KrisEnergy Ltd.'s Q&A from 1st Informal Investor Meeting on 10 September 2019

Due to an administrative error on the part of SIAS, KrisEnergy was unaware of the questions submitted to "Pigeonhole" for the 1st Informal Investor Meeting on 10 September 2019, and therefore the submissions were regrettably not addressed during the 1st Informal Investor Meeting. KrisEnergy became aware of the error and received the "Pigeonhole" questions only on 20 September 2019. Accordingly, KrisEnergy wishes to provide the responses below.

Whilst we have endeavoured to retain the original form of the Questions in verbatim as far as possible, some edits have been made for use of language and general coherence.

Board and Management Team

Questions

- **What had happened over the last 2 years that the company is getting into this stage given that the oil price is much better than 2 years ago? What assurance do we have for further restructuring?**
- **Why are we in such a terrible stage after oil price has recovered?**
- **In the solicitation exercise 2 years ago, you said that it was viable to turn around KrisEnergy with the extension of the bonds tenor and reduction of coupon, what are the reasons why this has not been achieved?**
- **What was the assumption of the crude oil price in your forecast two years ago? If you still say now that it is confidential, was it above or below the average over the last two years? Why no profit?**
- **Why did KE fail to deliver their restructuring plan and promise? What went wrong? Did KE mismanage the Company or make disastrous business decision?**

KrisEnergy Response:

As stated on page 24 of the presentation "KrisEnergy Ltd. 1st Informal Investor Meeting", the measures undertaken in the late 2016/early 2017 restructuring proved insufficient to achieve a sustainable capital structure. The deterioration in the Group's financial condition was primarily a result of:

- Lower-than-anticipated production and depressed oil prices resulted in lower revenue and cash flow;
- Sale and farm-out of assets was not achievable due to weak investor sentiment and buyer/seller pricing mis-match due to volatile oil and gas commodity markets;
- Continued challenge to raise funding to support working capital and capital expenditure to grow production and cash flow; and
- Debt servicing costs limited KrisEnergy's ability to fund capital expenditures from existing cash flow.

Regarding KrisEnergy's financial condition, please refer to the section entitled Current Situation & Next Steps of the 10 September 2019 presentation "KrisEnergy Ltd. 1st Informal Investor Meeting" on the SGXNet and the Company's website. Slide 26 provides further commentary as regards the Group's cash flows:

- Group is generating positive cash flow from operations;
- Financing costs of debt have eroded free cash flow available for revenue generating and value creation activities;
- The Group is no longer able to raise additional capital given its current financial condition and overleveraged capital structure; and
- Host governments require licence holders to invest in exploring and developing the assets to bring them into production and to continually invest to maintain and increase existing production. **This imposes significant costs on the KrisEnergy Group which it cannot currently fund.**

Questions

- **Management previously said that the breakeven Brent price for the company is US$50. That didn't pan out. Can management explain what happened? Also at what Brent price can the company turn around?**
- **What is the average Brent crude oil price needed to achieve breakeven in terms of both profits and cash flows? Had that been taken into consideration when the coupon structure was set?**
- **What is the minimum oil price required for KrisEnergy to breakeven on its projects and all the payments (including debt) it is committed to?**
- **What is the breakeven price for crude oil price?**
- **With Brent Crude price around USD60, can the company stay profitable and honour all the debts?**

KrisEnergy Response:

The deterioration in the Group's financial condition was primarily a result of:

- Lower-than-anticipated production and depressed oil prices resulted in lower revenue and cash flow;

- Sale and farm-out of assets was not achievable due to weak investor sentiment and buyer/seller pricing mis-match due to volatile oil and gas commodity markets;
- Continued challenge to raise funding to support working capital and capital expenditure to grow production and cash flow; and
- Debt servicing costs limited KrisEnergy's ability to fund capital expenditures from existing cash flow.

KrisEnergy has three assets that currently produce oil and gas. Changes in oil price impact cashflow from two assets, Blocks G10/48 and B8/32. These assets require ongoing capital expenditure to maintain production. KrisEnergy's other assets are at development or exploration stage and do not currently generate cashflow. These assets have significant capital expenditure requirements, which need to be met in order to comply with the terms of the concessions granted by host governments.

A graphical explanation of key events is provided in the presentation, "KrisEnergy Ltd. 1st Informal Investor Meeting" dated 10 September 2019, slides 10-22. KrisEnergy's highest committed capital expenditure and highest production occurred in 2015/2016 when oil prices were steeply declining to 12-year lows.

