Geo Energy 1Q2021 Revenue and Earnings Surge, Declares a Dividend and Looks at Diversification into New Businesses

Geo Energy Resources Limited ("Geo Energy" or "the Group"), an integrated Indonesian coal mining group, is pleased to announce a record set of financial results for the three months ended 31 March 2021 ("1Q2021").

Results Briefing

Tung Kum Hon
CEO/Director

Singapore
21 May 2021

Forward Looking Statements

This announcement contains statements that are, or may be deemed to be, “forward looking statements” which are prospective in nature. These forward looking statements may generally be identified by the use of forward looking terminology, or the negative thereof such as "plans", "expects" or "does not expect", "is expected", “seeks”, "continues", "assumes", "is subject to, "budget", "scheduled", "estimates", "aims", "forecasts", "risks", "intends", "positioned", "predicts", “projects”, "anticipates" or "does not anticipate", or "believes", or variations of such words or comparable terminology and phrases or statements that certain actions, events or results "may", "could", "should", “shall”, "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, assumptions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy, any of which could prove to be inaccurate. By their nature, forward looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of Geo Energy Resources Limited (“Geo Energy”). Forward looking statements are not guarantees of future performance and may and often do differ materially from actual results. There is no certainty or assurance as at the date of this announcement that any transaction disclosed in this announcement will proceed or be completed or that no changes will be made to the terms thereof. Important factors that could cause these uncertainties include, but are not limited to, those discussed in Geo Energy’s Annual Report 2020 and/or the offering memorandum dated 27 September 2017 in relation to the US$300 million 8.00% senior notes due 2022 offering by Geo Coal International Pte. Ltd., a wholly-owned subsidiary of Geo Energy. Neither Geo Energy nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations (including under the listing rules of the Singapore Exchange Securities Trading Limited), Geo Energy is not under any obligation and Geo Energy and its affiliates expressly disclaim any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This announcement shall not, under any circumstances, create any implication that there has been no change in the business or affairs of Geo Energy since the date of this announcement or that the information contained herein is correct as at any time subsequent to its date. No statement in this announcement is intended as a profit forecast or a profit estimate. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this announcement does not constitute a recommendation regarding any securities. Shareholders, investors and other persons are advised to exercise caution in trading the securities of the Group.

1Q2021 Highlights

3 Months - 31 March 2021

Key Performance Indicators

Increased sales volume (19%) and ASP (17%) and reduced production cash costs (14%). Record cash profit at US$15.71 per tonne

Note: ICI4 coal price as at 14 May 2021 – US$55.98 per tonne

Key Operating Matrix

	1Q2020 (A)	2Q2020	3Q2020	4Q2020	1Q2021 (B)	% change (B – A) / (A)
In Mt						
Sales volume	2.5	2.5	2.5	3.2	**2.9**	19
Production volume	2.6	3.2	3.0	3.9	**2.0**	(22)
In US$ / tonne						
Average ICI4	34.44	26.78	23.95	31.97	**41.84**	21
Average selling price (ASP)	33.22	27.17	23.46	27.84	**38.85**	17
Production cash cost	26.86	20.92	19.58	19.75	**23.14**	(14)
Cash profit	6.36	6.25	3.88	8.09	**15.71**	147

Mt: Million tonnes

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1Q2021 Highlights

3 Months - 31 March 2021

Key Performance Indicators

Record revenue of US$115m. 12-mth trailing EBITDA was US$88m.

FCF in 3 months of US$29.7m.

Note: 1Q2020 included gain on repurchases of the Senior Notes of US$40m

Key Financials

In US$M	1Q2020 (A)	2Q2020	3Q2020	4Q2020	1Q2021 (B)	% change (B – A) / (A)
Income Statement						
Revenue	88	73	59	87	**115**	30
EBITDA	14	14	7	22	**45**	221
12-mth trailing EBITDA	35	35	40	57	**88**	151
Net profit	31	35	25	4	**29**	(9)
Cash flows						
CAPEX	0.6	0.8	0.4	0.1	**0.1**	(79)
Free cash flow (FCF) [1]	24.5	1.9	0.5	22.8	**29.7**	21

M: Million

[1] Free cash flow is calculated as net cash from operating activities less net cash used in investing activities

1Q2021 Highlights

3 Months - 31 March 2021

Key Performance Indicators

Low debt at US$62m and net cash position. Cash and bank balance increased to US$82m.

