

GEO ENERGY RESOURCES LIMITED

(Company Registration No. 201011034Z)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF INTEREST IN COAL CONCESSION

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wish to announce that the Company have entered into a conditional sale and purchase agreement dated 18 June 2014 (“**Agreement**”) with Optimum Source Limited (the “**Vendor**”) to acquire a shareholding interest in the capital of Borneo International Resources Pte Ltd (the “**Ultimate Holding Company**”) from the Vendor (the “**Proposed Acquisition**”).
- 1.2 As at the date of this Announcement, the Ultimate Holding Company has entered into a conditional subscription agreement for new shares in the capital of PT Era Tiga Putra (the “**Indonesian PMA Company**”) at the issue price of one million Rupiah per new share (the “**Indonesian PMA Company Subscription**”) (such new shares representing 99% of the enlarged share capital of the Indonesian PMA Company, when issued and allotted), which in turn via its 99.6% owned subsidiary, PT Karunia Mitra Berkat (the “**Indonesian Local Company**”), has entered into a conditional subscription agreement for new shares in the capital of PT Sungai Danau Jaya (the “**Indonesian Operating Company**”) at the issue price of one million Rupiah per new share (the “**Indonesian Operating Company Subscription**”) (such new shares representing approximately 93.3% of the enlarged share capital of the Indonesian Operating Company, when issued and allotted) (the Ultimate Holding Company, the Indonesian PMA Company, the Indonesian Local Company and the Indonesian Operating Company, collectively the “**Group Companies**”).
- 1.3 Mr Lee Cheng Peck, a retired businessman, will be paid an introducer fee amounting to 3% of the Consideration (as defined below) upon the completion of the Proposed Acquisition.

2. INFORMATION ON THE VENDOR AND THE TARGET¹

2.1 The Vendor

The Vendor is an investment holding company incorporated in the British Virgin Islands and its sole shareholder is Lenny Limanto, an Indonesian national. The Vendor and Lenny Limanto are independent third parties and are not directly or indirectly related to the Company and/or its Directors, controlling shareholders or their respective associates.

2.2 The Group Companies

- (a) The Indonesian Operating Company is a limited liability company established under the laws of the Republic of Indonesia on 11 June 2002, having its domicile at Central

¹ The information in relation to the Vendor and the Group Companies has been provided by the Vendor and shall be verified by the Company as part of its due diligence process.

Jakarta, Indonesia. The Indonesian Operating Company has an authorised capital of three billion Rupiah and issued and paid up capital of eight hundred million Rupiah divided into 800 shares each with nominal value of one million Rupiah. Upon completion of the Indonesian Operating Company Subscription, the Indonesian Local Company shall hold 11,200 ordinary shares in the capital of the Indonesian Operating Company, representing approximately 93.3% of the enlarged issued and paid up capital of the Indonesian Operating Company.

The Indonesian Operating Company currently has no business operations, save for the holding of the production operations mining licences stated herein. As at the date of this Announcement, it holds the following production operations mining business licences:-

- (a) production operations mining business license for an area of 194.9 ha located in the subdistrict Angsana, Regency of Tanah Bumbu, South Kalimantan Province, Indonesia, such licence having been issued on 8 March 2010 and expiring on 8 March 2015 (the “**Production Operations IUP A**”); and
- (b) the production operations mining business license for an area of 41.2 ha located in the subdistrict Angsana, Regency of Tanah Bumbu, South Kalimantan Province, Indonesia, such licence having been issued on 3 December 2012 and expiring on 29 May 2022,

(the areas which are the subject of award of the production operations mining business licences stated herein (collectively, the “**Concession**”), collectively known as the “**Mining Permit Area**”).

The Indonesian Operating Company has no financial statements or management accounts.

The Ultimate Holding Company is a company incorporated in Singapore on 10 June 2014. The Ultimate Holding Company has a share capital of US\$200 divided into 200 shares (“**UHC Shares**”). The Ultimate Holding Company currently has no business operations, save for entering into the Indonesian PMA Company Subscription. The Ultimate Holding Company has no financial statements or management accounts.

