



## KrisEnergy releases 2Q2018 and 1H2018 financials

Singapore, 14 August 2018 – KrisEnergy Ltd. (“KrisEnergy” or “the Company” and together with its subsidiaries the “Group”), an independent upstream oil and gas company, today announces unaudited results for the second quarter (“2Q2018”) and first half (“1H2018”) ended 30 June 2018 and provides an operational update.

	Second quarter and six months ended 30 June					
	2Q2018	2Q2017	%	1H2018	1H2017	%
Production volumes (boepd)	<b>10,902</b>	<b>12,649</b>	<b>(13.8)</b>	<b>11,514</b>	<b>13,127</b>	<b>(12.3)</b>
Oil and liquids (bopd)	6,031	6,864	(12.1)	6,458	7,304	(11.6)
Gas (mmcf)	29.2	34.7	(15.9)	30.3	34.9	(13.2)
Revenue (US\$million)	<b>45.7</b>	<b>36.7</b>	<b>24.7</b>	<b>88.2</b>	<b>68.5</b>	<b>28.8</b>
EBITDAX <sup>1</sup> (US\$million)	<b>17.9</b>	<b>4.7</b>	<b>282.8</b>	<b>27.4</b>	<b>21.8</b>	<b>25.3</b>
Average sales price						
Oils and liquids (US\$/bbl)	69.82	46.11	51.4	65.59	46.49	41.1
Gas – B8/32 (US\$/mcf)	4.35	4.11	5.8	4.21	3.84	9.6
Gas – Block 9 (US\$/mcf)	2.32	2.32	-	2.32	2.32	-
Average lifting costs (US\$/boe)	<b>26.98</b>	<b>19.25</b>	<b>40.2</b>	<b>23.45</b>	<b>18.30</b>	<b>28.2</b>

A 41.4% improvement in the realised oil price achieved in 1H2018 to US\$65.59 per barrel (“bbl”) bolstered the Group’s revenue 28.8% to US\$88.2 million (1H2017: US\$68.5 million), the highest first-half revenue recorded since the Company was established in 2009.

The realised oil price for 2Q2018 isolated at US\$69.82/bbl marked the highest quarterly average since the fourth quarter of 2014. The gas sales price from the Thai B8/32 licence was US\$4.35 per thousand cubic feet (“mcf”) in 2Q2018, the highest since the first quarter of 2015.

The revenue increase came despite an 11.6% decrease in average net daily crude oil volumes from a year ago. Working interest production – 11,514 barrels of oil equivalent per day (“boepd”) in 1H2018 versus 13,127 boepd in 1H2017 – was primarily impacted by a 22-day scheduled shutdown in April 2018 at the main Benchamas oil and gas field in B8/32 and curtailed output at the Wassana oil field

<sup>1</sup> EBITDAX is a non-IFRS measure and is defined as earnings before interest, taxation, depreciation, amortisation, geological and geophysical expenses and exploration expenses (“EBITDAX”)



while equipment repairs were undertaken. Output from the Bangora gas field, onshore Bangladesh, reduced through natural decline.

Two issues were encountered in the first quarter 2018 at the Wassana oil field in the Gulf of Thailand; namely the replacement of a damaged subsea flowline and the repair of a water injection pump shaft. Both incidents affected the facilities' water handling capabilities and Wassana production was curtailed to around 4,000 barrels of oil per day ("bopd") from late February. Following the necessary repairs, Wassana was producing at approximately 5,750 bopd in the first weeks of August 2018.

### **Further rationalisation**

Production from the non-operated Nong Yao oil field in the Gulf of Thailand was recognised for the January to end-May 2018 period in line with a strategic exit of the G11/48 concession as part of ongoing portfolio rationalisation and considerations for the deployment of capital.

In addition, the Indonesian government approved the takeover of the Group's residual 15.0% working interest in the Block A Aceh production sharing contract ("PSC") by PT Medco Daya Energi Nusantara (an affiliate of the operator PT Medco E&P Malaka). The Group no longer holds a participating interest in the Block A Aceh PSC.

