

An aerial photograph of a mining operation. The top left shows a dirt road with a yellow truck and a white car. The right side is dominated by a large, dark, circular pit or processing area. Several white trucks are parked or moving within this area. An orange excavator is visible near the center of the dark area. The background shows more of the mining site with various structures and equipment.

GEAR – FY2018 Results Briefing

4 March 2019

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- ii. agree to be bound by the limitations and restrictions described herein.



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Performance Highlights

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Growth Strategies & Outlook

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Q&A



Performance Highlights



**Continuing
production growth
momentum**

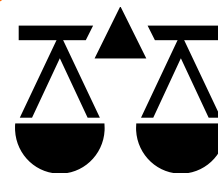
- ◆ Achieved production of **22.6m tonnes** an increase of **44.9%** from 15.6m tonnes in FY2017
- ◆ **Consistently exceeded** production targets in spite of challenging operating environment

- ◆ Record revenue of **US\$1.0b** an increase of **37.3%** from US\$763.8m in FY2017

- ◆ Full year ASP of **US\$41.39/tonne⁽¹⁾**



**Strong revenue
growth and stable
full year ASP**



**Maintaining
robust
balance sheet**

- ◆ Group cash position **US\$113.1m** as on 31 Dec 2018
- ◆ Leverage ratio⁽²⁾ conservatively stands at **1.79x**

- ◆ First foray into **coking coal** with significant minority stake (25.5%) in ASX listed Stanmore Coal Resources Limited
- ◆ **Enhance** GEAR's overall asset portfolio in the current commodity price environment

