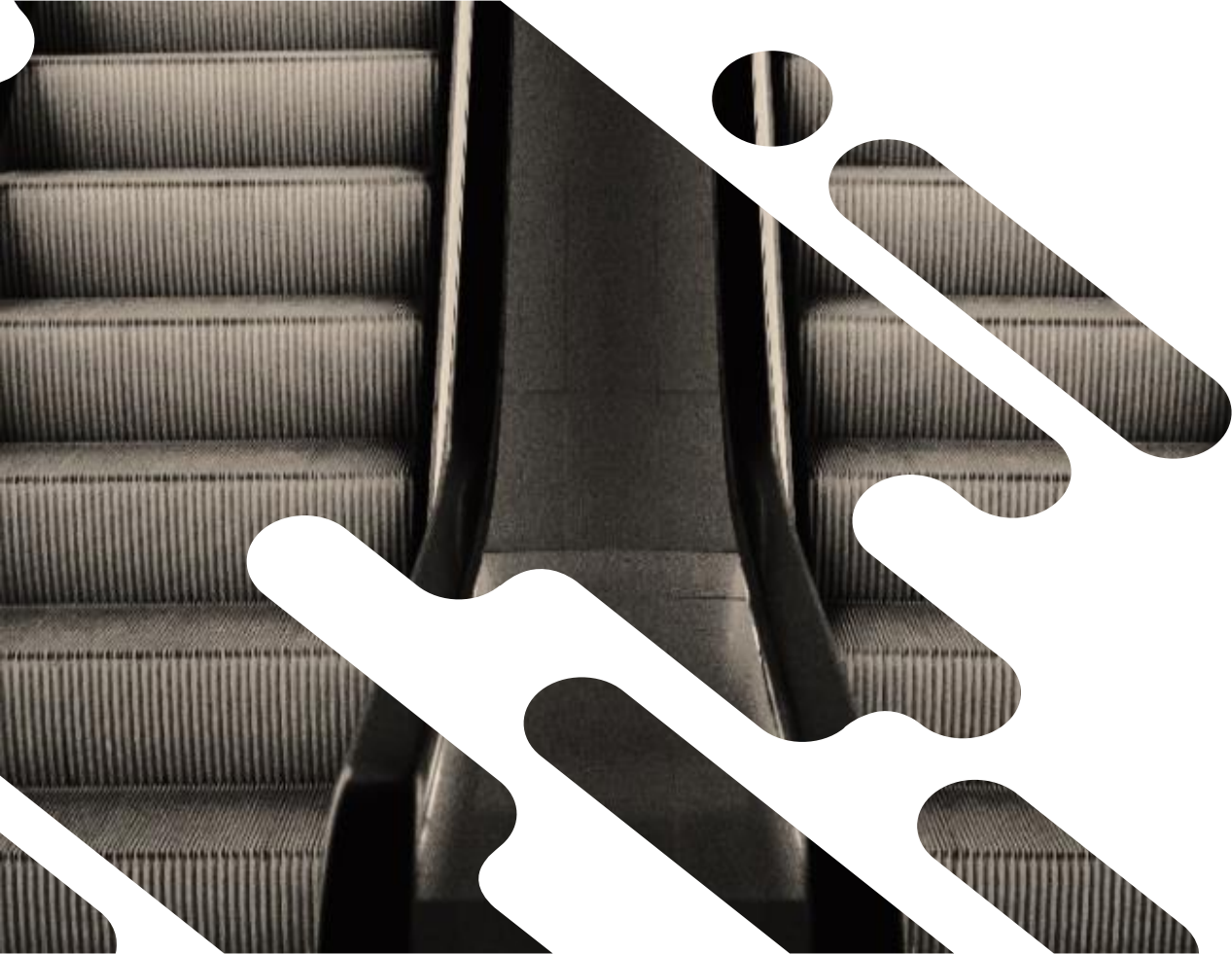
## Non-current Liabilities

Non-current liabilities of US\$297.8 million mainly comprise the US\$300 million Senior Notes issued in October 2017.

