



## KrisEnergy Ltd. FY2018 financial and operational update

**Singapore**, 26 February 2019 – KrisEnergy Ltd. (“KrisEnergy” or “the Company”), an independent upstream oil and gas company, today announces unaudited results for the fourth quarter (“4Q2018”) and full year periods ended 31 December 2018 (“FY2018”) and provides an operational update.

	For the three months and 12 months ended 31 December					
	4Q2018	4Q2017	%	FY2018	FY2017	%
Production volumes <sup>1</sup> (boepd)	<b>9,847</b>	<b>12,076</b>	<b>(18.5)</b>	<b>10,691</b>	<b>12,745</b>	<b>(16.1)</b>
<i>Oil and liquids (bopd)</i>	4,615	6,557	(29.6)	5,677	7,066	(19.7)
<i>Gas (mmcf)</i>	31.4	33.1	(5.1)	30.1	34.1	(11.7)
Revenue (US\$million)	<b>17.4</b>	<b>33.2</b>	<b>(47.6)</b>	<b>144.8</b>	<b>140.7</b>	<b>2.9</b>
EBITDAX <sup>2</sup> (US\$million)	<b>13.8</b>	<b>(2.0)</b>	<b>795.0</b>	<b>57.7</b>	<b>26.8</b>	<b>115.3</b>
Average sales price						
<i>Oils and liquids (US\$/bbl)</i>	76.34	57.12	33.6	68.89	49.26	39.9
<i>Gas – B8/32 (US\$/mcf)</i>	5.19	4.25	22.1	4.58	3.98	15.2
<i>Gas – Block 9 (US\$/mcf)</i>	2.32	2.32	-	2.32	2.32	-
Average lifting costs (US\$/boe)	<b>25.17</b>	<b>21.51</b>	<b>17.0</b>	<b>23.70</b>	<b>19.64</b>	<b>20.7</b>

A near 40.0% increase in the average realised oil price in FY2018 resulted in the Group reporting record high revenue at US\$144.8 million despite a 16.1% reduction in production volumes in the period, which was primarily due to reduced contribution from two licences in the Gulf of Thailand, G11/48 and B9A<sup>3</sup>. EBITDAX at US\$57.7 million, was the highest level since the full year 2011.

Despite the higher revenue, non-cash items stemming from write-offs, impairments and provision for assets, as well as US\$49.8 million for depreciation, depletion and amortisation, led to a net loss for FY2018 of US\$159.6 million (FY2017: US\$139.2 million). Non-cash items included an impairment of US\$18.9 million for G10/48 due to a decrease in estimates of proved plus probable (“2P”) reserves (see section **Reserves & Resources**); write-offs of US\$33.4 million for Block 120 offshore Vietnam, which the Company intends to relinquish in 2019, and US\$12.9 million associated with the expiry of the East Seruway production sharing contract (“PSC”); a provision of US\$15.0 million for the Bala-

<sup>1</sup> Includes KrisEnergy’s working interest share in G11/48 up to 31 May 2018

<sup>2</sup> Earnings before interest, taxation, depreciation, amortisation, geological and geophysical expenses and exploration expenses (“EBITDAX”). EBITDAX is a non-IFRS measure

<sup>3</sup> The Rajpruek field in B9A terminated production in October 2017 and KrisEnergy ceased participation in the G11/48 concession on 31 May 2018



Balakang PSC in accordance with IFRS accounting principles; and various finance costs related to debt servicing.

Group working interest production in 2018 averaged 10,691 barrels of oil equivalent per day (“boepd”), a decrease of 16% from 12,745 boepd in 2017. The Company ceased participation in the non-operated G11/48 licence in the Gulf of Thailand at the end of May 2018, reducing the Group’s production stream from the Nong Yao oil field by approximately 1,900 barrels of oil per day (“bopd”), and the B9A licence terminated production on 31 October 2018.

On a *pro forma* basis excluding the 2017 contribution from G11/48 and B9A, the Group’s remaining producing assets – Block 9, B8/32 and G10/48 – recorded working interest production of 9,921 boepd compared with 10,680 boepd in the year-ago period. The 7.1% year-on-year decrease, on a *pro forma* basis, was largely attributed to a 22-day scheduled maintenance shutdown in April 2018 at the main Benchamas field in B8/32 to replace the floating storage and offloading vessel (“FSO”), and prolonged adverse weather hampering maintenance at remote locations in the B8/32 fields in August 2018.

