KrisEnergy releases 2Q2016 and 1H2016 financials

Singapore, 14 August 2016 – KrisEnergy Ltd. ("KrisEnergy" or "the Company"), an independent upstream oil and gas company, today announces unaudited results for the second quarter ("2Q2016") and first half ("1H2016") ended 30 June 2016 and provides an operational update.

	Second quarter and six months ended 30 June					
	2Q2016	**2Q2015**	**%**	**1H2016**	**1H2015**	**%**
Production volumes (boepd)	**16,611**	**7,574**	**119.3**	**17,812**	**7,636**	**133.3**
Oil and liquids (bopd)	*10,571*	*1,414*	*647.6*	*11,684*	*1,382*	*745.4*
Gas (mmcfd)	*36.2*	*37.0*	*(2.2)*	*36.8*	*37.5*	*(1.9)*
Revenue (US$million)	**30.7**	**11.6**	**163.7**	**63.8**	**23.1**	**176.7**
EBITDAX[1] (US$million)	**11.9**	**21.7**	**(45.0)**	**31.6**	**31.0**	**2.0**
Average sales price						
Oils and liquids (US$/bbl)	32.90	61.98	(46.9)	26.33	57.46	(54.2)
Gas – B8/32 and B9A (US$/mcf)	*3.33*	*4.26*	*(21.8)*	*3.73*	*4.96*	*(24.8)*
Gas – Block 9 (US$/mcf)	*2.32*	*2.32*	*-*	*2.32*	*2.32*	*-*
Average lifting costs (US$/boe)	**8.86**	**7.01**	**26.4**	**10.05**	**6.36**	**58.0**

Trading conditions remained difficult in 2Q2016 with continued volatility in global oil markets and a reduction in the realised gas price in Thailand as adjustments to the gas price formula tracked the six-month trailing average for fuel oil, which captured the lows seen in the first quarter of the year ("1Q2016").

Market volatility and the low oil price environment, coupled with general negative sentiment towards the oil and gas sector, have put a strain on the Company's revenues and share price, which, in turn, has greatly reduced the Group's ability to access capital. In reaction to these external pressures, we have enacted a series of cost reductions, cut staff levels where possible and reduced capital expenditure to the lowest levels since the Company was established in 2009.

[1] EBITDAX is a non-IFRS measure and is defined as earnings before interest, taxation, depreciation, amortisation, geological and geophysical expenses and exploration expenses ("EBITDAX")

Despite these steps, the Company's balance sheet remains challenged. Transfer of the revolving credit facility to DBS Bank Ltd ("DBS") in June 2016 was the first in a series of actions to optimise the Company's capital structure. The Company's primary focus is to evaluate all viable options to not only satisfy future obligations, but to find the best solution that balances the interests of all stakeholders.

Jeffrey S. MacDonald, Interim Chief Executive Officer, commented: "The near-term outlook for the E&P sector remains challenged. The uptick in oil prices from the lows at under US$30 per barrel ("bbl") at the beginning of the year has provided a modicum of relief but equity prices have remained severely depressed. Looking at the forward curve, oil prices show a gradual recovery to the mid-US$50s out to 2019.

"In the near term, there is a risk that certain of our covenants under existing debt instruments may come under stress. The Company continues to review our financial condition and we have engaged external parties to review all available opportunities to strengthen the Group's capital structure. These measures may entail a form of issuance of equity or an equity-linked instrument, a refinancing of our capital structure, and/or the divestment or farm-out of assets. Any material developments regarding KrisEnergy's financing will be announced in a timely and transparent manner."

On 30 June 2016, the Group's US$108.3 million revolving credit facility (the "Facility") was transferred to DBS from the previous lenders The HongKong and Shanghai Banking Corporation Limited, Australia and New Zealand Banking Group Limited and The Commonwealth Bank of Australia. As a result of the transfer, the full amount has been reclassified from Current Liabilities to Non-Current Liabilities. Subsequently on 11 July 2016, the Company and DBS agreed to increase the Facility size from US$108.3 million to US$148.3 million.

Owing to debt commitments in the short term, the Group's working capital position was negative as at 30 June 2016 due to the reclassification of a tranche of S$130.0 million 6.25% notes due on 9 June 2017 to Current Liabilities from Non-Current Liabilities.

