

Geo Energy Resources

## MEDIA RELEASE

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### GEO ENERGY 1Q2021 REVENUE AND EARNINGS SURGE, DECLARES A DIVIDEND AND LOOKS AT DIVERSIFICATION INTO NEW BUSINESSES

#### 1Q2021 Highlights

- The Group recorded its highest quarterly revenue of US\$114.5 million in 1Q2021, an increase of 30% from the US\$87.8 million in 1Q2020, due to higher sales volume and higher Average Selling Price (“ASP”). The Group sold a total of 2.9 million tonnes of 4,200 GAR coal from its SDJ and TBR coal mines, a 16% increase from 2.5 million tonnes in 1Q2020. The average Indonesian Coal Index price for 4,200 GAR coal (“ICI4”) 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.
- The Group also recorded its highest quarterly gross profit of US\$40.8 million in 1Q2021, as cash profit for coal mining averaged US\$15.71 per tonne (4Q2020: US\$8.09 per tonne; 1Q2020: US\$6.36 per tonne), driven by the higher ASP and lower production cash cost as compared to 1Q2020.
- EBITDA for a single quarter more than tripled from last year to US\$44.8 million in 1Q2021 (1Q2020: US\$14.1 million, 4Q2020: US\$22.2 million), with an implied annualised EBITDA of more than US\$100 million. Operating profit of US\$38.6 million was an increase of 457% from US\$6.9 million in 1Q2020.
- Net profit was US\$28.5 million (4Q2020: US\$3.5 million; 1Q2020: US\$31.4 million), driven by the strong operating profit. Finance costs have lowered as interest expense on Senior Notes decreased by 77% from 1Q2020 following the 68% reduction in debt from US\$195.5 million as at 31 March 2020 to US\$61.7 million as at 31 March 2021.
- The Company is declaring an interim dividend for 1Q2021 of S\$0.005 per share. In addition to the S\$0.008 final dividend for 2020 to be paid in May 2021, this represents a dividend yield of 6.0% for the period based on the Company’s share price of S\$0.215 per share as of 11 May 2021.
- The Group had cash and bank balances of US\$82.0 million as at 31 March 2021, and a net cash position of US\$22.8 million. The Group looks at diversification into new businesses as it eyes value accretive acquisitions.

Commenting on the vision and outlook for the Group and industry, Mr Charles Antony Melati, Executive Chairman of Geo Energy said:



**“The Group has started 2021 positively as we delivered a strong set of results, marked by record quarterly revenue and operating profits. Despite the overhang of the COVID-19 pandemic that continues to afflict global market sentiments, the management, along with the help of its employees, showcased excellent character and resilience to ensure sustainability and profitability in these unprecedented times.”**

**China’s continued curbs on Australian coal coupled with a 17% decline in coal production in Indonesia due to the strong monsoon and extreme weathers conditions<sup>1</sup> have seen the average ICI4 prices increase to 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 price was a high of US\$53.64 per tonne as at 11 May 2021.**

<sup>1</sup> McCloskey Coal Report, Issue 504, 19 February 2021

Indonesia's Ministry of Energy and Mineral Resources ("MEMR") has increased the national coal production target for 2021 by 75 million tonnes to 625 million tonnes on expectations of continued strong demand, according to a signed ministerial decree.<sup>2</sup> This gives the opportunity for us to apply for an increase in the Rencana Kerja Anggaran Biaya ("RKAB") – Work Plan and Budget for SDJ and TBR production quota, as we seek to achieve more than the 10 million tonnes production target we have set for 2021.

As part of our Group's strategic objectives to deliver value to our shareholders and our commitment to deliver dividends that increase over time in line with growth in earnings, the Company is declaring an interim dividend of S\$0.005 per share, in addition to its final dividend for 2020 of S\$0.008 per share due to be paid on 17 May 2021.

Meanwhile, we are exploring value accretive acquisitions that allow us to diversify into new businesses and increase the Group's revenue streams. We will make an announcement in accordance with the listing rules of SGX-ST, if and when such an acquisition materialises.

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



"2020 was characterised by a volatile, uncertain, complex and ambiguous economic environment, mainly due to the pandemic-induced downturn and ongoing geopolitical tensions. Despite these headwinds, the Group's 1Q2021 financial results demonstrated its capability to rise above the challenges and deliver value to its shareholders.