The Company also submitted an application for the relinquishment of the East Seruway exploration block offshore North Sumatra, Indonesia, following the expiry of the PSC. The relinquishment resulted in a non-cash impairment charge of US\$12.9 million in the second quarter of 2018.

As at 31 July 2018, KrisEnergy's portfolio comprised 14 contract areas, three of which are in production, three in the development phase and the remainder in various stages of exploration and appraisal.

### **Improved cash flow**

Net cash flows from operations were positive in both the first and second quarters of 2018 and amounted to US\$42.4 million for the six-month period to 30 June 2018. In the comparable 2017 period, net cash flows used in operating activities amounted to US\$3.2 million.

First-half 2018 operating costs rose 40.7% to US\$54.7 million (1H2017: US\$38.9 million), as a consequence of higher expenditure related to well workovers and equipment repairs in the Wassana field as well as a greater number of crude oil liftings in 1H2018, when five Wassana cargoes were lifted versus three in the 2017 period. In accordance with the Group's accounting policies and industry practice, operating costs are incurred and matched with revenue earned at the point of lifting.

Directly correlated to the Wassana-related increase in operating costs and overall lower Group production volumes, the average lifting cost in 1H2018 rose to US\$23.45 per barrel of oil equivalent ("boe") compared with a revised *pro forma* average 1H2017 lifting cost of US\$18.30/boe<sup>2</sup>.

---

<sup>2</sup> The calculation of the Group's average lifting cost was revised in 1Q2018 to reflect the Group's working interest share of joint-venture operating expenditure incurred versus production in the same period. Previously, average lifting costs were calculated using operating cost reported in accordance with IFRS, which was then matched with the cost of production to the volume sold



### **Costs vigilance**

Corporate general and administrative (“G&A”) expenses decreased 59.8% to US\$1.5 million in the first six months of 2018 (1H2017: US\$3.7 million) following a 36.6% decline for the full-year 2017 versus 2016. Management continues to maintain close vigilance over costs but recognises it is likely that corporate G&A may rise as the Group progresses multiple development projects in parallel.

In addition, an improving and stable oil price environment has potential to create inflationary pressures for the cost of services, equipment and materials.

### **Non-cash charges**

Non-cash items in 1H2018 amounted to US\$50.2 million attributable to the impairment charge for the East Seruway relinquishment, depreciation, depletion and amortisation charges, and various finance costs related to debt servicing. The resulting loss after tax was US\$51.3 million for the first half of 2018.

### **Liquidity and gearing**

As at 30 June 2018, the Group’s cash and cash equivalents amounted to US\$81.3 million, total unused sources of liquidity, including undrawn amounts of a revolving credit facility, were US\$96.3 million and the Group’s gearing was 81.1%.

Kelvin Tang, Chief Executive Officer, commented: “Our balance sheet remains under considerable strain and the Group’s net gearing increased to 81.1% as at 30 June 2018. Unfortunately, our exposure to high levels of debt invariably means the incremental benefit from the increase in realised pricing is impacted by our growing interest costs.”

### **Capital Expenditure**

On 1 March 2018, KrisEnergy provided guidance for capital expenditure for the full year 2018 of US\$114.8 million and actual spend in the first six months to 30 June 2018 amounted to US\$30.3 million comprising primarily of the following:

- Drilling of infill wells in the G10/48 and G11/48 licences in the Gulf of Thailand where the Wassana and Nong Yao fields are located, respectively;
- Expenditures relating to the Apsara oil development in Cambodia Block A; and
- A 305 sq. km 3D seismic acquisition program in the SS-11 exploration block, offshore Bangladesh.

The capital expenditure forecast for 2018 has been revised to US\$96.8 million. Actual capital expenditure may differ significantly due to various factors, including but not limited to, future cash flows, results of operations and financial condition, changes in the local economies in Bangladesh, Cambodia, Indonesia, Singapore, Thailand and Vietnam, where the Group has a business presence, the availability of financing on terms acceptable to the Company, matters relating to possible construction/development delays, defects or cost overruns, delays in obtaining or receipt of governmental approval, acceleration or delays in exploration and development programs, changes in the legislative and regulatory environment, and other factors beyond KrisEnergy’s control.

