



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)

SGX Announcement

Geo Energy Resources Limited Business Update

Third Quarter and Nine Months Ended 30 September 2022

FORWARD LOOKING STATEMENTS

This announcement contains statements that are, or may be deemed to be, "forward looking statements" which are prospective in nature. These forward looking statements may generally be identified by the use of forward looking terminology, or the negative thereof such as "plans", "expects" or "does not expect", "is expected", "seeks", "continues", "assumes", "is subject to", "budget", "scheduled", "estimates", "aims", "forecasts", "risks", "intends", "positioned", "predicts", "projects", "anticipates" or "does not anticipate", or "believes", or variations of such words or comparable terminology and phrases or statements that certain actions, events or results "may", "could", "should", "shall", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements are not based on historical facts, but rather on current predictions, assumptions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy, any of which could prove to be inaccurate. By their nature, forward looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of Geo Energy Resources Limited ("Geo Energy"). Forward looking statements are not guarantees of future performance and may and often do differ materially from actual results. There is no certainty or assurance as at the date of this announcement that any transaction disclosed in this announcement will proceed or be completed or that no changes will be made to the terms thereof. Important factors that could cause these uncertainties include, but are not limited to, those discussed in Geo Energy's Annual Report 2021. Neither Geo Energy nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements which only speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations (including under the listing rules of the Singapore Exchange Securities Trading Limited), Geo Energy is not under any obligation and Geo Energy and its affiliates expressly disclaim any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This announcement shall not, under any circumstances, create any implication that there has been no change in the business or affairs of Geo Energy since the date of this announcement or that the information contained herein is correct as at any time subsequent to its date. No statement in this announcement is intended as a profit forecast or a profit estimate. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this announcement does not constitute a recommendation regarding any securities. Shareholders, investors and other persons are advised to exercise caution in trading the securities of the Group.

Business Update

Third Quarter and Nine Months Ended 30 September 2022

GEO ENERGY ACHIEVES 9M2022 REVENUE OF US\$533 MILLION, EBITDA OF US\$222 MILLION AND NET PROFIT OF US\$142 MILLION, DECLARES INTERIM DIVIDEND OF S\$0.01 PER SHARE



MESSAGE TO SHAREHOLDERS

Dear Shareholders,

The Group achieved record nine-month revenue and net profit in 9M2022. Although weather conditions have been harsh in this year's third quarter, we still delivered 2.4 million tonnes of coal and had revenue of US\$164.7 million, bringing our 9M2022 revenue to US\$533.1 million, a 43% increase from 9M2021. Net profit for 3Q2022 and 9M2022 were US\$35.7 million and US\$141.7 million respectively.

Geo Energy continues to deliver a stable and resilient performance in the third quarter despite challenging weather conditions, higher fuel costs and mining strip ratios. The Group delivered 2.4 million tonnes of coal sales in 3Q2022, bringing the total coal delivery for 9M2022 to 7.6 million tonnes. We are increasing production for 4Q2022 and have delivered around 1 million tonnes of coal sales for October 2022. Although we had a 2022 production quota approved for 12 million tonnes of coal, the temporary export ban in January and harsher weather conditions this quarter have impacted production. We may only achieve 11 million tonnes of production and coal sales for the year based on the current weather conditions.

Central banks have been increasingly aggressive in tightening monetary policy and increasing interest rates.¹ The rising interest rate increases borrowing costs for many leveraged companies, and this raises refinancing pressures on them, even more so for companies with debt subject to ESG targets linked to green energy transition, which have now been delayed in view of the current global energy crisis. Geo Energy, with relatively debt-free, high liquidity and cash reserves, is not affected by the higher borrowing costs compared to its peers with heavy debt and facing refinancing pressure. In fact, the Group, with its high cash reserves and fixed income investments, have benefitted from the higher interest rates. Furthermore, the strengthening of USD against the IDR by 3%, has lowered the Group's production costs of about 60% is denominated in IDR.

The Group continues to maintain a high cash position to make investments and diversify its businesses, given that financing for coal related companies is currently restricted.