Key Financials

In US$M, unless otherwise stated	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020 (A)	31 Mar 2021 (B)	% change (B – A) / (A)
Balance Sheet						
Total debt [1]	195	134	62	60	**62**	2
Cash and bank balance	107	78	33	53	**82**	55
Net debt (cash)	88	56	29	7	**(20)**	nm
Net debt (cash) / EBITDA[2] (times)	2.5x	1.6x	0.7x	0.1x	**(0.2x)**	nm
Equity	155	190	215	218	**247**	13

[1] Total debt is calculated as the aggregate of the Group's lease liabilities and Senior Notes (including interest payable)

[2] 12-month trailing EBITDA

nm – not meaningful M: Million

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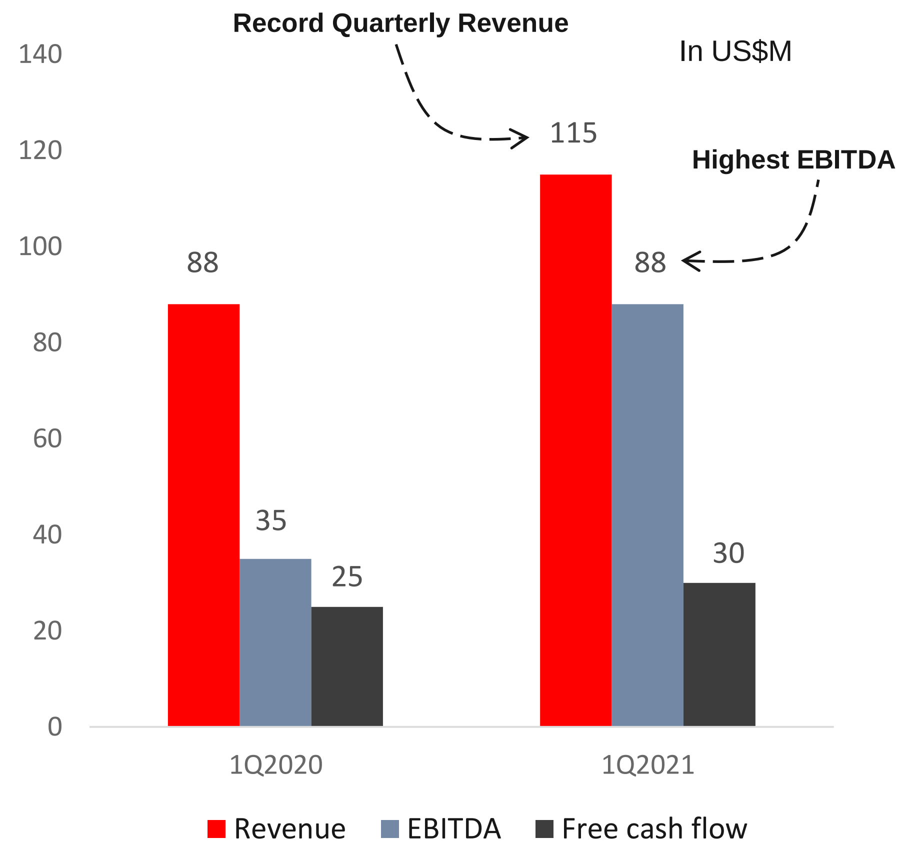
1Q2021 Highlights

3 Months - 31 March 2021

- **Revenue increased by 30% to US$115 million** from US$88 million in 1Q2020, driven by **higher average selling price and volume sold.**
- **12-month trailing EBITDA increased by 151% to US$88 million** from US$35 million in 1Q2020 due to this quarter's increased cash profit resulting in the **highest cash profit recorded by the Group in a quarter**.
- **Free cash flow in three months increased by US$30 million** from US$25 million in 1Q2020, driven mainly by cash generated from operations.

