



GEO ENERGY GROUP
天然煤礦集團

GEO ENERGY RESOURCES LIMITED

(Incorporated in the Republic of Singapore on 24 May 2010)
(Company Registration Number 201011034Z)

SGX ANNOUNCEMENT

RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AHEAD OF EXTRAORDINARY GENERAL MEETING TO BE HELD ON 13 OCTOBER 2023

The Board of Directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank the Company’s shareholders for submitting their questions in advance of the Company’s Extraordinary General Meeting 2023 (“**2023 EGM**”), which will be held at Tanjong Room, Level 3, Sentosa Golf Club, 27 Bukit Manis Road, Singapore 099892 on Friday, 13 October 2023 at 10.00am.

Responses to the questions received up till Wednesday, 4 October 2023, 10.00am are set out below. As some of the questions received are similar, they have been grouped together.

Acquisition of PT Golden Eagle Energy Tbk and PT Marga Bara Jaya (the “Acquisition”)

1. Why is there a need to buy two companies, namely PT Golden Eagle Energy Tbk (“GEE”) and PT Marga Bara Jaya (“MBJ”)?

Answer: GEE, an entity listed on the Indonesia Stock Exchange (ticker code: SMMT), through its subsidiary PT Triaryani (“**TRA**”), has a concession over a coal mine (the “**TRA Asset**”) which has around 275 million tonnes of 2P (Proved and Probable) quality coal reserves of around 4,000GAR with low sulfur and ash content as at 31 May 2023. Such coal specification attracts strong demand from domestic and international markets, particularly Asia, and commands a premium above market price. Currently, the TRA Asset has annual coal production of approximately 2-3 million tonnes.

MBJ has ready-for-development world-class infrastructure (92km hauling road and jetty) with required land and permits secured. The development of this infrastructure is expected to have a capacity of 50 million tonnes per annum of which 25 million tonnes will be reserved for the TRA Asset. This infrastructure will complement the TRA Asset by providing exclusive access to the lucrative international export markets and having sufficient capacity to support the ramp-up of production to 25 million tonnes per annum.

The excess capacity of the infrastructure could allow the Group to earn additional income when leasing to neighbouring mines. It will also provide great synergies if the Group wishes to make further acquisition in the same region.

2. a) There was a valuation performed for GEE. Is the valuation report accurate? b) Is the Acquisition bought at fair value and could the Company overpay for this Acquisition?

Answer: a) The Independent Qualified Person’s Report and Valuation Report of TRA coal mining concession (the “**RPM Report**”) was issued by an independent qualified person, PT RungePincockMinarco. The Statement of Coal Resources and Coal Reserves within the RPM Report has been independently reported to be in accordance with the recommended guidelines of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves for the reporting of Mineral Resources and Reserves and the Australian Guidelines for the Estimation and Classification of Coal Resources (2014). The technical valuation within the RPM Report has been prepared in accordance with the Australasian

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Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets promulgated by the VALMIN Committee (VALMIN Code, 2015).

b) The price for this Acquisition was arrived pursuant to arm's length negotiations between the Company and the Seller on a willing-buyer, willing-seller basis, after taking into account, amongst other factors, (i) the current market prices for comparable coal quality, and (ii) the Group's willingness to take over capital investment and operating costs for continued mining production. Please refer to paragraph 8.3 of the [Circular to Shareholders dated 26 September 2023](#) (Please click the link for the Circular to Shareholders) for more information on the basis of consideration for the Acquisition.

Given that the TRA Asset was valued at a preferred value of US\$809 million based on 2023 variable coal forecast and a preferred value of US\$957 million based on a constant coal price, the Acquisition is value accretive for the Group.

- 3. It was mentioned that the TRA mine has the potential to generate USD250 million cash profit per annum assuming USD10 per tonne cash profit. In order for investors to better appreciate the dynamics affecting cash profit per tonne, could Geo Energy provide an illustrative table showing the cash profit per tonne achievable at different coal price levels and at different mining costs and royalty tax levels?**

Answer: Please refer to the [Independent Qualified Person's Report dated 24 August 2023](#) (Please click the link for the IQPR), announced by the Company on 24 August 2023, section 9 pages 87-93 of 114 for the economic analysis performed by our JORC consultant for the Triaryani mine.

