



GEO ENERGY GROUP  
天然煤礦集團

**GEO ENERGY RESOURCES LIMITED**

(Incorporated in the Republic of Singapore on 24 May 2010)  
(Company Registration Number 201011034Z)

**SGX ANNOUNCEMENT**

**RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AND SIAS  
AHEAD OF ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2023**

The Board of Directors (the "Board") of Geo Energy Resources Limited (the "Company", and together with its subsidiaries, the "Group") would like to thank the Company's shareholders and Securities Investors Association (Singapore) ("SIAS") for submitting their questions in advance of the Company's Annual General Meeting 2023 ("2023 AGM"), which will be held at Pan Pacific Singapore on Friday, 28 April 2023 at 10.00am.

Responses to the questions received up till Thursday, 20 April 2023, 5.00pm, have been set out below.

**Questions received from the Company's shareholder(s)**

**1. Does the Company intend to continue paying dividends on a quarterly basis for FY2023?**

Answer: The Company remains committed to its dividend policy to declare dividends of at least 30% of the Group's net profit attributable to owners of the Company, subject to debt covenants and capital requirements needed to support growth and investments.

The Company has previously paid dividends on a quarterly basis as part of our commitment to deliver value to our shareholders. The Company will consider continuing quarterly dividends, subject to cash flow requirements to support its growth and investment.

**2. There was a recent Reuters report about China ramping up its coal imports in Q1. Has the company also seen strong export volumes to China in the last few months?**

Answer: Coal produced by the Group is sold to various geographical markets. China remains the biggest market for the Group and there has been stronger demand from China in the last few months.

The Group's export sales are made to offtakers, Macquarie Bank (for TBR coal) and Trafigura (for SDJ coal), and thus the Group does not face any significant volume or counterparty risk.

**3. Please explain why Geo Energy had applied for the "RKAB" production quota of only 8 million tonnes despite expecting a strong coal market in the year ahead.**

Answer: The RKAB production quota is applied based on our mining plan and it is possible to apply for an increase in the RKAB production quota. As previously shared in the Company's [4Q2022 Results Announcement](#) and other announcements, the Group's SDJ and TBR coal mines have a higher strip ratio (which refers to the amount of waste to be removed/mined per unit of coal) going forward, due to the geology of the mines. Given the higher strip ratio, the production is expected to be lower. Please also refer to the [Independent Qualified Person's Report 2022](#).

The Group continues to assess and optimise its mining plan. If the coal market remains strong and weather conditions permit, the Company may consider applying for an increase in RKAB to 10 million tonnes.

**Geo Energy Resources Limited**

(Incorporated in the Republic of Singapore on 24 May 2010) (Co. Reg. No: 201011034Z)

7 Temasek Boulevard, #39-02, Suntec Tower One, Singapore 038987 T +65 6702 0888 F +65 6702 0880

The Suites Tower 17 Floor, Jln Boulevard, Pantai Indah Kapuk, No. 1 Kav OFS Jakarta 14470, Indonesia T +62 21 2251 1055 F +62 21 2251 1057

[www.geocoal.com](http://www.geocoal.com)



**4. Based on the latest Independent Qualified Person's Report, what is the estimated value of Geo Energy's coal assets? Is there any significant difference with the value provided at the end of FY2021?**

Answer: As set out in the [Independent Qualified Person's Report 2022](#), the discounted cash flow for SDJ and TBR is around USD565 million. There is no significant difference with the discounted cash flow value in [Independent Qualified Person's Report 2021](#).

The above coal assets have been recorded at historical cost less any accumulated depreciation (based on production volume). The above discounted cash flow is not reflected in the Group's balance sheet.

**Questions received from SIAS**

**1. As noted in his message to shareholders, the Chairman & CEO highlighted that 2022 was the 10th year anniversary of the Company's listing on the Mainboard of SGX. The first decade of listing saw the Company end on a strong note, with a closing cash balance of US\$234.1 million as of 31 December 2022 with minimal debt.**

He further noted that the Company is targeting value-accretive acquisitions and assets which are producing and cashflow positive for the Group. Diversification of the business is also being explored as part of the Group's long-term growth and transition plan. The Group will also make small investments in non-coal industries to diversify the business as part of its long-term plan.

