

Geo Energy Resources

MEDIA RELEASE

14 August 2020

**GEO ENERGY RECORDED NET PROFIT OF US\$35.2 MILLION IN 2Q2020
(US\$66.5 MILLION IN 1H2020) DESPITE COVID-19 AFFECTING COAL
PRICES AND DEMAND**

2Q2020 Highlights

- The Group sold 1.0 million tonnes of 4,200 GAR coal from the SDJ coal mine and another 1.5 million tonnes from the TBR coal mine, totalling 2.5 million tonnes of coal during the quarter. This was comparable to 1Q2020 and an increase from 1.4 million tonnes in 2Q2019.
- Revenue increased by 40% from US\$51.9 million in 2Q2019 to US\$72.8 million mainly due to higher sales volume, offset by the lower Average Selling Price (“ASP”) following from the downward trend in the ICI prices in the period.
- Cash profit for coal mining for 2Q2020 averaged at US\$6.25 per tonne (1Q2020: US\$6.36 per tonne; 2Q2019: US\$10.76 per tonne). The cash profit margin of 23% was higher than the 19% in 1Q2020, but lower than the 29% in 2Q2019, mainly due to the lower ASP offset by the lower production cash cost.
- Average production cash costs of US\$20.92 per tonne in 2Q2020 was a decrease from US\$26.86 per tonne in 1Q2020 and US\$25.78 per tonne in 2Q2019, as a result of the reduction in mining and services rates linked to coal prices in the current depressed market condition.
- EBITDA was US\$13.5 million (2Q2019: US\$14.2 million) and US\$27.6 million (1H2019: US\$15.9 million) in 2Q2020 and 1H2020 respectively.
- Net profit was US\$35.2 million (1Q2020: US\$31.4 million; 2Q2019: US\$0.8 million), mainly driven by increased sales volume, reduction in production cash cost, and by the Group’s repurchases of its Senior Notes.

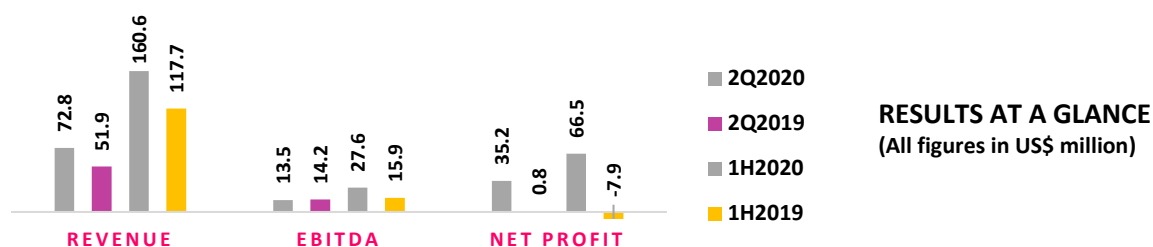
Commenting on the financial performance and business outlook for the Group, Mr Tung Kum Hon, Chief Executive Officer and Executive Director of Geo Energy said:



“The COVID-19 pandemic continues to expand globally and will likely leave profound effects on the world economy. The dire effects of extended lockdowns on employment and consumer confidence also means that recovery will take longer than expected into 2021-2023.¹ The coal mining industry is going through a difficult cycle, and it is going to be a challenge for all miners, but we are moving ahead.

The Group has delivered a strong operational performance in 1H2020 – we achieved record sales and production volumes and improved our costs base, and recorded our highest net profit for 6

¹ S&P Ratings, Global Credit Condition report, 1 July 2020



months of US\$66.5 million (or S\$93.2 million) since the Company's listing in 2012, in the midst of challenging conditions.

Success is when preparation meets opportunity. In 2020, we have implemented cost cutting measures as well as negotiated flexible lowered rates with our service providers. We have delivered on our target to reduce cash costs, as we achieved a cash cost of US\$20.92 per tonne in 2Q2020, a 22% decrease from our cash cost of US\$26.86 per tonne in 1Q2020, and a 29% decrease from our average 2019 cash cost of US\$29.48.

This has allowed us to remain profitable despite challenging coal prices and allow us to utilise our increased Rencana Kerja Anggaran Biaya ("RKAB") (Work Plan and Budget) production quota of 12 million tonnes in 2020. We achieved record sales volume of 2.5 million tonnes in 2Q2020.

Flexibility as a key to coping with volatile market conditions. We have also managed our coal exposed and deliveries to optimise sales at optimal price levels. In addition to the lowered costs, we managed to attain a cash profit margin of 23% in 2Q2020 for our coal sales.

