



# CIMB INVESTORS PRESENTATION

TUNG KUM HON  
CEO & EXECUTIVE DIRECTOR

4 OCTOBER 2017



# FORWARD LOOKING STATEMENTS

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3. The Coal Market
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## Financial Results

**Ability to quickly ramp up  
production volume resulted in  
financial turnaround**

## FINANCIAL RESULTS - 1Q2017 VS 2Q2017

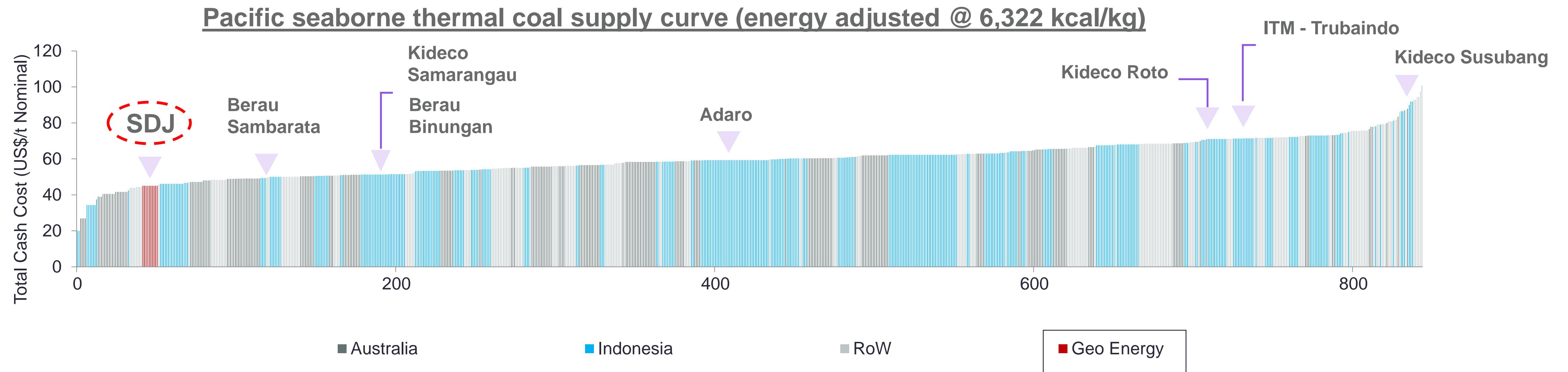
	<u>1Q 2017</u>	<u>2Q 2017</u>	<u>% change</u>
LTM sales volume	7.2 million mt	7.8 million mt	↑ 8.3%
LTM revenue	US\$270m	US\$307m	↑ 13.9%
LTM EBITDA	US\$77m	US\$91m	↑ 17.5%
Average selling price	US\$39.5 / mt	US\$40.1 / mt	↑ 1.7%
Cash profit	US\$13.5 / mt	US\$15.2 / mt	↑ 12.7%

LTM – Last Twelve Months

Cash profit – Selling price less cash costs on sales

## CASH COST CURVE

Superior infrastructure, close proximity to port and one of the lowest strip ratios result in Geo's cash cost profile being in the **top 5%**, ahead of other top producers in the industry.



Source: Wood Mackenzie



## **FINANCIAL POSITION**

As at 30 June 2017

On a position of financial strength, we paid a dividend of 1.0 Singapore cent per share.



