

GEAR – 3Q FY2017 Results Briefing

November 2017

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ii.agree to be bound by the limitations and restrictions described herein.

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1 Performance Highlights

2 Outlook and Growth Strategies

3 Q&A

Performance Highlights



Performance Highlights

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High Calibre Team…



Lay Krisnan Cahya
Non-Executive Chairman



Fuganto Widjaja
Executive Director, Group CEO



Dwi Prasetyo Suseno
Executive Director, Dy CEO



Mochtar Suhadi
Executive Director



Pauline Lee
Chief Financial Officer



Mark Zhou
Head of Investments

…Driving Exceptional Growth

1 Strong and Consistent Financial Performance

- Delivered **four consecutive quarters of growth** since trading resumed on SGX in December 2016
- **9M FY2017 net profit of US$67.4 million surpassed US$33.7 million recorded in FY2016**
- **Revenue surged 83.7%** to **US$179.3 million** in 3Q FY2017 from US$97.6 million in 3Q FY2016
- **Low gearing at 0.17 times** as at 30 September 2017
- **Declared 2nd interim dividend** of 0.21 Singapore cents, bringing **YTD dividend payout to 1.01 Singapore cents**

2 Track Record of Operational Excellence

- One of the few producers that remained profitable and increased production during coal's down cycle
- Achieved **coal production** volume of **10.1 MT** in 9M FY2017, **exceeding last full-year production of 9.5 MT**
- Successfully obtained Indonesia Government's approval to raise production output in BIB concession to **14.4 MT in 2017** from 7.5 MT in 2016
- On track towards achieving production target of 14 MT in FY2017

3 Quality Coal Assets with Excellent Infrastructure

- **Over 2.3 billion tonnes** of **high quality**, low sulphur coal resources(1) with comparatively lower stripping ratio
- Concessions **strategically located in close proximity to major customers** and end-users in Asia
- Supported by **excellent dedicated transport infrastructure**

4 High Calibre Management Team

- Management team has **proven experience** in successfully navigating the market cycle
- Production grew from approximately 1.3 MT in 2008 to **over 10 MT in 2017**

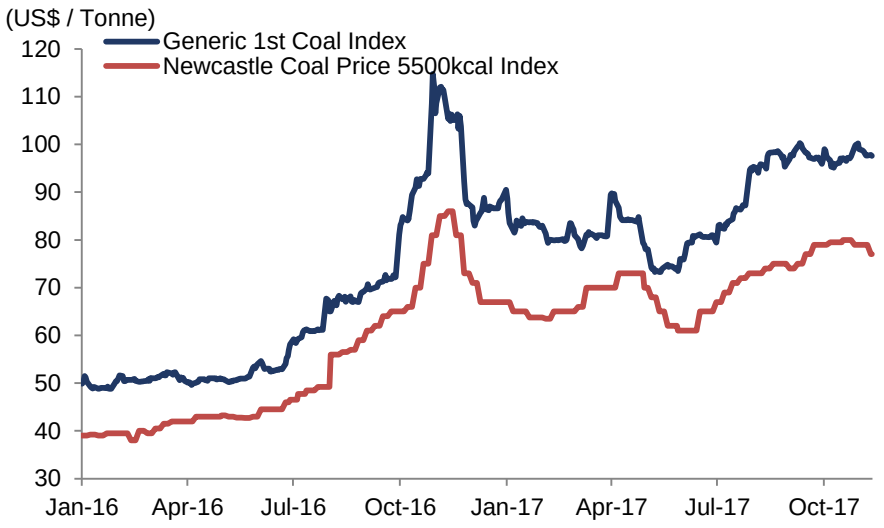
Source: Company materials

1 Robust Financial Performance with 2nd Interim Dividend

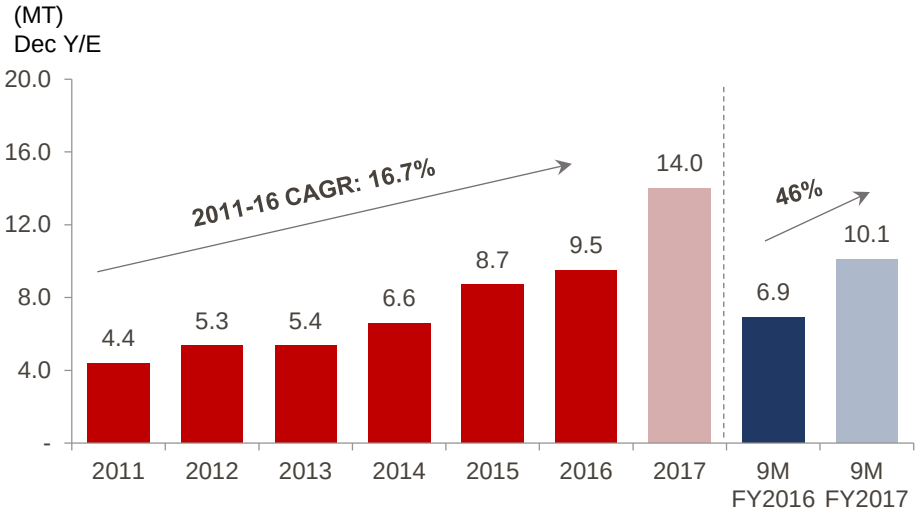
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Geographical Diversification, Strong Balance Sheet and Low Cost Operations Drive a Robust and Improving Financial Performance

