



# Golden Energy & Resources Ltd

## (GER SP/AUE.SI)

### Fastest growing coal producer in Asia

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- **Resources play.** Golden Energy and Resources (GEAR) is a diversified mining and natural resources investment company. Having its roots as one of Indonesia's largest coal miner, the group has since branched out into precious metals over the past four years. GEAR will further diversify into base metals that will be utilised for clean energy uses such as copper, cobalt, zinc and nickel.
- **Still growing.** While other coal miners have plateaued or are reporting only single digit production growth, GEAR is expected to increase production by 30% over the next three years. GEAR, through its 50% owned Ravenswood Gold (Ravenswood) gold mine, is estimated to produce around 200koz of gold per annum by 2022. Its ASX-listed company Stanmore Resources Limited (Stanmore) will ramp up production to 2.4mn tonnes per annum of metallurgical coal in 2H2021.
- We initiate with an **Outperform** recommendation and a DCF-backed **target price of S\$0.64**.

#### Financials & Key Operating Statistics

YE Dec (US\$m)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1115.8	1162.7	1632.0	1540.0	1425.6
PATMI	32.9	34.5	181.0	112.8	61.2
Core PATMI	9.9	8.1	41.6	26.0	14.1
Core EPS (SG cents)	0.4	0.3	1.8	1.1	0.6
Core EPS grth (%)	-75%	-19%	415%	-38%	-46%
Core P/E (x)	49.1	60.4	11.7	18.8	34.7
Gross Margin (%)	32.7	32.4	37.5	33.7	30.9
Net Margin (%)	2.9	3.0	11.1	7.3	4.3
Gearing (%)	28.9	20.1	4.0	Net cash	Net cash
Price / Earnings (x)	49.1	60.4	11.7	18.8	34.7
Price / Book (x)	1.7	1.4	1.2	1.0	0.9
ROA (%)	3.0	2.5	11.3	6.4	3.3
ROE (%)	9.2	9.0	38.1	20.6	10.5

Source: Company Data, KGI Research

Golden Energy and Resources (GEAR) is a leading energy and resources company in the Asia Pacific. Its current businesses include thermal coal mining in Indonesia and metallurgical coal and gold mining in Australia. The group plans to diversify into base metals and minerals that are used largely for clean energy, including copper, cobalt, zinc and nickel.

#### Double digit production growth over the next three years.

We estimate GEAR's Indonesian thermal coal output to increase from 33.5mn tonnes in 2020 to 36mn tonnes in 2021, and surging another 30% to 47mn tonnes by 2024. This is amid favourable coal prices that are providing a windfall for current coal producers. GEAR's Australian operations through 60% effectively owned Stanmore is targeted to produce 2.4mn tonnes of metallurgical coal per year in the second half of calendar year 2021. GEAR's gold production in Australia is targeted to double from 100koz in 2021 to 200koz in 2022. All this points to a bright outlook for GEAR in the next couple of years.

**Long life mine and low operating costs.** GEAR benefits from assets that have long life of mines of between 10 to 15 years,

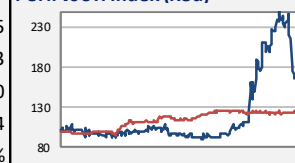
#### Outperform - Initiation

Price as of 24 Aug 21 (SGD)	0.27	<b>Performance (Absolute)</b>	
12M TP (S\$)	0.64	1 Month (%)	-27.0
Previous TP (S\$)	-	3 Month (%)	66.7
Upside (%)	137.0	12 Month (%)	68.8

#### Trading data

Mkt Cap (\$mn)	635
Issued Shares (mn)	2,353
Vol - 3M Daily avg (mn)	4.0
Val - 3M Daily avg (\$mn)	1.4
Free Float (%)	13.1%

#### Perf. vs STI Index (Red)



#### Major Shareholders

PT DIAN SWASTATIKA SENTOSA	86.9%
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#### Previous Recommendations

which is an advantage as it provides visibility and gives long-term clients the confidence to enter into supply contracts with the group. GEAR also has one of the largest reserves in Indonesia of more than 1bn tonnes of thermal coal. With one of the lowest stripping ratios of around 4.0 for large-scale coal operators, GEAR is able to withstand the cyclical impact of volatile coal prices.

**The rise of Asia.** It is consensus view that coal demand will decline in North America and Europe but will rise in Asia. Coal is expected to remain a major part of China's electricity generation beyond 2030, alongside growing capacity for renewables. In 2020, coal still dominated China's energy mix at 59% of market share, and Platts Analytics expects the country's coal-fired power generation to only peak by 2027. Therefore, coal demand in the world's largest coal consuming country will continue to grow from 2021 to until at least 2025.

#### Whether we like it or not, coal powered plants are still growing.

Despite all the negative media coverage over coal use, there are still 354 coal-fired power plants under construction as of July 2021, and more than 600 plants have been announced or pre-permitted. We cannot deny the fact that coal is still the cheapest source of energy supply in the world, and this points to growing demand in Asia over the next decade.

**Valuation & Action:** We initiate with an **Outperform** recommendation and a TP of **S\$0.64**, based on SOTP valuation of its two subsidiaries and one joint venture in Indonesia and Australia.

**Risks:** The direction of coal price is the biggest driving factor of profits. Asian demand represents the largest variable. However, we expect demand to remain resilient among developing Asian countries due to the favourable cost benefits. **See the last page for important disclosures.**

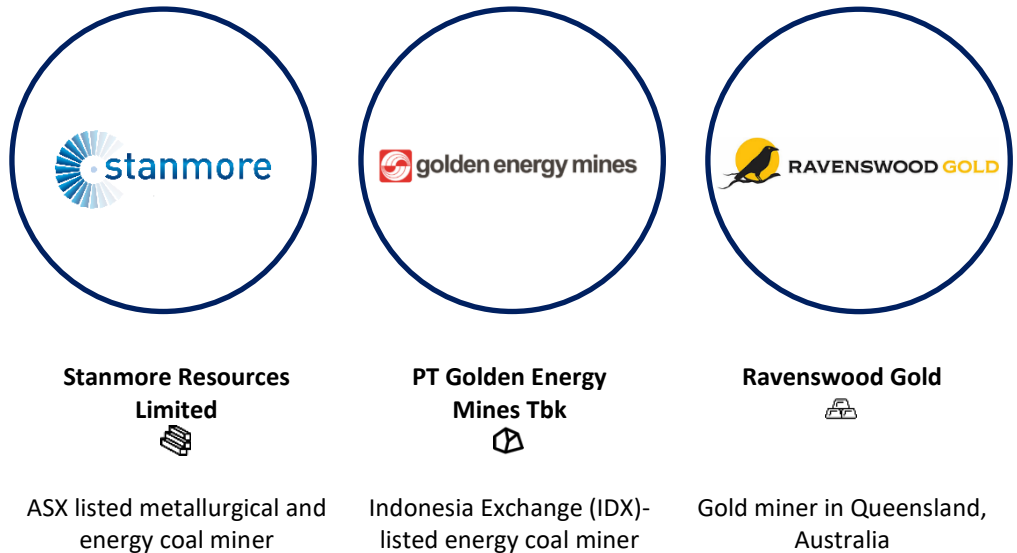
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## Business at a glance

Golden Energy and Resources Limited (GEAR) is a Singapore-listed leading energy and resources company in the Asia Pacific region.

GEAR's businesses include:



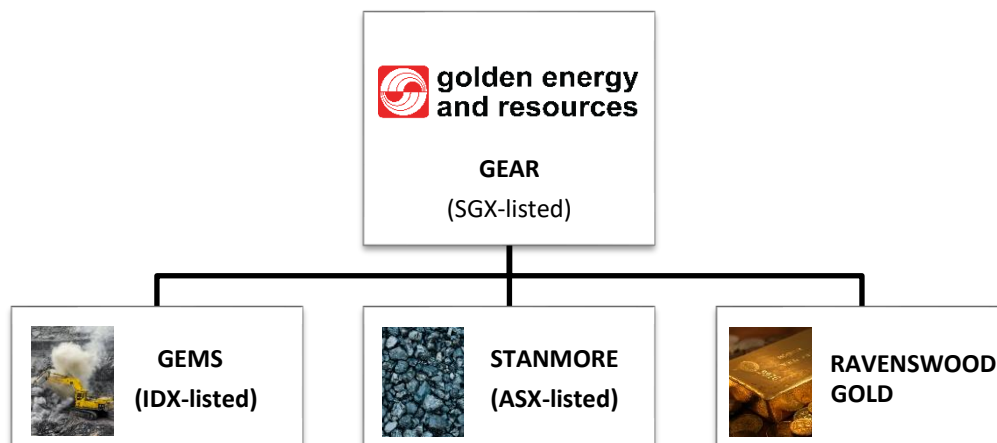
**Mining of metallurgical coal** through its subsidiary **Stanmore Resources Limited (Stanmore)** (75.33%) operating in Australia. GEAR's effective interest in Stanmore is 60% through its approximately 80% shareholding in its subsidiary Golden Investments, which holds 75.33% in Stanmore. Stanmore has coal resources estimates of 1.7 billion tonnes, marketable coal reserves estimates of 130.0 million tonnes and a coal handling preparation plant capacity of up to 3.5 million tonnes per annum.



**Mining of energy coal** through its subsidiary **PT Golden Energy Mines Tbk (GEMS)** (62.5%) operating in Indonesia. GEMS has more than 2.9 billion tonnes of energy coal resources and more than 1 billion tonnes of coal reserves.

**Mining of gold** through **Ravenswood Gold Pty Ltd (Ravenswood)** (50%) operating in Australia. Ravenswood Gold has 3.9 million ounces of gold resources and 2.6 million ounces of gold reserves, and a gold processing facility of up to 5.0 million tonnes per annum.

Figure 1: GEAR's corporate structure



Source: Company, KGI Research



## Investment thesis

### Production growth on track amidst the tailwind of high coal prices

Golden Energy Mines (GEMS) currently owns mining concessions in five coal mines, namely BIB, KIM, BSL, TKS and TKS Ampah, and WRL. As of 2020, total mining areas of the concessions was reported at 66,204 hectares, and total resources and reserves was 2.9bn tonnes and more than 1bn tonnes respectively. The majority of GEMS' coal grade ranges from 2,835 GAR to 6,528 GAR.

Figure 2: All mining concession details as of 2020

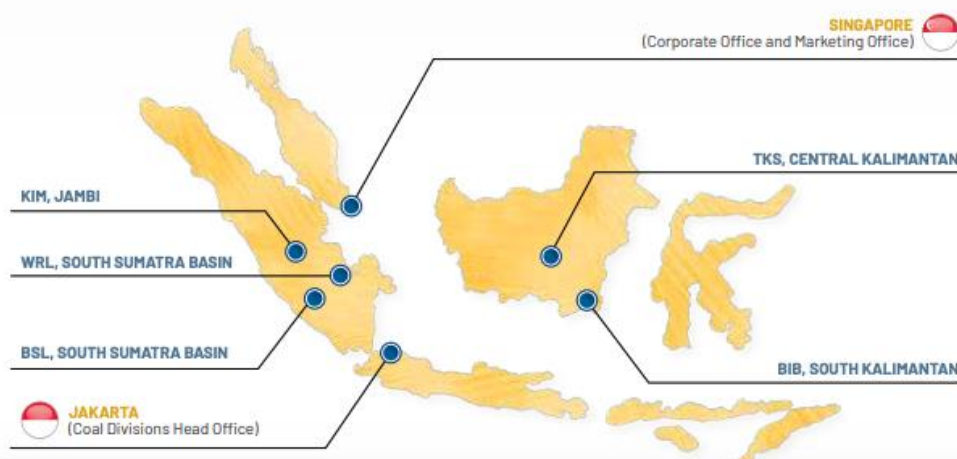
Mining Concession	Resources (mn tonnes)				Reserves (mn tonnes)			CV (GAR)	Concession Type	Concession Expiry	Ownership by GEMS
	Measured	Indicated	Inferred	Total	Proved	Probable	Total				
BIB	935	355	540	1830	589	105	694	3,866-6,528	Ccow	2036	98%
KIM*	110	56	92	258	44	13	57	4,717-4,980	IUP	2029	100%
BSL	221	125	80	427	140	50	190	3,936-4,640	Ccow	2041	100%
TKS	25	26	24	75	NA	NA	NA	5,726	IUP	2028	70%
TKS Ampah*	1.9	3.4	2.3	7.6	0.2	0.4	0.6	6829	IUP	2026	70%
WRL	55	100	161	316	NA	NA	NA	2,835-2,939	IUP	2026	100%

\*KIM mining concession has 2x10 years extensions

\*TKS Ampah's 2P reserves are only for the north pit

Source: Company data, KGI Research

Figure 3: Location of coal mines



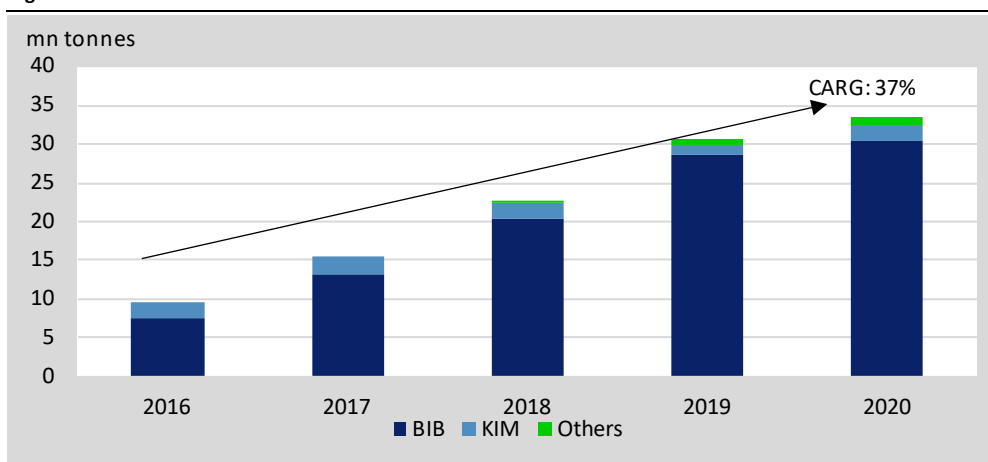
Source: Company data

GEMS's production ramp up is on track. Total output grew from 9.6mn tonnes in 2016 to 33.4mn tonnes in 2020. Moving forward, the potential growth in production is still promising. We expect the overall production will be more than 47mn tonnes by 2023, 49.7% increase from the 2020 level.