Where many businesses contracted post COVID-19 pandemic, we have expanded our business as we turn a negative event into a strong positive performance for the Group in 2020 and now in 1Q2021.

We recorded our highest quarterly revenue of US\$114.5 million in 1Q2021, driven by higher sales volume and improved coal prices. Despite strong monsoon and extreme weather conditions resulting in a 17% decline in coal production in Indonesia, we have managed the mining plan closely with our service providers to maximise our production and sales as coal prices increased.

The Group also reported a new record quarterly gross profit of US\$40.8 million in 1Q2021, as its cash profit almost doubled to US\$15.71 per tonne in 1Q2021, compared to an average of US\$8.09 per tonne in 4Q2020 and US\$6.36 per tonne in 1Q2020. In line with the increase of US\$9.87 per tonne on the average IC14 price in 1Q2021 from US\$31.97 per tonne in 4Q2020, production cash costs increased by US\$3.39 per tonne to US\$23.14 per tonne in 1Q2021. This is part of our resilient cost model linking production costs with coal prices where we retained majority of the coal price upside, whilst protecting us on the coal price downside.

The repurchases of Senior Notes in 2020 also sees a more optimised capital structure for the Group. Our interest expense on Senior Notes reduced by 77% from 1Q2020 following a 68% reduction in debt from US\$195.5 million as at 31 March 2020 to US\$61.7 million as at 31 March 2021.

The net profit in 1Q2021 of US\$28.5 million marks a strong positive start in terms of earnings from its business operations. We achieved an EBITDA of US\$44.8 million in a single quarter, more than triple from last year. This is an implied annualised EBITDA of more than US\$100 million for 2021, and a gross debt over annualised EBITDA of less than 0.5 times. This marks a major improvement in our operating business compared to a higher net profit in 1Q2020 that was driven from the gain arising from repurchases of Senior Notes.

We are well positioned in 2021 to build on this positive start for a better business and operating performance.

In view of the positive start and record quarterly performance in 1Q2021, the Company is declaring an interim dividend of S\$0.005 per share. In addition to the final dividend to be paid to shareholders on 17 May 2021 of S\$0.008 per share, and based on the share price of S\$0.215 on 11 May 2021 compared to the share price of S\$0.108 on 11 May 2020, the total shareholders return over the 12 month period was 111%. For our

<sup>2</sup> Argus Coal Daily International Highlights Report, April 2021

bondholders, the price of our Senior Notes has increased by 63.0% from US\$54 on 11 May 2020 to US\$88 on 11 May 2021.

Geo Energy’s credit ratings have been upgraded by 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. (Link: [Mandatory Offer to Purchase Covenant Falls Away](#)). S&P Global raised Geo Energy to “CCC” from “SD”, Fitch rating upgrade to “CCC” from “CC” and Moody’s upgrade us to “Caa1” with outlook remains stable.

While the financial and operation performance are important to the Group, we have not lost sight on the importance of sustainability. Sustainability leadership during COVID-19 pandemic challenges the management to re-examine the fundamentals that are critical to the sustainability of the business, to ask the right questions and reinforce resilience. People is the most important resource to the Group and is not easily replaceable as they are the key to the Group’s success. Climate change is one of the most pressing challenges we face today. Market and technology disruptions and reputational concerns are increasing as the global economy shifts towards a low carbon and green economy. We understand the importance of balancing the economic development needs and the environmental protections while being mindful that our business operates in an energy-intensive industry. We are always committed to manage these impacts through the best practice and take operational initiatives where possible and comply with applicable environmental regulations.

Our cash and bank balances as at 31 March 2021 was US\$82.0 million and the Group’s net cash position less outstanding Senior Notes of US\$59.2 million was US\$22.8 million.

We will continue to look at diversification into new businesses and expand our revenue streams either by way of potential joint ventures, trading or value accretive acquisitions. If and when an acquisition materialises, the Company will make an announcement in accordance with the listing rules of the SGX-ST.

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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 world-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.



For more information, please visit [www.geocoal.com](http://www.geocoal.com).

For more information please contact:

Romil SINGH, Shivam SARAF

[romil@financialpr.com.sg](mailto:romil@financialpr.com.sg), [shivam@financialpr.com.sg](mailto:shivam@financialpr.com.sg)

Tel: (65) 6438 2990 Fax: (65) 6438 0064