**US\$549m**  
Total Assets

**US\$174m**  
Net Assets

**US\$203m**  
Cash



# Industry Update

Although coal prices weakened in 4Q2018 mainly due to policies in China restricting imports of seaborne thermal coal, **these import restrictions have since eased in 2019**, as reported by increased trading activity across key Asian thermal markets.

# Industry Update

Although coal prices weakened in 4Q2018 mainly due to policies in China restricting imports of seaborne thermal coal, these import restrictions have since eased in 2019, as reported by increased trading activity across key Asian thermal markets. According to DBS Group Research report, the view remains positive on coal prices in the long run, as China's proactive supply control will prevent the recurrence of any structural global coal oversupply.

S&P Global Ratings said in their report on 13 February 2019 that the earnings and cash flows of Indonesian mining companies could come under strain in 2019 if pricing remains subdued for coal with low calorific value. However, they believe the fundamentals in the Indonesian market remains strong and even a period of lasting lower realised prices should be manageable for Geo Energy due to a strong balance sheet and competitive low mining costs.

Chinese authorities tighten port restrictions to control coal imports, S&P Global Platts, 16 November 2018  
 DBS Group Research. Equity – Indonesia Industry Focus Thermal Coal, 22 November 2018  
 S&P Global Ratings, Indonesian Coal Miners Could See Weaker Earnings in 2019, 13 February 2019

## Indonesia Industry Focus Thermal coal

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Nov 2018

### 2019: It is not over yet

- Steady coal price and cost control to drive earnings performance
- Undemanding valuation, trading at high single digit PE
- Weaker IDR trend – upside risk to our earnings forecast
- Top pick : ADRO and ITMG

**Margin to stay strong.** Indonesia's coal mining stocks are set to continue their positive performance next year. Current coal prices will support coal miners' pricing contract negotiation for next year. Furthermore, coal miners' efficiencies strategy via developing their in house coal mining services expertise and capacity also to support earnings performance. Higher-than-expected output target and weak IDR trend against US dollar are the key upside drivers for our earnings forecast.

**Coal price benchmark assumption retained at US\$75 per ton in FY19.** We maintain our coal price benchmark assumption of US\$75 per ton in FY19 on steady supply-and-demand conditions. We also remain positive on coal prices in the long run, as we believe that China's proactive supply control will prevent the recurrence of any structural global coal oversupply.

**Coking coal ventures (ADRO), dividend yields (ITMG) and efficiencies (PTBA) not priced in.** Adaro Energy (ADRO) spend US\$700-US\$900m in FY18 to expand its existing thermal coal businesses, and newly acquired coking coal business. We believe the investment will provide attractive returns to shareholder. Meanwhile, Indo Tambang (ITMG's) clean balance sheet and its intention to continue utilising its high-margin concession will underpin its dividend streams going forward. On Bukit Asam (PTBA), railway capacity expansion and in house mining contracting to drive earnings growth and PTBA's share price valuation re-rating.

**Retain our BUY for coal stocks and ADRO is our top pick.** Coal miners offer positive earnings growth, double-digit profit margins and ROE in 2019, but trade at high single-digit FY19 PE. However, low cost structure enable coal miners to deliver strong profitability ahead, in our view. Our top pick is ADRO, since we believe the share price underperformance relative to its coal mining peers will not sustain on lucrative earnings growth prospect.

JCI : 5,948.10

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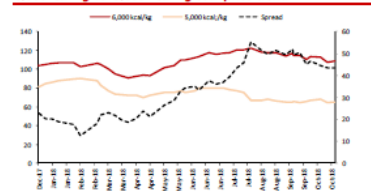
### STOCKS

	Price Rp	Mkt Cap US\$m	12-mth Target Price Rp		Performance (%)		Rating
			3 mth	12 mth	3 mth	12 mth	
Adaro Energy	1,310	2,863	2,500	(30.3)	(25.4)	BUY	
Indo Tambangraya	20,02	1,546	33,000	(25.3)	(1.0)	BUY	
Tambang Batubara	4,350	3,437	5,335	5.6	94.6	BUY	