Lower annual production, coupled with higher operating expenditure in the Wassana field due to infill drilling, well workovers and equipment maintenance, increased the FY2018 average lifting cost<sup>4</sup> to US\$23.70 per barrel of oil equivalent (“boe”) versus US\$19.64/boe.

Cash flow from operating activities was US\$37.0 million in FY2018 compared with US\$23.1 million in FY2017.

### **Liquidity and gearing**

As at 31 December 2018, the Group’s cash and bank balances amounted to US\$77.6 million. After taking into account restricted cash and amounts held under joint operations, total unused sources of liquidity for the Group were US\$32.6 million.

Total debt recognised on the Group balance sheet as at 31 December 2018 amounted to US\$459.1 million and the group’s gearing was 99.9%.

Although the Company benefitted from the general improvement in oil prices and therefore liquidity in 2018, its high exposure to interest-bearing debt materially and adversely impacted the Group’s results of operations and financial condition. Revenue and cash from existing production alone is insufficient to fund all the developments we have at this point in time. A material portion of available funds was allocated to debt service, which diverted capital from longer term cash-flow generating activities such as the progressing the Group’s development projects.

### **Capital expenditure**

Total working interest capital expenditure in FY2018, excluding non-cash items, amounted to US\$56.3 million compared with a mid-year forecast of US\$96.8 million. The variance was attributed to deferral of infill drilling in the Wassana field to the fourth quarter 2018 and first quarter 2019, a shift in timing into 2019 of some capital expenditures for the Cambodia Block A oil development,

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<sup>4</sup> In the first quarter 2018, the calculation of lifting cost was revised to reflect the Group’s working interest share of joint-venture operating expenditure incurred versus production. Previously, the average lifting cost was calculated using operating cost reported in accordance with IFRS match with the cost of production to the volume sold

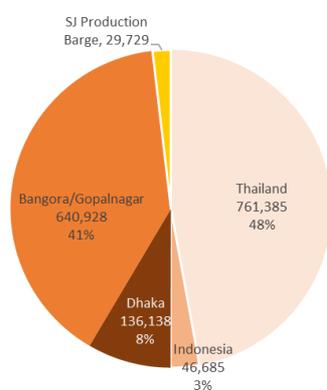


and lower than expected costs for the 305 km<sup>2</sup> 3D seismic acquisition program in the SS-11 exploration licence in the Bay of Bengal, Bangladesh.

For the first quarter 2019, capital expenditure is estimated to be approximately US\$22.4 million of which 93% is earmarked for producing and development assets and the balance is intended to be allocated to mandatory work commitments.

**Fourth-quarter operational summary and subsequent events until 25 February 2019**

**EHSS**



In FY2018, KrisEnergy recorded 1,614,865 man-hours on its operated assets with one lost time injury in March 2018.

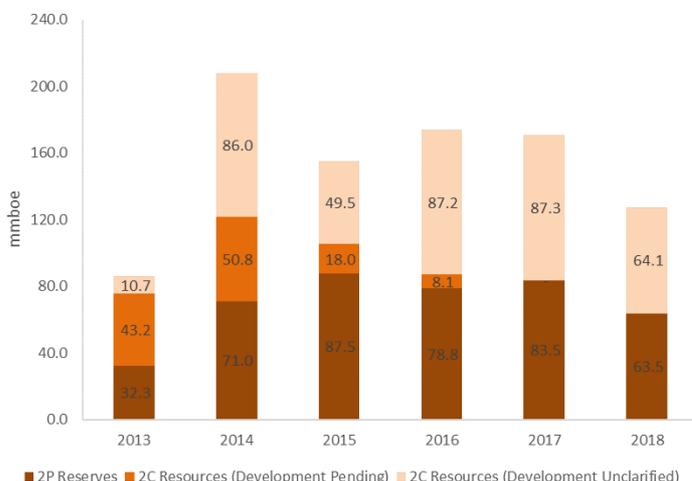
On 2 January 2019, KrisEnergy temporarily shut in oil production at the Wassana field in the G10/48 licence in the Gulf of Thailand, and halted drilling of infill development wells by the *Mist* jack-up rig as a safety precaution due to Tropical Storm Pabuk.