BIB mine is the core production and revenue contributor. It is scheduled to have an output target of 34mn tonnes in 2021 and 45mn tonne from 2023 onwards. The ability to ramp up production is well supported by the port facilities. Currently, the infrastructure includes a run of mine stockpile, a primary crushing and screening plant at the mine site, a weighbridge, port stockpile, secondary crushing circuit at the Bunati port. Bunati Port also has a jetty and barge loading conveyor with a 36mn tonnes p.a. capacity. Coal mined from the KG Block is currently hauled by using a recently completed expanded dedicated haul road with a capacity to haul up to 36mn tonnes p.a. of coal from the block area. Moreover, the company has laid out plans to install another crushing and screening system to accommodate additional tonnes from 2023 onwards.

KIM mine is scheduled an output target of 3mn tonnes in 2021 and 5mn tonne from 2025 onwards. WRL mine is scheduled an output target of 3mn tonnes in 2023 and 5.5mn tonne from 2028 onwards.

Figure 4: Production from 2016 to 2020



Source: Company data, KGI Research

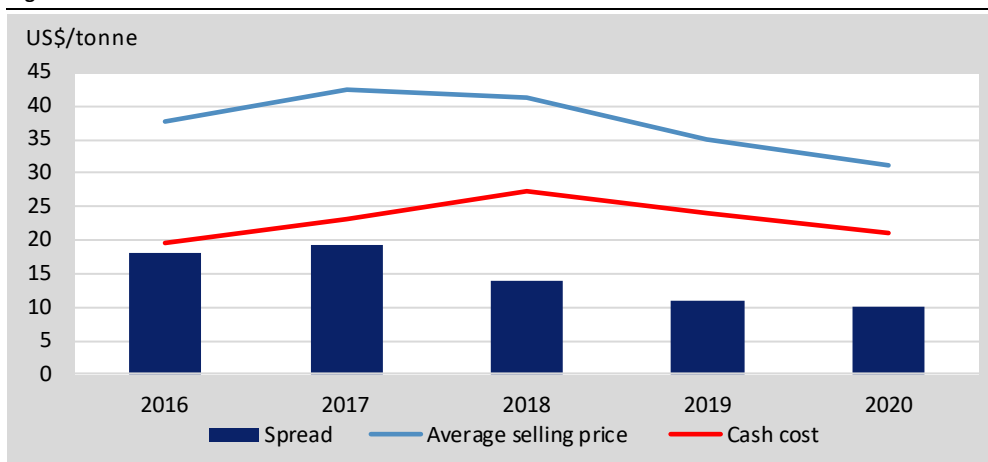
### Low strip ratio resulting in low cash cost

The average life-of-mine strip ratio of all mines under GEMS is 4.2. Based on the company's track record in the last five years, the ramp-up in production has not affected the cash cost substantially. The key reason for the low cash cost is due to:

- 1) Low life-of-mine (LOM) strip ratio.
- 2) Shorter distance from mining pit to the port for the BIB mine. The distance of 25km results in lower logistics cost.
- 3) Lower land compensation cost as ownership of the forestry is owned by a sister company of GEMS.

As average selling price (ASP) moves cyclically and swings with international coal prices, low cash cost enhances the profitability during the upturn of the cycle when coal prices surge, while also buffering the impact during cyclical downturn when ASP decreases. In a long-term perspective, low strip ratio is an advantage for sustainable growth in profit margins.

Figure 5: ASP and cash cost



Includes COGS and selling expenses, excludes royalty and non-cash items such as depreciation and amortization

Source: Company data, KGI Research

## Valuations and peer comparison

We expect GEMS's valuations to be driven primarily by coal prices, production volumes and operating costs.

We initiate Golden Energy and Resources (GEAR) with an **Outperform** recommendation and **S\$0.64 price target**.

### GEAR Valuation

We used the sum-of-the-part method to derive the final valuation of GEAR. The valuations for GEMS and Ravenswood are derived from discounted cash flow models. For Stanmore, we used its current market capitalisation given that it is listed on the Australian exchange. As a conservative measure, we applied a 10% discount to the SOTP valuation.

While GEMS currently accounts for 84.5% of GEAR's total value, we expect this mix to shift in the next few years as the group continues to diversify.

Figure 6: SOTP valuation

Subsidiary	Valuation (S\$)	Ownership by GEAR	GEAR's Stake (S\$)	Valuation Method
<b>GEMS</b>	0.96	62.5%	0.60	DCF, 13.5% WACC
<b>Stanmore</b>	0.08	60.0%	0.05	Market Cap-based
<b>Ravenswood</b>	0.13	50.0%	0.07	DCF, 10.0% WACC
<b>Total</b>			<b>0.71</b>	
SOTP discount			10.0%	
<b>GEAR valuation</b>			<b>0.64</b>	

Source: KGI Research

Figure 7: Coal miners peer table

Bloomberg Code	Stock	Market Cap (US\$m)	1M Return	3M Return	1Y Return	PSR	PER	EV/EBITDA	Gross Margin (%)	Operating Margin (%)	Net Margin (%)
GER SP	GOLDEN ENERGY & RESOURCES LT	468	-27.0%	60.7%	68.8%	0.3	22.5	3.6	32.4	8.2	0.7
Singapore											
GERL SP	GEO ENERGY RESOURCES LTD	237	2.2%	12.2%	113.0%	0.6	3.1	1.8	15.1	40.0	30.9
BHR SP	BLACKGOLD NATURAL RESOURCES	9	-26.7%	-35.3%	-15.4%	1.2	NA	NA	14.3	-29.6	-41.7
Indonesia											
BYAN IJ	BAYAN RESOURCES TBK PT	3430	7.0%	-3.7%	9.0%	2.0	5.7	4.5	33.2	20.4	23.6
ADRO IJ	ADARO ENERGY TBK PT	2797	-3.4%	8.6%	15.1%	1.1	23.2	4.6	22.8	11.8	5.8
PTBA IJ	BUKIT ASAM TBK PT	1663	-6.3%	-1.9%	-1.0%	1.4	11.7	6.9	26.4	14.5	13.8
ITMG IJ	INDO TAMBANGRAYA MEGAH TBK P	1200	-6.1%	17.5%	87.7%	1.0	9.0	2.6	16.8	8.8	3.3
HRUM IJ	HARUM ENERGY TBK PT	918	-15.7%	-0.2%	215.5%	5.0	18.2	22.0	27.4	3.8	37.4
BSSR IJ	BARAMULTI SUKSESARANA TBK P	312	3.0%	-18.9%	10.3%	1.0	10.5	5.4	30.1	12.4	9.2
BUMI IJ	BUMI RESOURCES TBK PT	273	-7.0%	-10.2%	6.0%	0.3	NA	36.3	11.6	3.6	-42.8
Australia											
YAL AU	YANCOAL AUSTRALIA LTD	2024	2.4%	6.0%	5.5%	0.8	NA	NA	NA	-21.9	-29.0
WHC AU	WHITEHAVEN COAL LTD	1665	-0.4%	53.8%	79.1%	1.5	NA	12.7	NA	4.9	1.7
CRN AU	CORONADO GLOBAL RESOURCE-CDI	1200	-0.5%	54.7%	54.3%	0.1	NA	NA	30.6	-10.1	-15.5
NHC AU	NEW HOPE CORP LTD	1221	7.7%	50.9%	57.4%	1.9	NA	NA	29.8	-18.4	-14.5
SMR AU	STANMORE RESOURCES LTD	139	-1.4%	3.6%	1.4%	0.8	NA	6.4	11.4	1.1	-2.7

Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research

## GEMS Valuation

### Forecast and KGI Valuation for GEMS

The three key drivers of GEAR's valuation are the average selling price of coal, production volume and operating cost. Currently, GEAR owns 62.5% of GEMS which owns the concessions of BIB, KIM, and other mines (BSL, TKS, and WRL). The key assumptions are based on the 2020 Qualified Person's Report:

- 14 years life of mine.
- Respective long-term production for BIB, KIM, and other is 42mn, 4mn, and 6mn tonnes.
- Long-term average ASP is US\$36.
- Respective long-term operating cost for BIB, KIM, and other is US\$24.7/tonne, US\$41.1/tonne, and US\$30/tonne.
- Total long-term production weighted average cash cost is estimated to be US\$26.5/tonne. The actual cost ranges from US\$27.5/tonne to US\$28/tonne after adding administrative and overhead costs.
- 1.30 SGD/USD Exchange Rate.
- 13.5% Discount Rate.

Figure 8: GEMS' coal mines valuation

(US\$m)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Production (mn tonnes)															
BIB	34	35	38	40	42	42	42	42	42	42	42	42	42	42	42
KIM	1.5	2.0	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Others	-	-	3	4	4	5	5	6	6	6	6	6	6	6	6
<b>Total</b>	<b>36</b>	<b>37</b>	<b>43</b>	<b>47</b>	<b>50</b>	<b>51</b>	<b>51</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>
<b>Average Selling Price (US\$/t)</b>	<b>48</b>	<b>44</b>	<b>40</b>	<b>39</b>	<b>38</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>
<b>Total Revenue (US\$m)</b>	<b>1,704</b>	<b>1,628</b>	<b>1,720</b>	<b>1,814</b>	<b>1,900</b>	<b>1,826</b>	<b>1,844</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>	<b>1,862</b>
Operating cost (US\$/tonne)															
BIB (US\$25.9/tonne)	881	907	985	1,037	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088
KIM (US\$43.2/tonne)	65	86	86	130	173	173	173	173	173	173	173	173	173	173	173
Others (US\$31.7/tonne)			95	111	127	143	159	175	175	175	175	175	175	175	175
<b>Total</b>	<b>946</b>	<b>993</b>	<b>1,197</b>	<b>1,313</b>	<b>1,429</b>	<b>1,450</b>	<b>1,471</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>	<b>1,492</b>
EBITDA	758	635	523	500	471	375	373	370	370	370	370	370	370	370	370
Dep & Amt	38	40	43	47	48	48	48	48	48	48	48	48	48	48	48
EBIT	720	595	480	453	423	327	325	322	322	322	322	322	322	322	322
EBIT (1-22% tax)	562	464	374	354	330	255	253	251	251	251	251	251	251	251	251
Capex	20	25	24	24	15	15	15	15	15	15	15	15	15	15	15
Working capital	16	18	19	20	20	20	20	20	20	20	20	20	20	20	20
FCF	526	421	331	310	295	220	218	216	216	216	216	216	216	216	216
<b>PV (FCF)</b>	<b>526</b>	<b>371</b>	<b>257</b>	<b>212</b>	<b>178</b>	<b>117</b>	<b>102</b>	<b>89</b>	<b>78</b>	<b>69</b>	<b>61</b>	<b>54</b>	<b>47</b>	<b>42</b>	<b>37</b>
PV (FCF)*	1712.4														
Plus Net Borrowing (US\$m)	17.6														
FCF to equity (US\$m)	1730.0														
FCF to equity (S\$m)	2249.0														
WACC	13.5%														
<b>Equity/share (S\$)</b>	<b>0.96</b>														
<b>GEAR share - 62.5%, (S\$)</b>	<b>0.60</b>														

\*PV (FCF) only accounts from 2022 onwards

Source: KGI Research



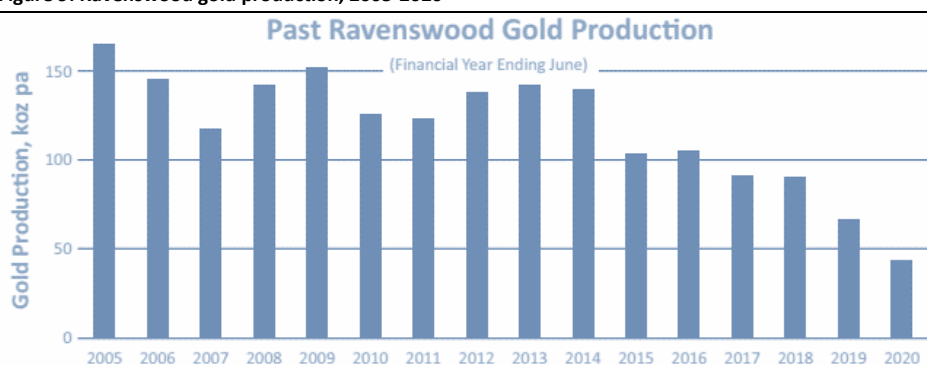
## Ravenswood Valuation

### Valuation by Independent Qualified Persons Report

**Total investment by GEAR.** GEAR invested a total of A\$130mn for a 50% stake in the Ravenswood gold project. The Ravenswood acquisition is GEAR's second investment in a gold miner. From 2017 to 2020, GEAR held a minority stake in Australian-listed Westgold Resources Limited, which it has since divested for a profit. The investment in Ravenswood is in line with the group's strategy to extend its core business within the natural resource sector include precious metal, base metals and minerals. Precious metals include gold and silver, and base metals and minerals include, among others, copper, cobalt, zinc, nickel, and ferroalloys.

