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

COVID-19 Pandemic And Oil Price Movements Challenge Businesses. Where Others See Challenges, We See Opportunities

SINGAPORE, 14 May 2020 – Geo Energy Resources Limited ("Geo Energy" or the "Company", and together with its subsidiaries, the "Group") (SGX:RE4) announced its financial results for the three months ended 31 March 2020 ("**1Q2020**").

1Q2020 Highlights

- The Group sold 1.2 million tonnes of 4,200 GAR coal from the SDJ coal mine and another 1.3 million tonnes from the TBR coal mine, totalling 2.5 million tonnes of coal during the quarter. This was an increase from 4Q2019 and 1Q2019 of 1.9 million tonnes and 2.1 million tonnes, respectively.

- Revenue increased by 34% from US$65.7 million in 1Q2019 to US$87.8 million mainly due to higher volumes and a higher Average Selling Price ("**ASP**"). The higher ASP was achieved despite a lower average Indonesian Coal Index ("**ICI**") price for 4,200 GAR of US$34.44 for 1Q2020. The higher ASP was due to more competitive pricing after we appointed Macquarie and Trafigura in 2019 as the new offtakers for our TBR and SDJ mines, respectively.

- Cash profit for coal mining for 1Q2020 averaged at US$6.36 per tonne (4Q2019: US$4.15 per tonne; 1Q2019: US$1.80 per tonne). The higher cash profit margin was driven primarily by the higher ASP and the lower production cash cost.

- Average production cash costs of US$26.86 per tonne in 1Q2020 was a decrease from US$30.24 per tonne in 1Q2019 and US$29.05 per tonne in 4Q2019. The reduction of the production cash cost reflected the reduction in mining and services rates linked to coal prices in the current depressed market condition.

- Net profit was US$31.4 million (4Q2019: US$18.4 million loss; 1Q2019: US$8.7 million loss)

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

"Resilience is when times are challenging, we learn about who we are. We should not despair in face of such challenging conditions but grow stronger. The shorter economic cycles for the coal industry, the disruptions caused by COVID-19 affecting many world's economies and the inevitable changes call for a new level of flexibility and responsiveness from us.

A company going through a downturn with cash has a considerable advantage. We will continue to assess the market situation and business viability and pursue effective de-leveraging strategies. We

need to re-evaluate our business and where our core competence is, and target opportunities and chances in times of crisis to create the most value for our stakeholders. We need to ensure a solid finance is in place, so that we are fully prepared when another crisis strikes.

In 1Q2020, the Group recorded a 34% increase in revenue from US$65.7 million for the 3 months ended 31 March 2019 ("1Q2019") to US$87.8 million, mainly driven by our efforts to make our business more competitive. The appointment of Macquarie and Trafigura as coal offtakers in 2019 for our TBR and SDJ mines respectively, has given us a more competitive pricing, achieving a higher ASP of US$33.22 in 1Q2020 (1Q2019: US$32.04) despite the average ICI 4,200 GAR coal price of US$34.44 in 1Q2020 being lower than the US$35.49 in 1Q2019.

We have successfully negotiated a reduction in mining and services rates linked to coal prices in the current depressed market condition. As a result, average cash profit improved to US$6.36 per tonne for 1Q2020 (4Q2019: US$4.15 per tonne; 1Q2019: US$1.80 per tonne). The Indonesian Rupiah ("IDR") depreciated by 18% against the US$ to 16,367 as at 31 March 2020, when compared to the rate at 31 December 2019. About 40% of our production cash cost is in IDR. With a more flexible cost structure, our business model is now more resilient, and this will ensure the future sustainability of our cash flow generation.

We could have benefited more in view of the US crude oil futures collapsing to below US$0 on 20 April 2020 for the first time in history, amid a coronavirus-induced supply glut. However, the lowered crude oil prices have not been fully reflected in the fuel prices used in our mining, which is pegged to a controlled Indonesian Pertamina fuel index. Fuel cost makes up about 28% of our mining costs and the Group is currently having a 9% discount from fuel adjustment in our mining costs.

Facing financial challenges ahead, we restructured our balance sheet to reduce leverage and lower interest expense to strengthen our capital structure and enhance the Group's credit profile as part of an effective de-leveraging strategy.