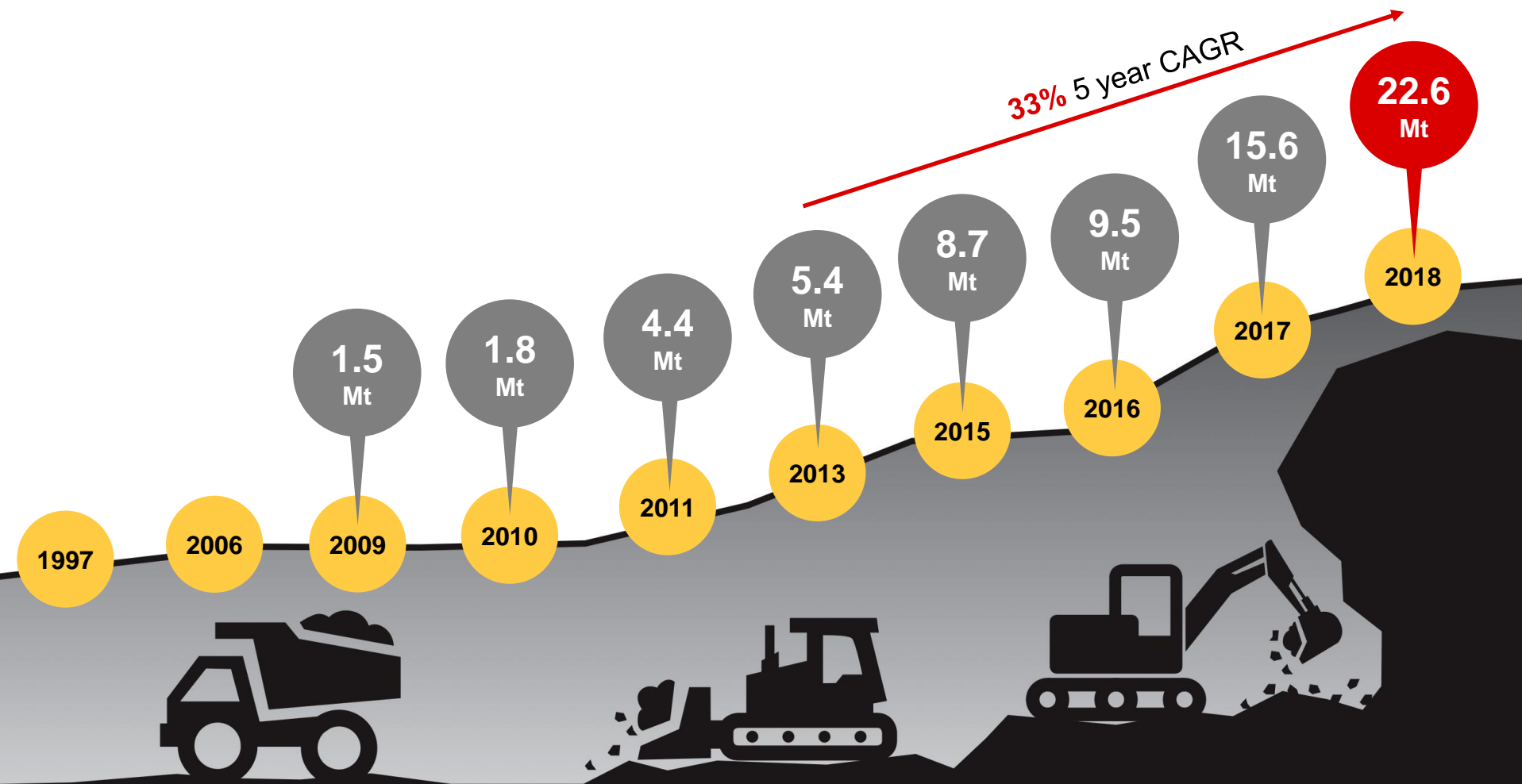


Diversification

(1) For Coal Mining Division

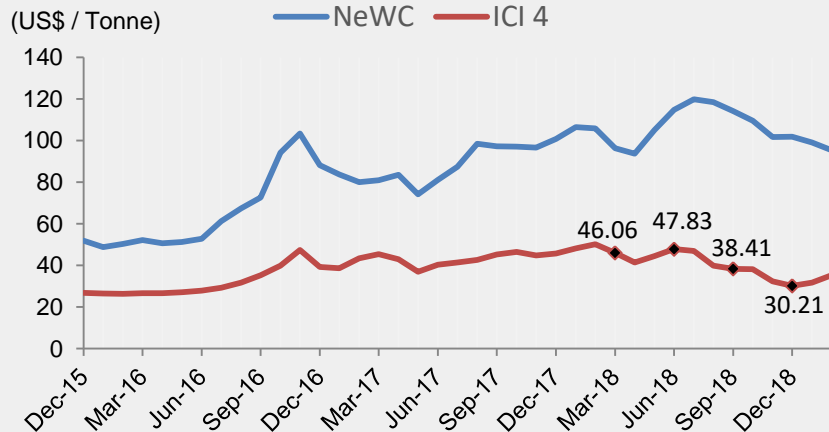
(2) Refers to Total interest bearing debt to LTM EBITDA

