Geo Energy Resources

MEDIA RELEASE

10 November 2021

GEO ENERGY DELIVERS RECORD QUARTERLY RESULTS WITH REVENUE INCREASING 159% IN 3Q2021 AS COAL PRICES REACH NEW HISTORICAL HIGHS, ANNOUNCES A THIRD INTERIM DIVIDEND OF S$0.03 PER SHARE

3Q2021 and 9M2021 Highlights

- The Group achieved record third quarter revenue of US$153.6 million, an increase of 159% from 3Q2020, driven by the higher average selling price ("ASP"). For 9M2021, the Group recorded a revenue of US$373.9 million, an increase of 70% from 9M2020. The average Indonesian Coal Index price for 4,200 GAR coal ("ICI4") was US$72.28 per tonne in 3Q2021 and US$55.95 per tonne in 9M2021, compared to US$23.95 per tonne in 3Q2020 and US$28.39 per tonne in 9M2020.

- The Group delivered coal sales of 2.6 million tonnes in 3Q2021, comprising 1.2 million tonnes and 1.4 million tonnes of 4,200 GAR coal from the SDJ and TBR coal mines respectively, and another 0.03 million tonnes of 3,400 GAR coal from the BEK coal mine. This was slightly higher than the 2.5 million tonnes in 3Q2020.

- For 9M2021, the Group delivered coal sales of 8.0 million tonnes, comprising 3.1 million tonnes and 4.8 million tonnes of 4,200 GAR coal from the SDJ and TBR coal mines respectively, and another 0.1 million tonnes of 3,400 GAR coal from the BEK coal mine. This was higher than the 7.6 million tonnes in 9M2020. The Group is on course to achieving its target of 11.5 million tonnes of coal produced and sold in 2021.

- The Group sold 2.3 million tonnes of coal to the domestic market during 9M2021, achieving over 80% of its required domestic market obligation ("DMO") volumes for 2021. With fewer DMO coal volume to sell in 4Q2021, the Group will be able to achieve a higher proportion of export sales that has better margins at prevailing coal prices, as DMO sales are subject to a price cap of US$38 per tonne.

- Cash profit from coal mining for 3Q2021 and 9M2021 after taking into account the domestic market obligation ("DMO") sales at lower price set by the Indonesian Government, averaged at US$25.80 per tonne and US$18.49 per tonne, respectively (3Q2020: US$3.88 per tonne; 9M2020: US$5.49 per tonne), driven by higher coal prices but offset against higher production cash cost as part of the Group's resilient business model that has costs move in tandem with the coal index.

- EBITDA for 3Q2021 and 9M2021 were US$65.8 million and US$143.3 million, respectively (3Q2020: US$7.2 million; 9M2020: US$34.8 million) at respective margins of 43% and 38%.

- Income tax expense was US$13.0 million with effective tax rate of 22% in 3Q2021, and US$28.3 million with effective tax rate of 23% in 9M2021. These were an increase from 7% in 3Q2020 and 5% in 9M2020 as the profit then was driven by the non-taxable gain on repurchases of USD Bonds that is capital in nature. In comparison, there was no gain on repurchases of USD Bonds in 3Q2021 and 9M2021.

- Profit from operations for 3Q2021 and 9M2021 were US$58.5 million and US$122.3 million, respectively. The Group has turned around completely from loss from operations (excluding gain on repurchases of USD Bonds) for 3Q2020 and 9M2020 of US$4.5 million and US$10.1 million, respectively.

- The Group is declaring an interim dividend of S$0.03 per share in 3Q2021. Including the final dividend and interim dividends paid and declared this year, this represents a dividend yield to date of 15% based on the Company's share price of S$0.325 per share as of 9 November 2021.

- Going forward, the Group expects a record-breaking 4Q2021 as it ramps up for the highest quarterly production of 3.5 million tonnes this year, capturing the coal prices that have since rallied further in October. Based on the M42 Futures Index, coal prices should remain strong and around US$90 per tonne for the rest of the year. At these coal prices, cash profit on export sales would be close to US$50 per tonne, although average cash profit would be lower due to domestic sales capped at US$38 per tonne. The Group does not have significant fixed overheads, averaging less than US$4 million a quarter.

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

"As economies around the world have started recovering from the pandemic and gradually eased movement restrictions, the demand for coal has also recovered at a fast pace and supply growth has been sluggish in response to this. There is a global energy crisis, especially in China and India, and this will continue to buoy coal prices going into 2022. Coal prices are expected to remain strong, at least for the near future. The M42 Futures Index (4,200 GAR coal) on the SGX shows average coal prices at around US$90 per tonne for the rest of the year, and for 2022 to be around US$70-80 per tonne.[1]

Our Group is well-positioned to capitalise on this uptick in the industry and ramp up production as planned in 4Q2021. The average ICI4 coal prices increased to US$72.28 per tonne in 3Q2021, up from US$23.95 per tonne in 3Q2020. ICI4 coal price was US$89.89 per tonne as at 10 November 2021. Moreover, the Group's application for an increase of Rencana Kerja Anggaran Biaya ("RKAB") production quota for SDJ and TBR coal mines for 2021 was approved. The approved combined production quota has increased from 10 million tonnes to 11.5 million tonnes.

The global energy crisis is a result of a confluence of factors affecting coal demand and supply. Chinese coal prices have risen to record high owing to tight domestic supply and recovering global demand, with further support coming from government policy on energy consumption and imports. Tight Chinese domestic coal supplies are part of a wider global shortage this year, as demand recovers from the impact of COVID-19 while supply has been sluggish following a string of disruptions.[2] China's main economic planning agency has issued a directive to reduce thermal coal prices under an existing price law,[3] but this will be challenging given the massive shortages domestically and a cold winter ahead.