Unused sources of liquidity as at 30 June 2016 amounted to US$30.2 million and the Group's gearing was 45.7%.

Operations Remain Bright

For 1H2016, Group working interest production was up more than 133.0% from a year ago at 17,812 barrels of oil equivalent per day ("boepd") due to additional crude oil streams from the Wassana and Nong Yao fields in the Gulf of Thailand, which commenced production in the third quarter and second quarter of 2015, respectively. However, 2Q2016 average working interest production of 16,611 boepd was 12.6% below the preceding quarter (1Q2016: 19,014 boepd) primarily due to lower production rates from five development wells in the Wassana field. Investigations to definitively identify the cause of the problem are ongoing. Results thus far suggest that the problem is mechanical rather than a reservoir issue and plans are being developed to remedy the issue.

Production at the Group's four other fields – B8/32, B9A and Nong Yao in the Gulf of Thailand and the Bangora gas field in Block 9 onshore Bangladesh – outpaced expectations in the first half of the year. Production in B8/32 and B9A has significantly benefitted from wireline zonal completions and seven infill wells drilled in the second quarter.

Revenue in 1H2016 amounted to US$63.8 million, almost triple a year ago (1H2015: US$23.1 million) due to the higher production and in spite of the steep decline in oil and gas prices. EBITDAX for the first six months to 30 June 2016 was US$31.6 million and US$11.9 million for the second quarter 2016 isolated. EBITDAX in 1H2015 was lifted by non-recurring gains on the recognition of the sale or transfer of assets.

The Group's average realised oil price in 1H2016 was US$26.33/bbl, a drop of 54.2% from a year ago (1H2016: US$57.46/bbl). The 2Q2016 realised oil price improved to US$32.90/bbl from US$20.85/bbl in 1Q2016 during which benchmark oil prices hit multiple-year lows below US$30/bbl.

The average realised gas price from the Bangora gas field in Block 9 onshore Bangladesh remained constant throughout the reporting period at US$2.32 per thousand cubic feet ("mcf"). However in Thailand, the realised gas price associated with the B8/32 and B9A fields reduced in 2Q2016 to US$3.33/mcf following the six-month adjustment to the formula price. In 1Q2016, the average Thai gas price was US$4.11/mcf.

Higher production led to an increase in the Group's non-cash depreciation, depletion and amortisation expenses, which together with non-recurring finance costs related to the transfer of the Group's Facility, resulted in a net loss after tax in 2Q2016 of US$25.2 million. For 1H2016, the total net loss after tax amounted to US$45.2 million.

Capital Expenditure

KrisEnergy's portfolio remains robust with at least five future development projects as well as very significant exploration upside, which we believe will lead to additional developments. This will be the cornerstone to the future growth of the Company with the potential to add reserves and production. We continue to investigate ways to fund these developments and access the exploration upside within the Group.

In February 2016, KrisEnergy provided guidance for capital expenditure for the full year 2016 of US$50.8 million, the lowest annual capital expenditure budget since the Company was established in 2009. Actual spend in the first six months 2016 amounted to US$27.8 million comprising primarily of the following:

- Residual expenditure relating to the development of the Wassana field;
- Expenditures relating to the development of the Block A Aceh gas project;
- Payment of area reservation fees for the G10/48, G11/48 and G6/48 concessions in the Gulf of Thailand; and
- Infill drilling at the B8/32 & B9A complex.

Following the signing of the engineering, procurement and construction ("EPC") contract for the Block A Aceh gas development onshore Sumatra, Indonesia, management expects a substantial rise in capital expenditure for the project in the second half of the year. Negotiations are underway to secure project financing for the Block A Aceh development and definitive agreements are expected to be reached by the end of the year.

Full-year 2016 planned capital expenditure for the Group's assets have therefore been revised to US$83.0 million.

