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## PROPOSED ACQUISITION OF INTEREST IN COAL CONCESSION

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### 1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Geo Energy Resources Limited (the “**Company**” or the “**Purchaser**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a conditional sale and purchase agreement dated 29 February 2016 (the “**Agreement**”) with Sunrise Wealth Success Limited (the “**Vendor**”) for the acquisition of ordinary share(s) representing 100% shareholding interest in Borneo Bara Resources Pte Ltd (the “**Ultimate Holding Company**”, the Ultimate Holding Company share(s), the “**UHC Shares**”, and the proposed acquisition, “**Proposed Acquisition**”).
- 1.2. Through various intermediate holding companies, the Ultimate Holding Company indirectly holds an effective equity interest in PT Parisma Jaya Abadi (“**PJA**” or the “**Target Company**”) of 79.91%. The Proposed Acquisition enables the Company to collectively own the entirety of this interest.

### 2. INFORMATION ON THE VENDOR

#### The Vendor

- 2.1. The Vendor is an investment holding company incorporated in the British Virgin Islands. The Vendor holds 1 ordinary share in the capital of the Ultimate Holding Company, representing the full 100.0% shareholding interest in the Ultimate Holding Company. The Vendor’s sole shareholder is Venetian Limited, an investment holding company incorporated in the British Virgin Islands. Venetian Limited’s beneficial owner is an Indonesian businessman. The PJA Vendor, Venetian Limited and Venetian Limited’s beneficial owner are independent third parties and are not directly or indirectly related to the Company and/or its Directors, controlling shareholders or their respective associates.

### 3. INFORMATION ON THE TARGET COMPANY

#### PT Parisma Jaya Abadi

- 3.1. PJA is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Samarinda, Indonesia. As at the date of the announcement, PJA is the holder of a coal mining concession. PJA holds a Production Operation Permit (IUP-OP) in accordance with Keputusan Bupati Kutai Kartanegara No. 540/1736/IUP-OP/MB-PBAT/XII/2009, dated 10 December 2009. The concession area is situated at Kedang Murung and Lebak Mantan, Kota Bangun and Muara Wis District, Kutai Kartanegara Regency of East Kalimantan Province, Indonesia. The IUP covers approximately 5,000 ha of concession area with an estimated mineable coal tonnage of 1.1<sup>1</sup> million tonnes, and an estimated calorific value of 6,700-8,100<sup>1</sup> kcal/kg, measured on an air-dried basis.
- 3.2. PT Borneo Bara Sentosa (the “**Indonesian Local Company**”) is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Samarinda. The Indonesian Local Company has an authorised capital of two billion Rupiah (Rp. 2,000,000,000.00) and issued and paid up capital of two billion Rupiah (Rp. 2,000,000,000.00) divided into 10,000 shares each with nominal value of two hundred thousand Rupiah (Rp. 200,000.00). The Indonesian Local Company holds 400,000 ordinary shares in the capital of PJA, representing approximately 80.00% shareholding interest in PJA.
- 3.3. PT Borneo Bara Indah (the “**Indonesian PMA Company**”) is a limited liability company established under the laws of the Republic of Indonesia, having its domicile at Samarinda, and which holds PMA status as at the date of this announcement. The Indonesian PMA Company has an authorised capital of twelve billion Rupiah (Rp. 12,000,000,000.00) and issued, and paid up capital of twelve billion Rupiah (Rp. 12,000,000,000.00) divided into 60,000 shares each with nominal value of two hundred thousand Rupiah (Rp. 200,000). The Indonesian PMA Company holds 9,999 ordinary shares in the capital of the Indonesian Local Company, representing approximately 99.99% shareholding interest in the Indonesian Local Company.
- 3.4. The Ultimate Holding Company is a company incorporated in Singapore having its registered office at 10 Anson Road #06-17 International Plaza, Singapore 079903. The Ultimate Holding Company has a share capital of one Singapore Dollars (S\$ 1.00) divided into 1 share. The Ultimate Holding Company holds 59,940 ordinary shares in the capital of the Indonesian PMA Company, representing approximately 99.9% shareholding interest in the Indonesian PMA Company.
- 3.5. On 24 September 2013, the Company’s subsidiary, PT Mitra Nasional Pratama (“**MNP**”) entered into a mining services contract (the “**Mining Services Contract**”) with PJA. On the same day, the Company’s subsidiary, Geo Coal International Pte. Ltd. (“**GCI**”) entered into a coal mining cooperation agreement (the “**Mining Cooperation Agreement**”) with PJA. The details of this relationship between the Company and PJA have been previously disclosed in

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<sup>1</sup> Based on a draft Limited Technical Assessment Report by PT Britmindu Utama Indonesia.

the Company's announcement dated 24 September 2013, and in the S\$300,000,000 Multicurrency Medium Term Note Programme Information Memorandum dated 30 June 2014.