All crew from the Wassana mobile offshore production unit (“MOPU”) and *Mist* jack-up rig were safely evacuated to onshore Thailand. The *Rubicon Venture* floating, storage and offloading vessel (“FSO”) was disconnected from the Wassana field mooring and moved to safe haven.

All crew and equipment returned to the Wassana field location without incident, and production and infill drilling were restored on 8 January 2019.

KrisEnergy has maintained its OSHAS 18001 and ISO 14001 certification for its offices in Dhaka, Bangladesh and Singapore, as well as the Bangora gas field operations in Block 9, onshore Bangladesh. Work is underway to extend these certifications to KrisEnergy-operated fields in the Gulf of Thailand.

**Reserves & Resources**





Working interest 2P reserves were estimated by Netherland, Sewell & Associates, Inc. (“NSAI”) at 63.5 million barrels of oil equivalent (“mmboe”) as at 31 December 2018 versus 83.5 mmboe as at 31 December 2017. More than half of the decrease - 11.2 mmboe – resulted from the Company ceasing participation in the Block A Aceh PSC in Indonesia and the G11/48 licence in the Gulf of Thailand during the reporting period.

Reserves assigned to the G10/48 licence in the Gulf of Thailand were reduced by 53% to 5.7 mmboe due to 2018 production and lower well recovery. Assessments for 2P reserves also decreased for B8/32 and Block 9 due to 2018 production and, in the case of B8/32, assumptions of reduced future infill drilling.

NSAI recognised best estimate contingent (“2C”) resources of 64.1 mmboe as at 31 December 2018, a 27% drop from 2017 as a result of the removal of contribution from G11/48 and Block A Aceh, which in aggregate accounted for 28.3 mmboe. Gains in 2C resources of a combined 6.6 mmboe were recorded for G10/48 and G6/48, which contains the Rossukon oil development project in the Gulf of Thailand.

### Production

- Average gross production at the KrisEnergy-operated Wassana oil field was 4,455 barrels of oil per day (“bopd”) in FY2018 (FY2017: 4,377 bopd) and the Group’s working interest share of production was 3,965 bopd.
  - Liftings of Wassana crude oil increased from six in FY2017 to eight in FY2018;
  - In September 2018, a 6-inch subsea flowline from the MOPU to the FSO suffered a loss of integrity. Production flow was switched to a 4-inch subsea line. The section of damaged 6-inch line was replaced in October 2018 and after satisfactory testing, the line is used for water return from the FSO for reinjection;
  - The *Mist* jack-up drilling rig, owned by Borr Drilling Management DMCC, was contracted to drill the Montha-1 exploration (see section **Exploration**) and three Wassana infill wells, including an extended reach well out to the northern section of the Wassana production area. The Wassana field was temporarily shut-in 26/27 November 2018 to position the rig. Infill drilling was suspended on 2 January 2019 due to Tropical Storm Pabuk and recommenced on 8 January 2019:
    - Existing wells A-17H, A-10H and A-06D were plugged and abandoned;
    - Drilling of A-30H extended reach well commenced on 10 January 2019 and reached total depth at 13,662 feet measured depth (“MD”) (-5,226 feet true vertical depth subsea (“TVDSS”). A-30H was completed on 4 February 2019 and was put on stream at a rate of 920 bopd on 5 February 2019;
    - Drilling of A-26H infill well commenced on 21 January 2019 and reached total depth at 8,998 feet MD (-5,162 feet TVDSS). A-26H was completed on 9 February 2019 and was put on stream at a rate of 570 bopd on 9 February 2019;
    - Drilling of A-27H infill well commenced on 29 December 2018 and reached total depth at 9,925 feet MD (-5,413 feet TVDSS). A-27H was completed on 14 February 2019 and was put on stream on 15 February 2019, rate optimisation is in progress; and
    - The *Mist* rig demobilised from the Wassana field on 19 February 2019.



- Average gross production in FY2018 in the KrisEnergy-operated Bangora gas field in Block 9, onshore Bangladesh, was 87.2 mmcf/d and 260 barrels of condensate per day. KrisEnergy's working interest for year was 4,439 boepd.
  - Successful intervention work in November 2018 to open three new sands – A, B, C – and to close sand D doubled production at the B-5 development well to 40 mmcf/d. In December 2018, Bangora produced at an average gross rate of 98 mmcf/d and 302 barrels of condensate per day.
  
