



GEO ENERGY GROUP
天然煤矿集团

GEO ENERGY RESOURCES LIMITED

(Incorporated in the Republic of Singapore on 24 May 2010)
(Company Registration Number 201011034Z)

SGX ANNOUNCEMENT

**TBR COAL OFFTAKE, PREPAYMENT, TRADE FINANCING
AND EQUITY INVESTMENT BY MACQUARIE BANK LIMITED**

The Board of Directors ("**Directors**") of Geo Energy Resources Limited (the "**Company**", and together with its subsidiaries, the "**Group**") (SGX:RE4) is pleased to announce that on 5 November 2018 the Company's wholly-owned subsidiary, Geo Coal International (HK) Limited ("**GCIHK**"), entered into a coal offtake agreement for life of mine ("**Offtake Agreement**") with Macquarie Bank Limited ("**Macquarie**"), a wholly-owned subsidiary of Macquarie Group (ASX:MQG), for the supply of coal to Macquarie from the Company's subsidiary, PT Tanah Bumbu Resources ("**TBR**") coal mine in accordance with the Offtake Agreement. In conjunction with the Offtake Agreement, the Company and/or GCIHK and Macquarie also entered into a prepayment facility agreement and trade finance facility agreement as well as a share and warrant subscription agreement.

The parties agreed that:

- Macquarie will buy from GCIHK the entire production of coal from the TBR coal mine for life of mine, subject to the Indonesian Domestic Market Obligation ("**DMO**") ("**Coal Offtake**");
- Macquarie will make available to GCIHK a multi-year prepayment facility for the Coal Offtake in three tranches of US\$25 million, US\$25 million and US\$10 million respectively, where only a single tranche may be outstanding at any time ("**Prepayment**");
- Macquarie will provide GCIHK a trade finance facility to support the exports of coal ("**Trade Finance Facility**"); and
- Macquarie will subscribe for (i) 70,000,000 new ordinary shares representing 5% of the total issued ordinary shares in the enlarged capital of the Company at a subscription price of S\$0.29 per share and (ii) 74,000,000 non-listed, transferable, free warrants in the Company exercisable within two years from the date of issue with each warrant carrying the right to subscribe for one (1) ordinary share in the Company at an exercise price of S\$0.33 per share (together, the "**Proposed Subscription**").

(The Coal Offtake, Prepayment, Trade Finance Facility and Proposed Subscription are collectively referred to in this announcement as the "**Proposed Transactions**")

The Proposed Transactions are inter-conditional such that if the obligations in respect of a Proposed Transaction are not fulfilled, the other Proposed Transactions will not proceed.

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About Macquarie Group

Macquarie Group is a diversified financial group providing clients with asset management and finance, banking, advisory, risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie Group employs more than 14,400 people across 25 countries. At 31 March 2018, Macquarie Group had assets under management of \$A497 billion. For more information, visit www.macquarie.com.

INFORMATION ON TBR COAL MINE

The TBR coal mine is an open pit mine and covers an area of over 489.1 hectares in Tanah Bumbu, South Kalimantan, Indonesia with a coal operations and production license, IUP Operasi Produksi. TBR commenced production in June 2018 and completed its first shipment of coal of approximately 50,000 tonnes in August 2018 as part of its fulfilment of the DMO.

The TBR coal mine is located in close proximity to key mining infrastructure including hauling road and port for export. TBR coal reserves (JORC) are currently 43.2¹ million tonnes (proved and probable) with an average coal quality of 4,270 kcal/kg.

RATIONALE

Considerable interest was shown in TBR's low ash, low sulphur coal with numerous competing parties offering the TBR's life of mine coal offtake.

Macquarie was selected based on their scale and international presence and their experience in commodity trading and the Proposed Transactions will provide the Group an opportunity to leverage on Macquarie's expertise and experience to develop markets for TBR's coal.

The Proposed Transactions will also add a new substantial shareholder and investor in the Company, provide additional long-term recurrent revenue to the Group and When Macquarie subscribes to the equity and if Macquarie exercises the warrants in our Group, net gearing will be reduced from 38.6% as at 30 June 2018 to 16.4%, as such the prepayment and equity investment will strengthen our existing cash balance and balance sheet and will put us in a good position to grow our revenue base.

We are very pleased with the comprehensive terms given by Macquarie on TBR's Coal Offtake, prepayment, trade financing and equity investment in the Company. The signing of an Offtake Agreement with Macquarie is another significant step forward for the Group and we see the agreement as a 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.

¹ Coal reserves estimates were reported in accordance with the Independent Qualified Person Report (IQPR) as at 31 December 2017.



COAL OFFTAKE AND PREPAYMENT

Under the Offtake Agreement, Macquarie will buy from GCIHK the entire production of coal from the TBR coal mine for life of mine, subject to the DMO, at an index-linked price less offtake margin.