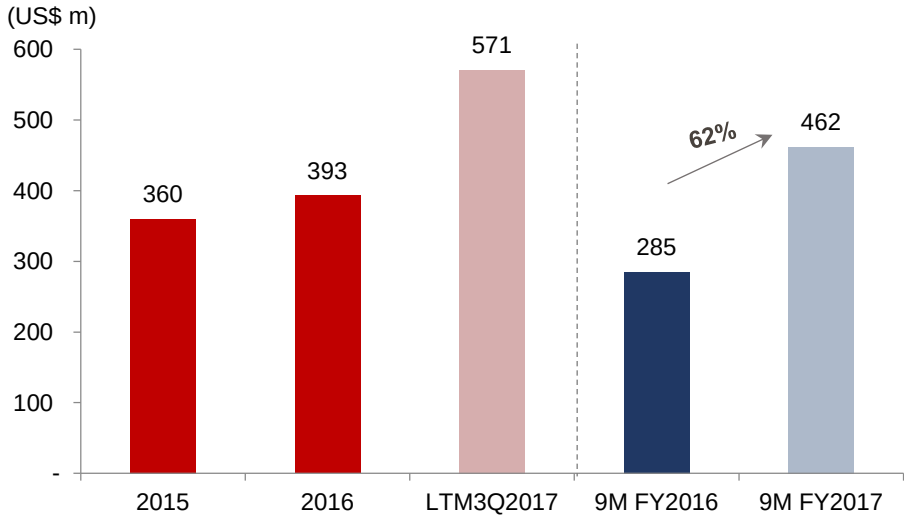
Newcastle Coal Price Trend



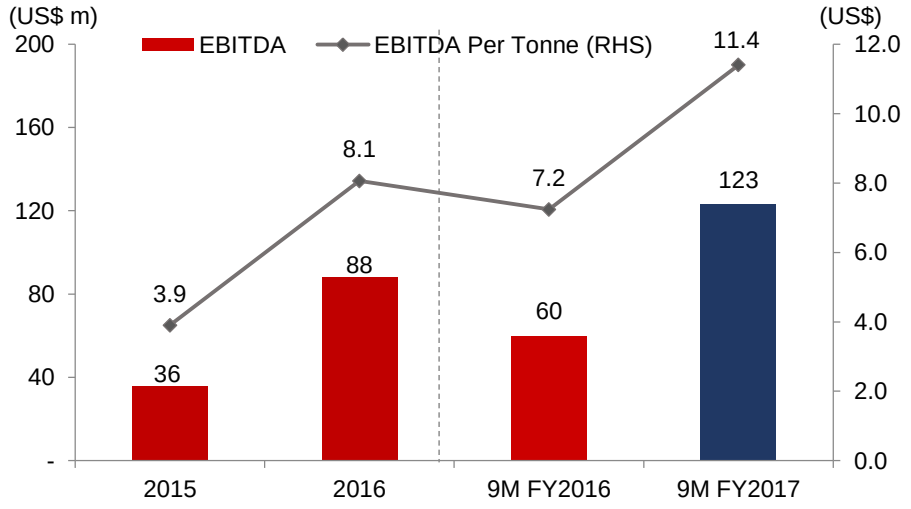
Production Volume Trend – Coal Mining



Revenue Growth



EBITDA Trend



Source: Company Annual Reports, Bloomberg.

1 Strong and Consistent Financial Performance

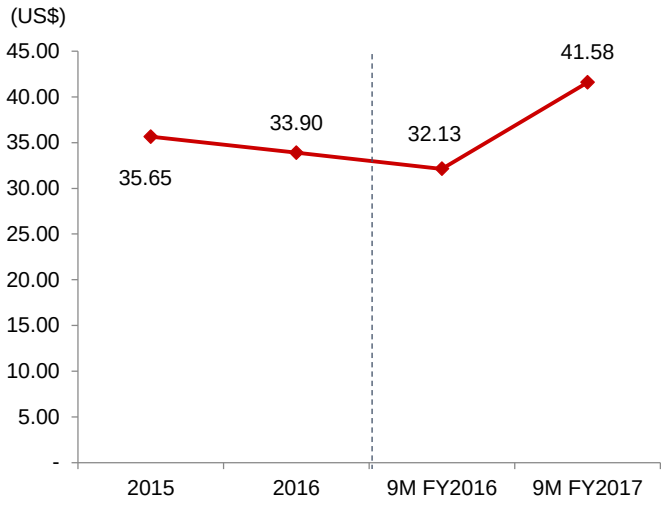
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Geographical Diversification, Strong Balance Sheet and Low Cost Operations Drive Robust and Consistent Financial Performance

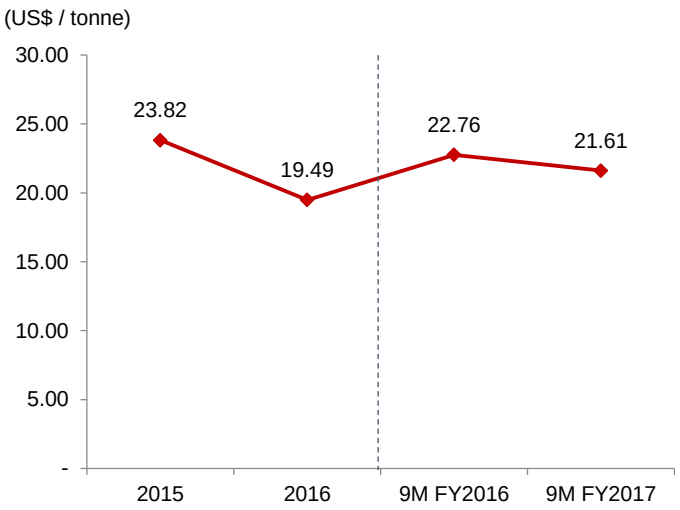
Key Points

- Steady recovery in unit EBITDA realization across the cycle
- Four consecutive quarters of growth since trading resumed on SGX in December 2016
- Consistent decline in cash cost driven by management's focus on operational optimization
- Lower stripping ratio compared to other Indonesian and global coal companies
  - ❖ Benefits from lower cost open cut mining methods
  - ❖ Low average life of mine stripping ratio at the BIB concession areas of 1:4.1
- Declared 2nd interim dividend in short span of three months

