GEO ENERGY GROUP
天然煤矿集团

GEO ENERGY RESOURCES LIMITED

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

News Release

Geo Energy Recorded a Lower Revenue of US$65.7 million and a Net Loss of US$8.7 million due to Weaker Coal Prices. Coal Sales of 2.1 million tonnes from the Group's SDJ and TBR Coal Mines.

SINGAPORE, 13 May 2019 – Geo Energy Resources Limited ("Geo Energy" or the "Company", and together with its subsidiaries, the "Group") (SGX:RE4), is pleased to announce the financial results for the three months ended 31 March 2019 ("**1Q2019**").

(US$ '000)	1Q2019 (Unaudited)	1Q2018 (Unaudited)	% change
Sales Volume (million tonnes)	2.1	1.9	6
Revenue	65,726	90,547	(27)
Cost of sales	(67,192)	(68,642)	(2)
Gross (Loss)/Profit	(1,466)	21,905	nm
Other Income	1,746	1,889	(8)
Finance Costs	(6,634)	(7,681)	(14)
General & Administrative Expenses	(3,755)	(2,549)	47
Other Expenses	(492)	(1,685)	(71)
Net (Loss)/Profit Attributable to Owners of the Company	(8,714)	8,984	nm
(Loss)/Earnings per share* - Basic and diluted (US cents)	(0.62)	0.68	nm

* Based on weighted average number of 1,399,273,113 ordinary shares for 1Q2019 (1Q2018: 1,329,273,113)
nm: denotes not meaningful

1Q2019 Highlights

- The Group sold 1.2 million tonnes of 4,200 GAR coal from the SDJ coal mine and another 0.9 million tonnes from the TBR coal mine, totalling 2.1 million tonnes of coal sold during the quarter. This was an increase from 4Q2018 and 1Q2018 of 1.6 million tonnes and 1.9 million tonnes respectively.

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- Revenue decreased by 27% from US$90.5 million in 1Q2018 to US$65.7 million due to lower ASP following the decrease in the average ICI prices in 1Q2019 as compared to 1Q2018. The ICI prices were recovering after coal import restriction to China eased in 1Q2019. The Group recorded an ASP of US$32.04 per tonne for 1Q2019, lower than US$46.49 per tonne in 1Q2018. The lower ASP compared to the ICI price was due to our pricing based on the average index prices of 3rd and 4th week prior to laycan shipment date (for SDJ coal) and average index prices of the month in which laycan takes place (for TBR coal). As we sold most of the SDJ coal early in the quarter based on a lagging price following the import restriction, the ASP was impacted. ASP has since recovered as shown by the increase in ICI prices in April and May 2019.

- Cash profit for coal mining segment for 1Q2019 averaged at US$1.80 per tonne (4Q2018: US$5.57 per tonne; 1Q2018: US$12.95 per tonne) against the ASP of US$32.04 per tonne for 4,200 GAR coal, giving a cash profit margin of 6%, driven primarily by the lower coal price.

- Average production cash costs of US$30.24 per tonne in 1Q2019 was a decrease from US$33.54 per tonne in 1Q2018 but a slight increase from US$29.59 per tonne in 4Q2018. If not for the higher costs relating to the temporary increase in overburden hauling distance ("**OB distance**") in SDJ mine, the average production cash cost in 1Q2019 would have been lower. The increase in OB distance was due to the disposal of overburden at the further end of the dumping site based on the current mining plan. The Group is looking at optimising the mining plan to reduce the OB distance in the coming quarters.

Commenting on the 1Q2019 financial performance and business outlook for the Group, Mr Tung Kum Hon, Chief Executive Officer of Geo Energy said, "**Our Group recorded a coal sales of 2.1 million tonnes from our 2 existing mines, with TBR coal mine increasing its production to approximately 1.0 million tonnes for this quarter. We are in line with our targeted production and sales of at least 8.0 million tonnes of coal for both SDJ and TBR in 2019. Our revenue and earnings were mainly affected by weaker coal prices in 1Q2019 and December 2018 (benchmark of coal pricing for SDJ coal sales in January 2019), with an average ICI price of US$35.49 per tonne and US$30.21 per tonne respectively, resulting in a first quarter net loss of US$8.7 million. The coal prices have since recovered to a high of US$40.32 per tonne on 8 March 2019 and ICI coal price for 4,200 GAR coal on 10 May 2019 was US$39.15 per tonne. We have reduced our production cost from US$33.54 per tonne in 1Q2018 to US$30.24 per tonne in 1Q2019 and we expect it to reduce further as we optimise our mining plan in 2019. We expect our results in the coming quarters to improve if coal prices recovery continues, especially with the ramp-up of TBR production.**

