



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)

News Release

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 and Recommends a Final Dividend

SINGAPORE, 27 February 2019 – Geo Energy Resources Limited (“Geo Energy” or the “Company”, and together with its subsidiaries, the “Group”) (SGX:RE4), is pleased to announce the financial results for the twelve months ended 31 December 2018 (“2018”).

(US\$ '000)	4Q2018 (Unaudited)	4Q2017 (Unaudited)	% change	2018 (Unaudited)	2017 (Audited)	% change
Revenue	56,246	92,827	(39)	299,242	316,303	(5)
Cost of Sales	(49,879)	(74,870)	(33)	(232,399)	(237,882)	(2)
Gross Profit	6,367	17,957	(65)	66,843	78,421	(15)
Other Income	705	1,768	(60)	5,306	3,527	50
Finance Costs	(3,720)	(8,842)	(58)	(26,537)	(12,735)	108
General & Administrative Expenses	(4,530)	(3,780)	20	(12,507)	(11,566)	8
Other Expenses	(1,174)	(1,691)	(31)	(4,311)	(5,384)	(20)
Net (Loss)/Profit Attributable to Owners of the Company	(5,033)	3,443	nm	18,021	36,686	(51)
Earnings per share* - Basic and Diluted (US cent)	(0.37)	0.26	nm	1.35	2.88	(53)

* Based on weighted average number of 1,361,990,504 ordinary shares for 4Q2018 (4Q2017: 1,329,273,113) and 1,337,519,688 ordinary shares for 2018 (2017: 1,273,818,318)

nm: denotes not meaningful

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, PT Sungai Danau Jaya (“SDJ”) coal mine sold 6.7 million tonnes of coal while PT Tanah Bumbu Resources (“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.

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12 Marina Boulevard, #16-01, Marina Bay Financial Centre Tower 3, Singapore 018982 T +65 6702 0888 F +65 6702 0880

The Suites Tower 17 Floor, Jln Boulevard, Pantai Indah Kapuk, No. 1 Kav OFS Jakarta 14470, Indonesia T +62 21 2251 1055 F +62 21 2251 1057

www.geocoal.com



- 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.
- 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.
- In November 2018, the Group 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 Company. The Group has completed its first shipment of export sales under the Offtake to Macquarie of 38,400 tonnes of coal in January 2019.
- The Group targets a production and sales of at least 8 million tonnes of coal for both SDJ and TBR in 2019 based on the production quota received and set out in the Rencana Kerja Anggaran Biaya (“**RKAB**”) – Work Plan and Budget.
- The Group incurred US\$1.1 million in sustainability efforts in 2018 and has committed further resources for 2019, including building of schools, bridges and local infrastructure for communities, cattle and livestock breeding, scholarships and university bursaries.
- Ranked 17th in the inaugural award for Singapore’s Fastest Growing Companies 2019 presented by The Straits Times and Statista.
- The Company recommends the payment of a final dividend of S\$0.004 per share, representing a commitment to deliver returns to shareholders.

Commenting on the industry and market outlook for coal, Mr Charles Antony Melati, Executive Chairman of Geo Energy said, “**Despite strong coal prices in the first 9 months of 2018, the year ended with weakened coal prices in 4Q2018 due to policies in China restricting import of seaborne thermal coal.**¹ This has impacted our results in 2018.

However, 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

¹ Chinese authorities tighten port restrictions to control coal imports, S&P Global Platts, 16 November 2018



recurrence of any structural global coal oversupply.² 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.

According to Argus media report, regulatory obstacles in Indonesia could hamper coal production in 2019 and uncertainty about China's import policy could also curb exports, even though a number of producers have announced tentative plans to raise output in the coming year.³

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.⁴

On the 2018 financial performance and business outlook for the Group, Mr Tung Kum Hon, Chief Executive Officer, of Geo Energy said, "We adjusted our coal production in 4Q2018 to a lower coal production volume due to weaker coal prices, achieving a total of 7.1 million tonnes of coal for the 12 months ended 31 December 2018. The coal that we do not mine will remain underground. We would be able to deliver a greater value for our stakeholders if the coal is produced and sold when the market conditions improve.

In 2018, we signed the TBR coal offtake, multi-year prepayment facility and trade finance with Macquarie, bringing in a major strategic partner with deep experience in commodities trading, together with a 5% equity investment in the Company and financing for the Group. Macquarie subscribed for the 5% equity stake in the Company at a price of S\$0.29 per share, which represented a premium of 29% to the volume weighted average price of S\$0.225 on 2 November 2018 (the last full market trading day prior to a trading halt in relation to the announcement of this transaction). We see this as strong testament to the value of Geo Energy, our capabilities to deliver high quality coal in the region and to grow our level of profitability going forward.

We completed the first shipment of export sales under this Offtake with Macquarie in January 2019, and together with the existing SDJ's coal offtake, we have built a strong platform to enhance shareholder returns when coal prices improve.

We are targeting a production and sales of at least 8 million tonnes of coal for both SDJ and TBR in 2019 based on the production quota received and set out in the RKAB (Work Plan and Budget) which specifies the given export volumes and what is to be set aside for Indonesia Domestic Market Obligation. We will be reviewing the RKAB in 6 months to increase the production quota with the Indonesian mining authorities, if needed.

The Group also maintained existing cash balance of over US\$200 million as of 31 December 2018 for investment in new coal assets and businesses and for working capital. The Group has submitted a non-binding offer for a producing coal mine in East Kalimantan, and if successful, it will increase the Group's production, EBITDA and net earnings to be a major coal producer in Indonesia. The

² DBS Group Research. Equity – Indonesia Industry Focus Thermal Coal, 22 November 2018

³ <https://www.argusmedia.com/en/news/1819597-viewpoint-indonesian-coal-sellers-plan-amid-volatility>

⁴ S&P Global Ratings. Indonesian Coal Miners Could See Weaker Earnings in 2019. 13 February 2019



Company will make announcement in due course. Barring any unforeseen circumstances, we believe in continuing our growth momentum and staying on strategy for sustainable growth in the years ahead.

The Directors have recommended 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.

Investing in Environment, Social, Governance (“ESG”) is important and much emphasis is given by asset managers and investors. To that end, we have invested US\$1.1 million in sustainability efforts in 2018 and committed further resources for 2019. We believe in creating sustainable value through good ESG practices and corporate governance. The Group had issued its first Sustainability Report⁵ in December 2018.

In 2018, we established the Geo Energy Bursary with the Singapore Institute of Technology to provide financial assistance over a period of 4 years to deserving and financially disadvantaged students enrolled in the Institute. We also sponsored and participated in the Run for Hope charity events in 2018 and 2019, organised by the National Cancer Centre to raise awareness and support for cancer research.



Run for Hope 2019 - 17 January 2019

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.

Geo Energy was also 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

⁵ <http://www.geocoal.com/images/sustain/GEGSR2017.pdf>



years. This award recognises the increased scale of Geo Energy's business following commencement of our SDJ and TBR coal mines, despite the weakened coal prices in 4Q2018."

- End -

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

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.

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.

For more information, please visit www.geocoal.com



For more information please contact:

Romil SINGH, Colin LUM

geoenergy@financialpr.com.sg

Tel: (65) 6438 2990 Fax: (65) 6438 0064