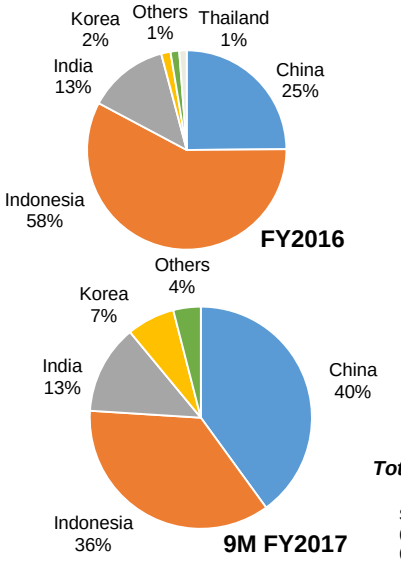
Average Selling Price – Coal Mining



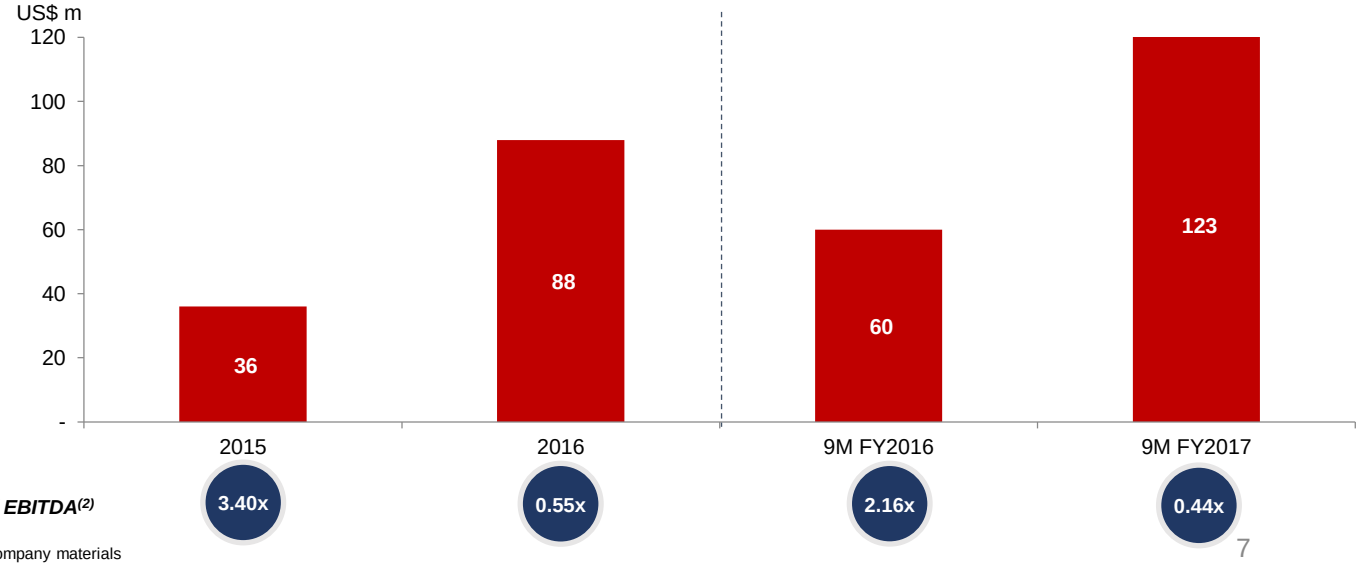
Cash Cost per Tonne(1) - Coal Mining



FY2016 VS 9M FY2017 Revenue



EBITDA and Leverage – Company



Sources: Company materials

(1) Includes COGS and selling expenses, excludes royalty and non cash items such as depreciation and amortization (D&A)

(2) Total Debt = Loans and borrowings

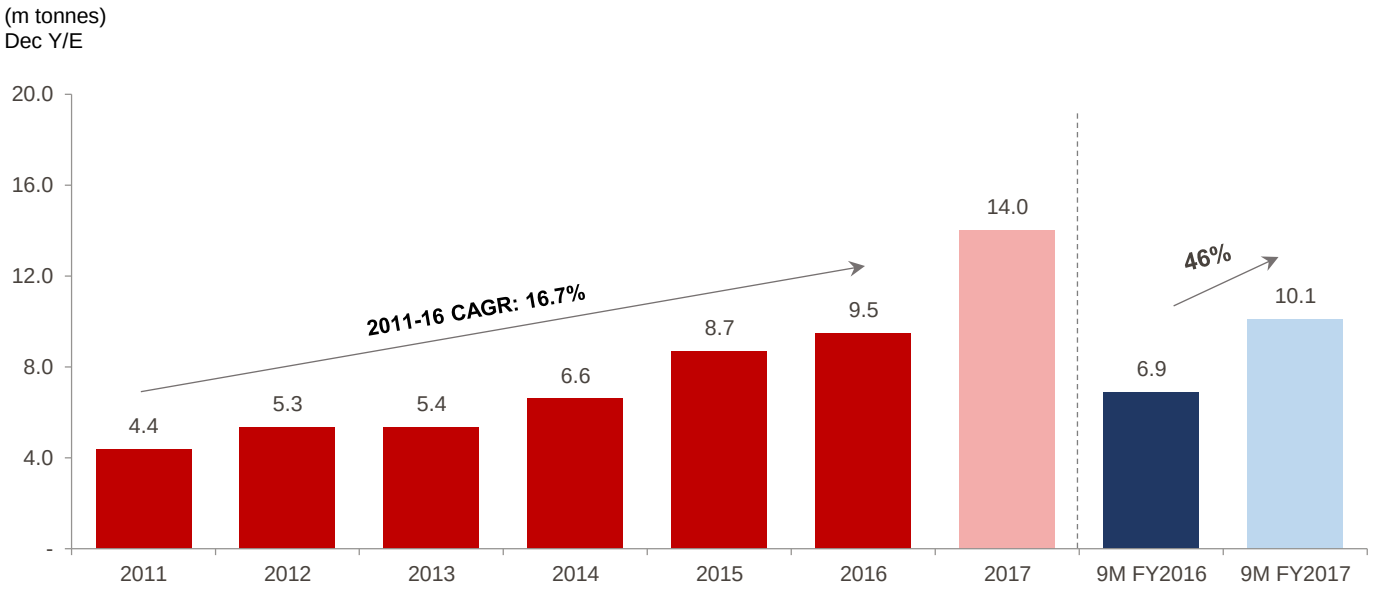
2 Track Record of Operational Excellence

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Business Has Exhibited Resilience To Industry-wide Challenges

- Top 10 Indonesian coal company by production volume
- Gained Indonesian government approval to raise production output in BIB concession to 14.4m tonnes in 2017
- Well on track to achieving its target coal production volume of 14m tonnes for FY2017
- Strategically located near main customers or end users in Asia
- Product is more affordable than Australian coal, which is impacted by a higher price premium and freight costs
- Proximity to port facilities and transport infrastructure supportive of production growth
  - ❖ Highly cost-effective and efficient logistics supply chain

Production Volume – Coal Mining



Recent Performance Highlights

Positioned For Growth

1 Production Ramp-Up

- 9M FY2017 production volume of 10.1 MT has exceeded FY2016's volume of 9.5 MT
- Indonesian Government's approval to raise production output in BIB has risen over 90% in the past year to 14.4 MT in 2017
- Well on track to produce 14m tonnes in 2017