Performance Highlights – Production

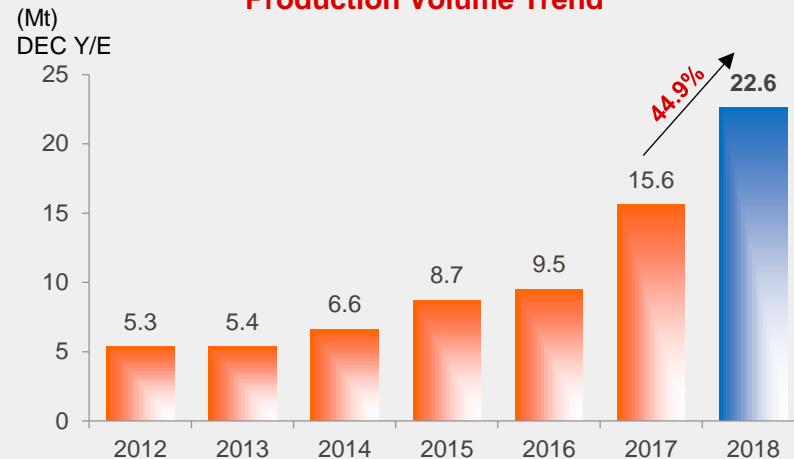


Performance Highlights – Financials

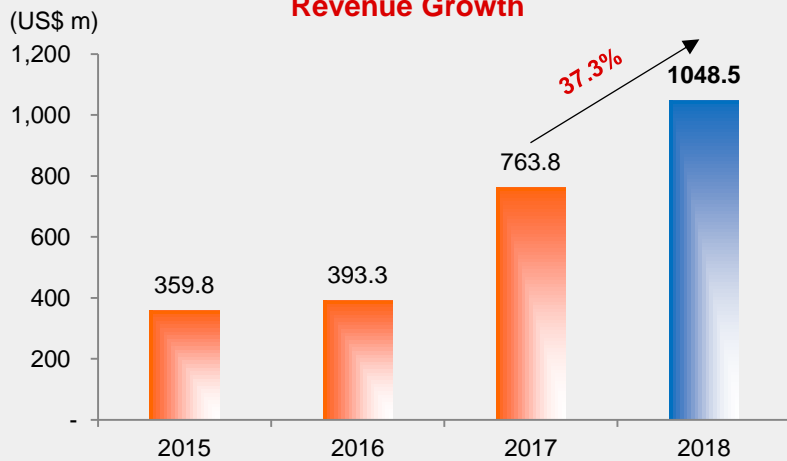
Newcastle Coal and ICI 4 Price Trend



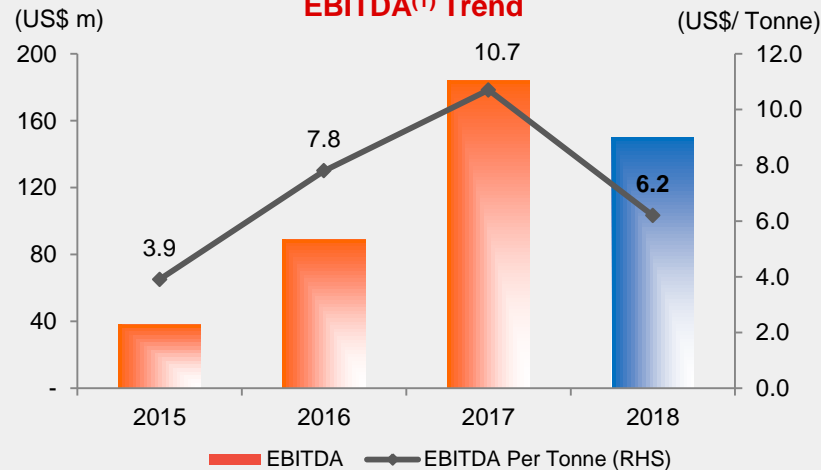
Production Volume Trend



Revenue Growth



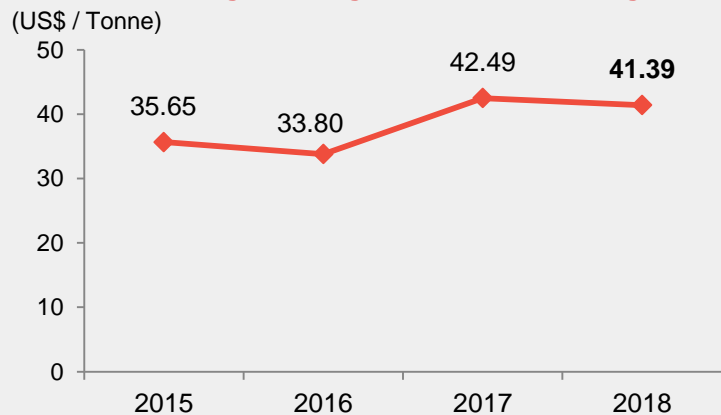
EBITDA⁽¹⁾ Trend



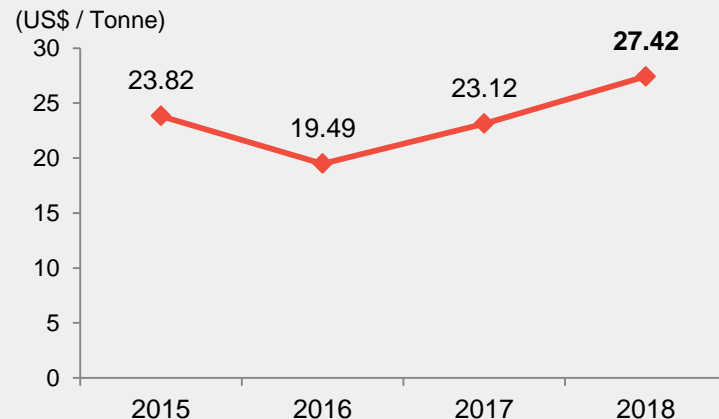
Source: Company, Bloomberg

(1) EBITDA = Profit for the year/period + finance costs + income tax expense + depreciation and amortization – reversal of prior year interest expense – income tax benefit