M: Million

Financial Highlights



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1Q2021 Highlights

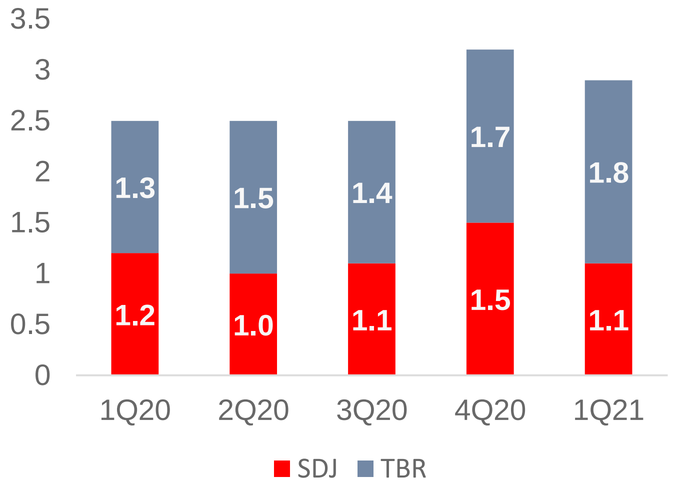
3 Months - 31 March 2021

ICI4 coal price as at 14 May 2021 was US$55.98 per tonne, up US$14.14 from 1Q21

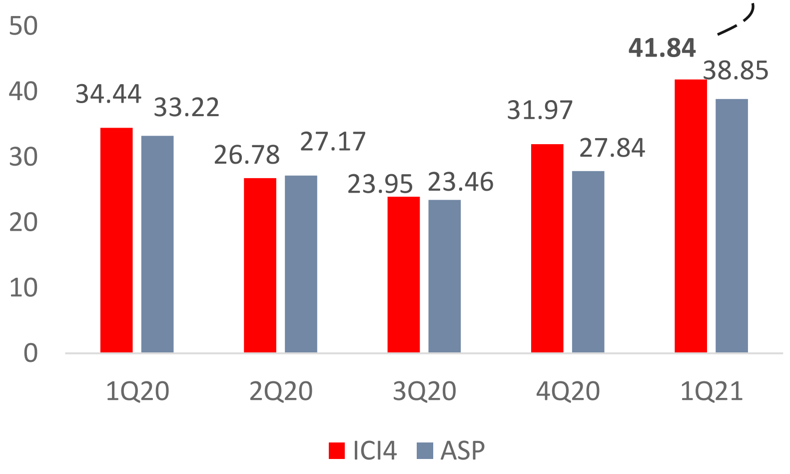
Highest quarterly ICI4 coal price and ASP in last 12 months

Revenue

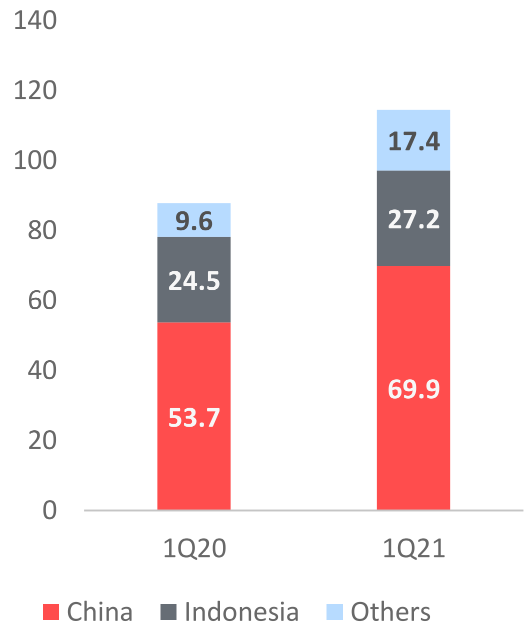
Sales volume (Mt)



Coal prices (US$/mt)



Sales by countries (US$M)



M: Million Mt: Million tonnes

1Q2021 Highlights

3 Months - 31 March 2021

Revenue

- Achieved **highest revenue recorded in a quarter, as revenue increased by 30% to US$115 million** in 1Q2021 from US$88 million in 1Q2020.

- **Delivered 2.9 million tonnes of coal** in 1Q2021 with an **average selling price per tonne of US$38.85**.

- Average **ICI4 coal price was US$41.84 per tonne in 1Q2021, up from US$31.97 per tonne** in 4Q2020 and US$34.44 per tonne in 1Q2020. **ICI4 coal price as at 14 May 2021 was US$55.98 per tonne, up US$14.14 from 1Q2021**.

- **China and Indonesia remain the Group's core markets**, contributing 61% and 24% respectively to the Group's total revenue in 1Q2021 (1Q2020: 61% and 28% respectively).

- Revenue coming from other regions increased slightly from 11% in 1Q2020 to 15%, mainly coming from South Korea (1Q2021: US$11 million; 1Q2020: US$8 million)

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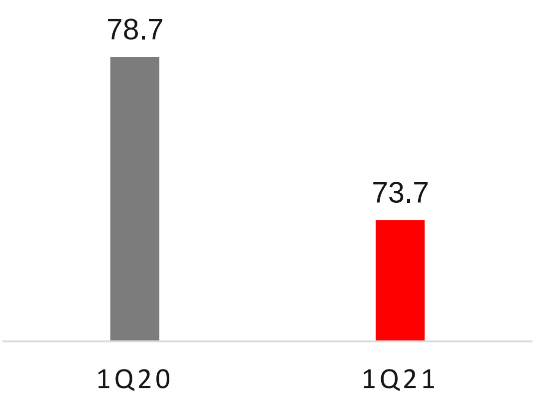
Cost of Sales