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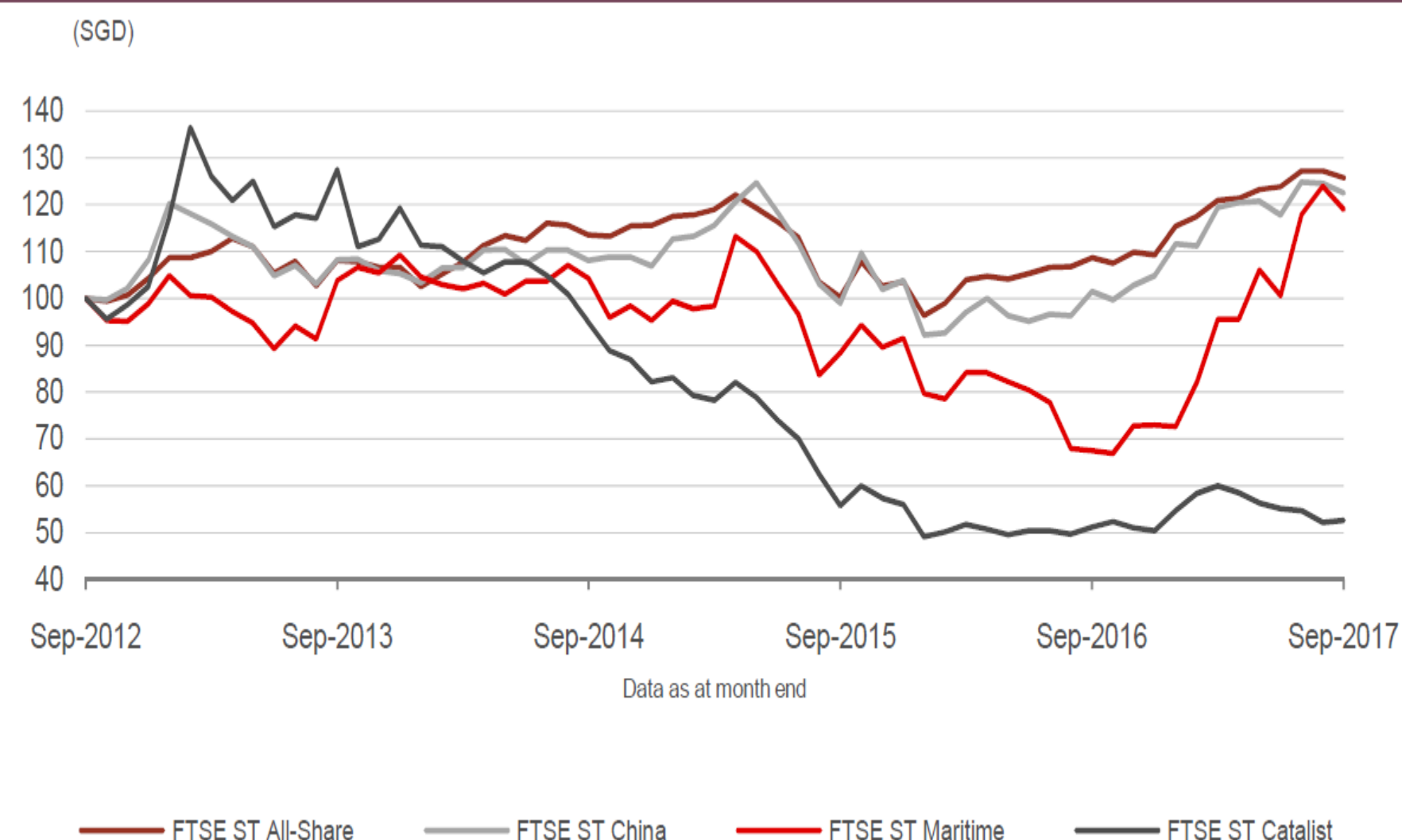
## Recent Developments

- FTSE ST China Index
- SBR Award (Listed companies – Metals and Mining)
- Bull Charger Award
- Online E-Commerce Portal
- TBR Update



## GEO ENERGY IS PART OF FTSE ST CHINA INDEX

### 5-Year Performance - Total Return



- Singapore lists a number of companies and trusts with their principal place of business in China, in addition to Singapore based companies and trusts that generate revenue in China or base assets in China.
- The FTSE ST China Index consists of stocks of the FTSE ST All-Share Index that have reported either at least 50% of their revenues from Mainland China, or reported at least 50% of their operating assets are located in Mainland China.
- **Geo Energy Resources join the FTSE ST Index on 18 September 2017. It is already in the FTSE ST Index**