2 Operational Enhancement

- Increase portfolio diversification through enhanced revenue contributions across business lines
- Strong profitability growth with net profit of US$18.8 million for 3Q FY2017, compared to US$11.6 million in 3Q FY2016

3 Strong Balance Sheet

- Debt(1)/LTM EBITDA of 0.44x(2)
- Robust cash and cash equivalents of US$98.1m(2)

Source: Company information.
(1) Debt means total borrowings of the Company
(2) As at 30 September 2017

3 Quality Coal Assets with Excellent Infrastructure

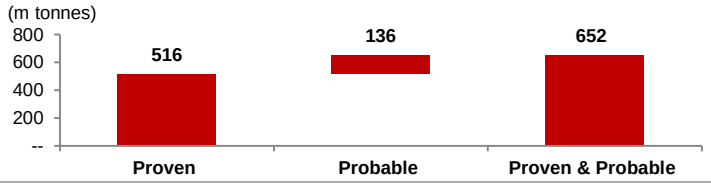
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High Quality, Long Life Coal Resources and Reserves with an Average Calorific Value Range of Between 2,900 to 6,600 kcal/kg (arb)

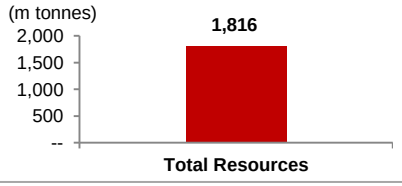
- Borneo Indobara's coal has established itself as a well-regarded brand in the market
  - ❖ Highly sought-after by power plants in Indonesia, India, China and other Southeast Asia countries given the versatility of the coal grade
  - ❖ Suitable for major export markets, such as China and India, as well as for domestic power producers in Indonesia
  - ❖ Low sulphur specifications allow for blending with higher sulphur coal

BIB

Marketable Coal Reserves(1)



Coal Resources(2)

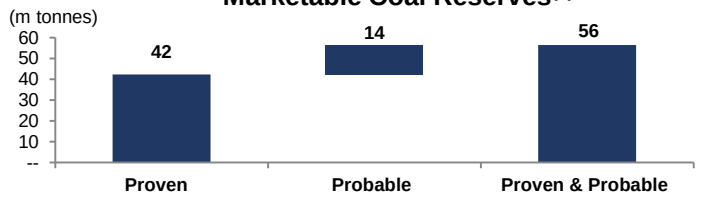


Coal Quality Characteristics(3)

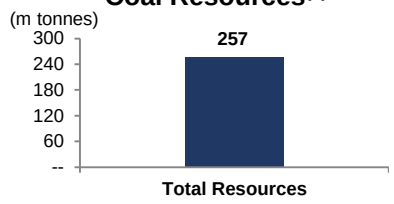
Calorific Value	3,866 – 6,528 kcal/kg (arb)
Sulphur Content	0.22% (adb)

KIM

Marketable Coal Reserves(1)



Coal Resources(2)

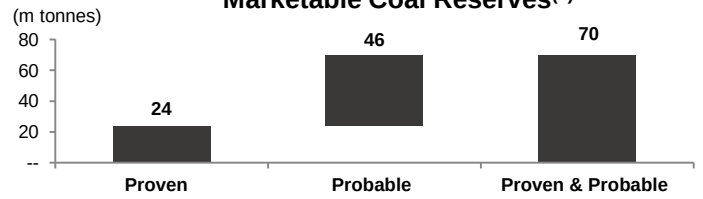


Coal Quality Characteristics(3)

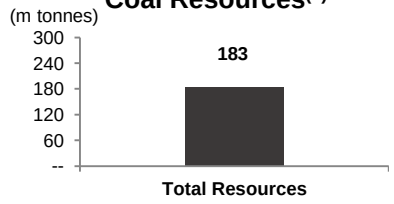
Calorific Value	4,828 – 4,980 kcal/kg (arb)
Sulphur Content	1.32% (adb)

EMS

Marketable Coal Reserves(1)



Coal Resources(2)

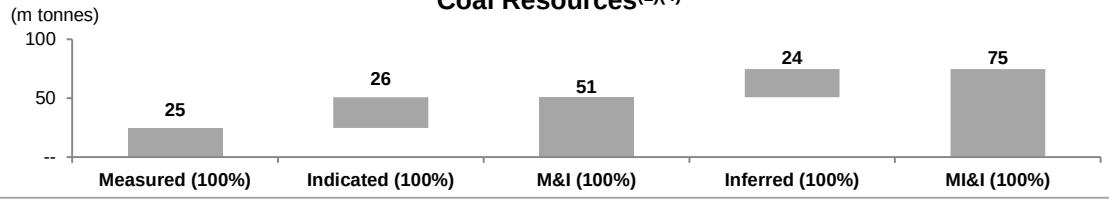


Coal Quality Characteristics(3)

Calorific Value	2,834 – 2,912 kcal/kg (arb)
Sulphur Content	0.20% (adb)

TKS

Coal Resources(1)(4)



Coal Quality Characteristics(3)

Calorific Value	5,726 kcal/kg (adb)
Sulphur Content	2.0% (adb)

Source: Company Filings and materials.
(1) As at 31 December 2016.
(2) Measured, indicated & inferred resources based on independent QP report as of 31 December 2016.
(3) Based on independent QP report as of 31 December 2016.
(4) Resources are inclusive of Reserves as at 31 December 2016.

4 High Calibre Management Team

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Under the Stewardship of the Management Team, Coal Production of GEMS grew from approximately 1.3 MT in 2008 to over 10 MT in 2017

 **Lay Krisnan Cahya** *Non-Executive Chairman*	• Currently serves as President Director of PT Dian Swastatika Sentosa Tbk ("DSS") and President Commissioner of GEMS • Presently sits on the board of commissioners of various mining and mining-related companies in Indonesia
 **Fuganto Widjaja** *Executive Director, Group CEO*	• Oversees the overall management and operations of the Group • President Director of GEMS and PT Berau Coal Energy Tbk with 10 years of management experience in the coal industry • Holds a Master's Degree in Philosophy (Finance) from the University of Cambridge
 **Dwi Prasetyo Suseno** *Executive Director, Deputy CEO*	• Assists Mr. Widjaja in overseeing the overall management and operations of GEMS • Former Group CFO at Straits Corporation Group (part of Straits Asia Resources) • Over 20 years experience in mining, commodities and oil & gas industries • Presently sits on the Board of Directors of GEMS
 **Mochtar Suhadi** *Director*	• Also serves as Director of GEMS • Served in several positions in PT Catur Mitra Sejati Sentosa, KIM, PT Manggala Alam Lestari, and PT Nusantara Indah Lestari • Holds a B.Sc. degree from University of Michigan
 **Pauline Lee** *Chief Financial Officer*	• Responsible for overseeing GEAR's financial, accounting and reporting functions as well as the overall financial risk management of the Group • Close to 15 years of accounting and finance experience • Certified chartered accountant and holds a Master of Finance from the Royal Melbourne Institute of Technology
 **Mark Zhou** *Head of Investments*	• Responsible for overseeing and managing GEAR's assets, fund raising and M&A activities as well as investor relations • Former CIO of Geo Energy Resources – completed various equity and debt raising as well as coal mine acquisitions • Possesses investment banking experience having completed numerous IPOs, RTOs and corporate actions on the Singapore Exchange

Sources: Company materials and website.