For Immediate Release

Second-quarter Operational Summary and Subsequent Events up to 12 August 2016

Changes to Board and Management

- Keith Cameron retired from his position as Chief Executive Officer ("CEO") effective 1 July 2016. Jeffrey S. MacDonald has been appointed as Interim CEO. A Transition Committee has been established to provide advisory support, guidance and oversight to the Interim CEO; and
- Michael Chia Hock Chye of Keppel Offshore & Marine Ltd was appointed to the Board of Directors as a Non-Executive Director effective 13 May 2016. Mr Chia is a member of the Audit Committee and Nominating Committee.

Production

- The B8/32 and B9A complex in the Gulf of Thailand continues to produce at the highest rates in more than three years due to wireline zonal recompletions and despite a planned five-day shutdown for maintenance in May 2016. Seven infill wells were drilled at B8/32 and B9A in 2Q2016. Average gross production up to 30 June 2016 was 52,289 boepd;
- Average gross production in the Bangora gas field in Bangladesh up to 30 June 2016 was 17,004 boepd. Drilling of the Bangora-F development well in Block 9 is expected to commence in August 2016;
- The first export cargo from the Nong Yao oil field in G11/48 was lifted to China in June 2016. The contract area acreage of G11/48 was reduced to 1,079 sq. km from 3,374 sq. km in May 2016 following the Department of Mineral Fuel's ("DMF") approval of the Reservation Area application. The licence now covers four discreet areas in the Gulf of Thailand. The drilling of four infill wells commenced in July 2016, which are expected to add 4,000 bopd gross production. Average gross production up to 30 June 2016 was 9,722 bopd;
- Average gross production up to 30 June 2016 at Wassana in G10/48 was 9,102 bopd and slightly below expectations. The deficit is most likely to be caused by mechanical problems at up to five wells. Plans are being developed to remedy the issue. Since production commenced in 3Q2015, there have been eight oil offloadings completed without incident. DMF approved the Reservation Area application for G10/48 in May 2016, reducing the acreage size to 1,783 sq. km from 4,696 sq. km.

Development

- Construction works have commenced for the Block A Aceh gas development project following the signing of the EPC contract;
- The Environmental Impact Assessment for the Lengo gas development in the Bulu production sharing contract ("PSC") offshore East Java, Indonesia, has been approved by the Ministry of Environment. Approval of the Environmental Permit is pending. Six companies have qualified for the engineering, procurement, construction and installation tender;
- Final versions of a suite of transaction documents for the Cambodia Block A oil development are ready for signature and will be followed by the enactment of supporting legislation. A comprehensive review of the subsurface, facilities, schedule, cost, crude marketing and economics has been completed; and
- DMF approved in April 2016 the Reservation Area application for G6/48. The new acreage stands at 284 sq. km, down from 566 sq. km. The concession now comprises two separate areas in the Gulf of Thailand and includes the Rossukon Production Area, which holds the Rossukon oil development which was approved in November 2015.

Exploration

- On 18 July 2016, the *CGG Amadeus* seismic vessel commenced an 884 sq. km 3D seismic acquisition program in G10/48. The program was awarded to CGG Services;
- Seismic interpretation following a 3D broadband acquisition program in 2014 has identified several 300 bcf to 700 bcf ("billion cubic feet") sized gas prospects in the Bala-Balakang PSC (formerly Tanjung Aru PSC); and
- Seismic mapping in the Udan Emas PSC following a 2D seismic acquisition program in 2015 is ongoing and shows several trillion cubic feet sized gas prospects and leads.

EHSS

- Three years without a loss time injury ("LTI") at the Bangora gas field;
- Completed one year without an LTI at the Wassana field;
- The Jakarta office achieved the ISO 14001 certification on 31 May 2016; and
- The Singapore office was successfully re-certified for both OHSAS 18001 and ISO 14001 certification 22 July 2016.

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About KrisEnergy:

KrisEnergy Ltd. is an independent upstream company focused on the exploration for, and the development and production of oil and gas in Southeast Asia. Our strategy is to acquire assets in countries and basins where our technical team has expertise derived from decades of experience. Since 2009, we have built a portfolio of 19 contract areas in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam, spanning the entire exploration-to-production life cycle. We operate 13 of the contract areas.

KrisEnergy's shares are listed on the mainboard of Singapore Exchange Securities Trading Ltd under the ticker SK3. For more information, visit www.krisenergy.com