### **First-half Operational Summary and Subsequent Events up to 10 August 2018**



### Reserves & Resources

- Following receipt of the relevant government approvals for the strategic exit of the non-operated G11/48 licence in the Gulf of Thailand and the non-operated Block A Aceh PSC in Indonesia, the Group's working interest proved plus probable reserves have reduced to 72.3 million barrels of oil equivalent ("mmboe") and the best estimate contingent resources have decreased to 58.9 mmboe from 87.3 mmboe.

### Production

- Average gross production at the KrisEnergy-operated Wassana oil field in the G10/48 concession was 4,491 bopd in 1H2018 and the Group's average working interest production in the period was 3,997 bopd. Following repairs to a water injection pump and a fluid hose, well workovers commenced in late May 2018 resulting in an increase in average gross production to approximately 5,750 bopd in the first weeks of August 2018.
- Average gross production at the non-operated Nong Yao oil field in the G11/48 concession was 8,274 bopd in the January to May 2018 period, and the Group's average working interest production was approximately 1,862 bopd for the five months. On a half-year basis, the Group's average working interest was 1,553 bopd.
- Gross production at the non-operated B8/32 oil and gas producing fields in 1H2018 was 17,898 bopd of liquids and 80.1 mmcf of gas. Average working interest production for the period was 1,449 boepd. The main Benchamas field resumed production on 29 April 2018 following a 22-day scheduled shutdown to install a new FSO vessel. Production at the nearby 2,500 bopd Chaba field was uninterrupted.
- At the KrisEnergy-operated Bangora field in the Block 9 PSC onshore Bangladesh, gross output in 1H2018 averaged 88.7 mmcf of gas and 264 barrels per day of condensate. The Group's average working production in 1H2018 was 4,515 boepd.

### Development

- Invitations to tender were issued in 2Q2018 for Integrated Drilling Services and a Minimum Facilities Platform engineering, procurement, construction, installation and commissioning related to the KrisEnergy-operated Apsara oil development in Cambodia Block A in the Gulf of Thailand. Both tenders closed in the first half of July 2018. KrisEnergy is reviewing the submitted bids and is seeking clarifications with the participants.

### Exploration

- On 18 May 2018, the *Hai Yang Shi You 721* seismic vessel completed a 305 sq. km 3D seismic acquisition program in the non-operated SS-11 exploration licence offshore Bangladesh in the Bay of Bengal.
- The Ministry of Industry and Trade in Vietnam approved a two-year extension of the KrisEnergy-operated Block 115/09 exploration PSC, offshore Vietnam.
- The Ca Lang-1 exploration well commenced drilling on 23 May 2018 in the non-operated Block 120 PSC, offshore Vietnam. The well reached a total depth of 1,933 metres measured depth on 23 June 2018 without encountering hydrocarbons. The well was plugged and abandoned.



- The Indonesian authorities have approved the final four-year exploration period (with a drill-or-drop decision by 19 July 2020) for the KrisEnergy-operated Udan Emas PSC, onshore West Papua, Indonesia. The PSC was extended to 19 July 2022 and the gross acreage of the contract area was reduced to 1,069.5 sq. km.
- The East Seruway PSC offshore North Sumatra in Indonesia expired in June 2018 and an application of relinquishment has been submitted to the authorities.

#### **EHSS**

- The Group recorded 933,680 man-hours in the year to 31 July 2018 with one loss time injury in March 2018.

On behalf of the board of directors.

Kiran Raj  
Chief Financial Officer  
T: +65 6838 5430  
E: [kiran.raj@krisenergy.com](mailto:kiran.raj@krisenergy.com)

Tanya Pang  
Head of Investor Relations & Corporate  
Communications  
T: +65 6838 5430  
E: [tanya.pang@krisenergy.com](mailto:tanya.pang@krisenergy.com)

#### **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. The Company holds working interests in three producing oil and/or gas fields, two in the Gulf of Thailand and one onshore Bangladesh. It also participates in 11 blocks in various stages of development, appraisal and exploration in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam. KrisEnergy operates nine 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](http://www.krisenergy.com)