Outlook and Growth Strategies



Local and Regional Outlook

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Growing Local and Regional Demand for Thermal Coal

Indonesian Market

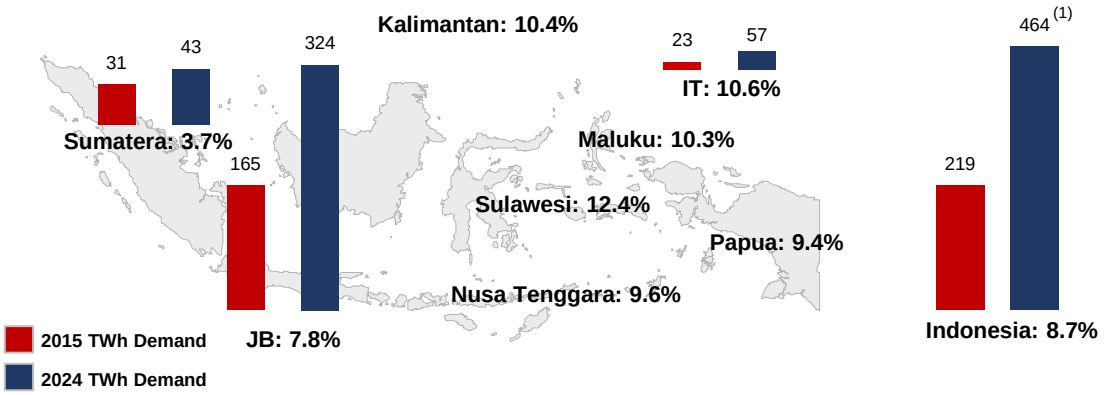
- Largest consumer of coal in Southeast Asia
- Indonesian government's energy policy expected to create growth in coal demand to service 60% of the planned addition to power capacity
- President Jokowi launched a program to provide an additional 35GW of power capacity by 2019
  - ❖ Almost 20,000 MW will come from coal-fired plants
- Indonesia is expected to construct 40% of new coal capacity by 2040
- US$22bn of infrastructure development will drive additional coal demand given coal's extensive use in cement manufacturing processing plants

Asian Market

- High demand growth for thermal coal among Asia's emerging markets due to continued electrification and industrial growth
  - ❖ Southeast Asia and India to drive new coal demand through 2040
  - ❖ Almost 100 gigawatts of new coal-fired generation capacity is expected to come online in Southeast Asia by 2040, according to the International Energy Agency (IEA)
  - ❖ Southeast Asia is expected to more than double its thermal coal imports to reach 226 MT by 2035 – almost 3 times of 85 MT in 2017, according to Wood MacKenzie
  - ❖ Vietnam is expected to become the region's largest importer of coal by 2040
- Chinese companies are either building or planning to build over 700 new coal-fired power plants worldwide

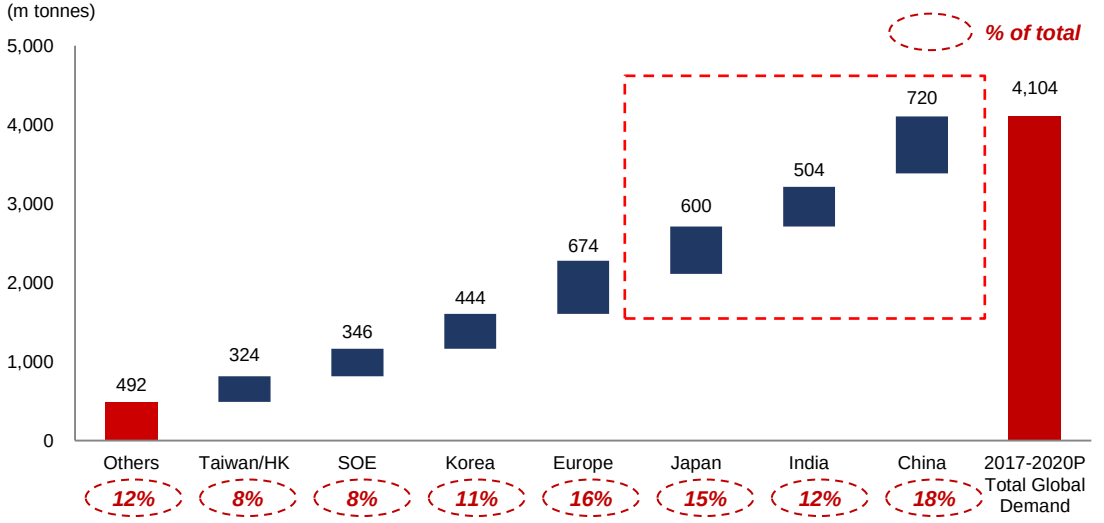
- Between 2015 and 2024, electricity consumption in Indonesia is expected to increase from 219 TWh to 464 TWh with an average growth of 8.7% per year

Power Demand Growth in Indonesia



Note: Stated growth rates are a 2015-2024 CAGR

2017-2020 Projected Seaborne Thermal Demand



Sources: Company materials and website, AME, Deutsche Bank Research.

(1) Total 2024 Indonesia power demand includes demand from other regions not broken out in this graphic.

Thermal Coal Prices Have Continued to Strengthen Globally

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Thermal Coal Pricing

(US$ / tonne)

(US$ / tonne)



Source: Bloomberg and SNL. Prices as of 14 Nov 2017.
Note: PRB is based on Bloomberg PRB1 index. API2 based on Bloomberg MFE1 index. Newcastle pricing based on XW1 Bloomberg index. Richard's Bay pricing based on X01 Bloomberg index.