¹ <https://am.jpmorgan.com/sg/en/asset-management/institutional/insights/portfolio-insights/asset-class-views/equity/>

Targeting Higher Export Sales as Macroeconomic Fundamentals Strengthen

The global coal industry has strengthened significantly following the global energy crisis. Coal price continued its strong momentum, with forecasts for coal restocking actions further ramping up coal demand. The average Indonesian Coal Index price for 4,200 GAR coal ("ICI4") remained at the high level of US\$82.20 per tonne in 3Q2022 and US\$84.56 per tonne in 9M2022. ICI4 as at 8 November 2022 was US\$91.82 with the McCloskey M42 Futures Index coal price averaging at US\$93 for 4Q2022.

Indonesia is expected to continue to be a leading global coal supplier on the back of the weak exports elsewhere. Australian exports are largely affected by the extreme rainfall and the weather-related downside is forecasted to extend to 2Q2023. The coal export growth in the US is not expected to increase significantly with the worsening supply chain issues caused by the proposed railroads construction plans.²

We have fulfilled over 83% on our Domestic Market Obligation ("DMO") for 2022 as at 30 September and we expect to deliver more export sales in 4Q2022 with higher selling price and better margins based on the current and forward coal prices.

3Q2022 & 9M2022 HIGHLIGHTS

- The Group achieved quarterly revenue of US\$164.7 million, an increase of 7% from 3Q2021, driven by the higher average selling price ("ASP"). For 9M2022, the Group recorded a revenue of US\$533.1 million, an increase of 43% from 9M2021. The average ICI4 was US\$82.20 per tonne in 3Q2022 and US\$84.56 per tonne in 9M2022, compared to US\$72.28 per tonne in 3Q2021 and US\$55.95 per tonne in 9M2021.
- The Group delivered coal sales of 2.4 million tonnes in 3Q2022, mainly comprising 1.0 million tonnes and 1.4 million tonnes of 4,200 GAR coal from the SDJ and TBR coal mines respectively. This was slightly lower than the 2.6 million tonnes in 3Q2021. For 9M2022, the Group delivered coal sales of 7.6 million tonnes, comprising 3.3 million tonnes and 4.2 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 lower than the 8.0 million tonnes in 9M2021.
- Cash profit from coal mining for 3Q2022 and 9M2022, after taking into account the DMO sales at lower price set by the Indonesian Government, averaged at US\$25.63 per tonne and US\$29.64 per tonne respectively (3Q2021: US\$25.80 per tonne; 9M2021: US\$18.49 per tonne), driven by coal prices but offset against higher production cash cost linked to coal index prices, higher fuel costs and mining strip ratios in 3Q2022.
- The Group sold 2.5 million tonnes of coal to the domestic market during 9M2022, achieving over 83% of its required DMO volumes to date. With fewer DMO coal to sell in 4Q2022, the Group will be able to achieve higher export sales with better margins based on the current and forward coal prices, as DMO sales are subject to a price cap of US\$38 per tonne. Although we had a 2022 production quota approved for 12 million tonnes of coal, the temporary export ban in January and harsher weather conditions this quarter have impacted production. We may only achieve 11 million tonnes of production and coal sales for the year based on the current weather conditions.
- EBITDA for 3Q2022 and 9M2022 were US\$59.8 million and US\$222.4 million, respectively (3Q2021: US\$65.8 million; 9M2021: US\$143.3 million) at respective margins of 36% and 42%.
- Net profit for 3Q2022 was US\$35.7 million, a decrease of US\$9.8 million compared to 3Q2021 due to weather conditions at the mine caused by the La Nina weather phenomenon. Net profit for 9M2022 was US\$141.7 million, an increase of 51% compared to 9M2021.
- Income tax expense was US\$15.0 million and US\$59.2 million, with effective tax rates of 30% and 29% in 3Q2022 and 9M2022, respectively. These were an increase from 22% in 3Q2021 and 23% in 9M2021 due mainly to withholding tax expense on dividends declared during the year by our Indonesian subsidiaries of US\$103 million.

Driving Sustainable Growth

As one of the leading coal miners in Indonesia, we fully recognise the significance of environmental protection and are committed to integrating Environment, Social, and Governance ("ESG") into our corporate culture. The Group continues its efforts in managing climate change impacts through best practices and operational initiatives to comply with applicable environmental regulations and we will be assessing, measuring and reporting our key material ESG matters in accordance with the latest Global Reporting Initiative ("GRI") Standards 2021.