The Group repurchased US$95.8 million in principal amount of its Senior Notes in 1Q2020 and further repurchased US$34.1 million in principal amount of its Senior Notes in April 2020 (the "Repurchase") 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. The Repurchase was from Senior Noteholders who approached the Group based on market prices. After the Repurchase, the outstanding Senior Notes decreased to US$188.1 million as of 31 March 2020 from US$283.9 million as of 31 December 2019, and to US$154.0 million as at 28 April 2020. This represents a current net debt position of US$88.1 million as at 31 March 2020 and US$71.1 million as at 30 April 2020. In total, the Group recorded a gain on redemption of the Notes of US$64.5 million, of which US$5.3 million was recorded in 2019, US$40.0 million in the financial period ended 31 March 2020, and US$19.2 million in April 2020. With the Repurchase, the Group has streamlined its capital structure and reduced annual interest expense by approximately US$11.7 million in 2020.

Net profit for 1Q2020 was US$31.4 million, a reversal from a loss of US$8.7 million for 1Q2019, mainly driven by increased volume, improved cash and EBITDA margins from reduction in production cash cost, and by the Group's repurchase of its Senior Notes.

Earnings Per Share for the three months in 1Q2020 was S$0.03. Net Tangible Asset Per Share was S$0.16 as at 31 March 2020. The Company's share price as at 13 May 2020 was S$0.11 per share.

With accelerating shift in the global economic landscape due to COVID-19, many business enterprises find themselves operating in new and sometimes depressed market environments. With a weaker demand and an increasingly uncertain price outlook on coal prices, we must prepare ourselves if we are to succeed.

As we announced on 22 April 2020, if coal sale prices are below the Group's production costs, the Group may consider suspending part of its mining and production activities at its SDJ and TBR coal mines. The ICI price for 4,200 GAR coal had decreased sharply by US$10.29 per tonne from the 1Q2020 average of US$34.44 per tonne to US$24.15 per tonne on 8 May 2020. Argus Media has also reported expectations that prices are likely to fall even further for the May and June cargoes, given the increasingly weak demand outlook.

If we implement such suspension, the Group will focus on coal getting from current coal exposed and stockpiled inventory to meet our supply obligations to coal offtakers, and better manage our working capital without affecting the Group's operations in the short-term. We have also made a fair value impairment of US$5.0 million on certain trade and other receivables due to market disruptions caused by the current COVID-19 pandemic and the current depressed coal prices, which have affected many Indonesian mining companies' ability to operate and meet its financial obligations. If this situation persists, the Group may make further fair value impairments.

In the face of potential economic setback caused by the COVID-19 pandemic, the International Monetary Fund ("IMF") has estimated the growth rates of five ASEAN countries namely Indonesia, Malaysia, the Philippines, Singapore and Thailand to a negative 1.3%.[1] The Indonesian government has slashed its growth forecast for this year to 2.3%, less than the pre-pandemic projection of 5.3%.[2] According to the report, it would take some time to get China's economy back to pre-pandemic levels and the IMF has estimated China to grow by only 1.2% in 2020.[1]

We are mindful of the terms and conditions of our Senior Notes under which the Group or its wholly-owned subsidiary, Geo Coal International Pte. Ltd., will be required to make an offer to purchase all outstanding Senior Notes in the event that the Group does not meet certain minimum coal reserves requirements (as prescribed in the indenture governing the Notes) on or prior to 4 April 2021 (the "Put Option"). The Group currently does not meet such minimum coal reserves requirements.

The Group has terminated the Conditional Sale Purchase Agreement of the acquisition of PT Titan Global Energy as announced on 1 April 2020. The Group will continue to explore potential acquisition(s) of coal assets in order to meet the minimum coal reserves requirements prior to April 2021. We must however be cautious and not forced into any potential acquisition(s) caused by the Put Option, given the current challenging market conditions. The Group has access to financial resources to pursue potential acquisition(s) of coal assets, but this may change. There is no certainty or assurance that such acquisition(s) will materialise. If and when an acquisition materialises, the Company will make an

[1] https://www.straitstimes.com/world/united-states/imf-cuts-growth-rate-of-aseans-key-economies-to-minus-13
[2] https://www.bloomberg.com/news/articles/2020-04-22/indonesian-capital-extends-partial-lockdown-to-curb-virus-spread

announcement in accordance with the listing rules of the Singapore Exchange Securities Trading Limited.

Under the most difficult conditions, it is less the operating environment that shapes the fate of a company and more the people that chart its course. We are focused in developing our people to face the challenges ahead. Before we figure out how to apply our values in a changing world, we have to start asking who we are and what we stand for."

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

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 word-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.

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