It is difficult for management to specifically comment on the minimum breakeven oil price given the number of applicable factors, including:

- While oil price has material impact on oil assets, it has a limited impact on KrisEnergy's gas assets (*e.g.*, Block 9 in Bangladesh);
- Absent the development of near-term producing assets such as Cambodia Block A, the Group's oil production will remain limited; and
- Current production of *circa* 5,000 of barrels of oil per day is insufficient to adequately (i) fund further asset development and (ii) service the Group's existing debt service obligations even with a substantial increase in oil prices from the levels today.

Declining production from existing producing assets will increase the breakeven oil price given the high fixed cost and structure of our operations.

The coupon structure for the 2022 and 2023 Notes incorporated a Brent-linked coupon kicker.

Question

- **Management was unable to steer the company to financial viability after the previous restructuring, despite a S$140m capital injection and additional bank loans. Why would it be different this round?**

KrisEnergy Response:

For reasons why the previous restructuring proved insufficient to achieve a sustainable capital structure, please refer to slide 24 of the presentation, "KrisEnergy Ltd. 1st Informal Investor Meeting", dated 10 September 2019. Specifically, a significant portion of the proceeds from the issuance of the Zero Coupon Notes were used to repay a short-term bridge under the RCF, resulting in very little incremental capital available to re-invest into the business. Key business plan assumptions underpinning the prior restructuring, such as the requirement to realise substantial proceeds from the sale and farm-out of assets, were not achievable due to weak investor sentiment and buyer/seller pricing mis-match due to the volatile oil and gas commodity markets. This adversely impacted the company funding position in two ways. Firstly, there were no proceeds available from the sale of assets with which to fund required expenditure on other assets. Secondly, there was no reduction in total capital expenditure requirements of the Company which could have been achieved by disposing of assets.

We understand there was limited investor appetite in the prior restructuring to impair the face value of creditor claims and/or significantly dilute existing shareholders absent an injection of fresh capital *vis-à-vis* the Zero Coupon Notes and associated warrants. Consequently the 2016/2017 restructuring provided near-term liquidity relief to KrisEnergy whilst providing stakeholders with an option on the recovery in oil prices. It also allowed unsecured creditors to continue receiving coupon payments on their debt instruments. However, it did not appropriately right-size the Group's balance sheet and proved to only be a temporary solution. The Group's high leverage profile since the prior restructuring coupled with the lack of sufficient capital to re-invest into in the business had forced KrisEnergy to make continuous efforts to prioritise near-term liquidity and subsequently constrained its ability to deliver the business plan and maximise long-term value of the asset portfolio. It is now the Company's intention to pursue a holistic restructuring that appropriately right-sizes KrisEnergy's capital structure to a supportable level whilst allowing the Company to invest in the development of key assets – thereby maximising value for all stakeholders.

Question

- **Oil prices did not collapse but obviously operating costs have skyrocketed and assets impairment indicates incorrect estimates of reserves. Who is accountable for the fiasco? Management has left too.**

KrisEnergy Response:

The steep and prolonged downturn in oil prices from the end of 2014 to 12-year lows in 2016 impacted KrisEnergy's financial condition in several ways and eroded much of the Company's equity position. Please refer to the presentation, "KrisEnergy Ltd. 1st Informal Investor Meeting", dated 10 September 2019. Many of KrisEnergy's assets were purchased and operating contracts were entered into in a high oil price environment. Oil prices have not returned to these levels in the period subsequent to 2014. This has a significant impact on the value of KrisEnergy's assets and the cost of its operations.

Regarding operating expenses, the Wassana field in G10/48 in the Gulf of Thailand is based on a lease-back model and therefore upfront capital expenditure in the development of the field was reduced but the field's operating expenses are higher in nature. The field came onstream in August 2015 just ahead of the 12-year oil price lows and, including the discount for the marketing of new crude oil, the early surge production was sold at lower prices.

In addition, a large proportion of KrisEnergy's assets were acquired pre-2014 in a high oil price environment. Ensuing write-downs and impairments have occurred due to the relinquishment of assets or sale of assets in much lower oil price conditions.

Several members of management have decided to pursue other interests after 8 to 10 years' service. While certain members of management have left, many of the original members of the KrisEnergy team remain. This brings continuity of management to the business and a deep knowledge of the Company's assets and operations.

Questions

- **What are fees payable to current consultants and legal fees?**
- **With poor performance over past 2 years, how were management paid? What were the past fees and interest paid to bankers and consultants during and after 2016 restructuring?**
- **If there is no profit, why do you still pay the board directors' fees when the board was not steering the company towards profitability? What were the other cost savings initiatives the board undertook?**

KrisEnergy Response:

Advisor fees are in line with typical market rates in Singapore for comparable advisory mandates. The Company has heavily scrutinized advisory fees and only retained advisors that are necessary to the process. Certain advisory fees have been structured in a manner that are only payable upon achieving certain milestones / successful transaction; thereby aligning incentives amongst stakeholders.