1Q2021 Highlights

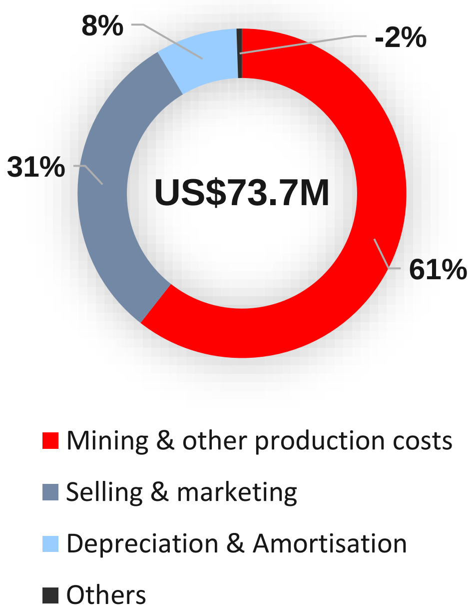
3 Months - 31 March 2021

- **<u>Production cash cost decreased by 14% to US$23.14</u>** per tonne due to negotiations with our service providers in 2020 for a cost structure linked to coal price and lower SR (Strip Ratio) mining.
- **<u>Slight increase in Selling & marketing and other expenses</u>** (US$68 million: 1Q2020 US$67 million) despite higher sales volume.
- Depreciation & amortisation decreased to US$6 million despite higher sales volume due to increase in the SDJ & TBR's coal reserve in 2020.

Cost of sales (US$M)



Components



M: Million

1Q2021 Highlights

3 Months - 31 March 2021

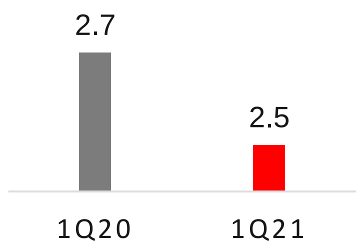
- **<u>Slight reduction in G&A</u>** due to lower staff costs and professional fees.

- High net other income in 1Q2020 mainly due to US$40 million gain on repurchases of Senior Notes, offset by the fair value loss on receivables of US$5 million due to the pandemic and depressed coal prices impacting the value-in-use of coal reserves in a Cooperation Agreement with certain debtors.

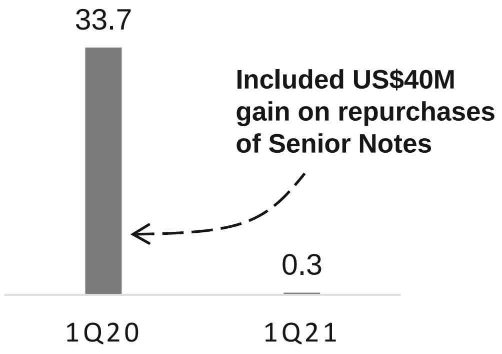
- **<u>Lower finance costs mainly due to lower outstanding Senior Notes of US$59 million</u>** (31 Mar 2020: US$188 million), and the accelerated amortisation of transaction costs recorded during repurchases in 1Q2020.

Other Income / Expenses

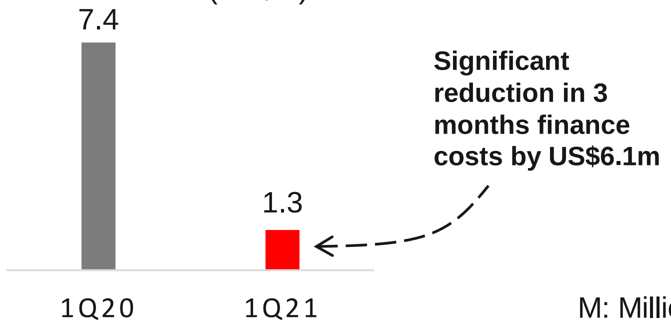
General and Administration expenses (US$M)



Other income (net) (US$M)



Finance costs (US$M)