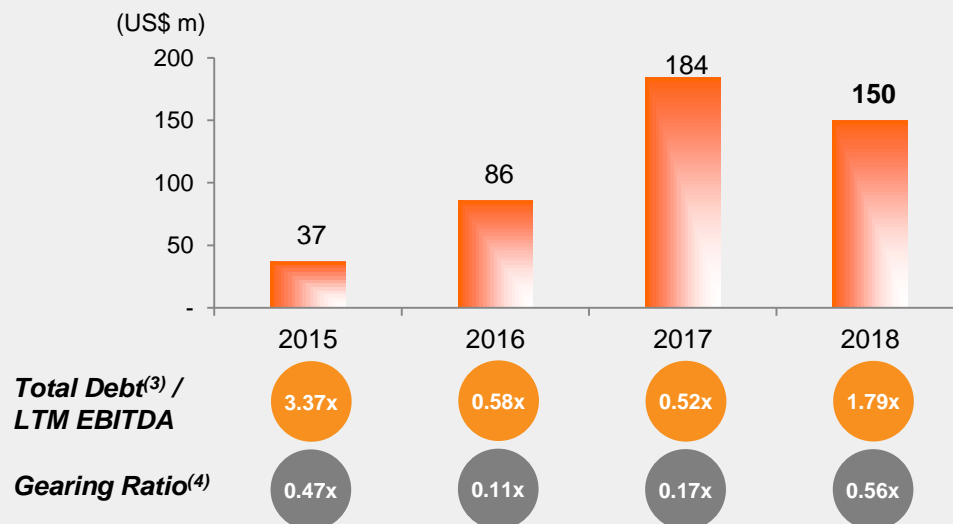
Average Selling Price – Coal Mining



Cash Cost ⁽¹⁾ - Coal Mining

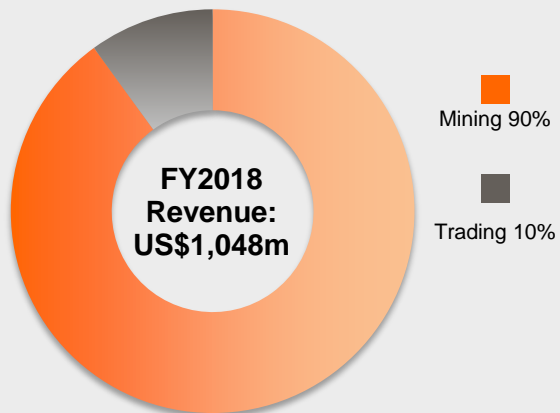


LTM EBITDA⁽²⁾ and Leverage – Company

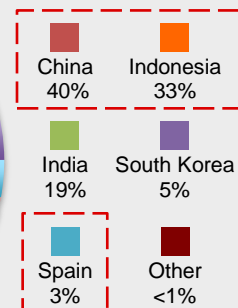
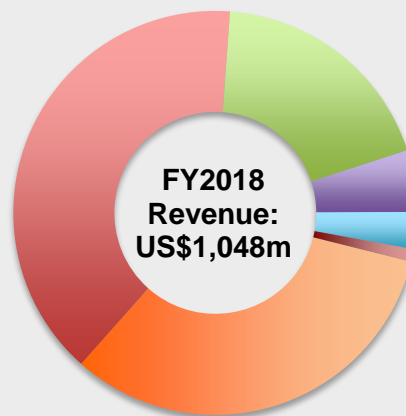
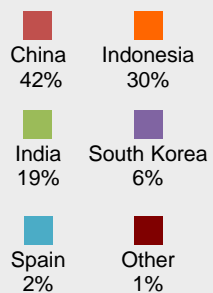
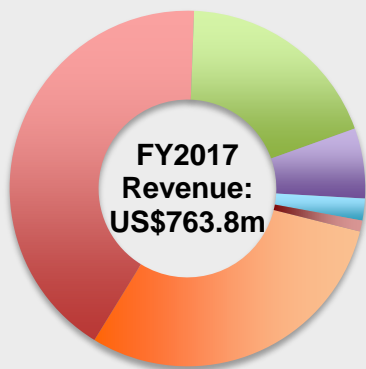


- (1) Includes COGS and selling expenses, excludes royalty and non cash items such as depreciation and amortization (D&A)
- (2) EBITDA = Profit for the year/period + finance costs + income tax expense + depreciation and amortization – reversal of prior year interest expense – income tax benefit.
- (3) Total Debt = Interest bearing loans and borrowings
- (4) Gearing ratio is calculated as total liabilities (excluding taxes) net of cash and cash equivalents divided by shareholders funds plus total liabilities (excluding taxes) net of cash and cash equivalents