- (i) Can the board elaborate further on the search and investment criteria for acquisitions? Will the group continue investing in coal mines in Indonesia and if so, how does the group balance any such strategic investments with "social and environment considerations"?
- (ii) To help shareholders better understand the industry, can management provide more information on the different types of coal/different quality qualities (such as sulphur, ash content, calorific value), and explain if it has looked at coal mines that cause less environmental impact and if investing in them makes sense?

Coal Quality							
	In Situ Density (t/m <sup>3</sup> )	Total Sulphur adb (%)	Volatile Matter adb (%)	Inherent Moisture adb (%)	Total Moisture arb (%)	Ash adb (%)	Calorific Value gcr (kcal/kg)
SDJ	1.26	0.2	40.8	16.2	35.7	4.6	4,125
TBR	1.26	0.3	40.0	18.0	34.9	4.6	4,209
BEK	1.29	0.2	33.9	31.3	42.6	6.4	3,472

(Source: company annual report)

- (iii) Has the board assessed the risk of making significant acquisitions when average coal prices have more tripled from below US\$30 per tonne to nearly US\$90 per tonne in three years?
- (iv) Is the group applying for a higher quota beyond the 8 million tonnes already approved under the Rencana Kerja Anggaran Biaya ("RKAB") production quota for 2023?
- (v) What was the stripping ratio in 2022?



- (vi) **Would the board, especially the independent director, review the circumstances that led to the impairment losses of US\$15.4 million relating to receivables arising from advance payments for coal purchase and refundable deposit to acquire interest in two mining concessions made in 2019?**

**consolidated statement of Profit or Loss  
And other comprehensive income**

Year ended 31 December 2022

	Note	Group	
		2022 US\$	2021 US\$
<b>Revenue</b>	28	<b>733,474,967</b>	641,888,828
Cost of sales		<b>(461,418,818)</b>	(380,656,363)
<b>Gross profit</b>		<b>272,056,149</b>	261,232,465
Other income	29	<b>8,347,216</b>	4,235,055
General and administrative expenses		<b>(17,958,123)</b>	(15,254,084)
Other expenses	30	<b>(9,316,352)</b>	(5,447,463)
Allowance for expected credit loss on trade and other receivables	8	<b>(15,232,499)</b>	(6,472,895)
Finance costs	31	<b>(53,340)</b>	(4,206,206)
<b>Profit before income tax</b>		<b>237,843,051</b>	234,086,872
Income tax expense	32	<b>(74,256,155)</b>	(55,010,822)
<b>Profit for the year</b>	33	<b>163,586,896</b>	179,076,050

Answers:

- (i) The Group's investment criteria for acquisitions are as follows:
- Producing assets with immediate cash flow;
  - Total reserves acquired and its mine life should allow the Group to achieve economies of scale while remaining nimble to market changes; and
  - Adequate infrastructure options.

As the Group's expertise is in coal mining, the Group still intends to invest in coal assets, primarily in Indonesia. The Group recognises the importance of social and environmental considerations in our investment, and believes that the coal industry is fundamental to the well-being of many lives through the provision of affordable energy. The Group also targets eco coal with low ash and low sulphur to reduce environmental impact. Energy security is as important as energy transition. To find the right balance, the Group will also consider smaller diversification investments outside the coal industry as part of the Group's long-term strategy.

- (ii) Please refer to response to Q1(i) above.
- (iii) The Board assesses a proposed investment based on a long-term view of coal prices and cost competitiveness of the target acquisition. If coal prices remain at current levels, the assets will generate strong returns but should still remain economically viable even if prices weaken in the future.
- (iv) The Group continues to assess and optimise its mining plan. If the coal market remains strong and weather conditions permit, the Company may consider applying for an increase in RKAB to 10 million tonnes. Please refer to our [4Q2022 Results Announcement](#).
- (v) The stripping ratio in 2022 is 1.5 for SDJ and 2.8 for TBR, as announced in our [4Q2022 Results Announcement](#).



- (vi) The receivables became credit-impaired in 2020 following the failure by the coal mine owner to deliver the coal and to refund the deposit for acquisition of business that did not materialise, which were due to depressed coal prices arising from COVID-19. The Group has not continued to transact with the coal mine owner since 2020.

The Group has been assessing the expected credit loss using the probability-weighted amount based on different scenarios by taking into account historical default experience, future prospects of the industry, various external sources of actual and forecast economic information, as appropriate, as well as time value of money in estimating the probability of default and loss upon default. As of 2022, the Group has made full allowance for credit loss on these receivables.