## E-COMMERCE PORTAL



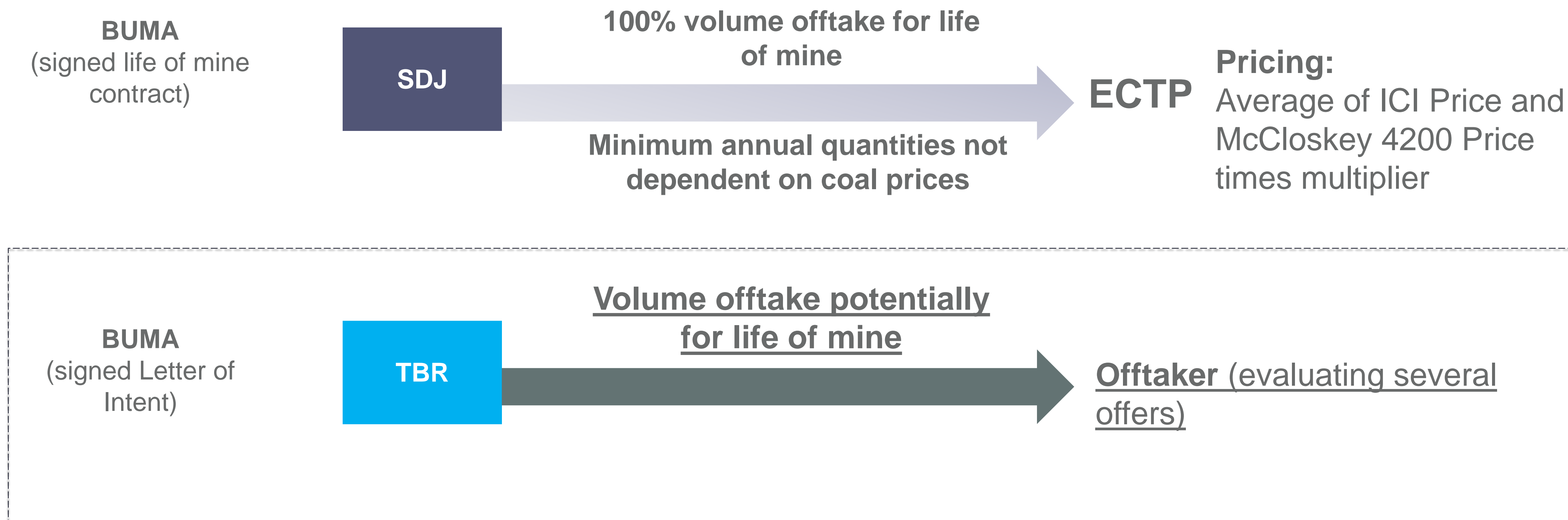
Newly incorporated PT Geo Online Indonesia to explore opportunity in an online e-commerce portal in Indonesia

Any investment is expected to not be a material amount

Currently in process of negotiating the terms

## TBR UPDATE

### LOW RISK OPERATING MODEL, STRONG BUSINESS PARTNERSHIP



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## Issuance of USD Notes

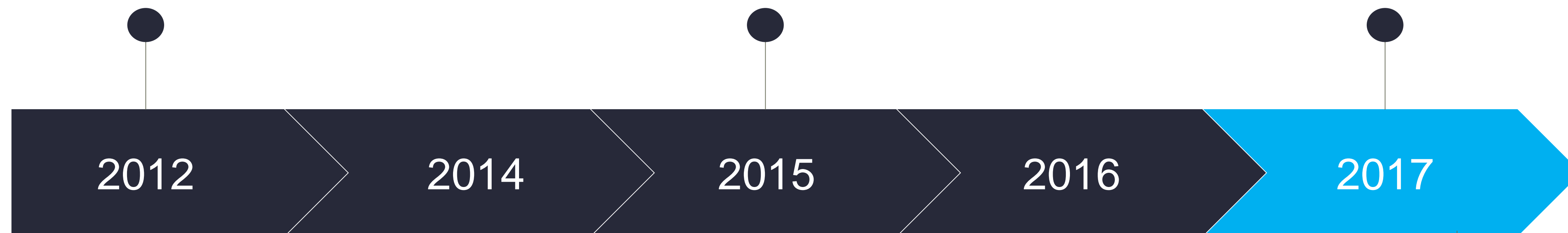
**USD Notes Successfully Priced at  
USD300m, 8% coupon**

## GEO'S FINANCING MILESTONES

Listed on Mainboard of the SGX-ST. Raised S\$90m to acquire BEK mine and mining equipment

Completed acquisition of 100% equity SDJ mine, using MTN proceeds and internal funds

Completed acquisition of TBR mine, with internal funds



Issued S\$100m under a S\$300m MTN program to acquire 80% of SDJ mine

Ceased business operations as a coal mining services provider and transitioned into a coal producer

Successfully priced US\$300m notes (Reg S/144A). Proceeds from the Notes to be used, among others, to redeem the outstanding S\$100m MTN notes issued in July 2014 and make potential acquisitions of coal mining assets



## **US\$ DENOMINATED FIXED RATE SENIOR NOTES DUE 2022**

**144A / REG S NOTES  
5NC3  
NEW YORK LAW**

**B+** by Fitch Ratings

**B** by Standard and Poor's Ratings Services

**B2** by Moody's Investors Service

## **U.S.DOLLAR NOTES OFFERING**

- Pricing of US\$300,000,000 8% senior notes due 2022 fully placed
- **Oversubscription in excess of 3.0 times with a total order book of over US\$1.2 billion**
- **J.P. Morgan, Deutsche Bank, CITIC CLSA Securities and BOCI International** acted as the Joint Bookrunners and Joint Lead Managers<sup>(1)</sup>

