GEO ENERGY GROUP
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GEO ENERGY RESOURCES LIMITED

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

5 June 2020

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B
Singapore 069111

Attention: Mr David Gerald, President & CEO

Dear Mr Gerald,

Thank you for your letter dated 2 June 2020.

Securities Investors Association (Singapore)("**SIAS**") had informed that it had carried out an analysis of our 2019 Annual Report (please click), with the help of researchers, covering our company's strategy, financial statements, corporate governance practices and 2019 Sustainability Report (please click).

SIAS had identified some questions which it would like us to address and provide further information.

The answers to those questions are attached in Appendix 1 to this letter. We hope it provides SIAS with more insights and a better understanding of Geo Energy's strategy, its business, risks management, corporate governance and ESG practices. A copy of this letter had been announced by the Company today to the SGX-ST on SGXNet.

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders (Investor relations policy, page 62 of the 2019 Annual Report) , and we are fully aware of the SGX-ST listing requirements and disclosure practices. We are supportive of SIAS and on what it does to protect the interests of the shareholders.

For us, it is more than shareholders. It is all our stakeholders whom we do business with, including our people and their families who are working for Geo Energy in Singapore and Indonesia, in some of the harshest conditions at our coal mines in South Kalimantan, Indonesia.

We will be holding our Annual General Meeting (**"AGM"**) on 15 June 2020 and detailed instructions on shareholders attendance and voting at the AGM had been announced by the Company on 20 May 2020 (Please click Annual General Meeting Update). Shareholders are to submit their questions in advance of the AGM. We welcome shareholders to submit their questions to the Company and we will try our best to address them at the AGM.

Thank you.

Yours truly,
Tung Kum Hon

CEO/Director

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APPENDIX 1

Q1 : **On 21 May 2020, the company announced that it was commencing of consent solicitation to amend the terms of the notes and a tender offer relating to the 8.0% senior notes due 2022 issued by Geo Coal International Pte. Ltd. The note contains a "Mandatory Offer to Purchase" covenant, which requires the company or the Parent Guarantor to make an offer to purchase all of the outstanding notes in the event the group is unable to satisfy certain minimum coal reserve requirements by 4 April 2021. As it is, the group currently does not meet such minimum coal reserve requirements. The group is making the tender offer at US$430 per US$1,000 principal amount of the notes.**

What is the proposed Consent Solicitation and Tender Offer?

(i) **Given the disruption to the global economy caused by the COVID-19 pandemic, did the board consider the pros and cons (including how it would be perceived by the capital market) of carrying out a consent solicitation and a tender offer at this time when there is so much uncertainty in the market?**

(ii) **How does it affect the group's long term plans if the consent solicitation and the tender offer fails?**

Answer : Please refer to the Company's announcement and News Release to the SGX-ST on 21 May 2020 on the proposed Consent Solicitation and Tender Offer. A copy of our announcement and the News Release can be found in our website or the SGXNet (Please click Commencement of Consent Solicitation and Tender Offer Relating to 8.0% Senior Notes due 2022 issued by Geo Coal International Pte. Ltd.).

Please also refer to the Company's announcement and News Release to the SGX-ST on 5 June 2020 on the Results of the Consent Solicitation and Update on the Tender Offer. A copy of our announcement and News Release can be found in our website or the SGXNet (Please click Results of the Consent Solicitation Relating to Proposed Amendments to the Indenture Governing the 8.0% Senior Notes due 2022 issued by Geo Coal International Pte. Ltd. and News Release).

(i) It is part of our enterprise risk management (**"ERM"**) which we discussed in our 2019 Annual Report. Please refer to our News Release dated 21 May 2020, Pages 4 and 5 on the purpose of this exercise and how it is favourable for all our stakeholders, including the noteholders who have tendered, and to the remaining holders and equity investors at this time when there is so much uncertainty in the market.

(ii) Please refer to our News Release dated 21 May 2020, Page 11 and our News Release dated 5 June 2020, Page 3, on the group's plans given the requisite consents have not been achieved.