**Overview of Ravenswood Gold mine.** The Ravenswood gold mine is located in Queensland, Australia, approximately 130 kilometres south of Townsville. The current processing facilities handle approximately 5Mtpa of gold ore to produce around 60,000 to 70,000oz of gold per year. In 2019, it produced around 54,000 ounces of gold and less than 50,000 ounces in 2020.

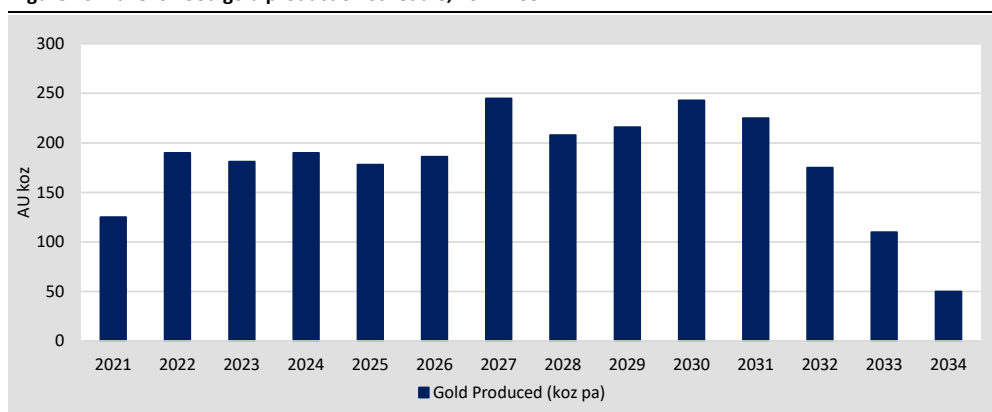
Figure 9: Ravenswood gold production, 2005-2020



Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research

**Production target from 2022 to 2034.** The Development Plan aims to increase both production capacity and processing power and is designed to increase throughput rate while maintaining or improving gold recovery. It is planned that, post completion and commissioning of the expansion of the ore processing facilities, Ravenswood gold mine will have an annual nameplate capacity of around 7.2Mtpa and will produce approximately 200,000oz of gold per annum over a targeted 14-year mine life, supported by current stockpiles of gold ore.

Figure 10: Ravenswood gold production schedule, 2021-2034



Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research



**Ravenswood gold reserves.** The Ravenswood gold mine has a total gold resource of 3.74mn ounces and a total gold reserve of 2.60 mn ounces, as at 30 September 2020.

Figure 11: Ravenswood gold reserves

Classification	Million Tonnes	Grade (Au g/t)	AU koz
<b>Proved</b>	34	0.7	700
<b>Probable</b>	81	0.7	1,900
<b>Total Ore</b>	<b>115</b>	<b>0.7</b>	<b>2,600</b>

Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research

**Valuation based on Behre Dolbear Australia.** Based on the Independent Valuation Report, Behre Dolbear Australia Pty Limited is of the opinion that as at 1 October 2020, the project value of the Ravenswood gold mine is in the range of A\$419 million to A\$720 million, with a preferred value of A\$527 million.

A weighted approach was applied to the valuation of each valuation method. 60% weighting was applied to the Net Present Value (NPV) methodology, 20% to reserves and 20% to resources. In terms of exploration assets, 20% is applied to exploration potential and 40% to comparable transactions and 40% to resources

Figure 12: Ravenswood valuation based on the Independent Qualified Persons Report

Methodology	Valuation (A\$mn)			Weighting
	Low	Most Likely	High	
Ravenswood Project				
Net Present Value (8% discount rate)	425	531	637	60%
Comparable Transaction \$/Resource Oz	306	379	598	20%
Comparable Transaction \$/Reserve Oz	459	599	1017	20%
<b>Average (A)</b>	<b>408</b>	<b>514</b>	<b>705</b>	<b>100%</b>
Exploration assets				
Exploration Expenditure x PEM	5	6	7	20%
Comparable Transaction – A\$/km2	9	11	12	40%
Resource Ounces	15	19	23	40%
<b>Average (B)</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>100%</b>
<b>Total Value (A+B)</b>	<b>419</b>	<b>527</b>	<b>720</b>	

Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research

## Forecast and KGI valuation for Ravenswood

We derive a DCF-backed fair value of US\$472mn (A\$638mn) or US\$0.10/share for Ravenswood. Our fair value is a 21% premium to the A\$527mn value derived from the IQPR (dated November 2020).

The key assumptions we used in our DCF is provided below:

- 14 years life of mine (LOF)
- 2.5mn ounces of gold produced
- Initial capex of US\$500mn (2021-2022)
- US\$1,500/oz gold price
- All-in Sustaining Cost (AISC) of US\$859/oz
- 0.74 AUD/USD Exchange Rate
- 10% Discount Rate

**Figure 13: Ravenswood valuation based on KGI Assumptions and Estimates**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-34	Total
Ore Mined (Mt)	4.6	7.2	8.2	8.3	8.2	10.3	14.6	13.8	15.4	15.0	15.7	121.3
Waste Mined ( Mt)	13.6	32.3	30.5	29.9	29.7	21.1	11.4	12.7	11.4	7.1	2.6	202.3
Total Rehandle (Mt)	3.7	5.9	7.1	2.6	4.6	4.9	4.1	4.1	4.1	4.8	30.2	76.1
Total Mined/Handled (Mt)	22.0	45.4	45.8	40.8	42.5	36.3	30.1	30.5	30.9	26.9	48.5	399.7
Ore Crushed (Mt)	6.0	7.2	7.2	7.6	10.7	11.8	11.3	11.3	11.3	11.3	40.7	136.4
Ore Milled (Mt)	5.0	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	25.0	94.8
<b>Payable Au (koz), A</b>	<b>100.0</b>	<b>190.0</b>	<b>181.0</b>	<b>190.0</b>	<b>178.0</b>	<b>186.0</b>	<b>245.0</b>	<b>208.0</b>	<b>216.0</b>	<b>243.0</b>	<b>572.0</b>	<b>2,509.0</b>
<b>Costs (A\$m)</b>												
Mining (A\$m)	76.1	110.1	115.9	114.7	107.3	98.4	82.0	86.5	86.4	78.6	134.9	1,090.9
Crushing/Milling (A\$m)	95.2	103.4	97.4	94.8	99.0	100.8	99.8	99.7	99.7	99.8	346.2	1,335.8
G&A and Others (A\$m)	21.3	20.0	198.0	19.8	19.7	19.6	19.5	19.5	19.6	19.4	65.8	442.2
Royalty (A\$m)	15.5	21.6	19.2	18.6	17.1	17.8	23.5	19.9	20.7	23.3	54.9	252.1
<b>Total Costs (A\$m)</b>	<b>208.1</b>	<b>255.0</b>	<b>252.3</b>	<b>247.9</b>	<b>2,431.0</b>	<b>236.7</b>	<b>224.9</b>	<b>225.7</b>	<b>226.5</b>	<b>221.1</b>	<b>601.8</b>	<b>2,943.0</b>
<b>Unit Costs (A\$/t milled)</b>												
Mining/t Ore (A\$/t milled)	15.2	153.3	16.1	15.9	14.9	13.7	11.4	12.0	12.0	10.9	5.4	11.5
Processing (A\$/t milled)	19.2	14.4	13.5	13.2	13.7	14.0	13.9	13.9	13.9	13.9	13.8	14.1
G&A and Others (A\$/t milled)	4.3	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.8
Royalty (A\$/t milled)	3.1	3.0	2.7	2.6	2.4	2.5	3.3	2.8	2.9	3.2	2.2	2.7
<b>Total Costs (A\$/t milled)</b>	<b>41.9</b>	<b>35.4</b>	<b>35.0</b>	<b>34.4</b>	<b>33.8</b>	<b>32.9</b>	<b>31.2</b>	<b>31.4</b>	<b>31.5</b>	<b>30.7</b>	<b>24.0</b>	<b>31.1</b>
<b>Cash Costs (A\$/oz AU)</b>	<b>1,659</b>	<b>1,344</b>	<b>1,396</b>	<b>1,306</b>	<b>1,363</b>	<b>1,272</b>	<b>915</b>	<b>1,085</b>	<b>1,047</b>	<b>909</b>	<b>1,052</b>	<b>1,161</b>
<b>Assumptions</b>												
Exchange Rate (AUD/USD)	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Gold Price (US\$/oz AU)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Cash Costs (US\$/oz AU)	1,228	995	1,033	966	1,009	941	677	803	775	673	778	859
Revenue (US\$mn)	150	285	272	285	267	279	368	312	324	365	858	
Operating Cash Cost (US\$mn)	123	189	187	184	180	175	166	167	167	163	445	
Capex (US\$mn)	195	195	—	—	—	—	—	—	—	—	—	
Cash Profit (US\$mn)	(167)	(99)	85	101	87	104	202	145	157	201	413	
Discount Rate	10.0%											
NPV (US\$mn)	472											
NPV (A\$mn)	638											
GEAR Share	50.0%											
GEAR Shares Outstanding (mn)	2,353											
NPV/Share (US\$), GEAR	0.10											

Source: Independent Qualified Persons Technical and Valuation Report (November 2020), KGI Research

## Macro and Industry Outlook

### Coal market overview

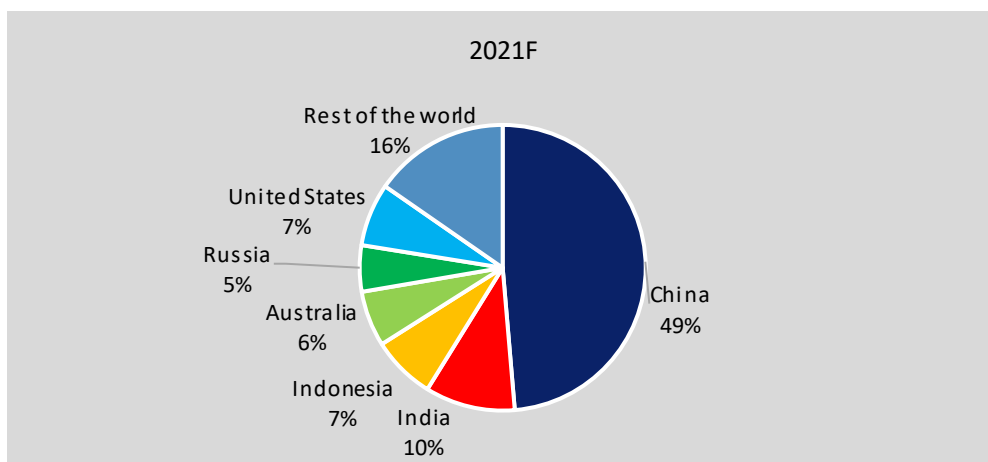
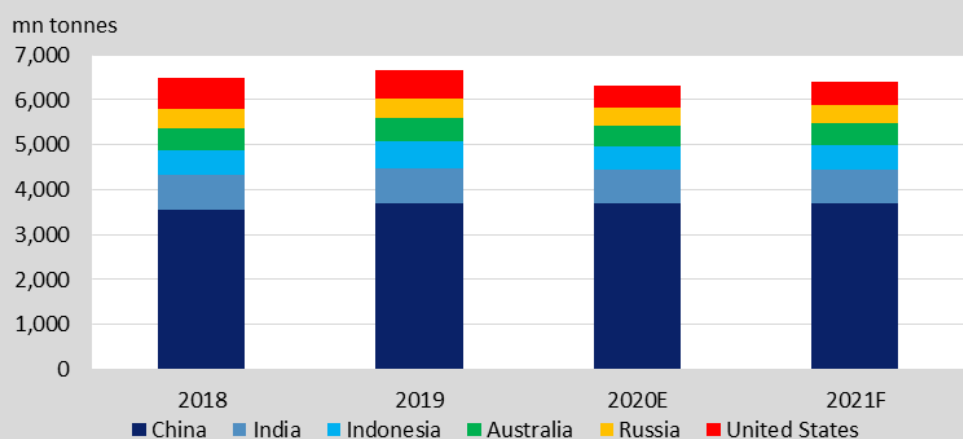


The Covid-19 pandemic has unexpectedly created a bull run for commodities. Some are considering it the start of a commodity super cycle while others think the inflated prices are transitory. The wide range of views on the future of commodities is mainly attributed to the ongoing debate of whether the supply and demand dynamics will gradually balance or stay disrupted. In addition to the supply and demand dynamics, monetary liquidity also plays an important role in the commodities market given that monetary supply can be created indefinitely; while commodities, especially hard commodities, cannot be artificially produced.