For interest paid to lenders, please refer to slide 26 of the presentation, "KrisEnergy Ltd. 1st Informal Investor Meeting", dated 10 September 2019.

KrisEnergy has undertaken a comprehensive review of its expenditures to identify, and implement, various operational cost saving initiatives (eg. replacing use of helicopter-support with cheaper crew change boats, reducing number of expatriate positions and nationalising field operations personnel, optimisation and change-out of chemical suppliers, cost/rate renegotiations etc). In addition to operational savings, the Board of Directors and KrisEnergy's senior management team have agreed to 25% reduction in fees and compensation, while many staff have also agreed to a 10-25% reduction in salary since 2016. The Group, and its stakeholders, have benefited from the reduction in expenditures, which are ongoing cost-cutting measures to aid the Company through the adverse macroeconomic conditions and its volatile financial position. For senior management remuneration, please refer to the Corporate Governance section of the annual reports.

Please refer to page 28 and 29 of the presentation "KrisEnergy Ltd. 1st Informal Investor Meeting" for more information on cost savings.

Question

- **How do you motivate staff going forward given that they will now know that they have no future careers with the company? Why should bondholders believe you when you could not even motivate them previously?**

KrisEnergy Response:

Staff are regularly appraised of the Company's financial condition and are welcome to separately approach their managers and senior management in Singapore if they have enquiries. Many staff have been with KrisEnergy since the early years when the Company was in expansion, they appreciate the open corporate culture and are motivated by the responsibility and initiative that is welcomed. However, given many staff across the Group have taken a salary reduction of 10-25% since 2016 and recognising that working conditions over the last four years have been taxing, being able to continually motivate staff remains a challenge for the Group.

<u>**Restructuring Exercise**</u>

Questions

- **Given option to exercise redemption, Company announced not in financial capacity to redeem any notes. What are the other alternatives left for notes investor?**
- **If did not exercise redemption, what's the plan? Investor to pull through this crisis together with co holding on confidence that future interest payments & bond principal maturity?**
- **If market condition & cash flow is back to positive, what is the recourse for defaulted interest payments?**
- **I am against the last restructuring proposal. But no choice we have been taken advantage due to the minority share to be in this bad situation now? How are you going to help us recover our retirement money?**
- **What plan does company have to return to financial viability?**
- **Please share company forecast on future market outlook and its operations, strategy of company going forward after restructuring.**
- **Will you be pursuing any asset sales in the short term?**
- **How are shareholders affected by this restructuring, will we be heavily diluted if bond holders are converted into new shareholders?**
- **If KrisEnergy ends up in liquidation, what are your estimates of the recovery value for the various classes of creditors?**

- **Are you able to provide the latest valuation of your proven oil reserves, more specifically the values of the Block 9, B8/32 and G10/48 fields?**

- **At this moment, what are the various restructuring alternatives that management are contemplating? Which of these carry the highest likelihood of being pursued further?**

- **What is the liquidation value for bond holders?**

- **What do you think is the right amount of debt for the firm moving forward? What amount of capital injection is required to return to financial viability? How much time do you need to get there?**

- **With Keppel additional injection of S$140m last round of restructuring, company is still not able to turn around. What else to be done to turn around? What are the specific plans?**

- **Will there be another round of fund raising exercise to help the restructuring?**

- **Would you consider business diversification / source out for potential substantial shareholder in near term amidst the harsh O&G market conditions, to boost investors' confidence in the long run?**

- **First restructure, bondholders were sacrificed. Same again?**

- **We want to have a transparent illustration on how different class of lenders are treated? We were short changed in the last restructuring**

- **What is the estimated recovery value for each class of creditor if company liquidates?**

- **If key assets sold, will the banks and zero coupon be paid first leaving bondholders with company that has significantly impaired balance sheet?**

- **What is the estimated liquidation value of KE? Will zero coupon noteholders receive par if the company goes into liquidation? Should Keppel vote on any plan separately due to its interest in the RCF?**

- **2022 and 2023 bondholders had coupons reduced and accrued and maturities extended whilst bankers were paid increased spreads and fees. Will accrued coupons be paid first before any further repayments made to bankers?**

KrisEnergy Response:

The Company has been actively pursuing various sources of fund raising since the first round of restructuring in early 2017 - please refer to slide 28 of the presentation, "KrisEnergy Ltd. 1st Informal Investor Meeting", dated 10 September 2019. However, the Group is unable to raise additional capital on acceptable terms absent a balance sheet restructuring or impairment to existing stakeholders given its current financial condition and overleveraged capital structure.