Q2. **Would management provide shareholders with better clarity on the following operational matters? Specifically:**

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(i) **Writing-off of coal stockpile (US$3.8 million): As disclosed in the management discussion & analysis section, rainy conditions at the jetty affected the bedding at one of the coal stockpiles during the year, causing some of the coal to be submerged under the water. The increased moisture affected the quality of the coal. A total value of US$3.8 million in inventory of coal was written-off. As a highly experienced operator, can management help shareholders understand how this was allowed to happen? Specifically, was it due to human error or equipment failure? Would the board be carrying out a review of the incident, including the write-off of the US$3.8 million in inventory? Does the group have insurance, and would this be covered under the insurance?**

(ii) **Demurrage expense (US$6.2 million): In addition, the group disclosed that it incurred demurrage expense of US$6.2 million during the year. This was because it had not been able to obtain the necessary documentation in time, thus delaying its shipments. The group had stated that it was due to "some changes in government regulations". Similarly, would management help shareholders understand how this was possible given that the group has years of operating experience? Can management elaborate further on the group's systems and processes that have been put in place to ensure that operations are efficient and fitting for a listed company?**

(iii) **Impairment of trade receivables (US$10.1 million): The group recorded an impairment of US$10.1 million during the year. US$9.67 million of the impairment was related to the outstanding trade and other receivables of US$20,682,261 due from its partners based on the Cooperation Agreement. The allowance for impairment loss of US$9,668,564 was recognised during the year as a result of the decline in the recoverable amounts of the underlying coal mines under the Cooperation Agreement. Did the board review the Cooperation Agreement and approve the terms of the agreement? Was it prudent of the group to enter into a Cooperation Agreement in which the proceeds from the sale of coal from the underlying coal mines would then be used to settle over US$20 million in outstanding trade and other receivables owed to the group? Did the board carry out sufficient due diligence and analyse the impact of coal prices on the recoverable amount?**

Answer : (i) As announced on 28 February 2020 (Please click 4Q2019 Results Announcement and News Release) and reported in the 2019 Annual Report, the bedding of the stockpile was affected because of excessive and unusual monsoon season rainfall during the year, which was neither human nor equipment error. Our coal stockpile occupies a great area and it is not possible to cover it, thus it is susceptible to weather conditions. The company conducts monthly stocktakes during operations and a full shutdown stock take at year end. The stock loss is part of the stock loss throughout the year up to year end although it was higher in 2019 because of the excessive rainfalls, relating to the flood emergency which we announced on 13 June 2019 (Please click TBR Mine affected by Flood) and on 21 June 2019 (Please click Update on TBR mine). The affected tonnage is approximately 225,000 tonnes or 3.1% of our total production of 7.2 million tonnes in 2019. Although the Group has insurance for our operations, this stock loss caused by excessive rainfall cannot be insured unless there is a force majeure event.

(ii) As announced on 14 November 2019 (Please click 3Q2019 Results Announcement and News Release), the Group suffered a demurrage expense arising mainly due to regulatory changes and the transition to a new computerised export system implemented by the Indonesian

Ministry of Trade in 2019. The transition to the new computerised system, which also affected other coal miners in the region, caused the new export permit which we had applied 3 months before expiry to be issued late by 2 weeks. This delay in the issuance of the new export permit affected the loading and shipment of coal to foreign buyers which had been arranged earlier. Management were in close discussions with the Indonesian Ministry of Trade and the Ministry of Energy and Mineral Resources then. It was something beyond the Group's control, and we have provided our feedback to the Indonesian Government. Unfortunately, the demurrage cannot be claimed against the Indonesian Government.

(iii) The Cooperation Agreement is in the Group's ordinary course of business and the Board had reviewed it. As per the auditors' report on page 83 of the 2019 Annual Report, the recoverability of the trade and other receivables under the Cooperation Agreement was one of the key audit matters identified by our auditor, Deloitte. An assessment of the recoverable amount of these balances was performed by preparing a discounted cash flow ("**DCF**") valuation to determine the fair value of the underlying mines of the Cooperation Agreement as at 31 December 2019. A key factor in the DCF valuation and fair value assessment on the recoverability of these receivables was the forecasted coal prices in the period of the Cooperation Agreement. The fall in coal prices in 4Q2019 and 1Q2020 caused by the COVID-19 pandemic was unprecedented and affected many companies and world's economies which caused stoppage of many industries activities and disrupted many supply chains, including the coal industry. As a result, the Group provided an impairment loss of US$9.7 million as at 31 December 2019, in light of the considerable weakening of coal prices which we announced on 26 March 2020 (Please click Impact of COVID-19 on the Group) and 30 March 2020 (Please click Material Variances between unaudited financial statements and audited financial statements). The impairment is not a write-off but a provision.

Q2. As shown in the Corporate Governance report, all four independent directors received fees of between $150,001 and $300,000 in FY2019.

The level and mix of remuneration paid or payable to the Directors and key management personnel for 2019 are set out beside.