China is the largest driver of coal prices as it is both the world's largest coal producer and consumer.

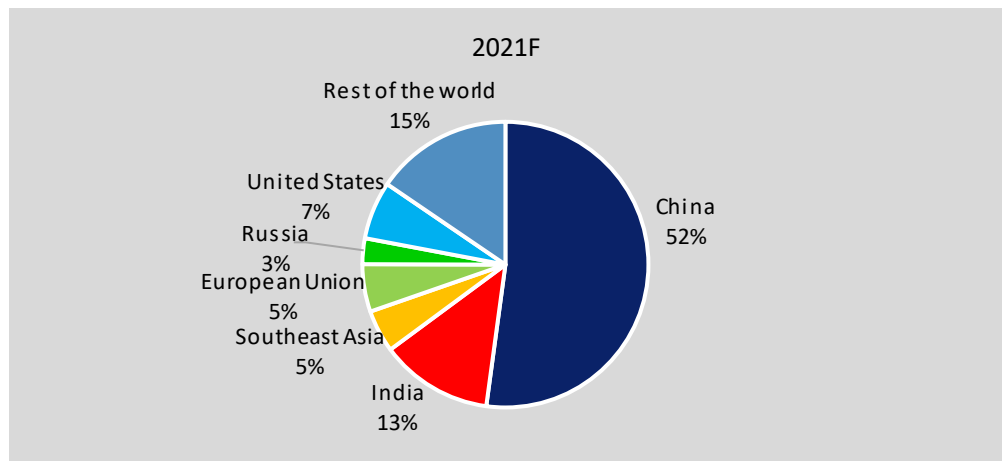
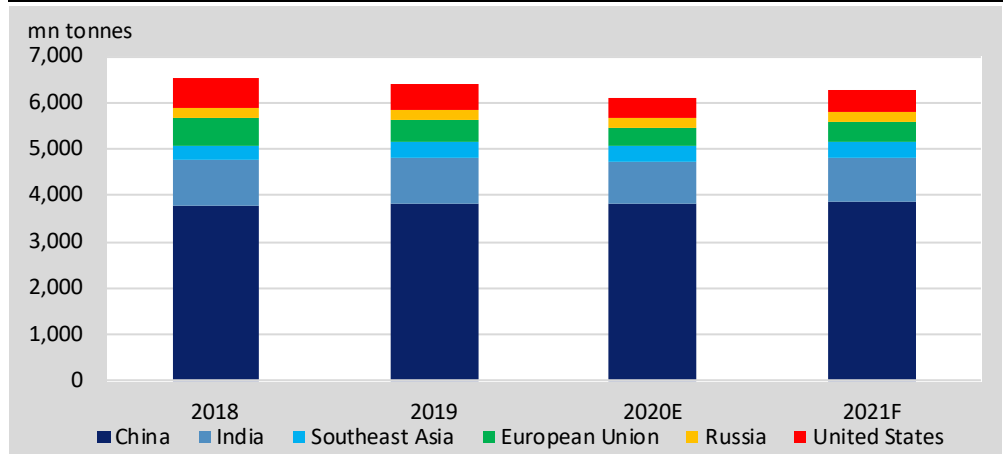
China plays a dominant role in the global coal market as the country is both the world's largest coal producer and consumer. According to the International Energy Agency (IEA) Coal 2020 report, global coal output is expected to mildly increase by 1.8% YoY to 7.6bn tonnes in 2021. China's estimated production in 2021 is 3.7bn tonnes, equivalent to the level in 2020, and accounting for 49% of the global output. In terms of coal consumption, IEA forecasts China's demand for coal will increase mildly by 1.6% YoY to 3.9bn tonnes, accounting for 52% of the global overall consumption in 2021. Basically, China's coal supply and demand dynamics affects the direction of coal prices. Hence, China is the decisive factor in the coal cycle.

Figure 14: Top global coal producers and breakdown



Source: IEA, KGI Research

Figure 15: Top global coal consumers and breakdown



Source: IEA, KGI Research

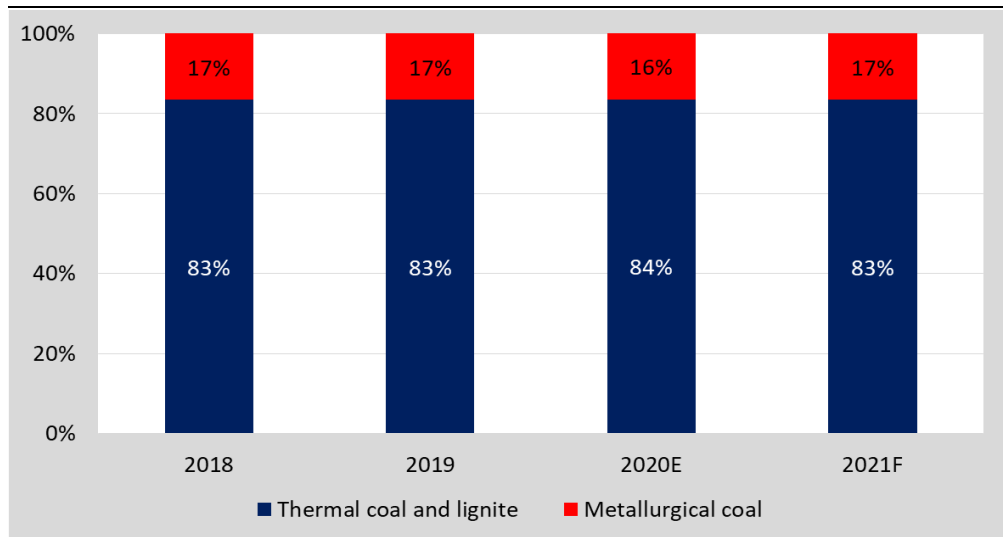
### China's coal cycle from 2016 to 2021

The current and previous coal cycles were all led by China. Over the past five years, coal had gone through two big cycles: The first cycle was from January 2016 to March 2020, and the second cycle was from March 2020 to the present. In the former cycle, there were some small cycles lasting for 6 to 12 months. To understand the drivers behind the uptrend and downtrend of coal prices, we must know the supply and demand structure of coal in China. We provide the three key structures in the following page.

Majority of coal is used for heat and electricity generation.

1. **Majority of coal is used for heat and electricity generation.** On average, 84% of the coal (thermal coal) is for heat and power generation, and 16% of the coal (metallurgical coal) is for metallurgy.

Figure 16: Coal consumption type breakdown in China

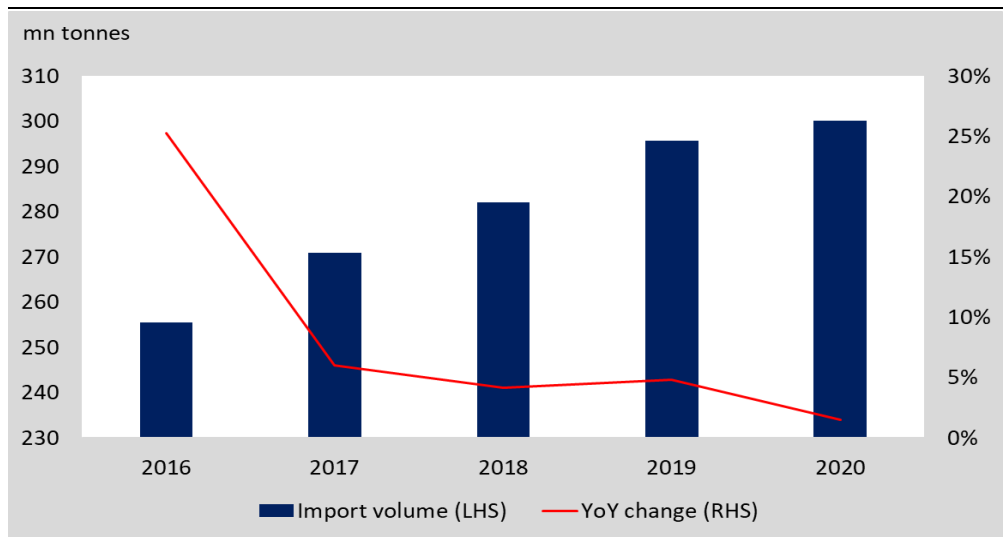


Source: IEA, KGI Research

China is reliant on coal imports.

2. **China is reliant on coal imports.** When we look at China's domestic production and consumption of coal, the country is not self-sufficient. The supply gap between supply and demand of coal ranges from 200mn to 300mn tonnes per annum in China. Around 71%-75% of the supply gap is thermal coal, and the rest is from metallurgical coal.

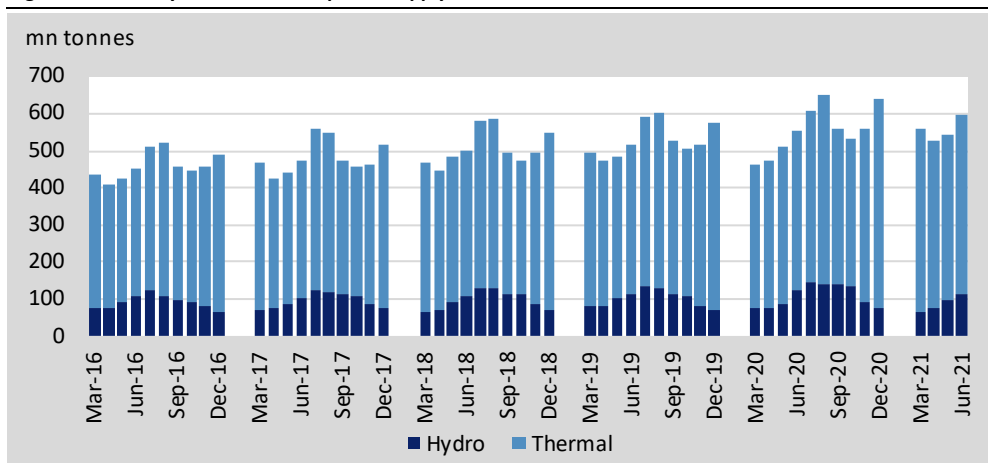
Figure 17: China coal import growth slows down



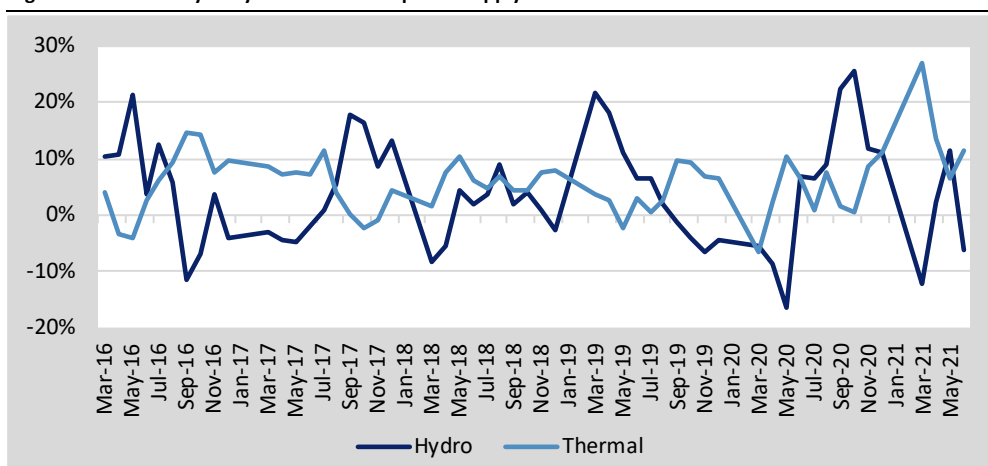
Source: National Bureau of Statistics of China, KGI Research

There is a strong seasonality trend for thermal coal demand in China.

3. **The demand for thermal coal displays a strong seasonality in China.** Thermal and hydro power together accounts for nearly 90% of the total electricity supply. There are two peak seasons for electricity consumption: summer (July to September) and winter (November to January). Hydro power plants generally operate with higher capacity utilization rates during summer while operation slows down or even halts during winter as the watercourses are frozen. Therefore, this dynamic reinforces the seasonality of thermal power, which translate into the same pattern for the demand for thermal coal. However, the seasonal demand for thermal coal ramps up one to two months earlier as power plants need to stock up on feedstock in preparation for the peak seasons.

**Figure 18: China hydro and thermal power supply breakdown**


Source: National Bureau of Statistics of China, KGI Research

**Figure 19: Seasonality of hydro and thermal power supply in China**


Source: National Bureau of Statistics of China, KGI Research

## Coal price performance

Coal prices swing extremely during cycles. Qinhuaingdao 5,500 GAR coal price doubled within one year in 2016, from around RMB350/tonne at the beginning of the year to more than RMB700/tonne in the fourth quarter. During 2017 and 2018, prices fluctuated between RMB550/tonne and RMB750/tonne.