Revenue breakdown by division



Revenue breakdown by geography



Acquisition of Stanmore Coal Limited (ASX: SMR)

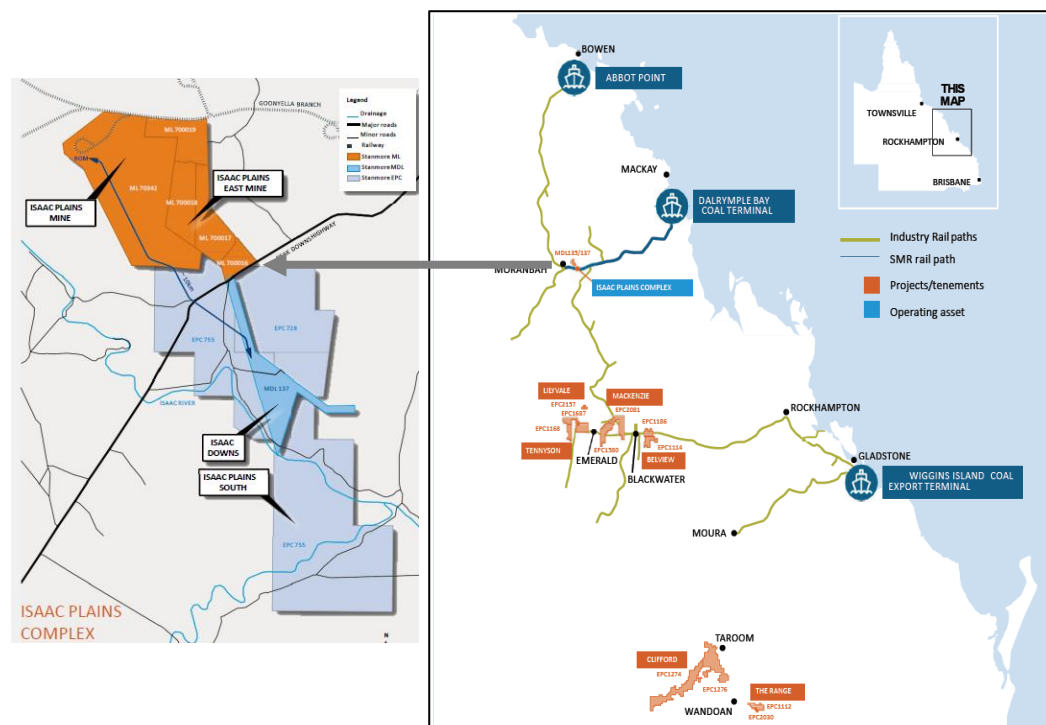
Investment and rationale

- Post close of takeover offer (Jan'19) of **Stanmore Coal Limited** ("Stanmore"), an **ASX listed coking coal producer**, GEAR owns approximately **25.5%**
- GEAR acquired the shares at **A\$0.95** for total consideration of **A\$61.2 mn (US\$44 mn)**
- Through Stanmore, GEAR desires to **enhance its overall asset portfolio** in the current commodity price environment by **diversifying its coal product suite and expanding and geographical presence**

Stanmore Overview

- Brisbane-based **metallurgical** and thermal coal miner
- Operates the **Isaac Plains Complex** ("IPC") in the prime coking coal region of **Bowen Basin** in Queensland
- **1 operating project and 6 development mines**
- **Total Resources 1,749 Mt** and **total marketable reserves 131 Mt.**
- **Production life of approximately 12 years**
- Existing key infrastructure includes **dragline, a 3.5Mtpa CHPP and train load-out facilities** to transport coal to **DBCT port** which is **177kms** from IPC
- 2019 Management guidance: **Production of 2.15Mt of saleable coal (2H'19 mix: 90% semi-soft and 10% thermal), EBITDA A\$140m-A\$155m**
- Main customers include **steel makers in Japan, Korea and Europe**

Stanmore Assets and Location



Stanmore Financials

A\$ mn	12M Jun'17	12M Jun'18	6M Dec'18	
Production ('000 t)	1,204	1,128	977	▲ 91%
Revenue	137.8	208.0	148.3	▲ 79%
EBITDA	26.7	45.5	41.6	▲ 122%
Net profit	12.0	6.0	21.3	▲ 166%