The Group recorded a gross loss of US$1.5 million, compared to the gross profit of US$21.9 million recorded in 1Q2018. In addition to the lower ASP in 1Q2019, the cost of sales was higher for TBR in its initial production due to the higher strip ratio and pre-stripping costs. This is expected to be reduced progressively. In terms of production cash costs, there was a decrease in 1Q2019 compared to 1Q2018. Despite the gross loss, the Group has generated a positive cash flow from operations of US$3.4 million in the quarter with better working capital management.

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The Indonesian Ministry of Energy and Mineral Resources has revised its annual production target by 12.2% lower from 557 million tonnes of coal output in 2018 to 489 million tonnes of coal output in 2019.[1] Authorities in Indonesia have announced that production quotas for 2019 will be raised in the second half of the year, if justified by market demand. Miners seeking higher production quotas will be assessed based on their performance in the first half of 2019 and whether they have fulfilled financial and environmental commitments, among other things.[2]

Of the coal production target set in 2019, 128 million tonnes will be allocated for the domestic market particularly for coal-fired power plants. The government has set coal domestic market obligation ("DMO") volume for this year at 128 million tonnes, higher than last year's realized DMO volume of 115 million tonnes. Of the 128 million tonnes coal DMO target this year, around 96 million tonnes will be allocated for power plants, 5 million tonnes for metallurgy industry, 16 million tonnes for cement industry and 11 million tonnes for other industries. The state-owned electricity firm, PT PLN predicted its coal consumption this year will increase to around 96 million tonnes (2018: 91 million tonnes) contributed by the plan to operate three new coal-fired power plants in 2019 with capacity of 350 MW. Indonesia continues to be a significant player in the global coal mining industry, ranking the country as the world's largest exporter of thermal coal. [3]

The Group will be focusing on increasing the sales to domestic customers to fulfil the DMO, which requires the Group to allocate a certain proportion of its production to the domestic market. We will be reviewing our Rencana Kerja Anggaran Biaya ("RKAB"), a production quota received and set out by the local authority, in mid-2019 to request for approval from the authority to increase our production quota for the second half of 2019.

The recommended final dividend of S$0.004 per share for 2018 was approved by our shareholders at the annual general meeting held on 25 April 2019. The final dividend will be paid on 17 May 2019. We continue to be focused on our strategic objectives in 2019 and committed to create more shareholder value going forward.

The Group has an existing cash balance of over US$200 million as at 31 March 2019. We are currently working on opportunities to optimise our coal assets portfolio, by acquiring additional coal mining concessions to complement the Group's portfolio of coal mining assets. As previously announced, we had indicated a potential acquisition of new coal assets in a non-binding offer that we submitted for a producing coal mine in East Kalimantan in December 2018. We will make an announcement in due course.

We believe in continuing our growth momentum and staying on strategy for sustainable growth in the years ahead. Our aim is to become one of the top ten coal producers in Indonesia through M&A and expansion of our current mining operations."

- End -

[1] McCloskey Coal Report Issue 458, 18 April 2019
[2] McCloskey Coal Report Issue 459, 3 May 2019
[3] https://www.petromindo.com/events/detail/the-7th-annual-coal-buyers-and-producers-meeting

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ABOUT GEO ENERGY RESOURCES LIMITED (Bloomberg Ticker: GERL SP)

Geo Energy Resources Limited ("Geo Energy") is one of the major coal producers in Indonesia and is listed on the Singapore Stock Exchange and is part of the Singapore FTSE-ST index.

The Group is ranked 17th in the inaugural award for Singapore's Fastest Growing Companies 2019 presented by The Straits Times and Statista based on the strongest revenue growth in recent years.

The Group's operations are primarily located in Indonesia. It is a coal mining specialist with an established track record in the operation of coal mining sites for the purpose of coal production and coal sales since 2008. It owns major mining concessions and coal mines in East and South Kalimantan, Indonesia.

For more information, please visit www.geocoal.com

For more information please contact:
Romil SINGH, Colin LUM
geoenergy@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064