In conjunction with such Coal Offtake and pursuant to a prepayment facility agreement, Macquarie will make available to GCIHK a multi-year prepayment facility for the Coal Offtake in three tranches of US\$25 million, US\$25 million and US\$10 million respectively, where only a single tranche may be outstanding at any time.

TRADE FINANCE FACILITY

In conjunction with the Coal Offtake, Macquarie will also provide a trade finance facility to support the exports of coal.

PROPOSED SUBSCRIPTION

1. Introduction

- 1.1 On 5 November 2018, the Company entered into a subscription agreement with Macquarie ("**Subscription Agreement**") whereby the Company will issue and Macquarie will subscribe for (i) 70,000,000 new ordinary shares ("**Subscription Shares**") at a price of S\$0.29 per share ("**Subscription Price**") for an aggregate amount of S\$20,300,000 and (ii) 74,000,000 non-listed, transferable, free warrants ("**Warrants**") exercisable within two years from the date of issue. Each Warrant carries the right to subscribe for one (1) new ordinary share in the Company ("**Warrant Share**") at an exercise price of S\$0.33 ("**Exercise Price**").
- 1.2 The Subscription Price represents a premium of approximately 28.9% to the volume weighted average price of S\$0.225 for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the full market day on 2 November 2018 (prior to a trading halt in relation to the entry of the Proposed Transactions)
- 1.3 The Exercise Price represents a premium of approximately 46.7% to the volume weighted average price of S\$0.225 for trades done on the SGX-ST for the full market day on 2 November 2018 (prior to a trading halt in relation to the entry of the Proposed Transactions).
- 1.4 The Proposed Subscription is non-underwritten and there is no placement agent appointed for the purpose of the Proposed Subscription. The Proposed Subscription is undertaken pursuant to Section 272B of the Securities and Futures Act (Cap. 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Subscription.



- 1.5 No commission or introducer's fee is payable by the Company to any person in relation to the Proposed Subscription. No share borrowing arrangement has been entered into to facilitate the Proposed Subscription.
- 1.6 Macquarie was selected by the Company pursuant to an exercise to identify a suitable coal offtaker for the TBR coal mine. The Proposed Subscription is part of the Proposed Transactions. Macquarie was selected based on its scale and international presence, its experience in commodity trading and its willingness to invest in the Company.
- 1.7 Other than being a party to the Proposed Transactions and the Group having bank accounts with it in its normal course of business on normal banking terms, Macquarie has no connection, including any business relationship other than in its normal course of business, with the Company, its subsidiaries, its Directors or, to the best of the Company's knowledge, its substantial shareholders.
- 1.8 Macquarie is not a person listed under Rule 812(1) of the SGX-ST Listing Manual.
- 1.9 The Proposed Subscription will not result in any transfer of controlling interest in the Company.
- 1.10 The Company will be submitting an application to the SGX-ST for the listing and quotation of the Subscription Shares and the Warrant Shares on the SGX-ST. The Company will make an announcement once the approval in-principle is obtained from the SGX-ST.

2. Salient terms of the Subscription Agreement and the Warrants

- 2.1 The obligations of the Company to issue and Macquarie to subscribe for the Subscription Shares and the Warrants will be conditional upon, *inter alia*, the receipt of the approval in-principle of the SGX-ST for the listing and quotation of the Subscription Shares and the Warrant Shares on the Main Board of the SGX-ST.
- 2.2 Macquarie will not sell, transfer or otherwise dispose of any of the Subscription Shares for a period of one (1) year from the date of issue in accordance with the terms of the Subscription Agreement.
- 2.3 The Warrants will be unlisted and transferable.
- 2.4 The Exercise Price and the number of Warrants will be subject to adjustments under certain conditions (including in the event of rights, bonus or other capitalisation issues) in accordance with the terms and conditions of the Warrants.
- 2.5 The expiry of the Warrants will be announced by the Company, and the notice of the expiry will be sent to the warrant holder(s) at least one (1) month before the expiry.



- 2.6 Any material alteration to the terms of the Warrants to the advantage of the warrant holder(s) shall be approved by the shareholders of the Company in a general meeting, except where the alterations are made pursuant to the terms and conditions of the Warrants.

3. Use of Proceeds

- 3.1 Based on the Subscription Price, the estimated amount of proceeds from the issuance of the Subscription Shares, after deducting estimated expenses including professional fees, is approximately S\$20,200,000 ("**Subscription Proceeds**"). If the Warrants are exercised in full at the Exercise Price, the estimated amount of additional proceeds that may be raised is approximately S\$24,420,000 ("**Warrant Proceeds**", and together with the Subscription Proceeds, the "**Aggregate Proceeds**").
- 3.2 The entire Aggregate Proceeds will be used for working capital purposes. The Company will make periodic announcements on the use of the Aggregate Proceeds as and when such proceeds are materially disbursed. The Company will provide a status report on the use of the Aggregate Proceeds in the Company's quarterly and full-year financial statements issued under Rule 705 of the SGX-ST Listing Manual and the Company's annual reports. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on the use of the proceeds in the announcements and status reports. Where there is any material deviation from the stated use of the Aggregate Proceeds, the Company will disclose the reason(s) for such deviation.
- 3.3 Pending the deployment of the Aggregate Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit from time to time.

