

Geo Energy Resources

MEDIA RELEASE

9 November 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**

3Q2022 and 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 Indonesian Coal Index price for 4,200 GAR coal ("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 domestic market obligation ("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.

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



"Global economic growth warning signals are stronger amid rising concerns over an imminent recession. A wide spectrum of factors, including multiple interest rate hikes, heightened geopolitical tensions with subsequent energy crisis, and new wave of COVID-19, are contributing to the ongoing market turbulence. As coal continues to remain as the primary source for power generation to meet basic

household and industrial activities needs, the Group stays cautiously optimistic about its business outlook and will strive to navigate through the challenging times with agility and resilience.

Coal demand has further ramped up due to the larger than expected coal consumptions amidst an extreme summer season, which reinforced the pressure on coal restocking with winter looming. In addition, the European fuel-switching dynamics favoured the seaborne thermal coal demand with surging natural gas prices after the Russia-Ukraine war. The high natural gas prices will sustain until 2025¹, as the gas supply is not expected to rapidly increase due to the global supply chain disruptions.

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.² Extreme weather conditions in Kalimantan in 3Q2022 has led to further supply constraints as major Indonesian coal producers revise their production targets downwards. Overall, global coal supply remains subdued as exports from other coal exporting countries, particularly Australia and US, were below expectations. These two key coal exporters are suffering from extreme weather-related disruptions and rising logistics pressures respectively, adversely impacting their coal export activities.

Consequently, the coal prices are expected to remain strong in the near term. The average ICI4 coal price was US\$82.20 per tonne in 3Q2022 and US\$84.56 per tonne in 9M2022, higher than US\$72.28 per tonne in 3Q2021 and US\$55.95 per tonne in 9M2021. 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 2023.³ We will strive to leverage on the coal price momentum to not only ensure business continuity amidst global economic downturn, but also generate a sustainable earnings stream with our resilient business model.

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.

The Group is strategically seeking for business diversification and continue to look on various opportunities to expand our revenue streams by way of potential joint ventures, trading, and value accretive acquisitions for the Company. We are not only eyeing the expansion of our revenue streams but aiming to reduce our reliance and exposure on coal price volatility and to advance our sustainable targets."

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



"Supply chain disruptions, Russia-Ukraine war, inflationary pressures, interest rate hikes, and lastly, an imminent recession have been the macro-economic concerns for 2022. However, I am proud of the team at Geo Energy, who has continued to showcase resilience and adaptability, to deliver strong results once again for the quarter.

The Group achieved record third-quarter revenue of US\$164.7 million in 3Q2022, representing a 7% year-on-year ("y-o-y") increase as compared to 3Q2021. For 9M2022, the Group recorded a revenue of US\$533.1 million, an increase of 43% from 9M2021. This was mainly driven by higher ASP. We delivered coal sales of 2.4 million tonnes in 3Q2022 mainly from the SDJ and TBR coal mines, slightly lower than the 2.6

¹ Argus Seaborne Coal Outlook, 16 September 2022

² Argus Media Seaborne Coal Market to Be Undersupplied in 2022: Noble, 19 September 2022

³ SGX M42 Futures dated 8 November 2022

million tonnes in 3Q2021. With this, we brought the total coal delivery for 9M2022 to 7.6 million tonnes.

The Group recorded an average cash profit from coal mining segment of US\$25.63 per tonne and US\$29.64 per tonne for 3Q2022 and 9M2022 respectively. The higher coal prices were offset by higher production cash costs due to certain costs being linked to the coal index price, higher fuel costs and mining strip ratios in this quarter.

EBITDA increased to US\$222.4 million in 9M2022 at a high margin of 42%, as compared to US\$143.3 million in 9M2021. Driven by the high EBITDA, the Group reported a net profit of US\$141.7 million in 9M2022 which was 51% higher than that in 9M2021.

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. This has strategically positioned the Group 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.

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.

The Group maintained a strong balance sheet position with cash and bank balances of US\$214.7 million as at 30 September 2022, allowing the Group to seize opportunities to expand its business segments as and when available.

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.

In view of the positive financial performance of the Group for 9M2022, the Company is declaring an interim dividend of S\$0.01 per share, bringing a total of S\$0.05 per share in interim dividends to shareholders declared for the year ending 31 December 2022. Including the 2021 final dividend of S\$0.05 per share paid this year, these represent 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 bought back 3 million shares, which were held as treasury shares.

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."

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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.

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