



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

UPDATE ON THE GROUP'S BUSINESS AND OPERATIONS IN VIEW OF COVID-19 AND CRUDE OIL PRICE MOVEMENTS

The Board of Directors of Geo Energy Resources Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to update its stakeholders on the impact of the current COVID-19 pandemic and falling crude oil prices on the Group's business and operations.

COVID-19 PANDEMIC AND FALLING CRUDE OIL PRICES

Generally, the COVID-19 pandemic and falling crude oil prices have affected the Asian coal sector, with supply and demand remaining in flux and volatility in coal prices.

The Company is closely monitoring the implementation of measures to reduce people movements and interactions to stem the spread of COVID-19 in Indonesia. The Company's principal subsidiaries, PT Sungai Danau Jaya ("**SDJ**") and PT Tanah Bumbu Resources ("**TBR**"), may temporarily suspend non-essential activities if they are significantly affected by these measures.

The increasing economic activities in The People's Republic of China, the Group's main export market, may lead to more demand for electricity and hence coal. However, coal prices are under pressure given the falling crude oil prices.

The US crude oil futures collapsed below US\$0 on Monday for the first time in history, amid a coronavirus-induced supply glut, ending the day at a stunning minus US\$37.63 a barrel as desperate traders paid to get rid of oil.¹ As an alternate source of energy to thermal coal, this has impacted the price outlook for thermal coal, partially mitigated by high switching costs in the technology used for power plants.

The falling crude oil prices and COVID-19 have impacted coal prices in the past weeks with the Indonesian Coal Index ("**ICI**") price for 4,200 GAR coal falling by 8.4% from US\$30.83 per tonne on 3 April 2020 to US\$28.23 per tonne on 17 April 2020.

Weak demand and an increasingly uncertain price outlook put further pressure on the low-calorific value Indonesian coal market today. There are expectations that prices are likely to fall even further in the coming days, given the increasingly weak demand outlook.

Falling crude oil prices have also translated to lower costs for the Group, with a portion of our mining contractor costs linked to fuel price. The Group is currently having approximately 9% discount from fuel adjustment in our mining contractor costs. However, the lowered crude oil prices have not been fully reflected in fuel prices, being a processed downstream product of crude oil. Diesel and petroleum are refined products and while they

¹ Business Times, 21 April 2020, Oil price crashes into negative territory for the first time in history amid pandemic

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are derived from crude oil, it has its own distinct market. Pump prices do not correlate one for one with crude oil.²

POSSIBLE SUSPENSION ON PART OF MINING AND PRODUCTION ACTIVITIES

If coal sale prices are below the Group's production costs, the Group may consider suspending part of its mining and production activities at its SDJ and TBR coal mines. The Group is currently discussing with its mining contractor and other service providers to lower their fees and charges, especially in view of COVID-19 and the falling coal and crude oil prices affecting demand on coal.

If we implement such suspension, the Group will focus on coal getting from current coal exposed and stockpiled inventory of approximately 450,000 tonnes to meet its supply obligations to coal offtakers and better manage its working capital, without affecting the Group's operations in the short-term.

PUT OPTION ON NOTES AND POTENTIAL ACQUISITION(S)

The Company is mindful of the terms and conditions of the US\$300,000,000 in aggregate principal amount of 8% senior notes due 2022 (the "**Notes**") under which the Company or its wholly-owned subsidiary, Geo Coal International Pte. Ltd. ("**GCI**"), will be required to make an offer to purchase all outstanding Notes in the event that the Group does not meet certain minimum coal reserves requirements (as prescribed in the indenture governing the Notes) on or prior to 4 April 2021 (the "**Put Option**"). The Group currently does not meet such minimum coal reserves requirements.

In March 2020, the Group reduced its indebtedness through the repurchasing of US\$95.8 million in principal amount of the Notes. This provided liquidity to our Notes investors. The outstanding Notes as at 22 April 2020 is US\$188.1 million.

The Group's cash and bank balances as at 20 April 2020 was US\$104.1 million.

The Company will continue to explore potential acquisition(s) of coal assets in order to meet the minimum coal reserves requirements prior to April 2021. If such acquisition(s) materialise, GCI or the Company will not be required to make an offer to purchase the outstanding Notes in accordance with the Put Option.

However, in view of the current challenging market conditions, the Group will be cautious in any potential acquisition(s).

The Company is of the view that it has access to sufficient financial resources to pursue potential acquisition(s) of coal assets. There is however no certainty or assurance that such acquisition(s) will materialise, especially if the return on investment is limited during this period of challenging market conditions. If and when an acquisition materialises, the Company will make an announcement in accordance with the listing rules of the Singapore Exchange Securities Trading Limited.

² Straits Times, 22 April 2020, Oil price crashes into negative territory but may not benefit consumers



FAIR VALUE IMPAIRMENT ON RECEIVABLES

Additionally, the Company will be making the following fair value impairment due to market disruptions caused by the current COVID-19 pandemic and the current depressed coal prices, which have affected many Indonesian mining companies' ability to operate and meet its financial obligations:

- US\$5 million of trade and other receivables under the Cooperation Agreement to conduct joint mining activities in East Kalimantan, which is dependent on the value in use of the underlying coal mines coal reserves,

which will have a financial effect on the unaudited results of the Group for the three months ended 31 March 2020 to be released next month. If this situation persists, the Group may make further fair value impairments.

CAUTION IN TRADING

Shareholders, investors and other persons are advised to exercise caution in trading the securities of the Group. There is no certainty or assurance as at the date of this announcement that any potential acquisition(s) will proceed or be completed or that the Group's business and operations will not be affected further by the current COVID-19 pandemic and the current depressed coal prices, if they continue further. The Company will continue to closely monitor the situation and will make the necessary announcements and provide further updates as and when there are material developments. Shareholders, investors and other persons are advised to read this announcement and any further announcements by the Company carefully. They should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD
Charles Antony Melati
Executive Chairman
22 April 2020