In the current cycle starting upon the COVID-19 outbreak, coal price movements were parabolic, from the lows of RMB460/tonne in 1Q20 to the highs of RMB1,010/tonne in 1Q21. The YTD fluctuation range has increased to RMB400/tonne, doubling the previous range during 2017 and 2018. The extremely volatile price performance was mainly due to both sector-driven factors and monetary policies which further distorted the balance between supply and demand.

**Figure 20: Qinhuangdao 5,500 GAR coal price**


Source: Bloomberg, KGI Research

### Impact from China's sector policy

China initiated the supply-side structural reform in 4Q15, including cutting excess industrial capacity, destocking property inventory, corporate deleveraging, lowering corporate costs and improving weak links. The 13<sup>th</sup>-Five-Year plan for the coal industry detailed the guidelines for the sector to trim capacity.

Subsequently, coal prices bottomed out and embarked on the bull run throughout 2016. High coal prices suppressed power plants profit margins, and even turned some power generation into loss-making. Accordingly, the Chinese government issued the guidelines for the development of the cooperation between the coal and power industries in 2017, encouraging coal miners and power plants to make mid-to-long term coal supply agreements. However, the authorities did not relax the environmental protection regulations, especially for the coal sector.

The state council published the three-year plan of action for winning the war to protect blue skies in 2018. The clamp-down was shifted to small boilers then. Regulations of coal miners and controls of coal prices were the main reasons for the wild swings in coal prices over the past five years.

**2021 is the start of the 14<sup>th</sup>-Five-Year plan.** The current market situation is more complicated than what it was five years ago. Firstly, the COVID-19 pandemic is still causing problems across the world, with domestic and regional lockdowns disrupting supply chains. Secondly, the tension between China and the western world continues to escalate. Geopolitical risks affect the commodities market directly and indirectly. China has banned coal imports from Australia since mid-2020. Thirdly, carbon neutrality has become one of the main themes in addition to ESG investments. China aims to have CO<sub>2</sub> emissions peak before 2030 and achieve carbon neutrality before 2060. Coal miners and power entities will gradually participate in the carbon trading mechanism which will be another factor affecting their profitability.

Targets for coal industry in the 14<sup>th</sup>-Five-Year Plan (draft):

1. Total coal production and consumption to be capped at 4.1bn tonnes and 4.2bn tonnes respectively
2. Coal mines to decline from 4,700 in 2020 to 4,000 in 2025
3. Build 65 open pit mines with a total annual production of 1bn tonnes
4. Further consolidate the industry



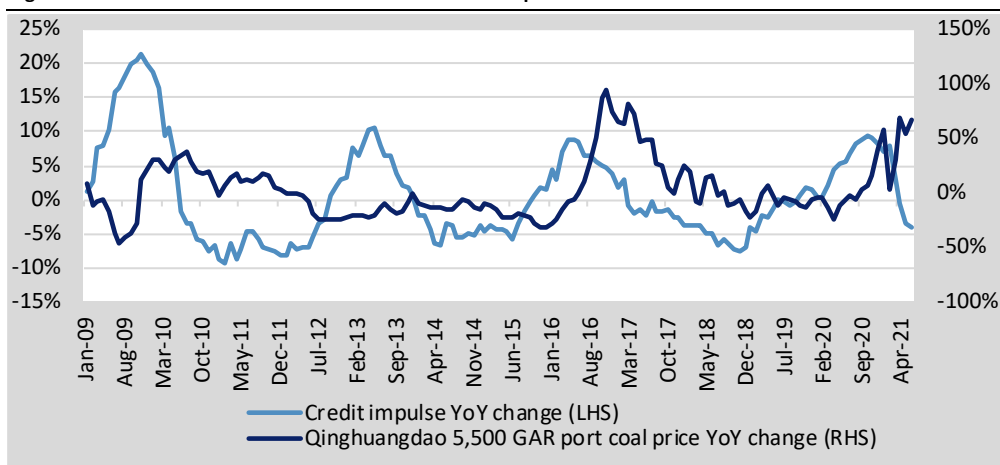
## Impact from China's monetary policy

In recent years, China has developed multiple tools to adjust and control the macro economy. However, what matters to the commodities market is mainly driven by monetary liquidity. Once liquidity is flooded into the economic system, it will eventually spill over to the commodities market, which is more reflective of the real economy.

Credit impulse is one of the proxies to measure the credit conditions. After reviewing the comparison between China's credit impulse and coal price performance from post-GFC to the current period, we find that when China relaxed credit injection, coal prices would recover from the lows or accelerate on an uptrend.

The credit impulse started to turn negative in April when the authorities raised inflation concerns. This was driven as China shifted its focus on improving the quality of economic growth instead of absolute growth of the economy. Therefore, we are of the view that the slowdown in economic growth in 2H2021 is likely to cool down the current surge in commodity prices, especially for coal whose prices have reached record highs in recent months.

Figure 21: Correlation between credit conditions and coal price movements



Source: Bloomberg, KGI Research

## Indonesia coal market

Indonesia is one of the major coal producers and exporters. Indonesia's coal mainly consists of medium grade (between 5,100 and 6,100 cal/g) and low grade (below 5,100 cal/g). Hence, its coal is mainly used in power generation. As of December 2020, total coal resources and reserves were reported at 143.7bn tonnes and 38.8bn tonnes respectively. East Kalimantan and South Sumatra are the two top provinces with the most abundant coal reserves, accounting for 41.4% and 24.5% of total reserves.

**Figure 22: Indonesia coal resources and reserves as of 2020 (mn tonnes)**

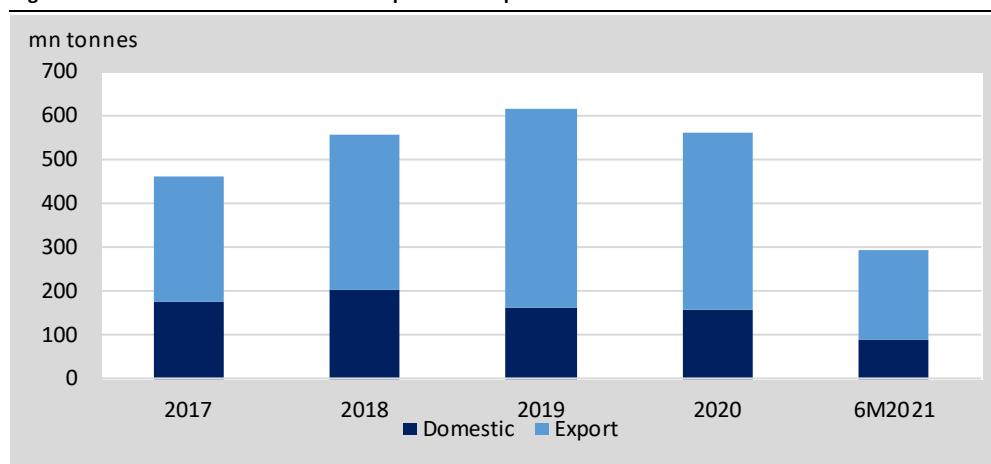
Resources					Hypothetic	Reserves	Verified Reserves
Hypothetic	Inferred	Indicated	Measured	Total			
4,321	42,822	44,981	51,607	143,731	92,078	38,805	25,827

Source: Ministry of Energy and Mineral Resources, KGI Research

Indonesia's total coal output is mainly for exports. Coal exports accounted for around 70% of the production on a 5-year average. Each year, the Indonesian energy ministry will announce a production and domestic supply target. In April, the authorities raised the 2021 production target by 75mn tonnes from 550mn tonnes set in 2020 to current 625mn tonnes. Due to the strong external demand, the additional 75mn tonnes are for exports only. Accordingly, the export and domestic market obligation targets are at a respective 478.5mn tonnes and 137.5mn tonnes for 2021.

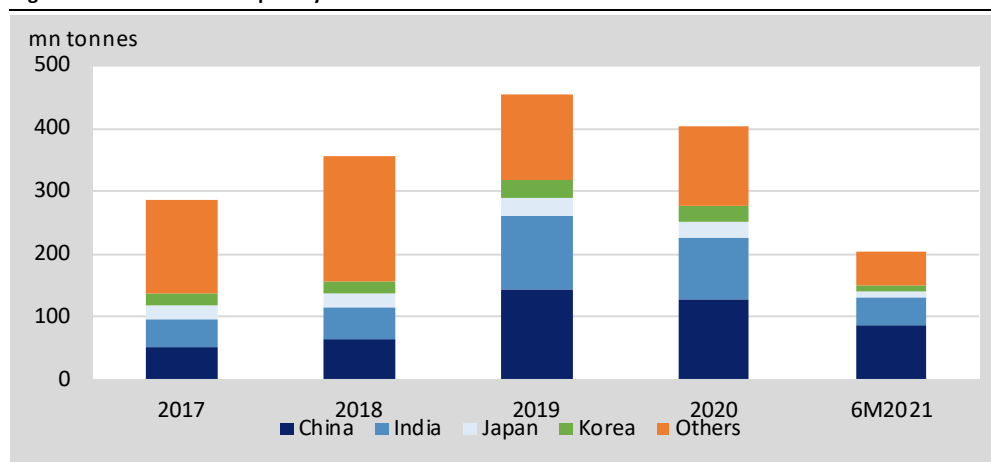
In 1H21, total coal output was at 293mn tonnes, and of which 69% were for exports. China and India are the two largest buyer of Indonesia coal. In 1H21, they accounted for 43% and 21% of the total coal exports respectively.

**Figure 23: Indonesia coal domestic consumption and export**



Source: Ministry of Energy and Mineral Resources, KGI Research

**Figure 24: Indonesia coal export by destination**



Source: Ministry of Energy and Mineral Resources, KGI Research

## Peer comparison

### Coal miners

**Singapore listed.** Geo Energy (GERL) is the closest SGX-listed comparable company to GEAR. GERL, listed on the SGX since 2012, operates four coal mining concession in Indonesia. GERL's sales are around 2.5-3.0mn tonnes of coal per quarter, or around 10-12mn tonnes per annum. In 1Q2021, GERL's coal exports to China contributed 61% of total revenue, while 24% was generated from Indonesia. The remaining sales mainly comes from South Korea.

**Australia listed.** Australia is the world's largest exporter of metallurgical coal and the second largest exporter of thermal coal in 2019-2020. The country has the third largest reserves of coal in the world. GEAR's subsidiary, 75%-owned Stanmore Coal, is focused solely on metallurgical coal mining. Its peers in this space are the larger and diversified operators such as Anglo American, BHP, Peabody, South32 and Coronado.

Looking at thermal coal producers, its Australian-based peers include coal pure-play companies like Whitehaven Coal and Yancoal.

1. Whitehaven Coal is Australia's dominant player in high-quality coal. The company operates four mines (3 open-cut and one large underground mine) in New South Wales.

2. Yancoal (YAL) owns and operates 11 coal mines across New South Wales, Queensland and Western Australia. In 2020, Yancoal produced 38mn tonnes of saleable coal for export to the international markets. Yancoal is listed on both the ASX and HKEX, and is majority-owned by Yanzhou Coal Mining Company Limited (Yanzhou).

**Figure 25: Metallurgical coal miners in Australia**

			Earnings (US\$mn)		
Bloomberg Code	Company	Market Cap (US\$mn)	2019	2020	1H 2021
Coking Coal Producers					
AAL LN	Anglo American	49,591	1,707	50	–
BTU US	Peabody	1,368	17	(23)	–
BHP AU	BHP	155,575	3,190	1,251	(270)
S32 AU	South32 (YE June)	9,209	359	52	(103)
SMR AU	Stanmore (YE June)	137	69	26	(12)
CRN AU	Coronado	1,123	422	(9)	–

Source: Bloomberg, KGI Research

## Australian Gold miners

Australia was the third-largest gold producing country in the world in 2020, after China and the Russian Federation. The three largest Australian gold miners based oWAN production volume and market cap are Newcrest Mining, Northern Star Resources and Evolution Mining.

There are more than a dozen junior and intermediate gold producers listed in Australia, and we count four of comparable production volumes as Ravenswood for 2022. These companies are Silver Lake Resources, Remelius Resources, Westgold Resources and Gold Road Resources. Their production volumes are provided in the table below.