Directors (in remuneration bands)	Salary & CPF %	Bonus & CPF %	Director's Fee %	Other Benefits %	Total %
Chief Executive Officer and Executive Director S$1,200,001 to S$1,350,000					
Tung Kum Hon	55	5	–	40	100
Executive Chairman S$750,001 to S$900,000					
Charles Antonny Melati[1]	87	7	–	6	100
Executive Director S$600,001 to S$750,000					
Dhamma Surya	83	7	–	10	100
Executive Director S$450,001 to S$600,000					
Huang She Thong[1]	89	7	–	4	100
Non-Executive and Independent Director S$150,001 to S$300,000					
Soh Chun Bin	–	–	73	27	100
Non-Executive and Independent Director S$150,001 to S$300,000					
Ong Beng Chye	–	–	73	27	100
Non-Executive and Independent Director S$150,001 to S$300,000					
Lu King Seng	–	–	72	28	100
Non-Executive and Independent Director S$150,001 to S$300,000					
Jim Rogers	–	–	79	21	100

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Shareholders had approved fees of $505,000 for the financial year ended 31 December 2019.

(i) Can the board elaborate further how it had determined the fees for the non-executive directors?

(ii) Has the board/remuneration committee benchmarked the non-executive director fees to other comparable listed companies on the SGX?

(iii) Would the board confirm that the "other benefits" refers to the 1.5 million share options granted to each of the independent director on 11 January 2019?

(iv) Since the remuneration committee ("RC") administers the Geo Energy Share Option Scheme and the Geo Energy Performance Share Plan, can the RC clarify if the RC members were involved in the award of share options to themselves? If not, can the RC clarify how it had determined the award of the share options to the RC members?

Answer : (i) Please refer to page 56 of our 2019 Annual Report, Provision 7.2 of the Group's Corporate Governance section on the determination on the non-executive directors' fees. Non-executive Directors receive director fees for their effort and time spent, responsibilities and contributions to the Board, subject to shareholders' approval at annual general meetings. Given the size and operations of the Group, the RC considers the current fees adequately compensate the non-executive Directors, without over-compensating them as to compromise their independence.

As stated, the directors' fees were approved by the shareholders. The 2019 directors' fees were a decrease from 2018. The 2018 directors' fees had not been increased over the past three years since 2016. A summary of the directors' fees approved by the shareholders and paid in the past 5 years is as below:

Year	
2019	S$505,000
2018	S$525,000
2017	S$525,000
2016	S$525,000
2015	S$375,000

Please refer to page 55 of our 2019 Annual Report, Provision 6.4 of the Group's Corporate Governance section on Remuneration consultants. The members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships, and therefore do not currently need the assistance of an external expert. Nonetheless, the RC has access to appropriate external expert advice in the field of executive compensation, if required. The RC's recommendations are submitted to the Board for endorsement. No Director is involved in deciding his own remuneration.

The Board benchmarked and proposed the directors' fees based on market feedback and comparables drawn from similar size and industry listed companies on the SGX-ST, such as GER: Golden Energy & Resources Ltd, as well as taking into account the complexities and responsibilities arising from the Reg S / 144A bond issuance by the Group.

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(ii) Yes, the “other benefits” refers to the share options granted announced on 11 January 2019 (Please click Grant of Share Options Pursuant to the Geo Energy Share Options Scheme) under the Geo Energy Share Option Scheme approved by the shareholders on 29 March 2018 (please click Extraordinary/Special General Meeting) to each of the independent directors, the value of which was calculated using the Black-Scholes option pricing model and reviewed by our auditors, Deloitte.

(iii) Please refer to page 55 of the 2019 Annual Report, Provision 6.4 of the Group’s Corporate Governance section on Remuneration consultants where no director is involved in deciding his own remuneration, including the non-executive directors, and on page 79 of the 2019 Annual Report on the details of the Share Incentive Schemes administered by the RC in accordance with their terms. In addition, Rule 13.1 of the Geo Energy Share Option Scheme provides that no member of the committee administering the Geo Energy Share Option Scheme shall participate in any deliberation or decision in respect of share options granted or to be granted to him.

It is recognised that Non-Executive Directors make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Our Non-Executive Directors are persons from different professional and working backgrounds, including Mr James Beeland Rogers Jr. Mr Jim Rogers, Non-Executive and Independent Director of Geo Energy, was appointed to the Board on 3 December 2012. He is the author of seven books and is a globally renowned financial commentator as well as a successful international investor. He is currently the Chairman of Beeland Interests, Inc and he hold several companies’ directorships. In 1998, he started the Rogers International Commodity Index to track the value of commodities consumed in the global economy, ranging from agricultural to energy and metal products (Please refer to page 42 of our 2019 Annual Report).

The Company regards these persons as a valuable resource pool for their experiences and insights. As it may not always be possible to compensate or remunerate such persons fully or appropriately solely by way of directors’ fees, the share options will provide the Company with further means to give recognition to such persons for their assistance and contributions.