#### **4. RATIONALE FOR AND BENEFIT OF THE PROPOSED ACQUISITION**

- 4.1. The Proposed Acquisition is in line with the Company's business strategy to expand its business operations and increase its coal reserves and production levels.
- 4.2. The Proposed Acquisition will result in the Company indirectly holding an effective shareholding interest in PJA of 79.91%, allowing it access to and control over the mining concession and the coal deposits located in the mining permit area. This in turn would increase the Company's quantity of high calorific value coal reserves available for production.

#### **5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

##### **5.1. Consideration**

The total consideration payable for the UHC Shares is US\$ 18.0 million (the "**Consideration**").

The Company shall have the right to (i) set-off any outstanding amounts against any amount due from the Vendor to the Company, (ii) assign any debt, or (iii) make payment in such other form as both parties may agree.

The Consideration was arrived at on a willing-buyer, willing-seller basis, after taking into account (i) the current market prices for comparable coal quality, and (ii) the Company's willingness to take over capital investment and operating costs for continued mining production.

##### **5.2. Due Diligence**

The Company is entitled to carry out due diligence on PJA. In the event the due diligence inquiries are not to the satisfaction to the Company (as the Company may decide in its sole discretion) the Company is entitled to terminate the Agreement.

##### **5.3. Conditions Precedent**

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

- (a) The completion, finalisation and delivery of the Independent Technical Report by the Expert;

- (b) All necessary requirements and approvals from governmental or regulatory authorities and/or other third parties having been successfully obtained, including but not limited to:- (i) the 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 Purchaser 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 and (iv) the issue of the necessary approvals and/or licences for the commencement of production operations at the Mining Permit Area, with respect to the Concession and the required environmental licences, and (iv) all approvals or waivers of all lenders or any other third party for entering into the Proposed Transaction;
- (c) Provision by the Vendor of evidence to the satisfaction of the Purchaser in its sole discretion that the Concession is on the Clear and Clean List and the Indonesian Operating Company having obtained a certificate of clear and clean from the MEMR;
- (d) All loans (whether documented or undocumented) which are extended to any of the Group Companies have been fully repaid or settled as evidenced by letters from all creditors (if any);
- (e) All security agreements pursuant to which any of the Group Companies or their assets are bound have been released and all of the Group Companies do not have any obligation whatsoever under such agreement and each of their assets have been set free from any Encumbrances as evidenced by the release letter from all security holders;
- (f) Revocation and cancellation of all corporate guarantee(s) issued by any of the Group Companies;
- (g) All past liabilities have been duly settled to the satisfaction of the Purchaser and following the Completion, all of the Group Companies shall have no further obligations and liabilities relating to such Past Liabilities (as defined herein).

For the purposes of this sub-paragraph (g), "**Past Liabilities**" means all liabilities including compliance obligations, and/or outstanding debts of the Group Companies incurred, in existence or attributed to any condition, circumstances or action taken place on or prior to Completion (including liabilities that arose or shall arise in connection with any royalty or fee agreements and/or arrangements which any of the Group Companies may have entered into with any and all parties (including former shareholder(s) of any of the Group Companies) which requires any of the Group Companies to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold, whether such coal is sourced from the Mining Permit Area or otherwise);

- (h) All mining activity reports or obligations as required under the Mining Law or the Concession having been submitted, fulfilled or reported to the relevant government agency who issued the Concession or any other government agency;

- (i) 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 (*Izin Pinjam Pakai*)) 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;
- (j) Provision of evidence of cancellation of any and all royalty and/or fee agreements and/or arrangements which the Indonesian Operating Company (or any of the Group Companies, as the case may be) may have entered into with any and all parties (including former shareholder(s) of the Indonesian Operating Company and/or the Group Companies) which requires any of the Group Companies to make payments of royalty and/or fees to any party that are dependent and/or linked to the quantity of coal produced, extracted and/or sold, whether such coal is sourced from the Mining Permit Area or otherwise;
- (k) Transfer to the Indonesian Operating Company of all land, land use rights and/or land occupancy rights owned and/or held by the Vendor in respect of the Mining Permit Area or if the Vendor(s) do not own or hold any such land, land use rights and/or land occupancy rights, a letter from the Vendor confirming the same; and
- (l) The renewal of the Production Operations IUP for a period of no less than ten (10) years, beginning from the date of expiry of the current Production Operations IUP and ending no earlier than 9 December 2026.