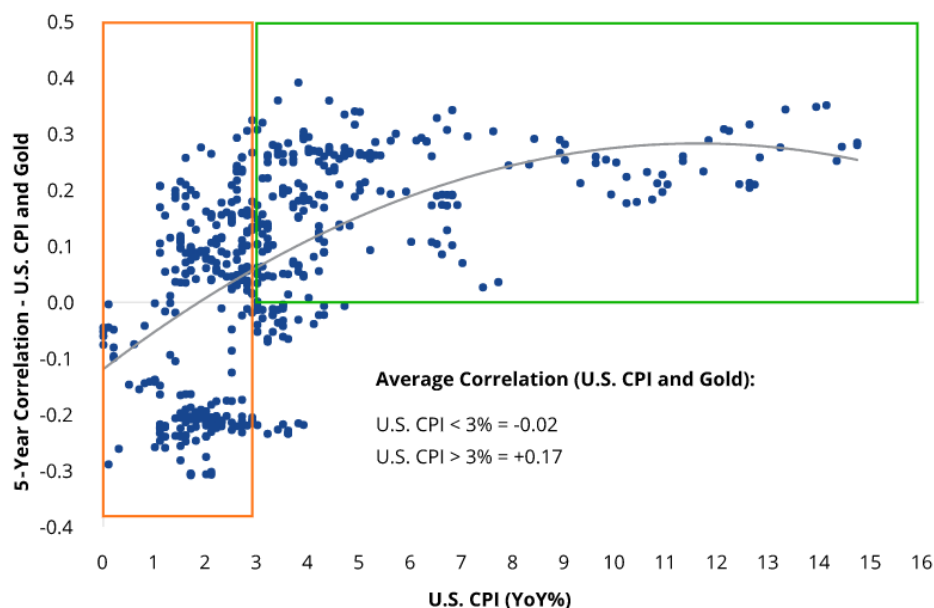
Figure 26: Australian gold miners and production profile

Bloomberg Code	Company	Market Cap (US\$m)	Attributable Production (koz)		
			2021	2022	2023
Senior Producers					
NCM AU	Newcrest Mining Limited	14,366			
EVN AU	Evolution Mining Limited	5,110	660	773	798
NST AU	Northern Star Resources	7,734	1221	1608	1764
Intermediate and Junior Producers					
PRU AU	Perseus Mining Limited	1,262	329	498	469
RSG AU	Resolute Mining Limited	350	315	370	357
OGC AU	OceanaGold Corporation	1,179	360	454	543
RRL AU	Regis Resources Limited	1,288	373	496	524
SBM AU	St. Barbara Limited	776	328	306	313
SLR AU	Silver Lake Resources	820	249	243	272
RMS AU	Ramelius Resources Limited	866	272	287	260
WGX AU	Westgold Resources Limited	500	245	274	288
GOR AU	Gold Road Resources	752	132	164	186
DCN AU	Dracian Gold Limited	153	107	109	123
RED AU	Red 5 Limited	294	76	78	192
GCY AU	Gascoyne Resources Limited	57	77	75	90

Source: Company reports, Canaccord Genuity estimates

Gold reacts to inflation when it becomes excessive and/or out of control. The chart shows that below an annual CPI change of 3%, there is no correlation between gold and the CPI. The correlation turns mostly positive above 3%, and above 4%, a more linear trend is established.

Figure 27: Gold is highly correlated with US inflation above 3.0%



Source: VanEck, Scotiabank

## Company Background



**Golden Energy & Resources Limited (GEAR)** is a Singapore-listed international energy and resources company with geographical presence in Indonesia, Australia and Singapore.

GEAR principally engages in the exploration, mining, and marketing of metallurgical coal in Australia through its subsidiary Stanmore, and energy coal in Indonesia through its subsidiary GEMS. The Group has also extended its product suite to include gold via its 50-50 joint venture with EMR Capital in Ravenswood Gold and has various investments in renewable energy projects in Asia.

GEAR's operations cover exploration, development, mining, processing and marketing of (i) energy coal sourced from coal mining concession areas and tenements of GEMS in Indonesia and through coal trading, (ii) metallurgical coal sourced from our coal mining concession areas and tenements of Stanmore in Australia, and (iii) non-coal businesses, including gold sourced from goldmining tenements of Ravenswood in Australia. The company's resources portfolio also includes a forestry business.



## A look into GEAR's Operations

### Energy Coal

The company's mining operations have historically been focused on energy coal through the mining operations of GEMS, a public company listed on the Indonesian Stock Exchange (IDX).

As of March 30, 2021, GEAR owns 62.5% of GEMS. GEMS has five coal mining concession areas in South and Central Kalimantan, Jambi (a province in Sumatra) and the South Sumatra Basin, Indonesia.

The GEMS Group obtained its first coal concession in 2006 and commenced production in 2007. The GEMS Group has a total of five concession areas with an estimated 1,029.0 million tonnes of proved and probable coal reserves and 2,912.3 million tonnes of estimated coal resources, including coal reserves, as of December 31, 2020, according to the Salva JORC Reports. In 2017, 2018, 2019 and 2020, the GEMS Group produced 15.6 million tonnes, 22.6 million tonnes, 30.8 million tonnes and 33.5 million tonnes of coal, respectively.

In 2020, coal produced in the BIB concession area accounted for 91.1% of GEMS' overall production volume, with the remainder of production volume from the KIM and BSL concession areas. These mining concession areas generally hold sub-bituminous and bituminous energy coal. Revenue from the energy coal segment accounted for 91.5% of the company's revenue in 2020.

The company engages in coal trading in Indonesia through their direct and indirect subsidiaries, GEMS, GEMS Trading, GEAR Trading and PT Roundhill Capital Indonesia, allowing the company to access a variety of coal, creating potential blending opportunities with coal they mined.

Their coal trading business entails the procurement of sales orders from customers and sourcing of coal from other Indonesian coal producers. The company sold 1.6 million tonnes, 1.1 million tonnes and 0.7 million tonnes of coal in the coal trading segment in 2018, 2019 and 2020 respectively.

## Metallurgical Coal

In 2018, GEAR began to diversify business operationally and geographically through the acquisition of a majority and controlling interest in Stanmore, an Australian mining firm.

GEAR's effective interest in Stanmore increased from 19.9% in December 2018 to 25.5% in January 2019, to 31.5% in March 2020 and to 60.0% in May 2020.

GEAR, through its subsidiary GIAPL, acquired a majority interest in Stanmore through the On-Market Takeover Bid in May 2020. As of December 31, 2020, GIAPL owns 75.3% of Stanmore, and GEAR approximately 60.0% in Stanmore through its approximately 80% ownership in GIAPL.

## Non-coal business

The company's non-coal businesses include gold mining, forestry and renewables.



- **Gold Mining.** In March 2020, GEAR acquired a 50% interest in the Ravenswood Gold Mine in Queensland, Australia. GEAR entered the gold mining business with a view to reduce their exposure to coal price cycles, as gold is generally a countercyclical precious metal.



- **Forestry Business.** GEAR is also engaged in the forestry business through a subsidiary, HRB. The company currently plants sustainable wood, including acacia mangium, sengon, and rubber trees for furniture and agricultural uses on forestry concession lands they own, which comprises of approximately 265,095 hectares across four regions in South Kalimantan, Indonesia.



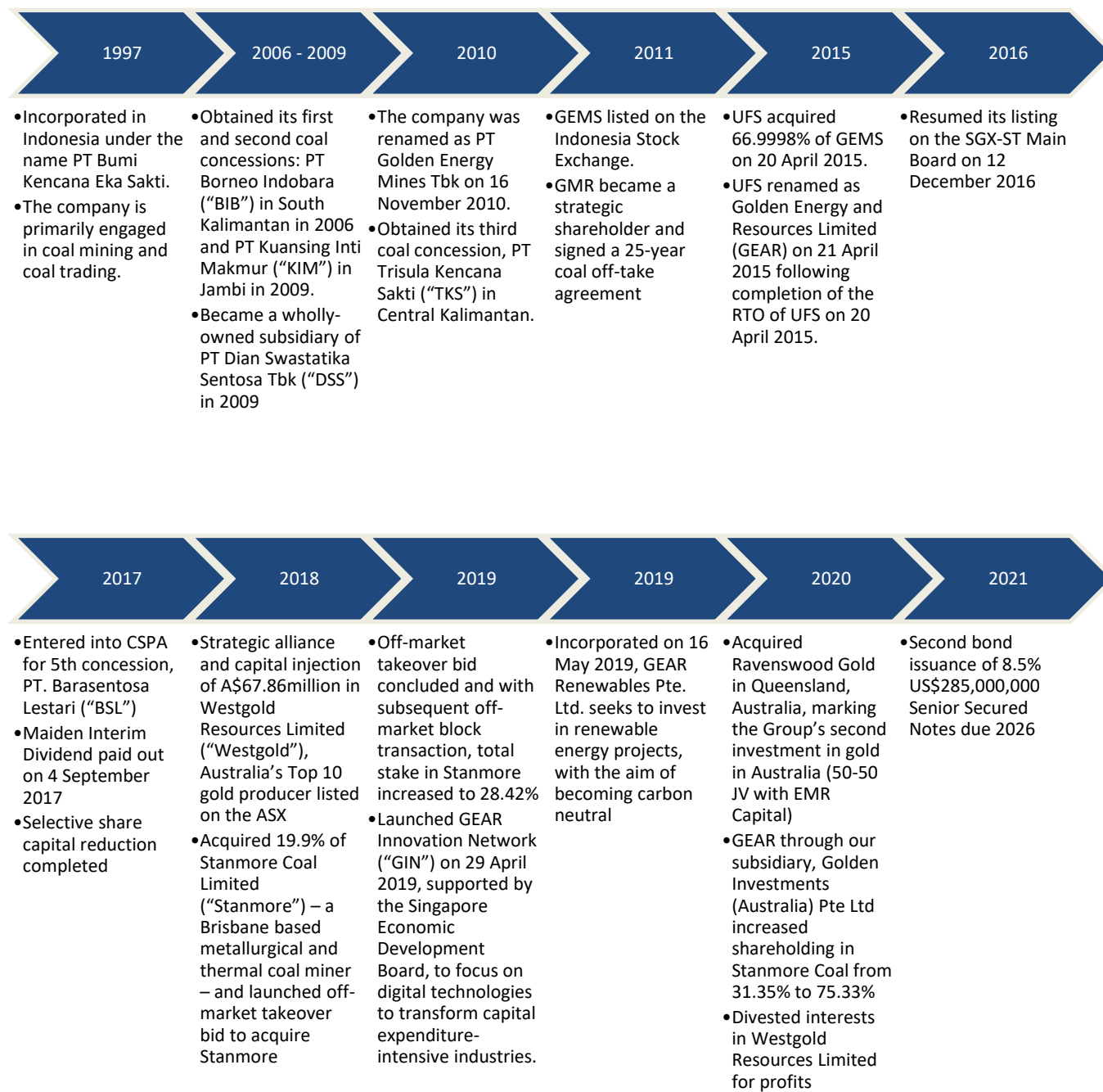
- **Renewables.** A new subsidiary, GEAR Renewables Pte. Ltd. (GEAR Renewables), was incorporated in May 2019. GEAR Renewable's principal activity is exploring and making investments in renewable energy projects, which the company believes will help to further diversify their energy portfolio. In November 2019, GEAR Renewables invested \$4.0 million in a renewable energy fund dedicated to making investments in solar photovoltaic (PV) systems in target geographical zones of Taiwan, Japan and Australia.

## GEAR Financial summary

For the years ended December 31, 2019 and 2020, GEAR's revenue was US\$1,115.8 million and US\$1,162.7 million, respectively. Revenue in 2019 and 2020 included US\$1,107.5 million and US\$1,061.4 million, respectively, from the GEMS Group, and revenue in 2020 included US\$97.2 million from the Stanmore Group. Adjusted EBITDA for 2019 and 2020 was US\$129.7 million and US\$147.9 million, respectively.

For the half year ended June 30, 2020 and 2021, GEAR's revenue was US\$592.0 million and US\$806.7 million, respectively. EBITDA for 1H2020 and 1H2021 was US\$84.2 million and US\$189.0 million, respectively. Net profit for 1H2021 was an all-time high of US\$80.2 million for the six months ended June 30, 2021, an increase of 129% YoY.