Growth Strategies and Outlook



Production Target 25 MT in FY2019

- ◆ Production ramp-up to 22.6 million tonnes in FY2018 (45% increase y-o-y) in-spite of challenging operating environment

- ◆ Global coal demand expected to remain volatile in 2019 due to uncertainty over import restrictions and stricter environmental policies in China
- ◆ Increases in import volumes expected in Asia following ongoing deployment of new coal fired power stations



Demand to remain volatile driven by Chinese policies



Look for value accretive acquisitions

- ◆ With the acquisition of 25.5% stake in Stanmore, GEAR will diversify its coal product suite to include coking coal and expand its geographical presence to Australia
- ◆ GEAR will continue to explore other such value accretive diversification opportunities

Maintained BUY recommendation;
Target Price: S\$0.36 (12 February 2019)

Maintained BUY recommendation;
Target Price: S\$0.36 (26 November 2018)



Singapore Coal Monthly

Force majeure shocked the markets

SINGAPORE | MINING | SECTOR UPDATE

China

A tragic coal mine accident led to over 70% of mines shut for safety investigation in Shanxi. In Jan-19, a roof collapsed at the Lijagou coal mine in Shenmu county in Shanxi province, resulting in 21 dead out of 87 people worked underground. The deadly accident triggered a broad suspension on mining activities in the region. More than 70% of coal mines with an annual capacity of 130mm tonnes (over 4% of domestic thermal coal supply) were shut down for safety checks. The annual capacity in the Shenmu mine is estimated to be 250mm tonnes which account for 50% of capacity in Shanxi province. The roll-out of safety investigations was extended to the neighbour provinces such as Shanxi and Inner Mongolia and is expected to last till Mar-19.

Indonesia

Lower 2019 domestic production target. In Jan-19, the Indonesian government set the 2019 coal production target at 450mm tonnes, 5mm tonnes lower than that in 2018. The goal is to stabilise the global coal price, according to the Energy and Mineral Resources Ministry. As of 28-Dec-18, total domestic output reached 456mm tonnes (94.02% of the annual target in 2018). 115mm tonnes of coal was estimated to be sold through the domestic market obligation (DMO) scheme in 2018.

Rains stalled thermal coal production in South Kalimantan. In Jan-19, thermal coal production was affected by rains, delaying loading schedules by six to nine days. Mining in the open pit mines halted until rains subsided. Spot cargos were in short. Meanwhile, some suppliers downgraded calorific value due to higher moisture levels. Both GEAR and Geo are having mining operations in this location.

The temporary supply shortage upheld coal prices, but the upside is limited

The coal mine accident created a regional supply shortage. The spot coal price at Yulin area where Shenmu county is located spiked up (+RMB150/tonne in 10 days to RMB700/tonne). There are now expectations of significant increases in coal imports and relaxation of import restriction. Qinhuangdao 5,500 GAR FOB spot price rose by RMB11/tonne to RMB591/tonne in Jan-19, see Figure 5. However, the price rebound is so far limited because coal demand is weaker. Firstly, January and February are low seasons for coal demand due to the long holiday of Chinese New Year. Secondly, this winter is warmer than expected. Lastly, domestic output grew slightly in 4Q18, and port coal stockpile remained sufficient, see Figure 1 and 6. Therefore, we believe the accident supports the coal price at the current level rather propels it back to an uptrend in the near term.

Indonesian coal miners continued to embrace headwinds

Lower production target is in line with the expectation of the slow-down of the global economy in 2019. The biggest uncertainty is whether China will relax the import restriction after the winter season. In 2018, China imported coal totalled at 281mm tonnes with a 3.9% YoY growth even though the authority has been implementing the restriction directive.



12 February 2019

Golden Energy & Resources

BUY (Maintained)	
BLOOMBERG CODE	GER SP
CLOSING PRICE	S\$0.240
FORECAST DIV	S\$0.013
TARGET PRICE	S\$0.360
TOTAL RETURN	55.4%

Geo Energy Resources

BUY (Maintained)	
BLOOMBERG CODE	GERL SP
CLOSING PRICE	S\$0.197
FORECAST DIV	S\$0.010
TARGET PRICE	S\$0.245
TOTAL RETURN	29.4%

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Golden Energy and Resources Ltd

Production on track but some price headwinds

SINGAPORE | MINING | 3Q18 RESULTS

- Revenue and net profit missed our expectations due to higher operating expenses and correction in coal prices.
- Production surged 66% while coal prices slightly dropped.
- Multiple upward pressures on cash cost. We lower FY18e EPS to 2.7 US cents (previously 3.1 US cents) due to a higher than expected cash cost and a lower projected ASP. Based on unchanged peer average forward PER of 10x and the FX rate (USD/S\$D) of 1.36x, we reiterate our BUY recommendation with a lower target price of S\$0.36 for FY18.