Following the completion of the new infrastructure, the expected mining cash costs is around USD25-30 per tonne depending on coal prices, strip ratio and negotiation with the service providers. Assuming ICI4 coal prices of around USD55 per tonne and an average selling price of around USD50 per tonne (after taking into account 25% sales to domestic markets at lower prices), this would imply a cash profit of around USD20 per tonne.¹

- 4. As the coal price for the type of coal TRA mine is producing is affected by the demand and supply for this grade of coal both in Indonesia and globally, could Geo Energy provide more insights on the main mines producing this grade of coal? Will there be an expansion in mining capacity for the next 5 years or a reduction in the quantity of this grade of coal as mines do not have the financial capabilities to expand in the current high interest rate environment?**

Answer: The TRA Asset has 2P (Proved and Probable) reserves of around 275 million tonnes and have further upside with potential of around 388 million tonnes of Resources. Currently, the production at Triaryani is 2-3 million tonnes per annum. The Group is developing the integrated infrastructure (hauling road and jetty) to ramp-up the production of Triaryani to around 25 million tonnes in 5-6 years' time.

The higher barriers to entry due to limited accessibility of financing has reduced the amount of new supply for coal. The future of thermal coal is shifting towards this type of coal quality that TRA mine produces. Currently, the main mines producing this grade of coal include Tabang (Bayan Resources), Borneo Indobara (Golden Energy), Kideco (Indika) and the Group's producing mines, Sungai Danau Jaya ("**SDJ**") and Tanah Bumbu Resources ("**TBR**").

¹ For avoidance of doubt, this announcement does not contain and does not purport to contain any profit forecast, or any statement which quantifies the anticipated level of future profits.



**5. a) Could there be execution risk?
b) Would there be synergy created for the Acquisition?**

Answer: a) The Group has a proven track record of developing and ramping up coal mines. This is seen when the Group acquired SDJ and TBR, developing these greenfield assets and ramping up the production to 10-12 million tonnes per annum. The Group will work closely with the existing management of GEE, and is currently preparing for the post-acquisition integration process to ensure its smooth transition. Please refer to paragraph 11 of the [Circular to Shareholders dated 26 September 2023](#) (Please click the link for the Circular to Shareholders) for more information on the risk factors associated with the Acquisition.

b) As mentioned in 5(a), the Group has an established team and strong partnership with proven contractors and offtakers which will create synergies during the development and ramping up of production as well as optimisation of the mining and logistic processes.

6. As Geo Energy has secured a standby credit line of up to US\$220 million term loan facilities from PT Bank Mandiri (Persero) Tbk., could Geo Energy provide an estimated amount that will be drawn from this loan facility for the next 5 years? Is it true that the loan will be drawn only in the year 2026 when there is a major capacity expansion to nearly double the amount of coal extracted from the TRA mine?

Answer: The Group has drawn down the full amount of the US\$220 million facilities from PT Bank Mandiri (Persero) Tbk. on 2 October 2023, as per our announcement made on 22 September 2023 in relation to the [Facility Agreement for US\\$220 million Term Loan Facilities from Bank Mandiri](#). (Please click the link for the announcement).

The facilities will be used for funding this Acquisition and provide sufficient funding for the working capital and capital expenditure requirements to ramp up the production of the TRA Asset.

7. Is there a better way to maximise shareholders' value through more share buyback or paying more dividends?

Answer: It is important to balance the amounts of dividends/share buybacks against investing for the long-term future of the business. Geo Energy's existing core producing assets of SDJ and TBR have depleting reserves of around 60 million tonnes (5-6 years of mine life). It is important for the Group to invest in its long-term future by acquiring the right assets. This Acquisition will add at least 275 million tonnes of reserves to the Group, for an additional 10-15 years of mining life, thereby greatly increasing the business sustainability of the Group.

The Company still maintains its dividend policy of at least 30% of the Group's profit attributable to Owners of the Company, subject to debt covenants and capital requirements needed to support growth and investments.

BY ORDER OF THE BOARD

Charles Antonny Melati
Executive Chairman and CEO
6 October 2023