M: Million

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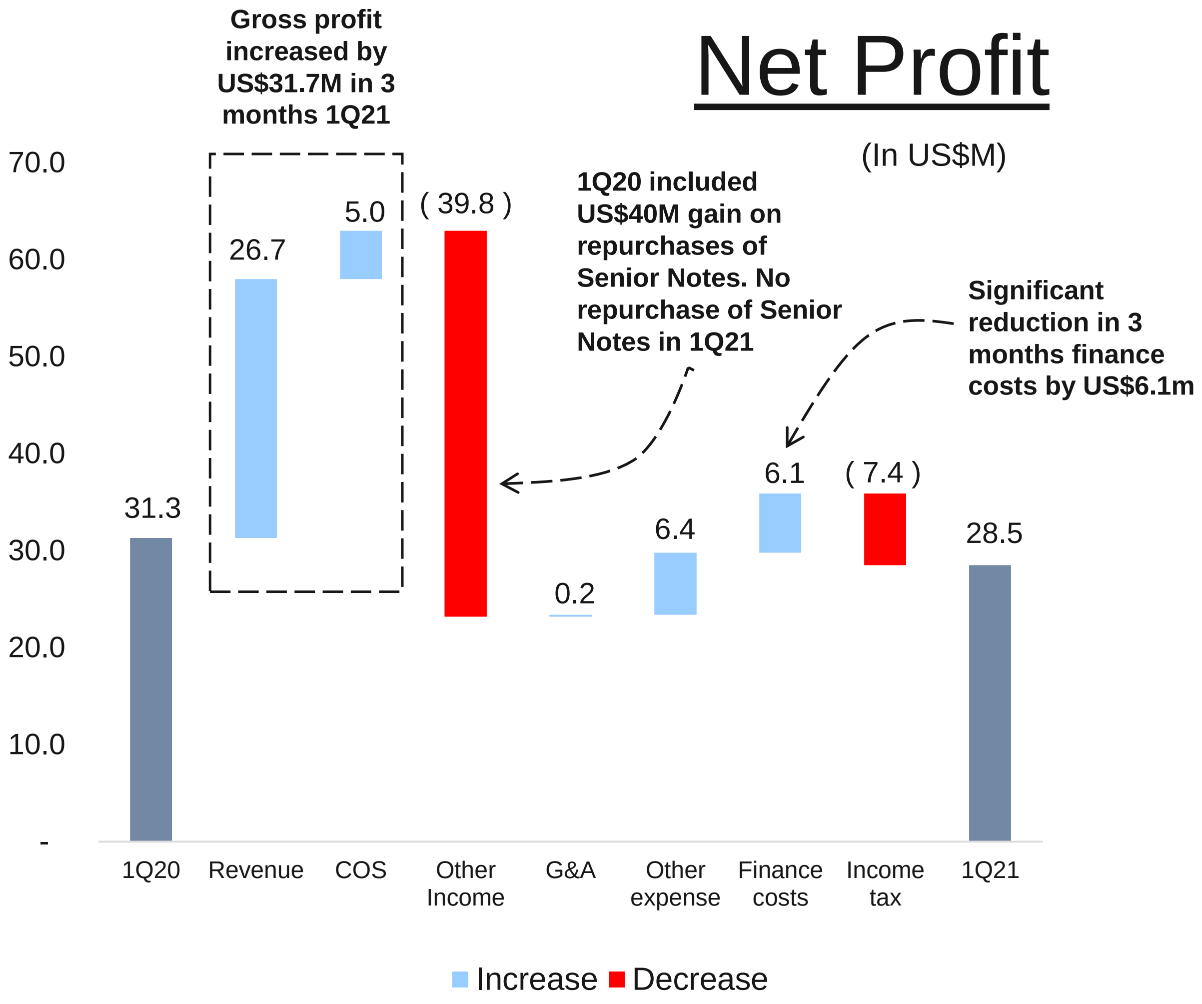
1Q2021 Highlights

3 Months - 31 March 2021

- **Significant increase in Operating profit to US$39 million (highest in a quarter) from US$7 million in 1Q2020**. Net profit in 1Q2020 included the US$40 million gain on the Senior Notes repurchases. The higher tax is mainly due to increase in operating profit for the quarter.

Net Profit

(In US$M)