Source: DBS V, Bloomberg Finance L.P.  
 Closing price as of 21 Nov 2018

**Adaro Energy :** Indonesia second largest coal producer. It also has subsidiaries that operate in the mining contracting, barging and ship loading business  
**Indo Tambangraya Megah :** One of the largest coal mining company Barpu. Coal concession located in Kalimantan, Indonesia  
**Tambang Batubara Bukit Asam :** Indonesia largest coal miners with 1.99bn ton of coal reserves. Main coal mining concession located in Tanjung Enim, south Sumatera

### 6,000kcal/kg vs. 5,000 kcal/kg coal price trend



Source: Bloomberg Finance L.P., DBS V



# For Investors

**A stock is not just a ticker symbol or an electronic blip.** It is an ownership interest in an actual business, with an underlying value that does not depend on its share price

Recommends a final dividend of S\$0.004 per share as our commitment to deliver returns to shareholders. Including the interim dividend paid of S\$0.01 in 2018 (2017: S\$0.02 paid), this implies a dividend yield of 7.4% based on the closing price of S\$0.19 on 27 February 2019.

# Share Price Performance

“A stock is not just a ticker symbol or an electronic blip. It is an ownership interest in an actual business, with an underlying value that does not depend on its share price”. Benjamin Graham

## Bloomberg Key Statistics

P/E Ratio	9.92
Bloomberg (BEst) P/E Ratio	4.6843
Bloomberg (BEst) PEG Ratio	--
Shares Outstanding	1.4B
Price to Book Ratio	1.0957
Price to Sales Ratio	0.6062

**GERL:SP** Singapore  
Geo Energy Resources Ltd [COMPANY INFO](#)

**0.19** SGD +0.00 +1.09% ▲

OPEN  
0.19

PREV CLOSE  
0.18

MARKET CAP  
**257.5m**

DAY RANGE  
0.18-0.19

VOLUME  
260,800

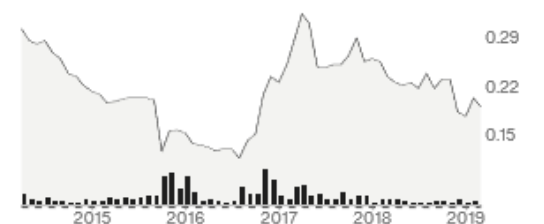
52 WEEK RANGE  
0.16-0.26

+ ADD TO WATCHLIST

● MARKET OPEN

AS OF 01:52 AM EST 03/04/2019 EDT

1D 1M 1Y **5Y** [VIEW FULL CHART](#)



# US\$ Bond Price Performance

For the aggressive as well as the defensive investor, what you don't do is as important to your success as what you do.

**Geo Energy Resources Ltd. (B/Stable/--).** S&P Global Rating Report, 13 February 2019

## GERLSP 8.000% 04Oct2022 Corp (USD) Geo Coal International Pte. Ltd.

Geo Coal International Pte. Ltd. provides coal mining and exploration services.

Latest Quotes as of 01-Mar-2019 04:16 PM

Current Ask Yield to Maturity ⓘ <b>12.321 %</b>	Current Ask Yield to Worst ⓘ <b>12.321 %</b>	Current Indicative Ask Price (USD) <b>87.739</b>	Bond Feature(s) <b>Make-Whole Call Callable Change of Control Put Equity Call</b>
Current Bid Yield to Maturity ⓘ <b>12.512 %</b>	Current Bid Yield to Worst ⓘ <b>12.512 %</b>	Current Indicative Bid Price (USD) <b>87.240</b>	

### BOND INFORMATION

Reference Code	USY2700AAB53	CUSIP	AP3385535
ISIN	USY2700AAB53	Bond Type	High Yield Corporate
Issuer	Geo Coal International Pte. Ltd.	Bond Sector	Energy
Guarantor	Geo Energy Resources Limited and subsidiaries	Bond Sub Sector	Oil, Gas and Consumable Fuels
Issue/ Reoffer Price	98.792	Minimum Investment Quantity (Nominal)	USD 200,000
Announcement Date	27-Sep-2017	Incremental Quantity (Nominal)	USD 1,000
Issue Date	04-Oct-2017	Bond Credit Rating (S&P/ Fitch)	B/ B
Maturity Date	04-Oct-2022	Issuer Credit Rating (S&P/ Fitch)	N.R/ N.R
Years to Maturity (Approximate)	3.587	Seniority	Senior Unsecured
Currency	USD	Exchange Listed	SGX
Annual Coupon Frequency	Semi Annually	Issue Size	USD 300,000,000
Coupon Type	Fixed	Shariah Compliant	No
Annual Coupon Rate (% p.a.)	8.000		
Reference Rate	-		