Notes: (1) J.P. Morgan, Deutsche Bank, CITIC CLSA Securities and BOCI International (part of Bank of China) acted through J.P. Morgan (S.E.A.) Limited, Deutsche Bank AG, Singapore Branch, CLSA Limited and BOCI Asia Limited, respectively

## **GROUP'S USE OF PROCEEDS**

- **Redeeming the outstanding S\$100 million** 7.0% medium term notes that was issued in July 2014
- **Repaying the advances received from ECTP**
- **Potential acquisitions** of coal mining assets
- **Working capital and general corporate purposes**



## PRO FORMA CAPITALIZATION

(US\$mm)	Current (2Q 2017)	Pro forma (2Q 2017)	Pro forma (2Q 2017) % capitalization	Pro forma (2Q 2017) LTM EBITDA (x) <sup>(1)</sup>
Cash	26	182 (2)	45.1%	2.01
Secured borrowings	-	-	0.0%	-
Unsecured borrowings	72	300	62.0%	3.31
Total debt	72	300	62.0%	3.31
<b>Net debt</b>	<b>45</b>	<b>43</b>	<b>16.9%</b>	<b>0.47</b>
Total equity	153	153	38.0%	
<b>Total capitalization</b>	<b>225</b>	<b>403</b>	<b>100.0%</b>	

### Financial Covenants

**DEBT/EBITDA <3.5X**

**FCCR >3X**

Notes:

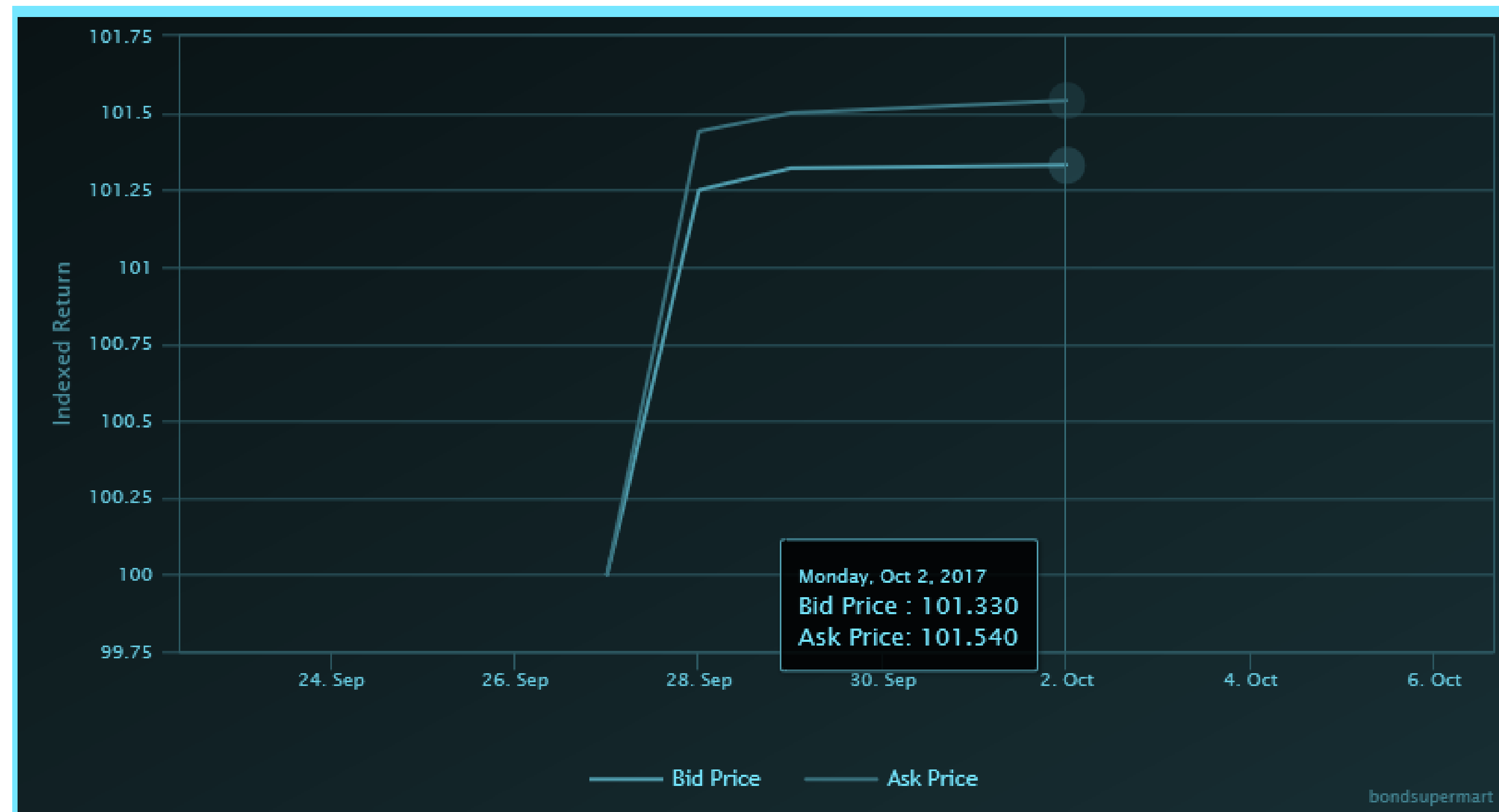
(1) LTM EBITDA of US\$90.5mm as of June 2017, which excludes full run rate production from SDJ and any production from TBR; (2) Pro forma cash balance assumes cash for potential acquisitions of producing mines, working capital and general corporate purposes is not utilized