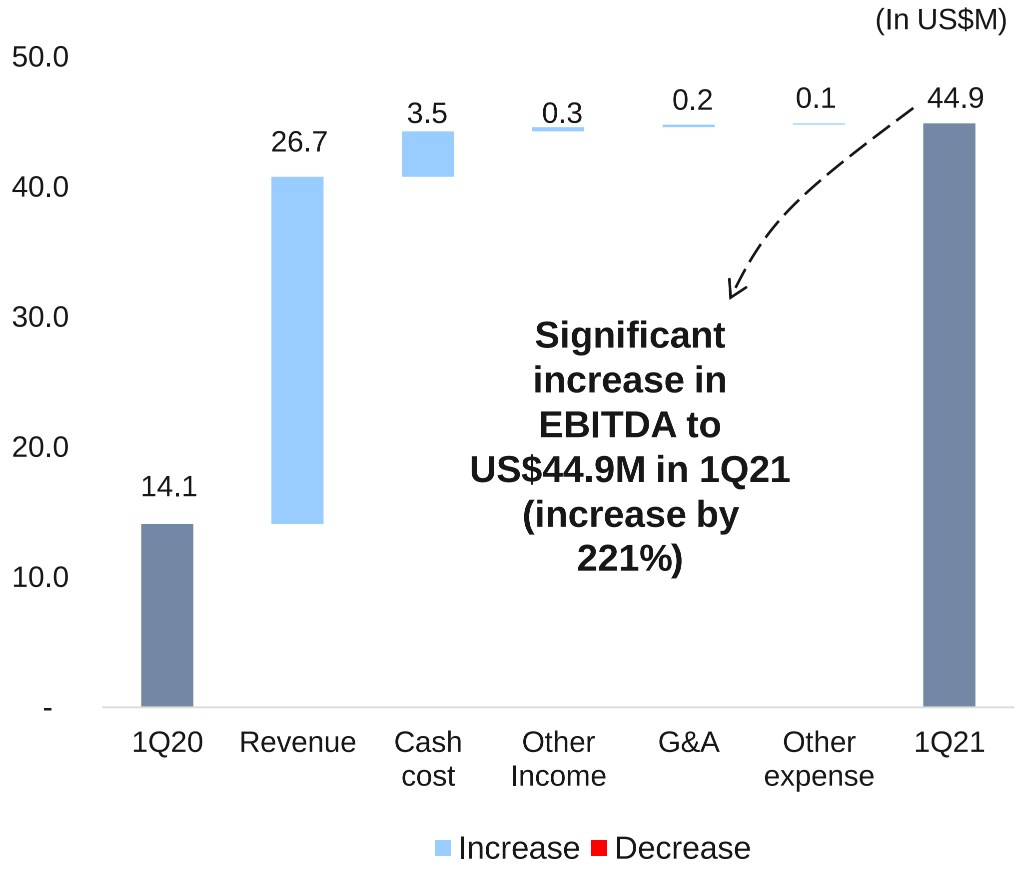
M: Million

1Q2021 Highlights

3 Months - 31 March 2021

- **EBITDA increased from US$14 million in 1Q2020 to US$45 million (highest in a quarter)** largely driven by the increase in revenue following the increase in ICI4 prices and lower cash cost of production.
- **12 months trailing EBITDA at US$88 million**