² Argus Seaborne Coal Outlook, 16 September 2022

The Group also introduces ESG-related activities to its employees on a regular basis and appreciate their proactive participations. Around 20 employees from our mine site participated in the World Clean Up Day activity held in September 2022 in Tanah Bumbu Regency in conjunction with the local government slogan "Towards Clean, Green, Beautiful, Comfortable, and Free of Waste Environment". In addition, our Singapore staff extended care to vulnerable families via the Project HomeWorks in September 2022, assisting in transforming their homes into a safe and clean environment.

With long-term efforts put into sustainable growth for both business operation and corporate culture, the Group expects to stay forefront of the green transition in the coal mining industry.

10th Year Anniversary of IPO Listing on the SGX

The Company was listed on the Mainboard of SGX on 19 October 2012. We started small, but today we are amongst the top coal mining companies in Indonesia and one of the largest mining companies listed on SGX, with market capitalisation exceeding S\$0.5 billion on 8 November 2022 with an expected revenue of more than S\$1 billion for 2022. It has not been an easy journey, but it has been fulfilling.

Interim Dividend and Returns for Our Shareholders

In view of the positive financial performance of the Group in 9M2022, the Company is declaring an interim dividend for 3Q2022 of S\$0.01 per share. The Company has paid a total of S\$127 million or S\$0.09 per share in dividends to shareholders during the year. Including the 2021 final dividend and 2022 interim dividends paid and declared this year, this represents a dividend yield to date of 26% and a total shareholders' return of 51% based on the Company's share price of S\$0.390 per share as of 8 November 2022.

On 30 September 2022, the Company also bought back 3 million shares, which were held as treasury shares.

Yours sincerely,



Tung Kum Hon
Chief Executive Officer/Director
9 November 2022

Consolidated Statement of Profit or Loss

	Group			Group		
	3 months ended 30.9.2022	3 months ended 30.9.2021	% Change	9 months ended 30.9.2022	9 months ended 30.9.2021	% Change
	US\$ (Unaudited)	US\$ (Unaudited)		US\$ (Unaudited)	US\$ (Unaudited)	
Revenue	164,735,359	153,578,863	7	533,067,688	373,906,756	43
Cost of sales	(109,336,053)	(91,571,831)	19	(326,206,618)	(242,135,740)	35
Gross profit	55,399,306	62,007,032	(11)	206,861,070	131,771,016	57
Other income	1,437,086	1,042,118	38	6,188,897	3,115,282	99
General and administrative expenses	(2,488,145)	(2,562,797)	(3)	(7,230,886)	(7,223,959)	0
Other expenses	(3,674,804)	(695,007)	429	(4,910,687)	(1,459,227)	237
Finance costs	(13,692)	(1,324,102)	(99)	(39,415)	(3,952,275)	(99)
Profit before income tax	50,659,751	58,467,244	(13)	200,868,979	122,250,837	64
Income tax expense	(14,965,718)	(13,002,665)	15	(59,215,454)	(28,264,680)	110
Profit for the period	35,694,033	45,464,579	(21)	141,653,525	93,986,157	51

Profit from operations is arrived at after charging/(crediting) the following:

	Group			Group		
	3 months ended 30.9.2022	3 months ended 30.9.2021	% Change	9 months ended 30.9.2022	9 months ended 30.9.2021	% Change
	US\$ (Unaudited)	US\$ (Unaudited)		US\$ (Unaudited)	US\$ (Unaudited)	
Interest income	(1,375,760)	(1,095,664)	26	(3,576,960)	(2,868,785)	25
Interest on Notes	-	1,170,587	(100)	-	3,511,761	(100)
Amortisation of transaction costs of Notes	-	136,333	(100)	-	404,553	(100)
Depreciation and amortisation	5,794,421	6,009,263	(4)	17,990,100	17,540,964	3
Reversal of legal claim against a subsidiary	-	-	nm	(2,500,000)	-	nm
Other expenses arising from finalisation of tax assessments	3,471,546	-	nm	3,471,546	-	nm
Write-back of allowance for inventory written-down	(129,222)	(130,397)	(1)	(464,438)	(807,056)	(42)

nm – not meaningful

Selected items from the Statements of Financial Position

	Group		Company	
	30.9.2022 US\$ (Unaudited)	31.12.2021 US\$ (Audited)	30.9.2022 US\$ (Unaudited)	31.12.2021 US\$ (Audited)
Total assets	557,012,944	525,710,853	267,332,563	255,753,651
Comprising:				
Cash and bank balances	214,660,864	190,595,157	8,017,861	11,173,163
Inventory	23,868,166	24,128,714	-	-
Trade and other receivables	83,887,197	68,957,455	74,803,524	59,979,221
Deferred stripping costs	44,632,732	47,782,687	-	-
Mining properties	110,203,942	119,805,046	-	-
Total liabilities	159,455,949	176,603,883	101,521,184	85,988,210
Comprising:				
Trade and other payables	125,152,217	117,289,173	98,269,673	82,267,380
Income tax payable	15,738,948	40,875,944	-	-
Bank borrowing	3,251,511	3,720,830	3,251,511	3,720,830
Shareholders' equity	396,997,126	347,784,417	165,811,379	169,765,441