The modern energy politics are focused on aspiration to achieve carbon neutrality. Despite the importance and irreplaceability of coal in the energy sector, legislators and several other countries have made the decision to label this energy source in particular as the main cause of environmental pollution and climate change. In the period of decreasing carbon footprint, the carbon intensity of fuel in general and coal in particular take on a particular importance. Coal is still the cheapest and most reliable source of energy.[4] China commits to net-zero emissions before 2060, but for years to come it will continue burning a lot of coal to keep its economy charging ahead.[5]

The Group is looking to explore diversification opportunities away from coal, as we seek to expand our revenue streams by way of potential joint ventures, trading and value accretive acquisitions that are self-funding. The early redemption and cancellation of our USD Bonds on 10 October 2021 has also given the Group flexibility in its plans to diversify its business. We will make an announcement in accordance with the listing rules of SGX-ST, when such an acquisition materialises.

---

[1] https://www.sgx.com/derivatives/delayed-prices-futures?cc=M42F&category=coal
[2] Argus Coal Daily International highlights, 1 October 2021
[3] Argus Coal Daily International highlights, 22 October 2021
[4] Coal Carbon Intensity Report, 16 August 2021
[5] https://www.wsj.com/articles/chinas-ambitious-climate-goals-collide-with-reality-imperiling-global-efforts-1635346919?st=izjhmyfnw7iixih&reflink=article_gmail_share

Environment, Social and Governance ("ESG") remains an integral part of our wider sustainability efforts. In addition to diversification opportunities, we remain committed to managing climate change impacts through best practice and operational initiatives, as well as comply with applicable environmental regulations."

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

"Most economies around the world adopted an infrastructure-led recovery from COVID-19 which led to a significant demand for commodities. Coal, being the cheapest source of energy, also experienced record demand. However, supply growth wasn't adequate to keep up with the ever-increasing demand which led to a global energy crisis and therefore, caused coal prices to reach historical highs. The coal demand and supply factors have seen prices reaching record highs, with ICI4 as high as US$154.61 per tonne as at 22 October 2021. However, they have since decreased following China's policies to control domestic coal prices. [7] Despite the recent drop in coal prices, prices are expected to remain high for the rest of 2021 and 2022 based on the futures market.[1] The Economist has also reported that the age of fossil-fuel abundance is dead, and dwindling investments in oil, gas and coal mean high prices are here to stay.[6]

China plans to limit the price miners sell thermal coal as it seeks to ease a power crunch. This is a domestic price control, while coal importers will obtain subsidies to balance their losses. [7] Nevertheless, the shortage of coal supply and inventories, coupled with the fundamental demand of coal during the winter season, are market forces that would be difficult to arbitrarily control.

Given the improved coal prices, we have recorded another strong quarterly results as our revenue increased 159% y-o-y to reach US$153.6 million in 3Q2021. Cash profit increased almost 6 times to US$25.80 per tonne in 3Q2021, compared to an average of US$3.88 per tonne in 3Q2020. This was mainly attributable to the higher ASP, which was slightly offset by the higher production cash costs as some of the costs are linked to the coal index prices.

We continued our strong momentum from 1H2021 of US$48.5 million net profits for the six months, as we reported a net profit of US$45.5 million in 3Q2021. We achieved an EBITDA of US$65.8 million in 3Q2021 and saw a complete turnaround from a loss from operations of US$4.5 million in 3Q2020 to a profit from operations of US$58.5 million in 3Q2021. In line with our plan to have higher production volumes in the second half of the year, our production volume also increased from 2.5 million tonnes in 3Q2020 to 2.6 million tonnes in 3Q2021.

We achieved these new highs despite COVID-19 and weather challenges that continue to impact many businesses and operations globally.

As announced on 13 October 2021, we have completed the early redemption and cancellation of our USD Bonds. With the early redemption, we have substantially reduced the Group's debt, optimised our capital structure, strengthened our credit profile and save up to US$4.8 million in annual financing costs.

With the strong start of second half of 2021, the Group is declaring a third interim dividend for 2021 of S$0.03 per share, as per our dividend policy to deliver not less than 30% returns to our shareholders based on our earnings, subject to any capital requirements. This brings our total dividend pay-out ratio to date to 44% of our 9M2021 net earnings.

Our share price reached a high of S$0.42 on 14 October 2021 with a market capitalisation of over S$590 million on a projected revenue of over US$0.6 billion for 2021. Including the final dividend and interim dividends paid and declared this year, the Group's total shareholders return to date was 96% with a dividend yield of 15% based on the Company's share price of S$0.325 per share as of 9 November 2021. The Group's enterprise value as of 9 November 2021 was US$277 million[8] compared to US$208 million as of 1 January 2021.

[6] https://www.economist.com/finance-and-economics/the-age-of-fossil-fuel-abundance-is-dead/21805253
[7] The Business Times, 28 October 2021
[8] The enterprise value is based on market capitalisation and share price as at 9 November 2021, with debt and cash as at 30 September 2021.

Lastly, our strong performance is also the result of our staffs having demonstrated excellence in executing our business plans. The Group achieved a revenue per employee of US$1.9 million for 9M2021, an increase from US$1.2 million for 9M2020 or 58%."

End

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.

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.

For more information, please visit www.geocoal.com.

For more information please contact:
Romil SINGH, Shivam SARAF
romil@financialpr.com.sg, shivam@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064