- (b) The Indonesian PMA Company is a limited liability company established under the laws of the Republic of Indonesia on 9 May 2011, having its domicile at Central Jakarta, Indonesia. The Indonesia PMA Company has an authorised capital of two hundred and fifty million Rupiah and issued, and paid up capital of one hundred and fifty million Rupiah divided into 150 shares each with nominal value of one million Rupiah. Upon completion of the Indonesian PMA Company Subscription, the Ultimate Holding Company shall hold 11,880 ordinary shares in the capital of the Indonesian PMA Company, representing 99% of the enlarged issued and paid up capital of the Indonesian PMA Company. The Indonesian PMA Company currently has no business operations save for its holding of shares in the Indonesian Local Company. The Indonesian PMA Company has no financial statements or management accounts.

- (c) The Indonesian Local Company is a limited liability company established under the laws of the Republic of Indonesia on 9 August 2011, having its domicile at Central Jakarta, Indonesia. The Indonesian Local Company has an authorised capital of one billion Rupiah and issued and paid up capital of two hundred and fifty million Rupiah divided into 250 shares each with nominal value of one million Rupiah. The Indonesian Local Company currently has no business operations, save for entering into the Indonesian Operating Company Subscription. The Indonesian Local Company has no financial statements or management accounts.

3. RATIONALE FOR AND BENEFIT OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Company's business strategy to expand its business operations and increase coal production levels. The Proposed Acquisition will allow the Company access to and control over the coal deposits located in the Mining Permit Area.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Consideration

The consideration for the purchase of the shareholding interest in the Ultimate Holding Company shall be US\$55 million (the "**Consideration**"). The shareholding interest which shall be acquired shall be determined based on the following formula:-

$$A = (B/C) \times D$$

Where:-

- A : Number of shares in the Ultimate Holding Company to be acquired
- B : Consideration of US\$55 million
- C : Consideration of US\$2.50 per tonne x total tonnage of proved and probable reserves located in the Mining Permit Area as set out in the Independent Technical Report
- D : Total number of shares in the Ultimate Holding Company

An Independent Technical Report shall be prepared to determine the amount of proved and probable reserves in the Mining Permit Area (the "**Reserves**"). The Independent Technical Report will be prepared, in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, by an expert ("**Expert**") to be appointed by the Vendor (at the Vendor's sole cost and expense), in consultation with the Company, and such expert shall meet the requirements of a "qualified person" set out in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Consideration shall be payable wholly in cash on the date of completion of the Proposed Acquisition.

The Consideration was arrived at pursuant to arm's length negotiations between the Company and the Vendor on a willing-buyer willing-seller basis, after taking into account market prices for comparable coal quality and estimated production costs.

The Consideration will mainly be satisfied by external financing.

4.2 Due Diligence

The Company is entitled to, and shall, carry out the relevant due diligence on the Group Companies. In the event the due diligence inquiries are not to the satisfaction to the Company as the Company may determine in its sole discretion, the Company shall be entitled to terminate the Agreement. No termination fee is payable.

4.3 Conditions Precedent

The Proposed Acquisition is conditional upon the satisfaction of the following conditions, amongst others:

- (a) If required, (i) the approval of the Board of Directors and/or Shareholders of the Company; and/or (ii) the approval of the SGX-ST;
- (b) The satisfactory outcome of due diligence carried out by the Company into the financial, legal, contractual, tax, business, coal resource and reserves quantity and technical specifications and prospects aspects of the Group Companies;
- (c) The Independent Technical Report having been prepared and issued by the Expert, which Independent Technical Report shall (i) be in compliance with the requirements set out in Practice Note 6.3 of the SGX-ST Listing Manual to the satisfaction of the Company in its sole discretion, unless the Company agrees to any variation from the requirements set out in the Practice Note; and (ii) include an economic present value assessment of the Reserves;
- (d) All necessary requirements and approvals from governmental or regulatory authorities and/or other third parties (including the SGX-ST) having been successfully obtained, including but not limited to:- (i) the procurement and subsequent maintenance of the *Penanaman Modal Asing* (PMA) status of the Indonesian PMA Company and/or such award of the *Penanaman Modal Asing* (PMA) status to any other of the Group Companies which the Company may in its sole discretion request, (ii) the recommendations from relevant governmental or regulatory authorities, if necessary, (iii) all statutory requirements under the Indonesian company regulations including but not limited to requirements under the Minister of Law and Human Rights of the Republic of Indonesia, (iv) complied with and/or the necessary approvals and/or licences for the commencement of production operations at the Mining Permit Area, with respect to the Concession (such as *Area Penggunaan Lain*) and the required environmental licences and all other necessary approvals and/or licences for the business operations of the Group Companies, such approval and/or licences continuing to be in force and effect and not having been withdrawn, suspended, amended or revoked, and (v) all approvals or waivers of all lenders or any other third

party for entering into the Proposed Acquisition. For avoidance of doubt, the cost of procuring any of the aforementioned shall be borne by the Vendor and/or its shareholders;

- (e) Provision by the Vendor of evidence to the satisfaction of the Company in its sole discretion that the Concession is on the list issued by the Directorate General of Mining of the Ministry of Energy and Minerals Mining of the Republic of Indonesia in accordance with the Indonesian Law No. 4 of 2009 on Mineral and Coal Mining and its amendments and implementing regulations, listing companies holding coal mining licenses ("IUP") which designated mining areas have been verified as having no overlap with other coal mining concession holders' mining areas, and the issuance of the IUP is in accordance with Mining Law and the Company having obtained a certificate of clean and clear from the Ministry of Energy and Mineral Resources of the Republic of Indonesia;
- (f) The completion of the Indonesian PMA Company Subscription and the Indonesian Operating Company Subscription;
- (g) (a) All necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia) required for the Indonesian Operating Company to carry out mining activities in forestry areas that are governed by forestry laws and require permits and licences from the Indonesian government and/or Indonesian regulatory authorities (including but not limited to the borrow-use permit of operation production (*Izin Pinjam Pakai Kawasan Hutan Operasi Produksi*)) having been obtained successfully, including but not limited to:- (i) the recommendations from relevant governmental or regulatory authorities, if necessary, (ii) all statutory requirements under the Indonesian company regulations and (iii) the issue of the necessary approvals and/or licences, or (b) provision of a letter of confirmation from the Vendor confirming that there are no forestry licences/permits applicable in respect of the Mining Permit Area, whichever is applicable;
- (h) Provision of evidence of consent and/or agreement from holders of plantation/or other business licences/permits in respect of the Mining Permit Area, consenting and/or agreeing to relinquish the relevant areas of their respective plantations/other business areas to the Indonesian Operating Company for its carrying on of mining activities, including but not limited to the obtaining of the Joint Land Utilization Agreement (*Perjanjian Pemanfaatan Lahan Bersama*) or provision of a letter of confirmation from the Vendor confirming that there are no plantation licences/permits applicable in respect of the Mining Permit Area, whichever is applicable. For avoidance of doubt, the cost of any such consent to use and/or relinquishment shall be borne by the Vendor and/or its shareholders;
- (i) The Reserves being in excess of the estimated reserves of 30 million tonnes, and the technical specifications of the Reserves being such that (i) the ash content of the Reserves do not exceed the maximum ash content of 5% (air dried basis); (ii) the hardgrove grindability index of the Reserves do not exceed the maximum hardgrove grindability index of 40-55; (iii) the sulphur content of the Reserves do not exceed the maximum sulphur content of 1% (air dried basis); and (iv) the average calorific value

of the Reserves exceed the minimum calorific value of 4,100 kcal/kg (gross as received); and

- (j) The Production Operations IUP A's expiry date having been validly and successfully extended to a date following in the calendar year 2022, such extension continuing to be in effect under the relevant laws and regulations of Indonesia.