Selected items from the Consolidated Statement of Cashflows

	Group		Group	
	3 months ended 30.9.2022 US\$ (Unaudited)	3 months ended 30.9.2021 US\$ (Unaudited)	9 months ended 30.9.2022 US\$ (Unaudited)	9 months ended 30.9.2021 US\$ (Unaudited)
Operating cashflow	59,471,190	60,852,267	120,933,709	116,555,982
Comprising:				
Operating cash flows before movements in working capital	55,341,962	64,257,083	216,483,783	140,681,284
Working capital	20,445,550	(35,153)	(16,418,355)	(21,644,999)
Income tax paid	(16,270,145)	(3,363,108)	(79,077,304)	(2,467,516)
Investing cashflow	208,764	(1,089,296)	(2,261,118)	(1,767,724)
Comprising:				
Capital expenses	(168,693)	(1,194,960)	(3,029,484)	(2,061,445)
Financing cashflow	(21,346,891)	(17,406,824)	(93,468,636)	(40,837,434)
Comprising:				
Dividend paid	(20,467,160)	(5,202,146)	(91,679,158)	(18,855,188)
Repurchases of shares	(753,764)	-	(1,478,765)	-
Repayments of lease liabilities obligations and interest	(7,019)	(12,468,321)	(9,774)	(19,846,602)
Repayments of bank borrowing obligations and interest	(101,453)	(69,718)	(308,243)	(69,718)
Interest paid for Notes	-	-	-	(2,367,480)

Key Operating Matrix

	Group		Group	
	3 months ended 30.9.2022 (Unaudited)	3 months ended 30.9.2021 (Unaudited)	9 months ended 30.9.2022 (Unaudited)	9 months ended 30.9.2021 (Unaudited)
Revenue – Coal mining				
Sales Volume (million tonnes)	2.4	2.6	7.6	8.0
- SDJ	1.0	1.2	3.3	3.1
- TBR	1.4	1.4	4.2	4.8
- BEK	0.03	0.03	0.1	0.1
Average Indonesian Coal Index Price (US\$/tonne)	82.20	72.28	84.56	55.95
Average Selling Price (US\$/tonne)	69.29	58.51	70.54	46.72
Production				
Production Volume – Finished goods (million tonnes)	1.9	2.6	7.4	7.9
- SDJ	0.9	1.3	3.2	3.2
- TBR	1.0	1.3	4.1	4.6
- BEK	0.03	0.03	0.1	0.1
Strip Ratio – Sales (times)				
- SDJ	1.2	1.8	1.8	2.4
- TBR	3.2	1.0	2.1	1.4
Production Cash Cost (US\$/tonne)	43.66	32.71	40.90	28.23
Cash Profit (US\$/tonne)	25.63	25.80	29.64	18.49
Cash Profit Margin (%)	37.0	44.1	42.0	39.6
Net Profit Margin (%)	21.7	29.6	26.6	25.1
Net Asset Value - Group (SG cents)⁽¹⁾	40.76	28.42	40.76	28.42
Earnings per Share^{(1) (2)}:				
Basic (SG cents)	3.59	4.38	14.34	9.05
Diluted (SG cents) ⁽³⁾	3.58	4.32	14.33	8.91

nm – not meaningful

- (1) Numbers were translated using the 30 September 2022 and 2021 of US\$:S\$ exchange rates of 1.4434 and 1.3573 respectively.
- (2) The calculation for the basic EPS is based on the weighted average number of ordinary shares in issue during the respective financial period. The calculation for the diluted EPS is based on the weighted average number of ordinary shares in issue during the respective financial period, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.
- (3) The employee stock option issued by the Group has a dilutive effect as the average market price of ordinary shares during the period exceeded the exercise price of the employee stock option.