## GROUP'S 2P JORC RESERVES PRODUCTION PLAN

	Currently Able To Produce	Completed & Fully Paid Acquisition
	SDJ and BEK <sup>(1)</sup>	TBR
Mineable reserves (M mt)	47.9 <sup>(2)</sup>	47.3
Coal sales – LTM (M mt)	7.8	
Company EBITDA – LTM (US\$m)	90.5	Starting From 4Q 2017

Notes: (1) SDJ is currently producing while BEK is under care and maintenance;  
(2) Reserve for SDJ is based on JORC report as at 19 May 2017 and not adjusted with 2Q2017 coal production

## US\$ 300M NOTES



### Listed on SGX - Trading

- Actively monitored on EMBI and JACI indexes
- Current ask yield to maturity 7.925%
- Current bid yield to maturity 7.963%

Source: Bondsupermart, 3 October 2017

## **GEO ENERGY RESOURCES LIMITED**

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

### **Consent Solicitation Statement in relation to its outstanding**

**S\$100,000,000 7.00 per cent. Notes due  
2018 comprised in Series 001  
(ISIN: SG6SA1000006) (the “Notes”)**

issued pursuant to the S\$300,000,000 Multicurrency  
Medium Term Note Programme of  
Geo Energy Resources Limited (the “**Issuer**”)

## **EARLY REDEMPTION OF NOTES**

- Achieved consent from noteholders representing 93.25% in principal amount of the notes outstanding as of 5 June 2017 (Deadline for early consent)
- Consent fee of 0.5% for early acceptance
- 100% plus accrued interests to repayment date

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## The Coal Market

**The Strong Recovery in Coal Prices  
has Breathed New Life into the  
Indonesia Coal Sector**

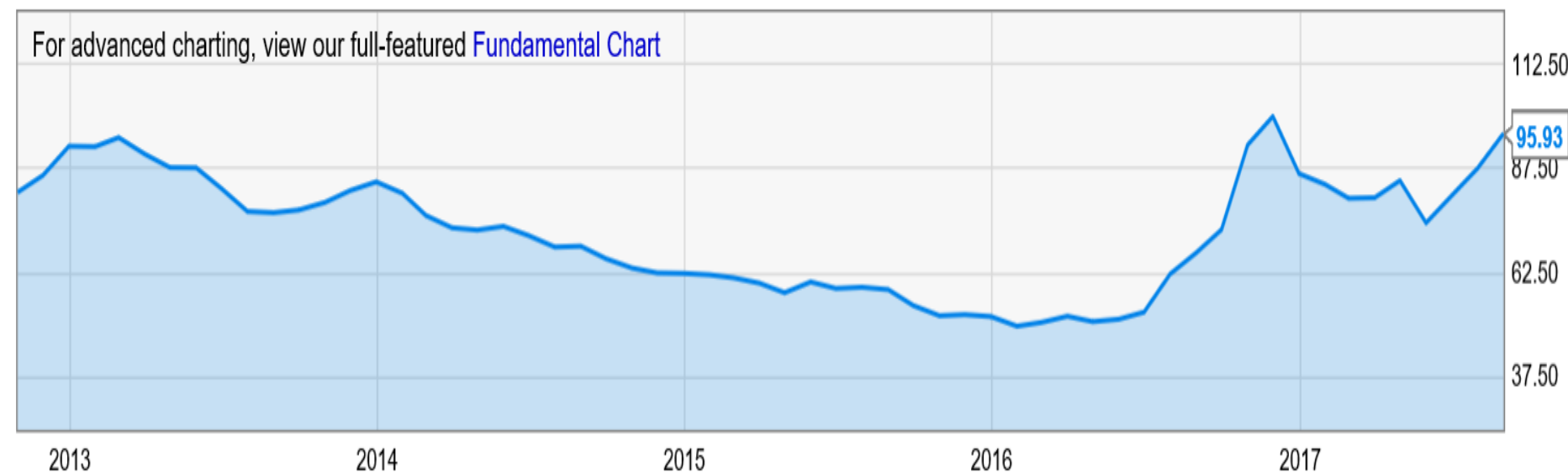
# INDONESIA COAL SECTOR

Australia Coal Price Chart

[View Full Chart](#)