Recent Developments

- After lengthy decline, domestic coal prices have stabilized and are beginning to show strength
- Total coal imports in China rose 11% year-on-year to reach 27.08 MT in September 2017
- India's total coal imports are also on a rise
  - ❖ GEAR's import to India reached US$61.8 million in 9M FY2017 from US$36.8 million in the previous corresponding period
- Upcoming heating season could further drive demand as utilities start their seasonal restocking

Organic Growth Strategies

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Robust Drivers for Organic Growth



Increase existing coal production and exploration activities

- Produced 10.1 MT from BIB and KIM in 9M FY2017, successfully attained further Governmental approval to raise BIB's output to 14.4 MT in 2017
- Plans to further expand key logistics infrastructure in Kusan-Girimulya and Sebamban blocks to facilitate the planned increase in coal production
- Increase exploration activities, drilling programmes and enhance exploration efforts to source for equivalent grade of coal or higher grade coal



Development of customer and marketing distribution network

- Develop long term relationships with existing customers by entering into long term coal sales agreements
- Establish a customer base with an optimal mix of long term and spot contracts ie. at least 50% long term contracts
- Expand marketing network domestically and internationally, including sourcing of clients/end users
- Actively looking to expand customer network into other emerging markets in the region

Ambitious Organic Growth Target – Moving towards 36 MT of Production in 2021



[COMPANIES]

GEMS Moving Towards 36 Million Tons of Production in 2021

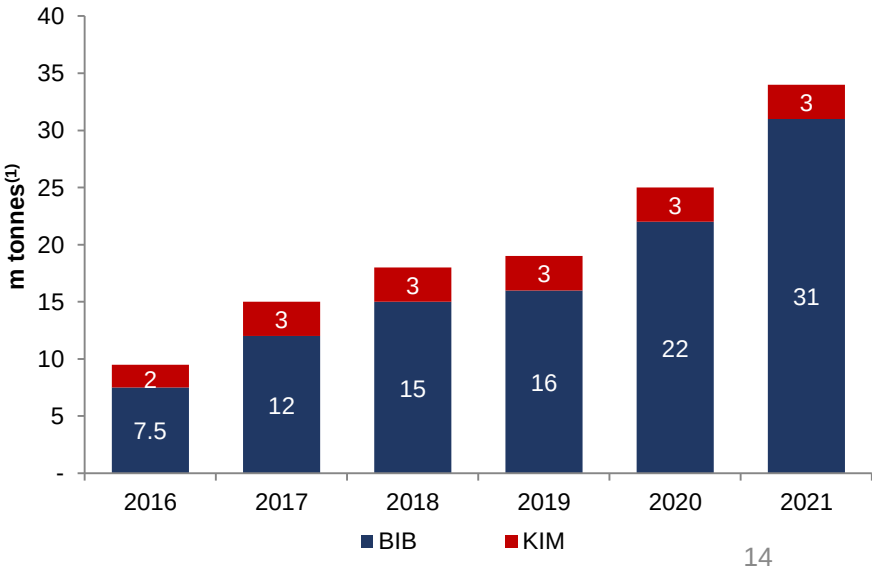
By Thomas Robiana Sembiring

Publicly listed coal producer PT Golden Energy Mines Tbk (GEMS), a mining unit of Sinar Mas Group, is setting its sight on increasing production to up to 15 million tons this year. The target is 50% higher than last year's mark of only 10 million tons. In the coming four years the company's production is expected to reach 36 million tons.

"The big production will occur around 2020-2021 at about 36 million," R Utoro, GEMS director, told *Petromindo* in Jakarta recently.

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"The big production will occur around 2020-2021 at about 36 million," R Utoro, GEMS director, told *Petromindo* in Jakarta recently.



Source: Coal Asia 25 March – 25 April 2017, Company materials.
(1) 2021 management estimates of 36m tonnes differs slightly from the external technical report estimates of 34m tonnes.

Source: Company 2016 Annual Report and Independent Qualified Person Report October 2016

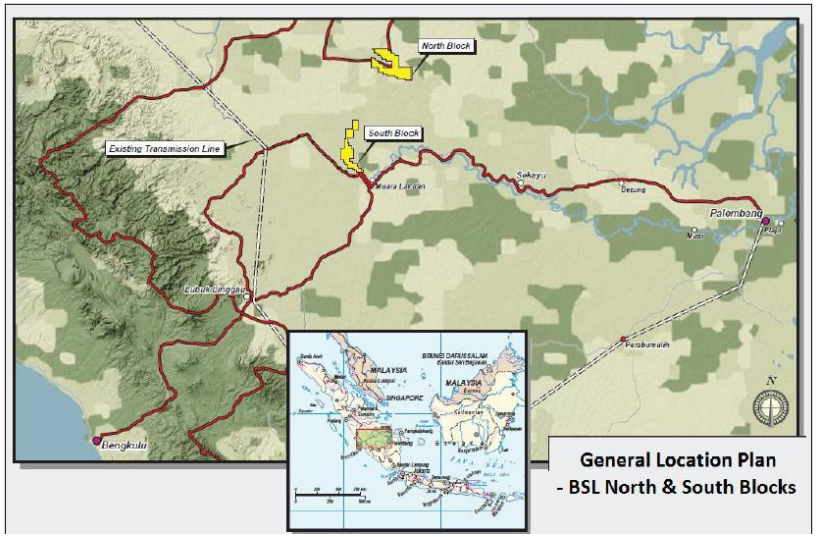
Inorganic Growth Momentum

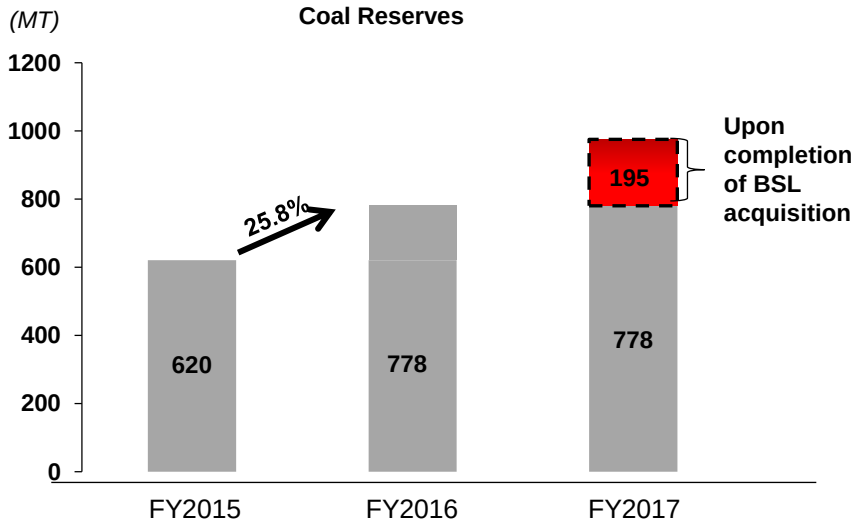
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Proven Inorganic Growth Capabilities with Plans for Further Acquisitions