Key Financial Ratios

	Group	
	9 months ended 30.9.2022 (Unaudited)	9 months ended 30.9.2021 (Unaudited)
12-month trailing EBITDA (US\$ millions)	346.5	165.5
Net Cash (US\$ millions)	211.4	61.0
Debt / Equity (times)	0.01	0.2
Total Shareholders' Return (%)⁽¹⁾	51	78
Dividend Yield (%)⁽²⁾	26	6
Enterprise Value (US\$ millions)⁽³⁾	144.1	222.1
Enterprise Value / 12-month trailing EBITDA (times)⁽³⁾	0.4	1.3
Revenue per Employee (US\$ millions)	2.7	1.9

- (1) Based on share price as at 8 November 2022 and 2021, inclusive of the final dividend and interim dividends declared and paid during the respective period.
- (2) Yield periods pertain to 1 January to 9 November 2022 and 2021. Yield for 2022 includes interim dividends of S\$0.01 per share declared for 3Q2022, S\$0.02 per share for each of 1Q2022 and 2Q2022 (paid on 27 May and 31 August 2022, respectively), and the 2021 final dividend of S\$0.05 per share paid on 9 May 2022. Yield for 2021 includes interim dividends of S\$0.03 per share declared for 3Q2021 paid on 26 November 2021, S\$0.005 per share for each of 1Q2021 and 2Q2021 (paid on 16 June and 1 September 2021, respectively), and the 2020 final dividend of S\$0.008 per share paid on 14 May 2021.
- (3) Based on market capitalisation and share price as of 30 September for 2022 and 2021.

Market updates

Coal prices continue to remain strong as ICI4 prices averaged US\$84.56 per tonne in 9M2022, and increased to US\$91.82 as at 8 November 2022. This was driven by the global energy crisis, exacerbated by low inventory levels in China after an extremely hot summer³.

According to China's National Climate Centre, the extreme weather conditions will extend to the coming winter with abnormal temperatures and drier weather continuing to affect industrial activities and livelihoods⁴. Hence, the coal price momentum is expected to sustain through the winter on the back of strong expected imports. The SGX M42 Futures Index indicates an average price of US\$93 per tonne for the remaining of 2022, and average price of US\$88 per tonne for 2023.⁵

Australian exports have been and are expected to remain patchy due to rising concerns over extreme wet weather conditions extending until 2Q2023. US exports have not grown as expected due to the ongoing supply chain disruptions and the proposed US industrial action on the railroads, adding on to the transportation pressure.⁶

Indonesia coal miners have continued to emerge at the forefront of this opportunity as leading coal suppliers, recovering from a low of 13 million tonnes in January due to the government's export ban, to around 44 million tonnes in July driven by strong demand in China, as shown in customs data.⁷ Extreme weather conditions in Kalimantan in 3Q2022 has led to further supply constraints as major Indonesian coal producers revises their production targets downwards. Overall, global coal supply remain subdued as exports from other coal exporting countries were below expectations.

With the inevitable need for coal restocking as winter looms, particularly when the coal inventory levels are low across most markets⁴, the outlook for global coal demand remains positive. The energy crisis in Europe, the demand from Japan and Korea to restock coal ahead of winter continue to support and drive demand for thermal coal.

Higher fuel prices and increased royalties have increased mining costs in Indonesia. The Indonesian government has revised the rate of sales royalties for 4,200 GAR coal to 8% on HBA reference prices above US\$90.00 per tonne.

As reported by the International Energy Agency (IEA), coal will remain as the dominant energy for power generation in the coming years, especially as countries accelerate the infrastructure-led economic recovery.

³ Argus Seaborne Coal Outlook, 16 September 2022

⁴ McCloskey Fax, 14 October 2022

⁵ SGX M42 Futures dated 8 November 2022

⁶ Argus Seaborne Coal Outlook, 17 October 2022

⁷ Argus Media Seaborne Coal Market to Be Undersupplied in 2022: Noble, 19 September 2022

Dividends

Amount per share:

Name of dividend: Interim
Dividend type: Cash
Dividend rate: S\$0.01 per ordinary share

Previous corresponding period:

Name of dividend: Interim
Dividend type: Cash
Dividend rate: S\$0.03 per ordinary share

Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country whether the dividend is derived:

Dividend declared is tax exempt (one-tier).

The date the dividend is payable:

To be announced at a later date.

The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined:

To be announced at a later date.