EBITDA



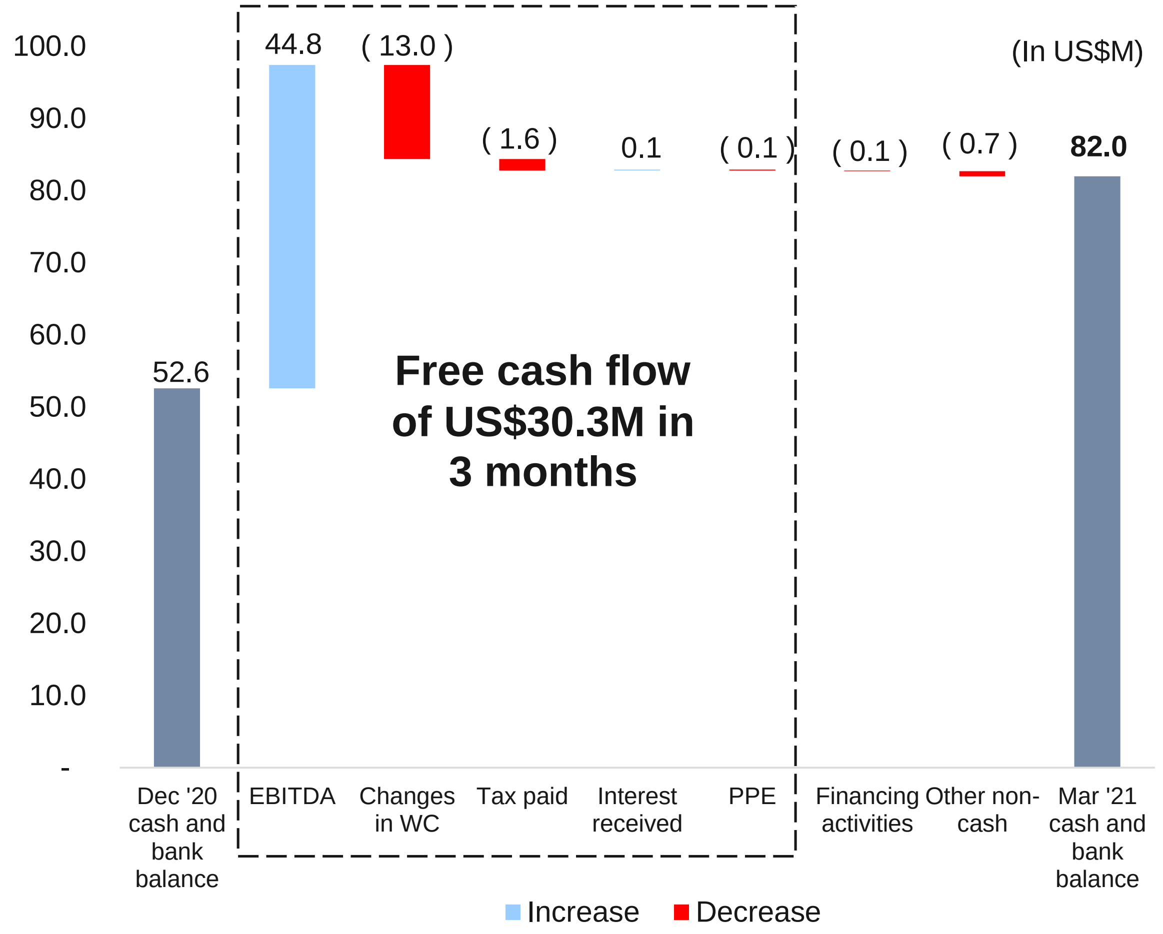
M: Million

1Q2021 Highlights

3 Months - 31 March 2021

- **<u>Cash and bank balances increased to US$82 million</u>** from US$53 million as at 31 Dec 2020, driven by the high EBITDA and changes in working capital caused by payments made to vendors and deposits paid third parties for the quarter.

Cash Flow



M: Million

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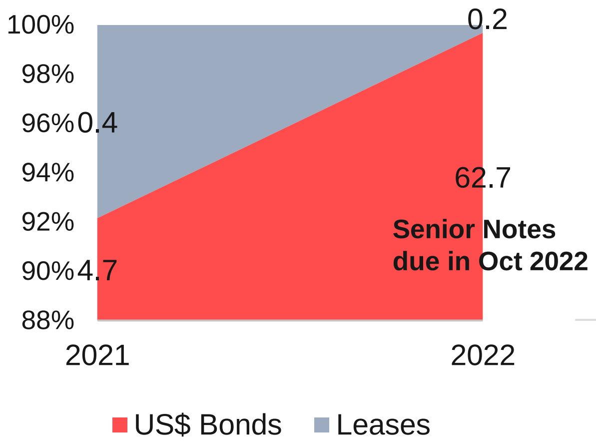
1Q2021 Highlights

3 Months - 31 March 2021

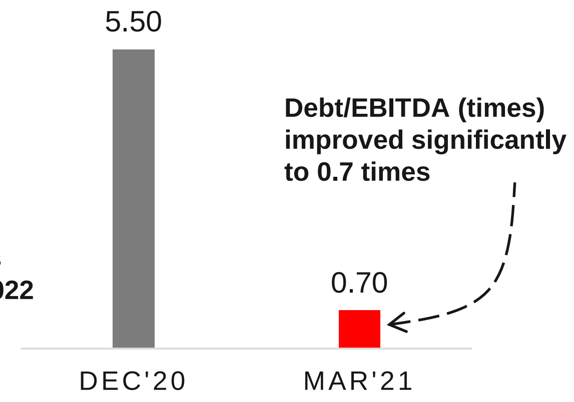
- The Group's debt comprises **Senior Notes of US$62 million (including interests) due in Oct 2022** and leases.
- The Group was in a **net cash position (Debt less cash) of US$20 million** as at 31 Mar 2021.
- **Debt/EBITDA (times) improved significantly** from 5.6 times to 0.7 times as at 31 March 2021.
- **FCCR (Fixed Charge Coverage Ratio) increased** from 1.5 times to 35.4 times in 1Q2021.

Debt Profile

Debt maturity at 31 Mar 2021 (US$M)



Debt / EBITDA (12-mth trailing) times



M: Million

Credit Ratings

- **Credit ratings have been upgraded by all the Credit rating agencies based on the Group's improved liquidity position and meeting of the requirements for the Mandatory Offer to Purchase covenant to fall away.**
- S&P Global raised to "CCC" from "SD", Fitch rating upgrade to "CCC" from "CC" and Moody's upgrade to "Caa1" with outlook remains stable.

Applying Moody's mining rating methodology

Scorecard factors
Geo Energy Resources Limited

Mining Industry Grid [1]	Current 9/30/2020 (L)		Moody's Forward View 2021 (F) [2]	
Factor 1 : Scale (20%)	Measure	Score	Measure	Score
a) Revenues (USD Billion)	$0.3	C	$0.3	C
Factor 2 : Business Profile (25%)				
a) Business Profile	Caa	Caa	Caa	Caa
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin (EBIT / Revenue)	-3.9%	Ca	6% - 8%	B
Factor 4 : Leverage and Coverage (30%)				
a) EBIT / Interest Expense	-0.5x	C	4.9x - 5.1x	Baa
b) Debt / EBITDA	5.7x	Caa	1.0x - 1.2x	A
c) Debt / Total Capital	32.0%	A	19% - 21%	Aa
d) (CFO - Dividends) / Debt	5.8%	Caa	32% - 37%	Ba
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Caa	Caa	Caa	Caa
Rating:				
a) Scorecard-Indicated Outcome		Caa3		B2
b) Actual Rating Assigned				Caa1