KrisEnergy's capital structure and liquidity profile are currently constrained, which prevent KrisEnergy from entering into any new markets or activities. Financial resources are focused on maintaining existing production and thereby a revenue stream, and the development of Cambodia Block A.

The Company is working towards alleviating its financial difficulties through a restructuring process. The Board of Directors has been advised, and is of the view, that the moratorium recently granted by the High Court of Singapore will provide the Company with the breathing space and room which are essential to allow it to engage and work with the key stakeholders and advisors to pursue this restructuring process. It is the Company's aim to achieve a restructuring of its liabilities that will be equitable to all its stakeholders and will return the Company to viability in the shortest time possible.

Following a strategic review, the Company is currently undertaking a sales process for which it has received initial non-binding offers from several parties for either individual assets, combinations of assets or a corporate sale. These initial non-binding offers are under review by management, the Board of Directors, advisors and key stakeholders. The outcome of the sales process will determine the structure of the financial restructuring and investors, stakeholders and creditors will be presented with the restructuring plan at the appropriate time. All Notes will be subject to the outcome of the financial restructuring process.

Management remains committed to achieving the best possible, and value maximizing, outcome for all parties. We plan to continue running a transparent process and keeping stakeholders updated via periodic announcements / organizing similar town hall forums to the 10 September 2019 meeting from time to time.

It would be inappropriate to provide valuation estimates or to comment on anticipated (i) stakeholder recoveries, (ii) *pro forma* capital structure and (iii) required capital injection at this time, given KrisEnergy is currently engaged in discussions with various third parties as regards its ongoing sales process. Notwithstanding, we believe liquidation would be value destructive for all stakeholders as compared to a restructured going concern.

All votes will be conducted in accordance with applicable law and contractual requirements. It is premature to state what this means for any one stakeholder.

Question

- **What triggered the court protection action, as oil price has been trending reasonably? Rubicon claim is a small amount apparently.**
- **Was there any specific event that led to the need to file for court protection? Was the claim from Rubicon Vantage existing even during the first restructuring? Was it disclosed at that time?**

KrisEnergy Response:

As stated in the Company's announcement *Application for moratorium pursuant to section 211B of the Companies Act (Cap.50)* dated 14 August 2019:

Rationale for commencement of the Application

The Company announced on 14 August 2019 that the lower oil prices and lower sales have impacted its revenue for the first half of its financial year ended 30 June 2019 ("1H2019"). The net loss for the 1H2019 period resulted in a capital deficiency position for the Group, bringing the total debt recognised on the Group's balance sheet to US$476.8 million as at 30 June 2019. As at 30 June 2019, the Group's gearing was 110.8%. It would not be feasible for the Company to make all payment(s) of its financial obligations as they fall due and therefore it requires a restructuring of its liabilities.

The Company is working towards alleviating its above-mentioned financial difficulties through a restructuring process. The Board of Directors has been advised, and is of the view, that the Application will provide the Company with the breathing space and room which are essential to allow it to engage and work with the key stakeholders and advisors to pursue this restructuring process. It is the Company's aim to achieve a restructuring of its liabilities that will be equitable to all its stakeholders and will return the Company to viability in the shortest time possible.

Please refer to the full announcements for further details.

Question

- **Why was the coupon for 2022 notes paid while the coupon for 2023 notes not paid? What's the certainty on redemption for 2023 maturity? Any updates from the financial advisor?**

KrisEnergy Response:

The Company is not in a position to repay or redeem any of the Notes given its financial situation.

Based on the contractual terms and conditions of the Notes, the 2022 Notes bear interest on June and December of each year, whereas the 2023 Notes bear interest on February and August of each year. Accordingly, for the year of 2019, the Company paid the interest for the 2022 Notes in June 2019 and the interest for the 2023 Notes in February 2019. The Company is currently not in a position to redeem any of the Notes given its financial condition.

The August interest payment on the 2023 Notes would have coincided with the interest and amortisation payments due on the unsecured term loans. Given the Company's financial condition, the Company and its advisors believed the making of these payments would have been detrimental to the Company's liquidity position. This, coupled with the progressing nature of the Company's discussions with various interested parties and adverse Rubicon ruling, drove the decision to seek court protection before the August debt service payments were due. The Company has received initial non-binding offers from several parties for the purchase of individual assets, combinations of assets, as well as corporate sale transaction. These initial non-binding offers are under review by management, the Board of Directors, advisors and key stakeholders. The outcome of the sales process will determine the structure of the financial restructuring which will be launched at the appropriate time.