- Actively looking out for value-accretive acquisitions to grow revenue stream, including interest in counter cyclical precious metals operations to diversify its coal-centric business
- Secured term loan facility of up to US$50 million with Credit Suisse AG, Singapore Branch on 2 November 2017
- On 12 May 2017, GEMS announced that it plans to acquire PT Barasentosa Lestari ("BSL"), a coal concession in South Sumatra, for US$65.6m in total, as part of its plans to increase its coal reserves and production levels. BSL has a Joint Ores Reserves Committee Code ("JORC") probable and proven coal reserve of 195m tonnes and coal resources of 393m tonnes

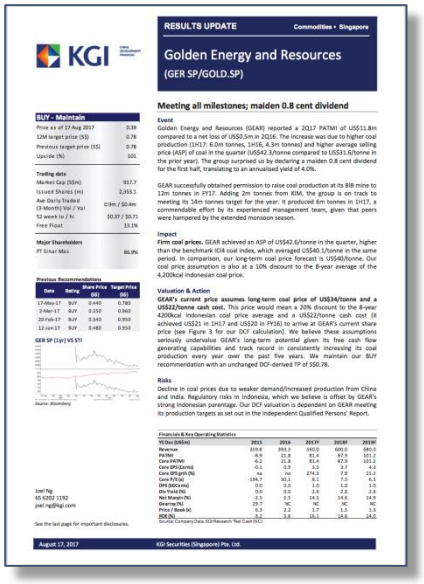






Source: Independent JORC Report as at 16 May 2016.

Latest Analyst Recommendations



KGI

RESULTS UPDATE — Commodities • Singapore

Golden Energy and Resources
(GER SP/GOLD.SP)

Meeting all milestones; maiden 0.8 cent dividend

BUY - Maintain

Event

Impact

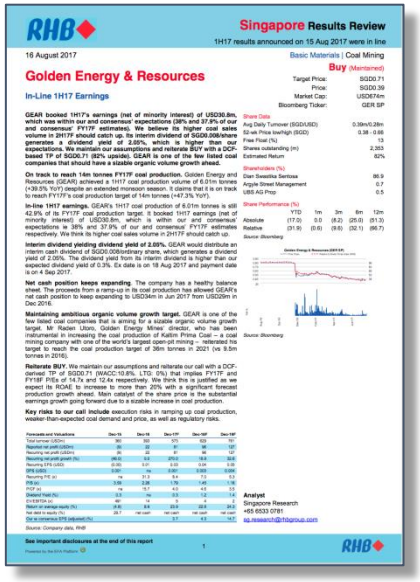
Valuation & Action

Risks

August 17, 2017 — KGI Securities (Singapore) Pte. Ltd.

Maintained BUY recommendation; Target Price: S$0.78 (17 August 2017)

- Maiden 0.8 cent dividend for the first half translates to an annualised yield of 4.0%
- GEAR successfully obtained permission to raise coal production at its BIB mine to 12m tonnes in FY17, placing it on track to meeting its 14m tonnes target for the year
- Group produced 6m tonnes in 1H17, a commendable effort by its experienced management team, given that peers were hampered by the extended monsoon season
- GEAR's share price of S$0.39 at 17 August 2017 assumes long-term coal price of US$34/tonne and a US$22/tonne cash cost -- assumptions seriously undervalue GEAR's long-term potential given its free cash flow generating capabilities and track record in consistently increasing its coal production every year over the past five years



RHB

Singapore Results Review

1H17 results announced on 15 Aug 2017 were in line

16 August 2017

Golden Energy & Resources

In-Line 1H17 Earnings

Buy (Maintained)

Maintained BUY recommendation; Target Price: S$0.71 (16 August 2017)

- On track to reach 14m tonnes FY17F coal production
- In-line 1H17 earnings
- Interim dividend yielding dividend yield of 2.05%
- Net cash position keeps expanding
- Maintaining ambitious organic volume growth target

Latest Analyst Recommendations



PhillipCapital

SINGAPORE COAL SECTOR INITIATION

Golden Energy and Resources

An upcoming giant

SINGAPORE | MINING| INITIATION

- **Looking for a 50% ramp-up in production volumes**
  In FY16, GEAR produced 9.5mn tonnes of coal, out of which 7.5mn tonnes and 2 mn tonnes were from BIB mine and KIM mine respectively. As of 1H17, the group completed 43% of the FY17 target production of 14mn tonnes (BIB: 12mn tonnes, KIM: 2 mn tonnes). GEAR longer-term target is to more than triple production in five years to 36m tonnes in 2021.
- **Low cash cost and strip ratio**
  The average life-of-mine strip ratio of BIB mine (key mine) is estimated at 4:1. In FY16, the average cash cost and ASP were reported at US$19.5/tonne and US$33.0/tonne respectively. As of 1H17, the cash profit (ASP minus cash cost) was reported at US$20.8/tonne. The average cash cost for FY17e and FY18e is estimated to be US$21.2/tonne and US$20.1/tonne. Industry cash cost is around US$40-50/tonne.
- **Abundant reserves for long-term development**
  Currently, GEAR owns four key coal mining concessions and large total reserves of 778mn tonnes. In May-17, the group proposed to acquire a mine, BSL. Upon the completion of the acquisition, the total reserves are estimated to be 993mn tonnes.
- **Diversified sales channels lower geopolitical risks**
  The domestic market took up more 50% of the coal sales in FY15 and FY16 respectively, followed by China (>20%) and India (>10%). The group is aligning the production with the rising domestic coal demand as well as complying with policies that prioritise coal for domestic needs.