Figure 28: Company Milestones

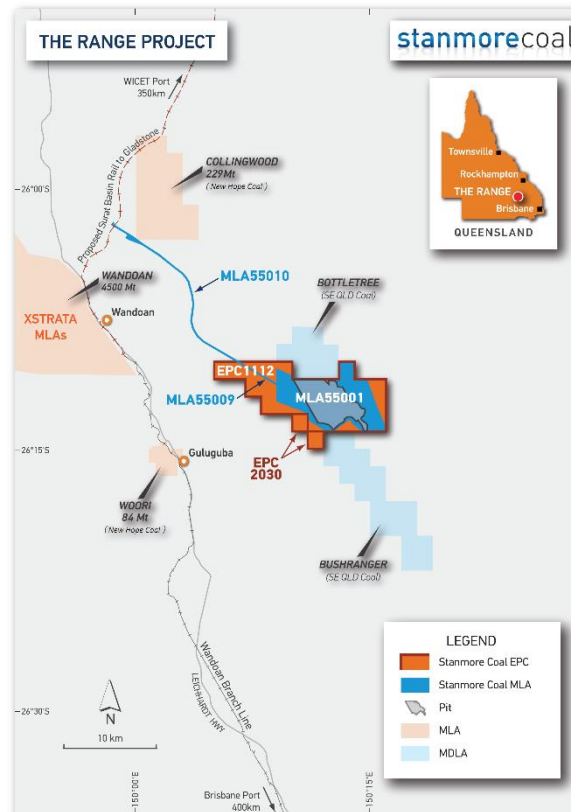


Source: Company, KGI Research



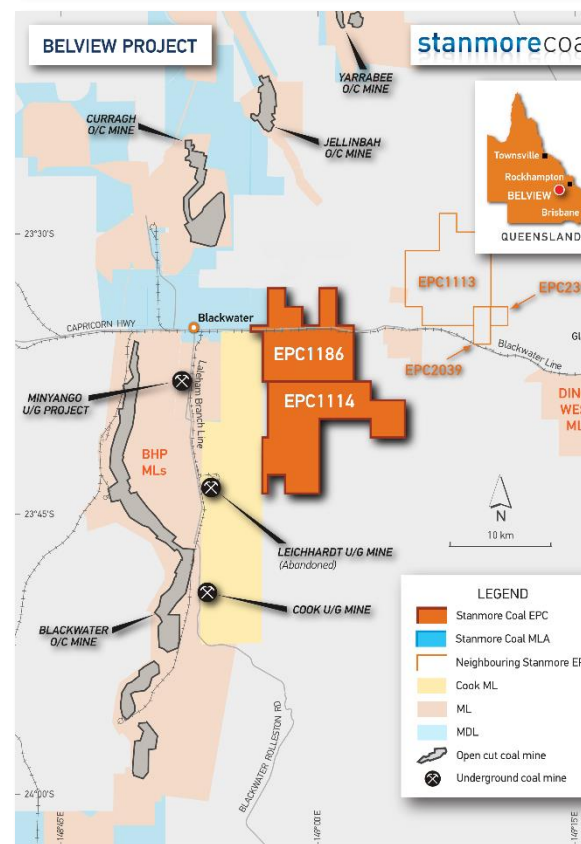


## Stanmore exploration projects



### The Range

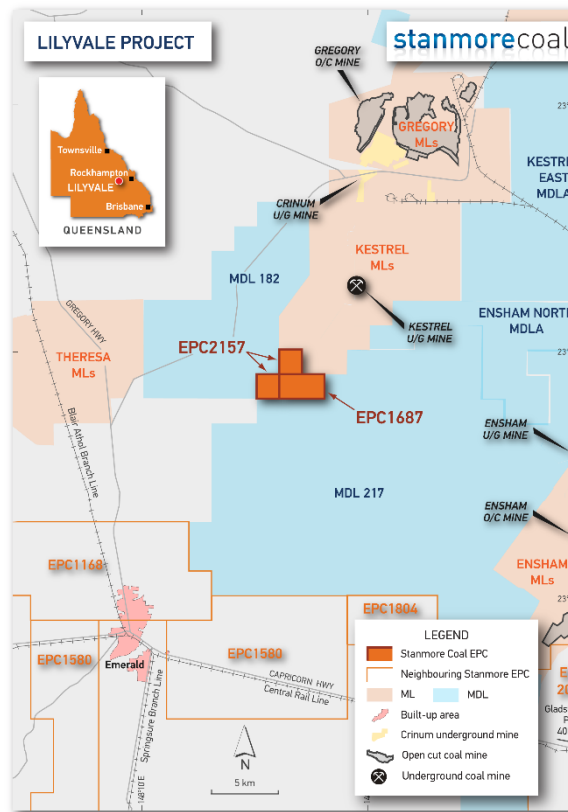
The Range project is located in the Surat Basin where exploration activity up to 2012 has identified a total JORC compliant coal reserve of 287Mt. Of this, 184Mt were within the indicated category.



### Belview

The Belview is a large-scale metallurgical coal project located in the heart of Queensland's Bowen Basin, 10-km south-east of Blackwater.

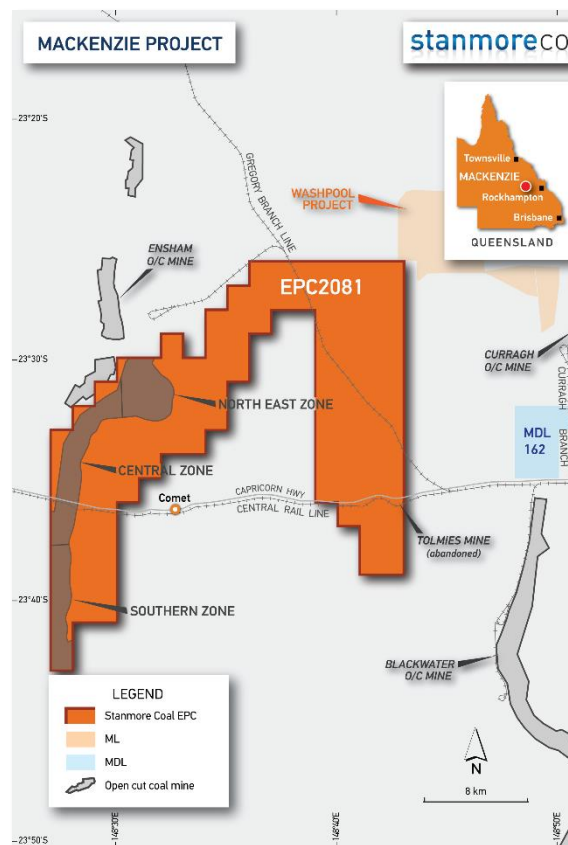
Belview currently holds a 330Mt JORC Resource (50Mt Indicated and 280Mt Inferred).



### Lilyvale

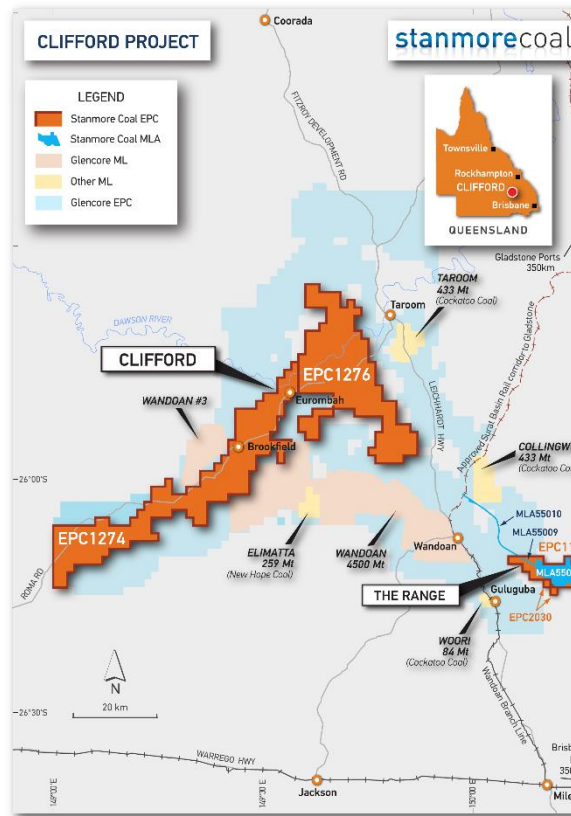
The project hosts the German Creek seam from 336m in depth with a typical thickness across the project area of 2.2-2.5m.

To date, an inferred coal resource of 33 million tonnes has been defined. Further exploration activities are planned to increase the size of the resource and improve the level of definition.



### Mackenzie

The project is situated between the existing Ensham and Curragh mines. The Blackwater rail line to Gladstone port runs west to east across the project area.



## Clifford

The project covers about 820km<sup>2</sup> in Queensland's highly prospective Surat Basin. The project is near Stanmore's The Range, a potential 5Mt/a open cut export grade thermal coal project. The Clifford project adjoins Glencore's Wandoan project and is targeting thermal coal deposits at depths amenable to open-cut mining.



## Ravenswood Gold

In March 2020, GEAR completed the acquisition of a 50.0% interest in Ravenswood Gold Mine in Queensland, Australia.

The Ravenswood Gold Mine is located in Queensland, Australia and has an estimated 2.60 million oz of proved and probable ore reserves as of September 11, 2020 according to the AMDAD Report, and 3.74 million oz of estimated ore resources as of September 30, 2020, according to the SD2 Reports.

Since becoming part of the GEAR Group on March 31, 2020 through December 31, 2020, the Ravenswood Gold Mine has produced 47.6k ounces of gold. In 2020, GEAR recognized a share of loss of a joint venture (net of tax) of \$4.9 million related to Ravenswood.

Ravenswood is currently expanding the mining operation of Ravenswood Gold Mine and it is intended that, post completion, Ravenswood Gold Mine will have an annual nameplate capacity of around 7.2Mtpa and capability to produce over 200,000 oz of gold per annum.

Ravenswood expects to produce on an average approximately 185,000 oz of gold per annum over a targeted 14-year mine life.

### Experienced partner with private equity specialist EMR Capital

EMR Capital (EMR) owns the remaining 50.0% stake in Ravenswood Gold Mine. Ravenswood is EMR's third mining operations in Queensland. EMR also owns the Capricorn copper mine near Mt Isa and, with partners Adaro and Mitsui, the Kestrel coking coal mine near Emerald in the Bowen Basin.

EMR is a specialist mining private equity manager with a proven track record in successful resources project development, operation and investment in a variety of commodities. EMR currently owns and operates 9 mining operations and projects in 6 countries globally with an enterprise value in excess of US\$5Bn and revenues in excess of US\$1.5bn.



## Board of Directors

### Fuganto Widjaja

*Executive Chairman*

- Mr. Fuganto Widjaja was appointed as an Executive Director and the Group Chief Executive Officer on 20 April 2015, following the completion of the acquisition of 66.9998% equity interest in share capital of PT Golden Energy Mines Tbk ("GEMS") from PT Dian Swastatika Sentosa Tbk ("DSS") ("DSS Completion"). Mr Widjaja was then re-designated as an Executive Chairman on 8 February 2021.
- Mr. Widjaja is a member of both the Remuneration Committee and the Nominating Committee.
- Mr. Widjaja is the son of Mr. Indra Widjaja and nephew of Mr. Franky Oesman Widjaja and Mr. Muktar Widjaja. Mr. Indra Widjaja, Mr. Franky Oesman Widjaja and Mr. Muktar Widjaja are the ultimate controlling shareholders of the Company.
- Except as provided above, Mr. Widjaja does not have any relationships including immediate family relationship with the Directors or the Company as defined in the Code of Corporate Governance 2018 ("Code"). Mr. Widjaja was re-elected to the Board on 25 June 2020.
- Mr. Widjaja has over 17 years of experience of general management and supervisory responsibilities in the coal industry. Mr. Widjaja is a Commissioner of GEMS and PT Sinar Mas Multiartha Tbk.
- Mr. Widjaja graduated with a Bachelor of Arts (Computer Science and Economics) from Cornell University in 2003, and obtained a Master's Degree in Philosophy (Finance) from the University of Cambridge in 2004.



### Dwi Prasetyo Suseno

*Executive Director, Group CEO*

- Mr. Dwi Prasetyo Suseno was appointed as an Executive Director and the Deputy Group Chief Executive Officer on 26 October 2015 and was then promoted to Group Chief Executive Officer on 8 February 2021. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Suseno was re-elected to the Board on 29 April 2021.
- Mr. Suseno is responsible for managing operations for GEAR which includes mining, logistics and coal marketing, as well as leading strategic initiatives and expansions. Mr. Suseno began his career in Australia, where he was raised and educated, and holds over 26 years of experience in management, commercial, finance in mining, resources as well as oil and gas related industries in both Australia and globally. Mr. Suseno was previously an Executive Director and CFO of Straits Corporation Group, which was then part of SGX-listed coal mining company Straits Asia Resources Limited. Mr. Suseno has previously worked with Baker Hughes Inc. (Fortune 500 NYSE listed oilfield services company), Arthur Andersen Australia and Ernst & Young LLP.
- Mr. Suseno is a CPA in both Australia and Singapore, graduated with a Bachelor of Commerce Degree from the University of Western Australia, Graduate Diploma in Tax from the University of Melbourne's Law Masters program, as well as a Postgraduate Diploma in Business from Curtin University. He also holds an executive Masters in Business Administration from Kellogg School of Management & Hong Kong University of Science and Technology.



### Mochtar Suhadi

*Executive Director*

- Mr. Mochtar Suhadi was appointed as an Executive Director of the Company on 20 April 2015 following DSS Completion. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Suhadi was re-elected to the Board on 29 April 2019.
- Mr. Suhadi has many years of experience in general management of operations, merger and acquisitions, exploration, joint ventures and joint operations of coal mines in Indonesia.
- Mr. Suhadi was previously a non-executive director of the Company from January 2011 to August 2011. Mr. Suhadi graduated with a Bachelor of Science from University of Michigan in 2004.



**Mark Zhou You Chuan**  
*Executive Director, CIO*

- Mr. Mark Zhou You Chuan was appointed as an Executive Director on 8 February 2021, and is also the Chief Investment Officer of the Company. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. He is responsible for strategic planning, corporate management, mergers and acquisitions, capital raising activities, corporate finance and treasury as well as investor relations of the Company. Mr. Zhou was re-elected to the Board on 29 April 2021.
- Mr. Zhou has more than 12 years of senior management and investment banking experience. He was previously Chief Executive Officer of PSL Holdings Limited and Chief Investment Officer of Geo Energy Resources Limited, both of which are listed on the main board of the Singapore Exchange. Mr. Zhou's investment banking career was with Canaccord Genuity and Collins Stewart where he led various capital markets activities such as initial public offerings, reverse takeovers, rights issues, placements and financial advisory transactions on the Singapore Exchange.
- Mr. Zhou graduated from Nanyang Technological University with a Bachelor of Business degree with a double major in Banking and Finance as well as Business Law.