Nonetheless, the Group has been actively taking steps to recover the outstanding receivables including negotiations with the coal mine owner and other relevant parties over several potential avenues of repayments.

**2. The independent directors are:**

- **Mr James Beeland Rogers Jr. (appointed on 3 December 2012)**
- **Mr Soh Chun Bin (also lead independent director) (appointed on 25 September 2012)**
- **Mr Lu King Seng (appointed on 25 September 2012)**
- **Mr Ong Beng Chye (appointed on 25 September 2012)**

**On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years<sup>1</sup>. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo.**

**Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.**

- (i) **Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**
- (ii) **What is the progress made in identifying and appointing new directors?**
- (iii) **Can the NC elaborate further on the search and nomination process for directors, especially independent directors? Will the NC be using a third-party search firm and/or professional body to cast its net wider for potential candidates, especially for directors who have had experience in addressing the issue of energy transition, etc?**

Answer:

- (i) As stated under Provision 2.4 on page 32 of the Annual Report 2022, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise, experience, balance, diversity and knowledge of the



Company and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group comprises members with core competencies in accounting and finance, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge.

As stated under Provision 5.2 on page 35 of the Annual Report 2022, the NC and the Board undertake a formal annual assessment to assess the effectiveness of the Board's performance. The assessment results will be analysed and any gaps or key areas for improvement will be discussed. The Directors also undergo continuing professional development to strengthen their skills and competencies. With regard to future director appointments, the NC is open to considering new skills or competencies in candidates for such appointments.

- (ii) The NC has commenced sourcing for candidates for the appointment of new directors and identified a few potential candidates.
- (iii) As stated under Provision 4.3 on page 34 of the Annual Report 2022, the Board has a process for the selection and appointment of directors (including independent directors). The Company procures search services, contacts and recommendations for the purposes of identifying suitably qualified and experienced candidates. The NC reviews the resume of the candidates and considers their skills, knowledge and experience, interviews the short-listed candidates and recommends the most suitable candidate(s) to the Board for approval.

**3. At the annual general meeting scheduled to be held on 28 April 2023, the Company is seeking shareholders' approval for, inter alia, the Geo Energy Share Option Scheme (SOS) and the Geo Energy Performance Share Plan (PSP), and the amendments to the SOS and PSP such that the controlling shareholders and their associates may participate in the scheme/plan if they meet the eligibility criteria.**

- (i) Can the independent directors help shareholders understand if they have reviewed the existing SOS and the PSP and assessed if the scheme and plan have met their stated objectives since their adoption in 2018?**
- (ii) What is the basis that the independent directors consider the amendments to the SOS and PSP, and the proposed participation of the controlling shareholders and its associate, "in the interest of the company"?**

Answers:

- (i) The SOS and the PSP are intended to increase and strengthen the Company's flexibility, effectiveness and competitiveness to attract, reward, motivate and retain key employees for the long-term growth of the Group.

The independent directors have reviewed and assessed the existing SOS and PSP and having regard to the stronger identification by participants with the long-term prospects



of the Group, the performance and contributions of the participants, the retention of the participants and the ability to attract potential employees with the relevant skills as well as the performance of the Group, are of the view that overall the SOS and PSP have met the stated objectives since the adoption in 2018.

- (ii) The proposed amendments to the rules of the SOS and the PSP are essentially to allow the controlling shareholders and their associates to participate in the SOS and the PSP (if they meet the eligibility criteria and their participation in the SOS and the PSP and any grant of options under the SOS or awards under the PSP to them have been approved by the Board and by independent shareholders of the Company) as well as to set limits to the number of shares available under the SOS and the PSP to the controlling shareholders and their associates.

The independent directors are of the view that all deserving and eligible employees of the Group, regardless of whether they are also controlling shareholders or their associates, should be similarly entitled to take part and benefit from the SOS and the PSP. Controlling shareholders and their associates play key roles in the Group and the inclusion of the controlling shareholders and their associates in the SOS and the PSP is consistent with the Group's objective to motivate and further align its key executives to achieve and maintain a high level of performance for the success of the Group.

Based on the above, the independent directors are of the opinion that the proposed amendments to the rules of the SOS and the PSP and the proposed participations of the controlling shareholders and their associates in the SOS and the PSP are in the interest of the Company.

BY ORDER OF THE BOARD

Charles Antony Melati  
Executive Chairman and CEO  
22 April 2023