Net profit for 2Q2020 was US\$35.2 million, an increase of US\$34.4 million against 2Q2019, mainly driven by increased sales volume, reduction in production cash cost, and the Group's repurchases of its Senior Notes. Earnings Per Share in 2Q2020 was S\$0.035 while Net Tangible Asset Per Share was S\$0.189 as at 30 June 2020. The Company's share price as at 14 August 2020 was S\$0.11 per share.

We have also successfully delivered on our de-leveraging strategy. The Group repurchased US\$55.4 million in principal amount of its Senior Notes in 2Q2020 (the "Repurchases") to instil confidence in the market and provide an opportunity to the investors of our Senior Notes to gain liquidity that might not otherwise be available. Other than an interest cost savings of US\$13.4 million per year in on the Senior Notes, we were able to book in a significant gain of US\$75.2 million from the repurchases of the Senior Notes in 1H2020. Following the repurchases, the Group's outstanding Senior Notes was US\$132.7 million as at 30 June 2020. In July 2020, the Group further repurchased US\$23.2 million in principal amount of the Senior Notes and reduced the outstanding Senior Notes to US\$109.5 million as at 31 July 2020, representing net debt of US\$49.5 million as at 31 July 2020. The Group will continue to proactively manage its capital structure and seek alternative sources of funding and joint ventures to expand its business going forward.

The Group's SDJ and TBR coal mine IUP licenses have been extended to 11 May 2027 and 10 January 2028 respectively, based on the approval letter received from the local authority on 11 August 2020. The Group's coal reserves have also increased above the requisite coal reserve levels, based on the updated JORC report dated 12 August 2020. We expect the Put Option to fall away on 4 April 2021, given the above developments.

Environmental, Social and Governance ("ESG") has increasingly become a key criteria for investing. We continue to focus on advocating safety measures for our employees, while delivering exceptional operational performance to help us reinforce our priorities to deliver. We provided

assistance to the local communities and continue to build social value. We donated to Singapore Institute of Technology S\$500,000 Student Relief Fund which provided assistance to over 300 undergraduates impacted by the pandemic, and contributed IDR1.5 billion for the supply of Personal Protective Equipment to healthcare workers, and to provide medical aid to the communities. As the world moves towards sustainable practices within business operations, many potential investors and partners have increasingly stringent requirements on sustainability measures. We have created management systems that will enable us to consistently foresee and address issues.

We have delivered on our de-leveraging strategy to optimise our capital structure and carried out cost cutting measures that enable us to remain profitable despite weak coal prices. We will continue to assess the market situation and business viability and (1) secure a Sustainable Financial and Capital Structure, (2) we will continue to explore potential acquisition(s) of coal assets or joint ventures to expand our business where our core competence is, and (3) we will continue to work to Strengthen our Core Earnings through opportunities in these times of crisis. We aim to emerge out of this crisis as one of the top Indonesian integrated Mining Groups.

Resilience is Fundamental in these difficult times. We learn about who we are, and we grow out of it stronger, together.

Lastly, Geo Energy won the Metals & Mining category award in the Singapore Business Review Listed Companies Awards 2020 (Please click here: [Geo Energy Resources Limited won the SBR Listed Companies Metals & Mining category](#)) on its focus on ESG and sustainability principles in its business, especially so in the coal and energy industries we are engaged in. The Company has released its Sustainability Report 2019 in May 2020 (Please click here: [Sustainability Report 2019](#)). The Company was also a winner of the Le Fonti Awards 2020 for Excellence of the Year – Innovation and Leadership in the Coal Mining Sector.”



ABOUT GEO ENERGY

Geo Energy Resources Limited (“Geo Energy”) is a major Indonesian coal producer with an established track record in operating coal mines, coal production and selling coal throughout the region. Geo Energy commenced its business in 2008 as a coal mining services provider and became a listed company on the Mainboard of the SGX in 2012, under the stock code: RE4 and is part of the Singapore FTSE-ST index.

Since then, Geo Energy has transitioned from being primarily a coal mining services provider to a coal producer that subcontracts its coal mining operations. This transition has allowed the Group to change the business model from operating as a relatively small-scale mining services provider in an environment of high capital expenditure and relatively low operational efficiency, with high dependence on owners of coal mining concessions, to being a low-cost coal producer with high-quality coal mining assets, working in collaboration with world-class business partners.

The Group’s investment strategy is mainly focused on acquisition of new mining concessions to increase production quantity and at the same time diversify its sources of coal. The Group owns four mining concessions through its wholly owned subsidiaries PT Bumi Enggang Khatulistiwa, PT Sungai Danau Jaya, PT Tanah Bumbu Resources and PT Surya Tambang Tolindo in Kalimantan, Indonesia.

For more information, please visit www.geocoal.com.



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