5d 1m 3m 6m YTD 1y 5y 10y Max

Export Data Save Image Print Image



Australia Coal Price Historical Data

## A resurrected sector

Strong coal price recovery since mid-2016 has breathed new life into the industry

## Supportive industry environment

China remains the price setter for seaborne coal, government implemented regulatory changes to keep coal prices within a reasonable range

## Valuations are acceptable

The coal sector is still trading at the wider end among Indonesia corporates

## Key risks

Coal miners' earnings are highly sensitive to coal prices

Source: J.P.Morgan – Asia Corporate Research. 8 September 2017



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## Value Proposition

**Building Strong Performance –  
Delivering Growth – Performance  
Delivered**





**A PHILLIPCAPITAL VIDEO**

# LATEST ANALYSTS COVERAGE



COMPANY UPDATE

Commodities • Singapore

Geo Energy Resources Limited  
(GERL SP/GEOE.SI)

BUY

Price as of 8 Sep 2017	0.25
12M target price (S\$)	0.36
Previous target price (S\$)	na
Upside (%)	44.6

Trading data

Mkt Cap (S\$M) / (US\$M)	339.0 / 252
Issued Shares (m)	1,329.3
Ave Daily Traded (3-Month) Vol / Val	5.3m / \$1.4m
52 week Lo / Hi	\$0.13 / \$0.36
Free float	34.2%

Major Shareholders

Master Resources	26.3%
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GERL SP (1yr) VS STI



Source: Bloomberg

Well-positioned to power Asia's growth

**Event**  
**Recovery and growth.** Geo Energy Resources Limited (GEO) is a coal mining company with operations mainly in Indonesia. GEO's total reserves increased to 95m tonnes after the recent acquisition of PT Tanah Bumbu Resources (TBR), a mining concession next to its existing PT Sungai Danau Jaya (SDJ) coalmine in South Kalimantan. In line with the recovery of the coal industry in late 2016, GEO's 1H17 net profit increased to US\$24.6m from US\$35k in 1H16 on the back of increased coal production at its SDJ mine. The group sold 3.6m tonnes in 1H17 compared to 1.3m tonnes in 1H16.

**Impact**  
**Transforming to a low-cost coal producer.** On the production side, GEO has partnered with an experienced mining contractor in Indonesia, PT Bukit Makmur Mandiri Utama (BUMA), which helps to mitigate operational risks. The group's demand side is mostly covered by an offtake agreement with Engelhart Commodities Trading Partners (ECTP) for the delivery of a minimum of 7m tonnes in FY17 (70% of GEO's FY17 target production). For FY18, it is currently exploring offtake arrangements for its TBR mine, which management expects to announce in 4Q17.

**Seven years of coal supply.** Its current coal reserves is able to support a production schedule for the next 7 years based on our assumptions of 9m tonnes in FY17 and 13m tonnes per year from FY18 to FY23. Our assumptions would yield a total of 87m tonnes of coal mined until FY23, a conservative estimate that is well below GEO's current 95m tonnes of coal reserves.

**Valuation & Action**  
We have a DCF-derived (13.5% WACC; 7-year operations; 0 LTO) fair value of S\$0.36 and recommend a BUY on GEO. Our fair value is an implied FY17/18F 6.4/5.0x PE, a 25-40% discount to its larger-sized peers. We believe the discount is fair given its smaller coal reserves relative to other Indonesian coal miners (4-10x smaller). The announcement of a new offtake agreement may provide a short-term upside catalyst.

**Risks**  
Decline in thermal coal prices due to weaker demand/Increased production from China. Regulatory risks in Indonesia.