# US\$ Bond Price Performance

**Geo Energy Resources Ltd. (B/Stable/--)**. On Sept. 30, 2018, Geo Energy's net debt was manageable at US\$55 million; yet it has substantial gross debt of close to US\$300 million. The company has an ample cash buffer, and multiple years before a potential put option on its bond in 2021 or maturity in late 2022; so we do not foresee rating pressure for the time being, barring any large acquisition with no commensurate cash flows.

## S&P Global Ratings Report on 13 February 2019 Indonesian Coal Miners Could See Weaker Earnings In 2019

SINGAPORE (S&P Global Ratings) Feb. 13, 2019--S&P Global Ratings said today that the earnings and cash flows of Indonesian mining companies could come under strain in 2019 if pricing remains subdued for coal with low calorific value. Indonesia is a predominant producer of such coal, which saw pockets of pricing weakness late last year.

"A combination of negative news on the demand side, and Indonesia's evolving regulatory and competitive landscape underpins the current weakness in realized prices for a number of Indonesian miners," said S&P Global Ratings credit analyst Bertrand Jabouley. "While this will weigh on the industry in general, company-specific factors will primarily drive credit ratings instead."

A higher discount from the Newcastle benchmark has contributed to the pressure. The Newcastle index reflects the selling price of high-quality coal (meaning coal with a gross calorific value--GAR--of 6,300 kilocalories per kilogram). The price reached US\$108 per ton (/t) on average in 2018, compared with US\$88/t in 2017.

But, in parallel, the discount between higher and lower calorific content coals has been widening. For low-calorific value coal, S&P Global Platts Kalimantan 4,200 GAR average price stagnated between 2017 and 2018, and declined throughout 2018, from US\$47/t at the onset of the year to US\$30/t in late December. There was a similar downward trend for the Kalimantan 5,000 GAR.

Indonesian coal exports are also under pressure in two key markets: China and India. China, the world's leading producer and one of the largest importers of thermal coal, is currently restricting imports. This means the size of China's domestic coal production determines how much coal the country needs to import to serve essentially its power sector. It is unclear how soon China will relax those import limits. India's import growth decelerated toward the end of 2018, too. India's overall inclination for higher-quality coal imports seems to have increased, given that constraints from port and railway logistics limit its import volumes.

In addition, Indonesia-imposed domestic market obligations (DMO) requirements could weigh on realized prices. The DMO policy requires coal-mining firms to sell at least 25% of their production in the domestic market and cap the selling price for state-owned electricity firm [PT Perusahaan Listrik Negara \(Persero\)](#) (BBB-/Stable/--), with different applicable caps depending on calorific content. DMO sales reached only 21.7% of domestic production in 2018, and a number of coal miners could not meet their DMO requirement. Even though the lower-than-expected DMO allocation fulfilled national needs, the Ministry of Energy and Mineral Resources could impose sanctions on these non-compliant companies by reducing their production quota in 2019.

We believe lasting lower realized prices should be manageable for [PT Bavan Resources Tbk.](#) (B+/Stable/--) and [Geo Energy Resources Ltd.](#) (B/Stable/--). On Sept. 30, 2018, Bavan was in a US\$145 million net cash position, with minimal debt levels of US\$24 million. Such a strong balance sheet protects the company

**We have to seize the opportunity** to transform Geo Energy.

“In a world that’s changing really quickly, the only strategy that is guaranteed to fail is not taking risks”.

Mark Zuckerberg

SUCCESS IS WHERE  
PREPARATION AND  
OPPORTUNITY MEET.



# Thank You

For more information, please visit  
[www.geocoal.com](http://www.geocoal.com)