Results at a glance

[USD mm]	3Q18	3Q17	YoY (%)	Comments
Revenue	286.7	179.3	59.9	Increase in revenue from Coal Mining and Coal Trading Divisions
Gross profit	96.1	73.8	30.3	Increase in mining services, coal freight, mining overhead and royalty as a result of an higher coal production and sales activities from Coal Mining Division; Increase coal purchases from Coal Trading Division in line with the higher sales volume
PBT	34.9	36.6	(4.8)	Increase in operating expenses in line with higher sales activities, and higher interest expenses as a result of the issuance of the Company's bond in February
PATMI	14.9	9.9	50.2	Decrease in withholding tax expense (3Q18:US\$124k vs 3Q17:US\$8.9mm) partially offset by an increase in income tax due to higher taxable profits

Source: Company, PSR

The Positives

+ Growth in production amid a slight drop in coal prices: Production from coal for 9M18 totalled 15.9mm tonnes (79.5% of 20mm tonnes of FY18 sales target).

	3Q18	3Q17	YoY (%)	9M18	9M17	YoY (%)
Production volume (tonnes)	6.8	4.1	65.9	15.9	10.1	57.4
ASP (US\$/tonne)	40.8	42.6	-4.2	41.4	41.6	-0.6
Cash cost (US\$/tonne)	27.0	22.6	19.4	26.4	21.6	22.2
Revenue from coal mining (US\$mm)	248.9	124.4	100.1	481.6	282.8	70.3

Source: Company, PSR

HBA (Indonesia Coal Price Reference) had risen by 24.4% YoY to US\$105.7/tonne in 3Q18. However, ASP for GEAR dipped YoY slightly due to the price cap on the coal supply to PLN. During the quarter, 1.2mm tonnes was supplied to PLN.

The Negatives

- Several factors led to a higher cash cost: In 9M18, cash cost jumped 22.2% YoY to US\$26.4/tonne. The increase in the strip ratio of BIB mine (9M18:4.8 vs 9M17:3.7) accounted for US\$1.6/tonne out of US\$5 of increment in cash cost. The increase in fuel price, the distance between mining field and overburden dumping site, coal hauling, and port/jetty cost lifted the cost by another US\$0.5/tonne, US\$0.75/tonne, US\$0.65/tonne, and US\$0.6/tonne respectively. Full-year cash cost is expected to be c.US\$26/tonne.



26 November 2018

BUY (Maintained)	
CLOSING PRICE	S\$0.230
FORECAST DIV	S\$0.011
TARGET PRICE	S\$0.360
TOTAL RETURN	61.4%

COMPANY DATA	
BLOOMBERG CODE	GER SP
Q/S SHARES (MM)	2,383
MARKET CAP (USD mm / S\$D mm)	394 / 541
SZ - W% H/L/D (DAYS)	0.48 / 0.23
3M Average Daily Vol (mm)	0.30

MAJOR SHAREHOLDERS (%)	
PT DIAN SWALATIKA SENTOSA	86.9%
DIRECTIONAL FUND ADVISORS	0.08%
Frank Russell Co	0.03%

PRICE PERFORMANCE (%)			
	1MTH	3MTH	1YR
COMPANY	1.2	(14.2)	(38.0)
STI RETURN	(1.1)	(4.7)	(8.1)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS				
YTD/Dec	FY18	FY17	FY18e	FY18e
Revenue (US\$ mm)	953	764	1,026	1,212
EBITDA (US\$mm)	89	184	195	234
PATMI (US\$ mm)	22	63	63	69
P/B (x)	7.6	10.9	8.3	7.7
P/E (x)	2.6	2.0	1.3	1.5
ROE (%)	7%	18%	16%	19%
ROA (%)	4%	8%	6%	6%

Source: Company, PSR

VALUATION METHOD	
PER MULTIPLE (PER: c\$)	

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Q & A