- Average gross production in FY2018 in the non-operated B8/32 oil and gas complex in the Gulf of Thailand was 18,626 bopd and 84.6 mmcf/d, or the equivalent of 32,724 boepd. KrisEnergy's working interest production for the year was 1,517 boepd.
  - The 2018 infill well drilling campaign commenced in August 2018, all 13 wells were completed and on production in December 2018:
    - Seven infill wells were drilled on the BEWS platform; and
    - Six infill wells were drilled on the CBWA platform.
  - 2019 infill drilling commenced earlier than scheduled on 4 December 2018 with two jack-up rigs in operation for the 36-well program. Drilling was suspended on 31 December 2018 due to Tropical Storm Pabuk and restarted on 6 January 2019:
    - 10 wells at the MAWD platform and six wells at the BEWU platform were completed in February 2019 and are expected to be on production in March 2019; and
    - The remaining 20 wells are associated with platforms MAWC (12 wells) and BEWG (8 wells).

### Development

- KrisEnergy's wholly-owned subsidiary, SJ Production Barge Ltd, contracted Keppel Shipyard Ltd (Keppel Shipyard) for the modification and upgrading of a production barge for the Apsara oil in Cambodia Block A, Gulf of Thailand. Keppel Shipyard's scope of work on the production barge includes enhancement of production facilities, installation of a power generation module, Electrical House, new accommodation units and other refurbishment works. Work commenced on the barge in 4Q2018 at Keppel Shipyard's Benoi facilities.
  
- The Petroleum Committee of Thailand approved on 28 December 2018 an extension of the four-year period to commence petroleum production for the G6/48 licence in the Gulf of Thailand, which contains the Rossukon oil field development. The extension was granted for two years until November 2021.
  - Technip FMC Thailand was awarded the contract for the front-end engineering and design for the Rossukon oil development; and
  - Following a geophysical and geotechnical logical survey in November 2018, the final location of the Rossukon A platform was confirmed.
  
- On 17 August 2018, KrisEnergy (Gulf of Thailand) Limited ("KEGOT"), a wholly-owned subsidiary and operator of the G6/48 licence issued to each of the joint venture partners, Northern Gulf Petroleum Pte Ltd ("Northern Gulf") and MP G6 (Thailand) Limited ("MP G6"), a notice to conduct the field development plan in the Rossukon production area ("PA") as an Exclusive Operation. All joint venture partners were given 60 days to respond to the notice. KEGOT and Northern Gulf each elected to take their *pro rata* share of the Exclusive Operation. On 20 October 2018, KEGOT informed the joint-venture partners, that under the



Joint Operating Agreement, each of, KEGOT and Northern Gulf were taking their *pro rata* share of the Exclusive Operation. KEGOT's working interest in the Rossukon PA therefore increased to 43.0% from 30.0% and Northern Gulf's working interest increased to 57.0% from 40.0%. Working interest in the G6/48 Reservation Area remained unchanged with KEGOT holding 30.0%, Northern Gulf 40.0% and MP G6 with 30.0%. Subsequently, on 18 February 2019, KEGOT, informed Northern Gulf that it would take full 100% control of the Exclusive Operation of the G6/48 PA. Northern Gulf remains a 40.0% working interest partner in the G6/48 reservation area, where KEGOT holds 30.0% and MP G6 holds 30.0%.

### Exploration

- The Montha-1 exploration well, drilled by the *Mist* jack-up rig, commenced drilling on 12 November 2018 in the G10/48 licence. Water depth at the well location is 172 feet (52.4 metres), approximately 15 km westnorthwest of the Wassana oil field. On 23 November 2018, the well reached total depth at 10,396 feet MD rotary kelly bushing (-9,138 feet TVDSS). No significant hydrocarbon shows were detected in the target reservoirs and the well was plugged and abandoned.
- On 30 January 2019, the Department of Mineral Fuels in Thailand approved KrisEnergy's proposal for the relinquishment of a portion of the reservation area in the G10/48 licence. The reservation area has reduced to 114.4 km<sup>2</sup> compared with 283.6 km<sup>2</sup>. The Wassana PA remains unchanged at 132.2 km<sup>2</sup>.

### Contacts

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 10 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)