Financials & Key Operating Statistics					
FY Dec (US\$M)	2015	2016	2017F	2018F	2019F
Revenue	18.2	182.1	342.0	494.0	494.0
PATMI	-16.6	22.2	52.8	67.6	62.0
Core PATMI	-7.4	23.5	52.8	67.6	62.0
Core EPS	-0.6	2.0	4.4	5.6	5.1
Core EPS grth (%)	0.0	-	124.4	28.0	-4.3
Core P/E (x)	-30.6	9.9	4.4	3.4	3.7
EPS AdjCont	0.0	1.8	1.0	1.0	1.0
Div Yield (%)	0.0	5.2	5.2	5.2	5.2
Net Margin (%)	-91.1	12.2	15.4	13.7	12.5
Gearing (%)	70.4	0.8	-66.2	-60.1	-70.6
Price / Book (x)	2.4	1.9	1.4	1.1	0.9
ROE (%)	-17.7	17.8	22.6	21.6	23.8

Source: Company Data, KGI Research

September 11, 2017

KGI Securities (Singapore) Pte. Ltd.

## Singapore Coal Sector

Foresee a coal price correction soon

SINGAPORE | MINING | SECTOR UPDATE

What is the news?

China

National Development and Reform Commission (NDRC) drafted rules to establish coal stockpiles system, aiming to set up both the minimum and maximum requirement of coal inventories\*:

- 1. Minimal storage:**
  - Coal-fired power plants located in the North China regions, namely Shanxi, Shaanxi, and Inner Mongolia, need to store at least 15-day of coal stocks.
  - Coal-fired power plants located in other regions need to store at least 20-day of coal stocks.
- 2. Bans stockpiling to ensure stable coal supply for peak seasons**
  - During winter and summer, coal inventories shall be 5 to 10 days above normal levels.
  - When coal supplies are short and prices are increasing, the coal stock level shall not be more than the double amount of the minimal storage. Power companies can have on hand an extra 10- to 20-day of coal stocks.

\*Days in coal inventory calculation is based on previous 30-day average coal consumption.

China resumed coal procurement from North Korea in Aug-17 since Feb-17, importing 1.6mn tonnes of coal last month.

Indonesia

Ministry of Energy and Mineral Resources (MEMR) announced to draft new rules to determine coal prices for domestic supplies, aiming to reduce electricity prices:

1. To devise a new pricing formula.
2. No timeframe is given to implement.

The current coal price level is unfavorably high for both China and Indonesia

Entering into September which is thought to be slack season empirically, however, coal price continued to soar and arrives at a YTD high, referring to Figure 4 and 5. As of mid-Sep, the HBA was reported at US\$92/tonne with 44% YoY growth. Similarly, Qinghuangdao 5,500 GAR FOB spot price jumped by 24.2% YoY to Rmb686/tonne which fell into the red zone that is identified as abnormal by the thermal coal price alert mechanism. Both quotes rallied from the dip in Jun-17 for three consecutive months.

Apparently, the recent concurrent cooling measures from China and Indonesia signalled that the current coal price level is too high to sustain and is hurting power plants. The guidelines initiated by China will gradually move price downward to reflect supply and demand. It will also leave buffer time for the market to react to an expected price correction. However, Indonesia Domestic Market Obligation (DMO) price control could cause a hard landing for domestic coal price, because MEMR directly sets the benchmark price for the market. If the spread between the new base and the market spot is large, it will crimp the profitability of those producers who mainly rely on domestic sales, and even drive out portions of the domestic supply.



29 September 2017

Golden Energy & Resources

BUY (MAINTAIN)

BLOOMBERG CODE	GERL SP
CLOSING PRICE	SGD 0.450
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.590
TOTAL RETURN	31.2%

Geo Energy Resources

BUY (MAINTAIN)

BLOOMBERG CODE	GERL SP
CLOSING PRICE	SGD 0.265
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.440
TOTAL RETURN	66.0%

Blackgold Natural Resources

TRADING BUY

BLOOMBERG CODE	BHR SP
LAST TRADED PRICE	SGD 0.108
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.160
TOTAL RETURN	48.1%