4. Authority to issue Subscription Shares, Warrants and Warrant Shares

- 4.1. The Subscription Shares, Warrants and Warrant Shares will be issued pursuant to the share issue mandate ("**Share Issue Mandate**") that was approved by shareholders of the Company ("**Shareholders**") at the annual general meeting of the Company held on 23 April 2018 ("**AGM**"). Pursuant to the Share Issue Mandate, the Directors have the authority to issue shares in the capital of the Company ("**Shares**") and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, such that the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the Shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM.



- 4.2. The Subscription Shares represent approximately 5.27% of the Company's existing 1,329,273,113 issued Shares as at the date of this announcement, and approximately 5.00% of the aggregate 1,399,273,113 issued Shares upon completion of the Proposed Subscription.
- 4.3 After completion of the Proposed Subscription and assuming the Warrants are exercised in full, the Warrant Shares will represent approximately 5.57% of the Company's existing 1,329,273,113 issued Shares as at the date of this announcement, and approximately 5.02% of the aggregate 1,473,273,113 issued Shares taking into account the Subscription Shares and the Warrant Shares.
- 4.4 The Subscription Shares and the Warrant Shares together, comprising an aggregate 144,000,000 Shares, represents approximately 10.83% of the Company's existing 1,329,273,113 issued Shares as at the date of this announcement, and approximately 9.77% of the aggregate 1,473,273,113 issued Shares taking into account the Subscription Shares and the Warrant Shares.
- 4.5 As at the date of the AGM, the Company had a total of 1,329,273,113 issued Shares. As at the date of this announcement, no Shares have been issued pursuant to the Share Issue Mandate. Accordingly, 664,636,556 Shares may be issued pursuant to the Share Issue Mandate, of which the maximum number of Shares that can be issued other than on a *pro rata* basis is 265,854,622 Shares. Therefore, the aggregate 144,000,000 Subscription Shares and Warrant Shares that may be issued pursuant to the Proposed Subscription falls within the limits of the Share Issue Mandate.

FINANCIAL EFFECTS

The financial effects of the Proposed Transactions on the share capital of the Company, the net tangible assets ("NTA") per Share, the earnings per Share ("EPS") and the net gearing (net debt/shareholder equity) ("Net Gearing") are prepared for illustrative purposes only and do not purport to reflect the actual future results and financial position of the Group following completion of the Proposed Transactions. The pro forma financial effects have been computed based on the following bases and assumptions:

- (a) the audited accounts of the Group for the year ended 31 December 2017;
- (b) the Warrants are exercised in full;
- (c) the Coal Offtake, Prepayment and Trade Finance Facility are excluded from the computation as TBR commenced production of coal only in June 2018;
- (d) the effect of the issuance of the Subscription Shares and the Warrant Shares on the NTA per Share is computed based on the assumption that the Proposed Subscription and the exercise of the Warrants were completed on 31 December 2017;



- (e) the effect of the issuance of Subscription Shares and the Warrant Shares on the EPS is computed based on the assumption that the Proposed Subscription and the exercise of the Warrants were completed on 1 January 2017; and
- (f) the effect of the issuance of Subscription Shares and the Warrant Shares on the Net Gearing is computed based on the assumption that the Proposed Subscription and the exercise of the Warrants were completed on 31 December 2017.

Subject to the above, the share capital, NTA per Share, and EPS and Net Gearing are computed as follows:

	Before Proposed Subscription and issuance of Warrant Shares	After issuance of Subscription Shares but before issuance of Warrant Shares	After issuance of Subscription Shares and Warrant Shares
Number of Shares	1,329,273,113	1,399,273,113	1,473,273,113
Share Capital	S\$128,039,548.73	S\$148,339,548.73	S\$172,759,548.73
Number of Shares	1,329,273,113	1,399,273,113	1,473,273,113
NTA	US\$153,133,832	US\$168,243,414	US\$186,509,552
NTA per Share	US\$0.115	US\$0.120	US\$0.127
Number of Shares	1,329,273,113	1,399,273,113	1,473,273,113
Profit attributable to owners of the Company	US\$36,685,787	US\$36,685,787	US\$36,685,787
EPS	US\$0.028	US\$0.026	US\$0.025
Net Debt (cash)	US\$28,370,350	US\$13,260,769	(US\$5,005,369)
Equity attributable to owners of the Company	US\$153,133,832	US\$168,243,414	US\$186,509,552
Net Gearing	0.185 times	0.079 times	(0.027) times

EXISTING CONVERTIBLES

As at the date of this announcement, there are no existing warrants or other convertibles issued by the Company.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Transactions, save through their shareholdings (if any) in the Company.



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 Proposed Transactions 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 Proposed Transactions. 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.

BY ORDER OF THE BOARD
Charles Antony Melati
Executive Chairman
8 November 2018