For the purposes of this Paragraph 5.3, capitalised terms shall have the same meanings as defined in the Agreement.

#### 5.4. **Undertakings**

For the Proposed Acquisition, the Vendor has undertaken, amongst others:

- (a) to use its best endeavours to satisfy and/or procure the satisfaction of the conditions precedent;
- (b) to use its best endeavours to obtain all necessary requirements, approvals of governmental or regulatory authorities and/or other third parties (including the relevant regulatory authorities in Indonesia), 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 required for any of the Group Companies (and in particular, the Indonesian Operating Company) to carry out mining activities in forestry areas that are governed by forestry laws and required

permits and licences from the Indonesian government and/or Indonesian regulatory authorities including but not limited to the borrow-use permit (*Izin Pinjam Pakai*) and other licences which are relevant;

- (c) to use its best endeavours to obtain and/or maintain all the necessary governmental and regulatory consents and approvals and the like (including but not limited to maintaining the effectiveness of the PMA status of the Indonesian PMA Company prior to Completion and the various approvals in connection with the Concession) that each of the Group Companies may require for the lawful conduct of its business, activities and operations (including but not limited to the holding of the Concession and the carrying on of the relevant coal mining activities);
- (d) renew, or procure the renewal of the Production Operations IUP for a period of no less than ten (10) years, beginning from the date of expiry of the current Production Operations IUP and ending no earlier than 9 December 2026, all such costs necessary for renewal of the Productions Operations IUP to be borne solely at the Vendor's expense; and
- (e) assist and facilitate the Purchaser in clearing the Mining Permit Area for the purposes of mining operations, including but not limited to: (i) assisting in and facilitating the drainage of swamp land, (ii) assisting in and facilitating the relocation of squatters, and (iii) blasting of the land, if necessary. For the avoidance of doubt, the aggregate amount of compensation to be paid to the occupiers of the Mining Permit Area under this sub-paragraph (e) shall not exceed US\$10,000 per ha, and any excess expense thereof shall be borne by the Vendor.

For the purposes of this Paragraph 5.4, capitalised terms shall have the same meanings as defined in the Agreement.

#### 5.5. **Completion**

Completion of the Proposed Acquisition is to be the date falling 5 Business Days after the date on which all the conditions have been fulfilled or otherwise waived in writing.

#### 5.6. **Long-Stop Date**

If the conditions set out in the Agreement are not fulfilled by the date falling 24 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.

## 6. RELATIVE FIGURES UNDER RULE 1006

### Relative Figures for the Proposed Acquisition

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	Base	Relative Figure (%)
1006(a)	Net asset value of the assets to be disposed of compared with the Group's net asset value.	Not applicable
1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits. <sup>(1)</sup>	n/m <sup>(2)</sup>
1006(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation on 26 February 2016, being the market day preceding the date of the Agreement. <sup>(3)</sup>	18.18%
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
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.	Not applicable

#### Notes:-

- (1) Under Rule 1002(3)(b), "net profit/loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) n/m – Not material. As PJA has temporarily ceased operations, no profits have been attributed to the assets to be acquired.
- (3) The aggregate value of the consideration given for the Proposed Acquisition is US\$18.0 million (which is equivalent to S\$25.2 million based on the exchange rate of US\$1:S\$1.4), compared to the Company's market capitalisation of S\$138.6 million (based on 1,185 million shares in issue and the weighted average price of S\$0.1170 per share of the Company transacted on 26 February 2016, being the full market day immediately prior to the signing of the Agreement).

Pursuant to the test 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.

## 7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma 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 objective of presenting the pro forma financial effects of the Proposed Acquisition as shown below is to illustrate what the historical financial information might have been had the Proposed Acquisition been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at the earlier date.

### Pro Forma Financial Effects on the Proposed Acquisition

The pro forma 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 2015;
- (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 2015;
- (c) the Consideration of US\$18.0 million is fully paid, and assumed to be fully funded by internal financing;

### 7.1. Effect on EPS by the Proposed Acquisition

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Profit/(loss) attributable to the owners of the Company (US\$)	(16,306,250)	(16,306,250)
Weighted average number of shares	1,172,163,220	1,172,163,220
EPS (US cents)	(1.39)	(1.39)



## 7.2. Effect on NTA per Share by the Proposed Acquisition

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA value attributable to the owners of the Company (US\$)	93,733,683	93,733,683
Number of issued shares	1,185,050,891	1,185,050,891
NTA per share (US cents)	7.90	7.90

## 8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for the directors' 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.

## 9. SERVICE AGREEMENT

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

## 10. 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.**

## 11. 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.

**12. 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 Antony Melati  
Executive Chairman

29 February 2016