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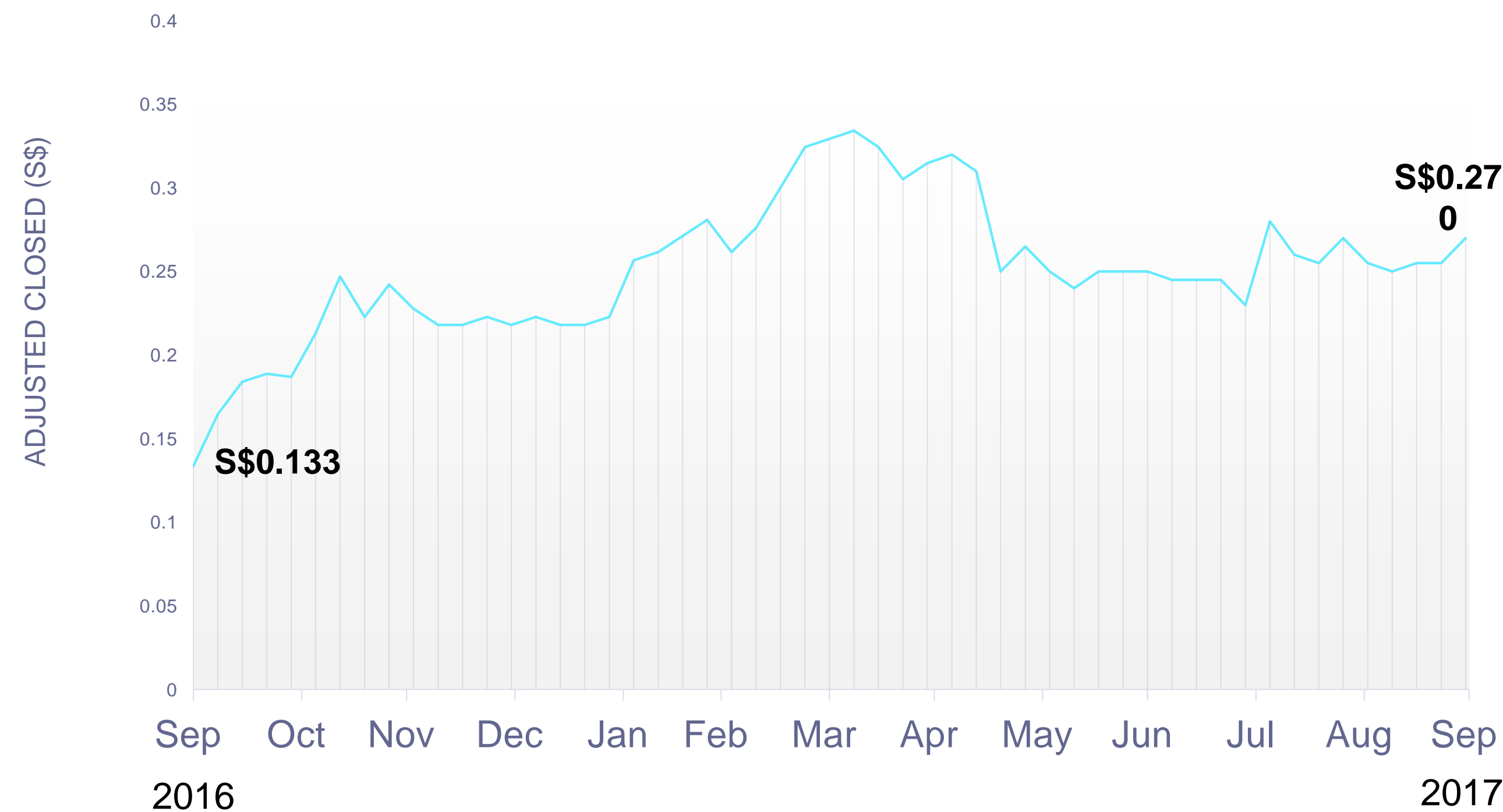
## KGI

- Initiated coverage with BUY call, at target price of S\$0.36

## Phillip Capital

- Maintained BUY recommendation, at target price of S\$0.44

# SHARE PRICE PERFORMANCE



## 12 MONTH SHAREHOLDERS RETURN

- 01. CAPITAL GAIN – 103%**
- 02. DIVIDEND – 7.4%**
- 03. TOTAL RETURN – 110.4%**

## UNDERVALUED COMPARED TO ITS PEERS

Geo Energy is undervalued based on its Price / Earnings (P/E) ratio, which is **trading below its industry peers.**  
(GEO P/E Ratio: 5.3; Average: 12.5)

Company name	P/E Ratio	Trailing 12-month			Market Cap	Price change 12-month
		Revenue (US\$M)	EBITDA (US\$M)	Net Profit (US\$M)		
Geo Energy Resources Ltd	5.3	307.1	88.8	46.8	263.7	103.0%
Resource Alam Indonesia Tbk	11.0	82.2	18.8	11.9	136.8	74.6%
Adaro Energy Tbk PT	9.8	2,897.7	1,070.6	434.9	4,311.9	33.4%
Rio Tinto PLC	13.5	37,600	15,424	6,209	85,032	38.5%
Harum Energy Tbk PT	13.2	302.2	69.7	31.3	427.4	89.0%
Golden Energy & Resources Ltd *	14.9	565.6	129.8	61.6	804.1	n.m.
Peers Average	12.5					

Source: Bloomberg, 2 October 2017

Disclaimer: Annualised results may not be representative of actual annual results

\* Annualised based on 1H2017

n.m: not meaningful

# Thank you!

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