

Geo Energy Registers US\$12.8 million of Revenue As Coal Production Delivers 485,000 tonnes in 1Q2016

- Revenue jumped to US\$12.8 million following the commencement of coal production at PT Sungai Danau Jaya (“SDJ”) mine
- Operating cash profit of US\$1.9 million as it kick-starts coal production in 1Q2016
- Geo Energy expects financial results to turnaround in FY2016 with SDJ targeting to produce coal production of 6 million tonnes for the year whilst the Group acquires new coal mine assets to boost coal reserves
- Geo Energy to benefit from an expected increase in coal prices as China, the world’s biggest importer of coal, faces supply shortages of Indonesian coal¹

SINGAPORE, 13 May 2016 – Geo Energy Resources Limited (“Geo Energy” or “the Group”), an integrated Indonesian coal mining group, has reported a jump of 343% in revenue to US\$12.8 million for the three months ended 31 March 2016 (“1Q2016”).

(US\$ ‘000)	1Q2016 (Unaudited)	1Q2015 (Unaudited)	% change (Unaudited)
Revenue	12,809	2,893	343
Gross Loss	(153)	(909)	(83)
General & Administrative Expenses	(1,464)	(1,990)	(26)
Net Loss Attributable to Owners	(2,586)	(2,681)	(4)
Earnings per share* -	(0.22)	(0.23)	(4)
Fully diluted* (US cents)			

*Based on weighted average number of 1,188,042,344 ordinary shares for 1Q2016 (1Q2015 : 1,157,050,891)

Financial Highlights

Group’s revenue spiked 343% quarter-on-quarter (“q-o-q”) to US\$12.8 million in 1Q2016, contributed largely by revenue from coal sales following the commencement of coal production at SDJ mine. As of 31 March 2016, SDJ has since delivered a total of 485,000 tonnes of coal to customers in China and the region.

¹ <http://en.sxcoal.com/497/145785/DataShow.html>

Since SDJ's coal production commenced in December 2015, revenue from the Group's Coal Mining segment generated US\$11.9 million, making up 93% of total revenue contribution in 1Q2016. There was no revenue contribution from Coal Mining in 1Q2015 as the Group's other coal mine, PT Bumi Enggang Khatulistiwa ("**BEK**") temporary suspended its operations, whilst it restructures its costs of production.

During 1Q2016, the Group halted its Coal Trading activities as it focused more on SDJ's coal production and sales whilst it seeks to refine its coal trading strategy going forward. The Group has outsourced its coal trading operations to a major commodities trading house, BTG Pactual Commodities (Singapore) Pte Ltd through a coal offtake on its SDJ's coal production.

Revenue from Mining Services segment declined 66% q-o-q to US\$0.9 million. The Group has discontinued this business as it is no longer economical without a larger business portfolio. The Group is currently looking at divesting this business segment and would make an announcement later once a suitable buyer is secured. The divestment of the Mining Services segment will save about US\$1.7 million in operating costs and US\$1.0m in working capital requirement per quarter and reduced US\$8.6 million of financial lease obligations and improved the gearing of the Group.

Mining services on the SDJ's coal mine has been outsourced to PT Bukit Makmur Mandiri Utama ("**BUMA**"). BUMA is able to provide such services at a very cost effective rate thereby allowing the Group to compete regionally in terms of coal pricing and is in accordance to the Group's core strategy of lowering its cost of production.

The Group's recorded a cash gross profit of US\$1.9 million for 1Q2016, out of which US\$1.5 million was attributable to SDJ mine operation. Including the non-cash items on depreciation of mining property and heavy equipment amounting to US\$2.0 million, the Group recorded a gross loss of US\$0.2 million in 1Q2016.

The Group continues to streamline its operations as general and administrative expenses decreased by 26% q-o-q to US\$1.5 million, whilst other expenses decreased by 2% q-o-q to US\$244,069 in 1Q2016.

Overall, Geo Energy incurred a net loss of US\$2.6 million in 1Q2016 mainly attributed to non-cash items on depreciation of mining property and heavy equipment and interests costs on its Medium-Term-Note (MTN).

The Group's cash and bank balances stood at US\$7.8 million as of 31 March 2016, a decrease in cash and cash equivalents of US\$4.8 million from 31 December 2015, mainly due to interest payment, finance lease payment and an increase in deferred stripping costs.

Net asset value per share diluted from 7.90 US cents per share as of 31 December 2015 to 7.63 US cents per share as of 31 March 2016 as total number of shares issued enlarged from 1,185,050,891 shares as of 31 December 2015 to 1,212,273,113 shares as of 31 March 2016.

On 22 March 2016, the Group issued 27,222,222 new ordinary shares relating to the acquisition of the remaining 34% stake in SDJ mine resulting in an increase in the total number of shares issued. The timely acquisition of an additional stake would allow the Group to have full control in SDJ as coal production and shipment activities are projected to expand going forward.