**Lim Yu Neng Paul**  
*Lead Independent Director*

- Mr. Lim Yu Neng Paul is the Lead Independent Director of the Company. Mr. Lim was appointed as a Non-Executive Director of the Company on 3 August 2007 and was re-designated as an Independent Director on 26 February 2009. He is presently the Chairman of the Audit Committee and member of both the Nominating Committee and the Remuneration Committee of the Company. Mr. Lim does not have any relationships including immediate family relationships with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Lim was re-elected to the Board on 29 April 2021.
- Mr. Lim has over 26 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Solomon Smith Barney and Bankers Trust. He is currently the Managing Director and Head of Private Equity of SBI Ven Capital Pte Ltd. Mr. Lim is an Independent Director of China Everbright Water Limited and Nippecraft Limited.
- Mr. Lim graduated with a Bachelor of Science in Computer Science in 1985 and obtained his Master of Business Administration in Finance in 1986 from the University of Wisconsin, Madison, USA. He is also a Chartered Financial Analyst.



**Lew Syn Pau**  
*Independent Director*

- Mr. Lew Syn Pau was appointed as an Independent Non-Executive Director of the Company on 20 April 2015 following DSS Completion. He is presently the Chairman of the Nominating Committee and the Remuneration Committee and member of the Audit Committee of the Company. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Lew was re-elected to the Board on 25 June 2020.
- Mr. Lew's prior work experience includes being Managing Director of NTUC Comfort (a transport enterprise), Executive Director of NTUC Fairprice (a supermarket co-operative), Assistant Secretary-General of NTUC and Country Manager of Banque Indosuez.
- Mr. Lew is an Independent Director of SUTL Enterprise Ltd, Broadway Industrial Group Limited, Golden Agri-Resources Ltd and Sinarماس Land Limited. He is also Chairman of SUTL Enterprise Ltd and Broadway Industrial Group Limited.
- Mr. Lew was a Singapore Government scholar and has a Bachelor (1977) and Master (1981) of Engineering from Cambridge University, UK and a Master of Business Administration from Stanford University, USA (1984). He was a member of the Singapore Parliament from 1988 to 2001, during which he chaired the Singapore Government Parliamentary Committees for Education, Finance, Trade and Industry and National Development.





**Djuangga Mangasi Mangunsong**  
*Independent Director*

- Mr. Djuangga Mangasi Mangunsong was appointed as an Independent Non-Executive Director of the Company on 18 January 2018 and was appointed as a member of Audit Committee on 8 February 2021. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Mangunsong was re-elected to the Board on 25 June 2020.
- Mr. Mangunsong has many years of experience in the mining industry. He is the Vice Chairman of PT Indo Minerba Insani (Indonesian Mining Institute) and a non-Executive Director of PT Media Bakti Tambang (Tambang Magazine). He was previously a Director of PT Tambang Mas Sangihe and a member of the Working Group on Energy and Mineral Resources of Indonesia's National Committee for Economy and Industry.
- Mr. Mangunsong holds a Bachelor of Engineering degree in Mining Engineering from the Bandung Institute of Technology.



**Irwandy Arif**  
*Independent Director*

- Mr. Irwandy Arif was appointed as an Independent Non-Executive Director of the Company on 20 April 2015 following DSS Completion. He does not have any relationships including immediate family relationship with the Directors, the Company or its 5% shareholders as defined in the Code. Mr. Arif was re-elected to the Board on 29 April 2019.
- Mr. Arif has over 40 years of experience in the mining industry. He is a Commissioner of PT Bukit Asam Tbk, an Independent Commissioner of PT Indexim Coalindo and a member of audit committee of GEMS. He was previously an Independent Commissioner of PT Vale Indonesia Tbk, GEMS and PT Aneka Tambang Tbk, a member of audit committee on the Board of Commissioner of PT Adaro Energy Tbk and PT Tobabara Sejahtera Tbk.
- Mr. Arif graduated with a Bachelor of Engineering in Mining Engineering from the Bandung Institute of Technology in 1976, obtained his Master of Science in Industrial Engineering from the Bandung Institute of Technology in 1985 and was conferred a Doctoral Degree from the Ecole des Mines de Nancy, France in 1991.

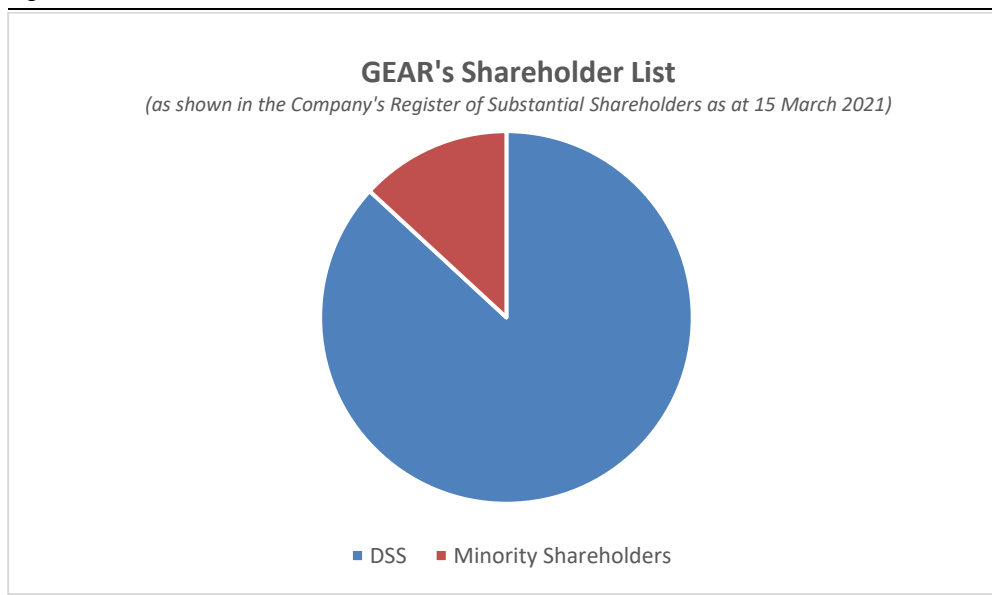


## Shareholders

The Widjaja family have deemed interest in 2,044,145,469 shares held by PT Dian Swastatika Sentosa Tbk (DSS) by virtue of their own shareholdings of no less than 20% of the voting shares in PT Sinarindo Gerbangmas. This accounts for 86.87% of the total shares outstanding of GEAR.

The percentage of shareholding in the chart below is calculated based on the total number of issued voting shares of 2,353,100,380.

**Figure 29: GEAR's Shareholder List**



Source: Company data, KGI Research

## Key Risks

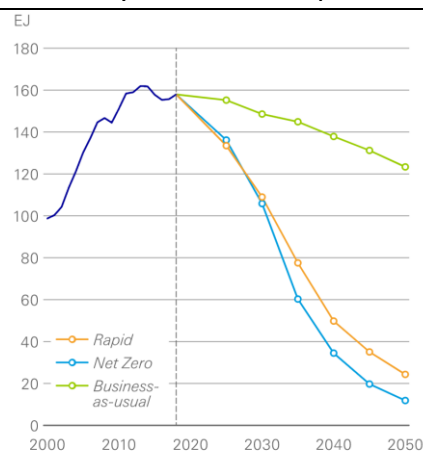
**Coal prices and the impact of ESG on long-term demand.** Coal prices and the demand for coal are cyclical in nature and subject to significant fluctuations, and any significant decline in the prices of coal or demand for coal could materially and adversely affect the company's business and financial condition.

Demand is primarily affected by the power sector and other industries utilising thermal coal. While we believe that it is unlikely that GEAR's assets will become uneconomic as it is considered to be a relatively low-cost producer, the reduction in long-term price will adversely affect the coal reserves estimates and may cause a reduction in production target and mine design. Overall perspectives on the coal industry are now much firmer than just one year ago although reasonable doubts persist on the sustainability of current prices, given that climate pressure continues and air pollution is a serious issue which will shape policies in China, India and other emerging countries.

In BP's Energy Outlook 2020 Report, under the "Business-as-Usual" scenario, coal demand falls around 25% by 2050.

In the "Rapid" and "Net Zero" scenarios, coal consumption falls significantly by 85-90%.

Figure 30: BP's Energy Outlook scenario analysis for coal demand up to 2050



Source: BP Energy Outlook 2020

**Expansion and infrastructure risk.** Ramping up production to more than 40m tonnes/yr for GEAR's mine requires the mobilisation of large amounts of mobile equipment and construction of coal handling facilities. The ability to achieve the target production expansion has a significant impact on the valuation of GEAR.

**Regulatory risks.** A number of government permits and approvals are required to facilitate expansions of the BIB Mines and the associated infrastructure facilities. Any delays in obtaining the necessary approvals may affect the production expansion and the mine plan. This may likely to cause the project to overrun which may significantly affect project capital and operating costs.

The risk associated with the tenure of concession is considered to be significantly lower than many other nearby mines, as the tenure is held under a 2nd generation PKP2B that is valid for close to the entire planned mine life.

In our forecast for coal production, we have relied on the forecasts provided in the IQPR for GEAR's mines. The production schedule is dependent upon government approval. In the event that GEAR is unable to obtain the necessary approvals to increase production, our fair value of the company will be negatively impacted.



## Financial Summary

YE 31 Dec

INCOME STATEMENT (US\$m)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,116	1,163	1,632	1,540	1,426
Cost of sales	(751)	(786)	(1,020)	(1,021)	(985)
Gross Profit	364	377	612	519	441
Profit from Operations	105	109	329	224	147
EBITDA	122	140	363	262	188
Depreciation & amortisation	17	35	39	42	46
EBIT	105	104	324	219	142
Net Finance (Expense)/Inc	(35)	(37)	(41)	(43)	(46)
Profit before Tax	70	67	283	176	96
Income tax	(37)	(32)	(102)	(63)	(34)
PAT	33	34	181	113	61
PATMI	10	8	42	26	14

BALANCE SHEET (US\$m)	FY19	FY20	FY21F	FY22F	FY23F
Cash	178	263	383	536	662
Inventories	23	71	75	78	82
Trade receivables	136	140	154	166	176
Others	115	103	123	117	105
Current Assets	452	577	734	897	1,026
PP&E	92	141	133	129	124
Mining properties	232	403	396	388	378
Others	330	274	345	344	343
Non-current Assets	654	818	875	862	845
Total assets	1,106	1,394	1,609	1,759	1,870
Trade payables	238	278	295	313	331
Borrowings	60	112	60	63	66
Others	5	14	42	42	42
Current Liabilities	303	404	397	417	439
Borrowings	256	267	351	369	398
Others	68	145	148	151	155
Non-current liabilities	324	413	499	520	553
Shareholders equity	359	385	475	547	585
Total Equity	479	578	713	821	878
Total Liabilities and Equity	1,106	1,394	1,609	1,759	1,870

CASH FLOW STATEMENT (US\$m)	FY19	FY20	FY21F	FY22F	FY23F
PBT	70	67	283	176	96
Adjustments	44	64	81	87	94
WC changes	38	24	(21)	8	16
Others	(66)	(44)	(143)	(107)	(81)
CF from operating activities	86	110	200	164	125
CAPEX, net	(32)	(26)	(24)	(29)	(29)
Others	(18)	(50)	(89)	(2)	(2)
CF from investing activities	(50)	(76)	(112)	(31)	(31)
Bond issuance, net	—	—	119	—	—
Loans, net of repayments	51	45	(87)	21	33
Dividends	(18)	2	—	—	—
Others	(2)	(2)	—	—	—
CF from financing activities	31	46	32	21	33
Net increase in cash & cash equiv.	66	80	120	154	126
FX effects	(2)	5	—	—	—
Beginning Cash	113	178	263	383	536
Ending Cash	178	263	383	536	662

KEY RATIOS	FY19	FY20	FY21F	FY22F	FY23F
<b>Profitability</b>					
Core EPS (US cents)	0.4	0.3	1.8	1.1	0.6
Core EPS Growth (%)	-75%	-19%	415%	-38%	-46%
<b>Profitability</b>					
Gross margin	32.7%	32.4%	37.5%	33.7%	30.9%
EBITDA margin	10.9%	12.0%	22.2%	17.0%	13.2%
Net margin	2.9%	3.0%	11.1%	7.3%	4.3%
ROE	9.2%	9.0%	38.1%	20.6%	10.5%
ROA	3.0%	2.5%	11.3%	6.4%	3.3%
<b>Growth (% Y-o-Y)</b>					
Revenue	6.4%	4.2%	40.4%	-5.6%	-7.4%
EBITDA	-18.8%	14.3%	160.0%	-27.8%	-28.1%
Net income	-74.7%	-18.7%	415.0%	-37.7%	-45.8%
<b>Financial Structure (x)</b>					
Interest coverage	3.0	2.8	7.9	5.1	3.1
Total Debt/Equity	0.7	0.7	0.6	0.5	0.5
Net Gearing	0.3	0.2	0.0	Net Cash	Net Cash

**KGI's Ratings**

Rating	Definition
<b>Outperform (OP)</b>	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
<b>Neutral (N)</b>	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
<b>Underperform (U)</b>	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
<b>Not Rated (NR)</b>	The stock is not rated by KGI Securities.
<b>Restricted (R)</b>	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

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