Background

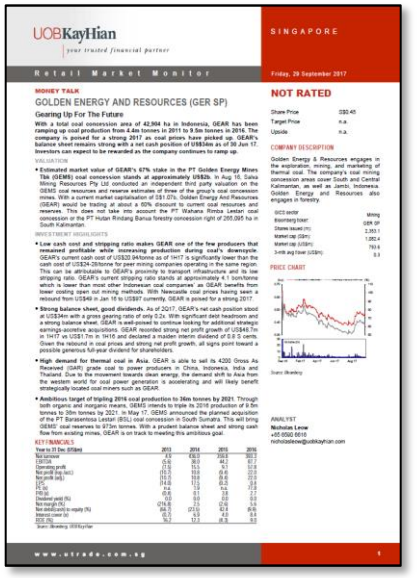
Golden Energy and Resources Limited is the largest coal producer listed in Singapore. The Company sources thermal coal from its coal mining concession areas, covering an aggregate of approximately 42,904 hectares in South and Central Kalimantan, Jambi (a province in Sumatra), and South Sumatra Basin Indonesia.

Investment action

Based on FY18e EPS of 4.34 US cents and a forward PER of 10x (USD/SGD 1.36) we derive our target price of S$0.59. This implies an upside of 32.6% from the last closing price.

Initiated with BUY call; Target Price: S$0.59 (28 August 2017)

- Abundant reserves for long-term development
- Diversified sales channels lower geopolitical risks
- Significant ramp-up of production volumes
- Low mining cost and strip ratio



UOBKayHian

your trusted financial partner

SINGAPORE

Retail Market Monitor

Friday, 29 September 2017

MONEY TALK

GOLDEN ENERGY AND RESOURCES (GER SP)

Gearing Up For The Future

NOT RATED

Share Price S$0.45

Target Price n.a.

Upside n.a.

With a total coal concession area of 42,904 ha in Indonesia, GEAR has been ramping up coal production from 4.4m tonnes in 2011 to 9.5m tonnes in 2016. The company is poised for a strong 2017 as coal prices have picked up. GEAR's balance sheet remains strong with a net cash position of US$34m as of 30 Jun 17. Investors can expect to be rewarded as the company continues to ramp up.

COMPANY DESCRIPTION

Golden Energy & Resources engages in the exploration, mining, and marketing of thermal coal. The company's coal mining concession areas cover South and Central Kalimantan, as well as Jambi, Indonesia. Golden Energy and Resources also engages in forestry.

VALUATION

- Estimated market value of GEAR's 67% stake in the PT Golden Energy Mines Tbk (GEMS) coal concession stands at approximately US$2b. In Aug 16, Galva Mining Resources Pty Ltd conducted an independent third party valuation on the GEMS coal resources and reserve estimates of three of the group's coal concession mines. With a current market capitalisation of S$1.07b, Golden Energy And Resources (GEAR) would be trading at about a 50% discount to current coal resources and reserves. This does not take into account the PT Wahana Rimba Lestari coal concession or the PT Hutan Rindang Banua forestry concession right of 265,095 ha in South Kalimantan.

INVESTMENT HIGHLIGHTS

- **Low cash cost and stripping ratio makes GEAR one of the few producers that remained profitable while increasing production during coal's downcycle.** GEAR's current cash cost of US$20.04/tonne as of 1H17 is significantly lower than the cash cost of US$24-28/tonne for peer mining companies operating in the same region. This can be attributable to GEAR's proximity to transport infrastructure and its low stripping ratio. GEAR's current stripping ratio stands at approximately 4:1 ton/tonne which is lower than most other Indonesian coal companies' as GEAR benefits from lower cooling spam out mining methods. With Newcastle coal prices having seen a rebound from US$49 in Jan 16 to US$97 currently, GEAR is poised for a strong 2017.
- **Strong balance sheet, good dividends.** As of 2Q17, GEAR's net cash position stood at US$34m with a gross gearing ratio of only 0.2x. With significant debt headroom and a strong balance sheet, GEAR is well-poised to continue looking for additional strategic earnings-accretive acquisitions. GEAR recorded strong net profit growth of US$46.7m in 1H17 as US$1.7m in 1H16 and declared a maiden interim dividend of S$ 0 cents. Given the rebound in coal prices and strong net profit growth, all signs point toward a possible generous full-year dividend for shareholders.
- **High demand for thermal coal in Asia.** GEAR is able to sell its 4200 Gross As Received (GAR) grade coal to power producers in China, Indonesia, India and Thailand. Due to the movement towards clean energy, the demand shift to Asia from the western world for coal power generation is accelerating and will likely benefit strategically located coal miners such as GEAR.
- **Ambitious target of tripling 2016 coal production to 36m tonnes by 2021.** Through both organic and inorganic means, GEMS intends to triple its 2016 production of 9.5m tonnes to 36m tonnes by 2021. In May 17, GEMS announced the planned acquisition of the PT Banpu Lestari (BSL) coal concession in South Sumatra. This will bring GEMS' coal reserves to 973m tonnes. With a prudent balance sheet and strong cash flow from existing mines, GEAR is on track to meeting this ambitious goal.

PRICE CHART

ANALYST

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KEY FINANCIALS

Year to 31 Dec (US$m)	2013	2014	2015	2016
Revenue	1,100	1,000	1,000	1,000
EBITDA	0.0	0.0	0.0	0.0
Operating profit	0.0	0.0	0.0	0.0
Net profit (rep.)	0.0	0.0	0.0	0.0
Net profit (adj.)	0.0	0.0	0.0	0.0
EPS	0.0	0.0	0.0	0.0
P/E (x)	0.0	0.0	0.0	0.0
NAV/Share	0.0	0.0	0.0	0.0
P/B (x)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Net margin (%)	0.0	0.0	0.0	0.0
Net debt/(cash) to equity (%)	0.0	0.0	0.0	0.0
Interest cover (x)	0.0	0.0	0.0	0.0
ROE (%)	0.0	0.0	0.0	0.0

Source: Bloomberg, UOBKayHian

www.utrade.com.sg

NOT RATED (29 September 2017)

- Low cash cost and stripping ratio makes GEAR one of the few producers that remained profitable while increasing production during coal's downcycle
- Strong balance sheet, good dividends
- Thermal coal demand shift to Asia will likely benefit strategically located coal miners, such as GEAR
- With prudent balance sheet and strong cash flow from existing mines, GEAR is on track to meet its ambitious target of tripling coal production to 36 MT by 2021

Q & A