4.4 Long Stop Date

If the conditions set out in the Agreement are not fulfilled by the date falling twelve (12) months from the signing of the Agreement, or such later date as the Company may determine in its sole discretion, the Agreement shall be terminated.

5. RELATIVE FIGURES UNDER RULE 1006

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST, are as follows:-

Rule 1006(a)

The net asset value of the assets to be disposed of compared with the Company's net asset value	<i>Not Applicable</i>
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Rule 1006(b)

The net profits attributable to the assets acquired compared with the Company's net profits ⁽¹⁾	<i>—</i> ⁽³⁾
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Rule 1006(c)

The aggregate value of the consideration given or received compared with the Company's market capitalisation on 17 June 2014, being the market day preceding the date of the Agreement ⁽²⁾	19.44%
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Rule 1006(d)

The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	<i>Not Applicable</i>
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Rule 1006(e)

The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	<i>Not Applicable</i>
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Notes:-

- (1) Under Rule 1002(3)(b), "net profit/loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) The aggregate value of the consideration given for the Proposed Acquisition is US\$55 million (which is equivalent to S\$68,887,500 based on the exchange rate of US\$1:S\$1.2525 as of 17 June 2014), compared to the Company's market capitalisation of S\$354,288,983 (based on 1,157,050,891 shares in issue and the weighted average price of S\$0.3062 per Share of the Company transacted on 17 June 2014, being the full market day immediately prior to the signing of the Agreement), is approximately 19.44%.
- (3) The Concession to be acquired has yet to be developed, as such no profits have been attributed to the assets to be acquired.

Pursuant to the tests for Rule 1006 (c) above, the Proposed Acquisition is a discloseable transaction for the purposes of Chapter 10 of the Listing Manual of the SGX-ST and approval of the shareholders of the Company is not required.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The proforma financial effects of the Company after the Proposed Acquisition set out in this Announcement below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company following the Completion of the Proposed Acquisition.

The proforma financial effects of the Proposed Acquisition are based on the following assumptions:

- (a) in the calculation of the net tangible assets ("**NTA**") and NTA per share, for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 31 December 2013;
- (b) in the calculation of earnings per share ("**EPS**"), for illustrative purposes, it is assumed that the Proposed Acquisition had been effected on 1 January 2013;
- (c) the Consideration of US\$55 million is fully paid, and assumed to be fully funded by external financing; and the Group Companies will be acquired free of gearing;
- (d) introducer fee amounting to 3% of the Consideration is fully expensed off; and other transaction expenses incurred for the Proposed Acquisition are assumed to be immaterial and not taken into consideration.

	Before Proposed Acquisition	After Proposed Acquisition
NTA attributable to owners of the Company (US\$ '000)	121,716	120,066
NTA per share (US cents)	10.52	10.38
Net Assets Value (" NAV ") attributable to owners of the Company (US\$ '000)	121,716	120,066

NAV per share (US cents)	10.52	10.38
Net profit attributable to owners of the Company (US\$ '000)	12,623	10,973
EPS (US cents)	1.09	0.95
Share Capital (US\$)	82,518,674	82,518,674
Share Capital (No. of shares)	1,157,050,891	1,157,050,891
Gearing Ratio	0.21	0.66

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholding interests in the Company).

8. SERVICE AGREEMENT

No new director will be appointed to the Board of the Company in connection with the Proposed Acquisition.

9. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will 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 Acquisition.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement is available for inspection during normal business hours at the Company's registered office at 12 Marina Boulevard #16-01, Marina Bay Financial Centre Tower 3, Singapore 018982 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Charles Antonny Melati
Executive Chairman

19 June 2014

The Initial Public Offering of the Company's shares was sponsored by Canaccord Genuity Singapore Pte. Ltd. (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.