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for non-financial corporations. [2] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant divestitures and acquisitions.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Source: Credit rating reports of (1) Fitch dated 19 February 2021; (2) Moody's dated 9 December 2020; and (3) S&P dated 8 December 2020

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Share Price Performance

	Market Cap S$M	Total Return QTD %	YTD Total Return %	12M Total Return %	Div. Yield %
Geo Energy Resources (RE4)	294	31	17	58	6

QTD means from 1 Apr 2021 to 20 May 2021; and
YTD means from 1 Jan 2021 to 20 May 2021

- The above total returns and dividend yield includes the Group's interim dividend of S$0.005 per share declared for this quarter and the final dividend paid to shareholders on 17 May 2021 of S$0.008 per share and are based on the share price of S$0.210 on 20 May 2021.

- EPS for 1Q2021 was S$0.027; NTA per share as at 31 Mar 2021 was S$0.238.

GERL:SP Singapore
Geo Energy Resources Ltd COMPANY INFO

0.21 SGD   20 May 2021

OPEN	PREV CLOSE	VOLUME
0.21	0.21	2,735,300
MARKET CAP	**DAY RANGE**	**52 WEEK RANGE**
293.847M	0.21 - 0.22	0.08 - 0.24

1D | 5D | 1 M | 6 M | YTD | 1 Y | 5 Y | Max

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Bond Price Performance

- The price of our **<u>US$ Bonds has performed well, increasing by 71% from 52% in 20 May 2020 to 89% in 20 May 2021</u>**, following the optimisation of our capital structure and the upgrade of our credit ratings, based on the Group improved liquidity position and the falling away of the put option after fulfilling the coal reserve requirements of 80 million tonnes and the extension of mining licenses of the SDJ and TBR mines to beyond 2025.

20 May 2021

Ask Yield to Maturity (% p.a)	Ask Yield to Worst (% p.a)	Indicative Ask Price USD	Bond Complexity
17.203	17.203	89.128	Moderate
Bid Yield to Maturity (% p.a)	**Bid Yield to Worst (% p.a)**	**Indicative Bid Price USD**	**Investor Profile**
18.760	18.760	87.455	Speculative / Distressed

ESG

- Sustainability leadership during COVID-19 pandemic challenges Geo to re-examine the fundamentals that are critical to the sustainability of the business and reinforce resilience and **looks at Diversification into New Businesses.**

- **We have invested over US$600,000 towards community well-being, particularly through supporting education, public infrastructure and healthcare response to COVID-19**. We will continue to explore opportunities to enhance our social value contribution (please refer to our Sustainability Reports).

- It is increasingly difficult for coal industry companies to raise financing from debt and equity markets. This is evident from news that major banks are pulling out from the industry, including Standard Chartered, DBS, MUFG, and others. This has impacted our offtakers who hare reduced trade finance lines available for coal commodities. We continue to build our banking relationships with Indonesian banks, Chinese banks and commodity banks such as Macquarie that can still support coal. Furthermore, **we are looking at diversification opportunities to allow us greater access to cheaper financing and not have a heavy reliance on the coal business**.

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ICI coal Indexes

Industry Outlook

- Rising coal prices driven by the fall in coal production due to strong monsoon coupled with the rising exports as Indonesia emerged at the forefront of the China-Australia trade dispute is expected to massively benefit Indonesian miners in near term. **ICI4 coal price was US$55.98 per tonne, up US$14.1 from 1Q2021.** With the global improvement in the coal industry, **the Group is optimistic of the business outlook going forward**.

- **China's coal futures have risen sharply and increased demand is supporting thermal coal prices**. China's thermal coal imports rebounded in March from a low base in February, driven by stronger receipts of non-coking bituminous coal and lignite.

- **Indonesia's MEMR has increased the national coal production target for 2021 by 75Mt to 625Mt on expectations of continued strong demand**, according to a signed ministerial decree. This will help the coal mining industry recover from the effects of the COVID-19 pandemic last year contributed to Indonesia coal prices at all-time low. This also gives the opportunity for **Geo to apply for an increase in the RKAB (Work Plan and Budget) for SDJ and TBR production quota**, as we seek to achieve more than the 10Mt production target we have set for 2021.

Source: Science The Wire, 21 March 2021, Welcome to Indonesia – Coal's Final Frontier, Argus Coal Daily International Highlights Report, April 2021

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Thank You

For more Information, please visit
www.geocoal.com