Business Outlook

Since production commenced at SDJ in December 2015, the Group delivered its first shipment of 55,000 tonnes of coal in January 2016. By 1Q2016, the Group has since delivered 485,000 tonnes of coal to customers in the region. Barring any unforeseen circumstances, the Group is expecting production at SDJ to ramp up to 6 million tonnes of coal per year.

Meanwhile, the Group is in the midst of enhancing BEK coal mine's value chain and lowering its cost of production. Coal production at BEK is expected to resume by the end of 2016.

In February 2016, the Group has entered into a conditional Sales and Purchase ("S&P") agreement to acquire a 79.91% stake in PT Parisma Jaya Abadi ("PJA"). PJA's coal mining concession spans 5,000 hectares of area with an estimated calorific value of 6,700 – 8,100 kcal/kg².

In addition, the Group has also proposed to acquire a 99.46% stake in PT Cahaya Lembusuana ("CLS") in March 2016. CLS's coal mining concession spans 2,310 hectares of area with an estimated calorific value of 6,500 – 7,100 kcal/kg².

At the moment, the Group's total coal reserves stands at 53.5 million tonnes following the recent additional stake acquisition of SDJ's coal mine. Both the proposed acquisitions of PJA and CLS, subjecting to the terms of the S&P agreement, will instantly boost the coal reserves with higher calorific grade by another 1.1 million tonnes and 2.3 million tonnes respectively².

In March 2016, the Group setup PT Geo Tebo Power Inti ("GTPI") to explore an opportunity in the power generation business in Indonesia. Indonesia is targeting a 7% annual gross domestic product (GDP) growth by 2019 with plans to expand its power generation capacity by 35GW³.

² based on a draft Limited Technical Assessment Report by PT Britmindo Utama Indonesia.

This will also involve an expansion in Indonesia's power transmission and distribution grid to secure power supply of urban areas and improve the electricity access for other regions at the same time.

The Group continues to receive healthy orders and enquiries from China, Indonesia and the region as demand situation in China remains firm¹. Many Chinese based traders are expecting Indonesian 3,800 kcal/kg NAR coal to reach US\$27.00 per tonne in the coming weeks as China faces shortages in Indonesian coal supply¹. The Indonesian Coal Index ("ICI") for 4,200 GAR or 3,800 kcal/kg NAR coal as of 6 May 2016 closed at US\$26.86 per tonne.

Commenting on the financial results and outlook of the Group, Mr Tung Kum Hon, Chief Executive Officer of Geo Energy said, *"Our Group is very pleased to recognise a substantial increase in revenue since the commencement of SDJ's coal mine production. We are expecting the operating environment for the Group to improve further once SDJ's coal mine production reaches our target of 500,000 tonnes per month going forward. The production for 1Q2016 was affected by lower overburden removal activity during the wet season. We expect overburden removal activity to increase in the coming quarters as the wet season ends.*

We are on track to achieve a planned strip ratio of 2.8 planned for this year and is encouraged by relatively firm demand in China as coal prices have started to show signs of an uptrend.

The proposed acquisition of PJA and CLS would boost our coal reserves to 56.4 million tonnes and would allow us to sell coal to customers who demand a higher calorific grade of coal like steel manufacturers. The grades of coal from the SDJ's coal mine are mainly required by coal-fired power plants to generate electricity. Our Group also intends to spin-off non-core assets to boost our cash balances and to focus on coal production going forward.

As our Group aims to become one of Indonesia's top coal producers, we would continue to seek acquisition opportunities in the region that complements our value chain and to build up our coal reserves as coal asset valuations become attractive. This is a relatively important strategy as our Group looks to secure future supply of coal in order to yield maximum benefits once international coal prices rebound in future.

Our strategy is focused on value creation and to grow our cash returns to shareholders. We remain confident on the long term outlook for coal, especially in Indonesia and the region. We will continue to

1 <http://en.sxcoal.com/497/145785/DataShow.html>

2 based on a draft Limited Technical Assessment Report by PT Britmindo Utama Indonesia.

3 <http://www.thejakartapost.com/academia/2016/04/26/private-power-utilities-a-game-changer.html>

drive improvements in productivity with gains by end of 2016 and maximise the value of our good quality coal assets in a planned manner as prices recover.

We now have opportunities to identify a number of major assets that we expect to create significant value over time. One of these is in the Mine Mouth Coal Fired Power Plant business which the Group has incorporated GPTI for the purpose.”

The End

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

Geo Energy 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. The Geo Energy Group's operations are primarily located in Indonesia.

Geo Energy primarily operates as a coal producer and mine contractor. The Group owns mining concessions in East and South Kalimantan. In addition, the Group also operates as a mine contractor providing specific mine contracting services to third party mine owners.

For more information please contact:
Romil SINGH, Colin LUM
geoenergy@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064