Question

- **I have participated in 2015 equity raising and 2017 note subscription and 2019 restructuring looks bad for us long shareholders. How can we help further the company as shareholder?**

KrisEnergy Response:

The Company greatly appreciates the support from all its stakeholders, both historically and going forward. The Company is currently pursuing all value maximising solutions as part of its ongoing sales process, including a detailed review of its supportable capital structure, and will share more information as soon as possible on anticipated next steps.

Redemption Event under Notes

Questions

- **I am holder of KrisEnergy 2pct due 220823. What is the put redemption option?**

- **Please seek clarification of Put Option KRISENERGY LTD 4 220823 FA [KRISSP] where noteholders can request the company to redeem their bonds but no assurance that it will be redeemed 100%?**

- **If redemption is exercised (1) would Krisenergy be able to pay as earlier notification was that Krisenergy will not be able to pay (2) how much will they be paying if affirmative?**

KrisEnergy Response:

In conjunction with its moratorium application filed on 14 August 2019, KrisEnergy requested a suspension of trading of its securities on the same day. Based on the terms and conditions of the Notes (comprising the 2022 Notes, the 2023 Notes and the Zero Coupon Notes), it is contractually provided that in the event trading in KrisEnergy's shares on the SGX-ST is suspended for a continuous period of more than seven days, a mandatory redemption event will be triggered. Accordingly, purely for compliance with the contractual terms under the Notes, the Company notified Noteholders of the occurrence of such redemption event by post and through the SGXNet and the Company's website and put option notices were accordingly provided upon request.

However, for the avoidance of doubt, the Company stated in all notices that, notwithstanding the occurrence of the redemption event and the submission of any completed put option notice by Noteholders, the Company is not in a position to redeem any of the Notes given its financial condition.

A Noteholder who has submitted a put option notice will not rank ahead of a Noteholder who has not submitted a put option notice in a restructuring. All Notes will be subject to the outcome of the financial restructuring.

Assets and Operations

Question

- **Please update the latest status of 10 blocks in various development stages, appraisal and exploration in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam. What is the likelihood of profit margin?**

KrisEnergy Response:

Please refer to the table below for the status of KrisEnergy assets (as disclosed in page 5 of our 2018 annual report). Note that all blocks have exploration upside.

Country / Asset	Working Interest (%)	Operator	Gross Acreage (sq.km)	Location	Water Depths (m)
Bangladesh					
Block 9	30.0	KrisEnergy	1,770	Surma Basin	Onshore
SS-11	45.0	Ophir Energy	4,475	Bay of Bengal over Bengal Fan	200-1,500
Cambodia					
Block A	95.0	KrisEnergy	3,083	Khmer Basin, Gulf of Thailand	50-80
Gulf of Thailand					
B8/32 & B9A[1]	4.6345	Chevron	2,072	North Pattani Basin	42-113
G6/48		KrisEnergy		Karawake Basin on western margin of Pattani Basin	60-70
Production area	100.0[2]		88		
Reservation area	30.0		284		
G10/48	89.0	KrisEnergy	247	Southern margin of Pattani Basin	Up to 60
Indonesia					
Andaman II PSC	30.0	Premier Oil	7,400	North Sumatra Basin, Malacca Strait	200 to 1,950
Bala-Balakang PSC	85.0	KrisEnergy	838	Southern Kutai Basin, Makassar Strait	20 to over 1,000
Bulu PSC	42.5	KrisEnergy	697	East Java Sea	50-60
Sakti PSC	95.0	KrisEnergy	3,719	East Java Sea	50-60
Udan Emas PSC	100.0	KrisEnergy	1,070	Bintuni Basin, West Papua	Onshore
Vietnam					
Block 115/09	100.0	KrisEnergy	7,382	Quang Ngai Graben into Phu Khanh Basin	60-200

1 The Tantawan field in B8/32 and the Rajpruek field in B9A permanently ceased operation on 31 October 2017. Abandonment activities are underway before the B9A licence is relinquished
2 As of 18 February 2019, KrisEnergy has 100.0% working interest in the Exclusive Operation of the Rossukon field development plan

Question

- **Why is depreciation and operating cost so high? Did the accountant do a fair valuation? Who is the accountant? Since Keppel guaranteed DBS loans why are we still paying such a high interest?**

KrisEnergy Response:

KrisEnergy Ltd's external auditor is Deloitte & Touche LLP. Please refer to the Company's announcement dated 2 April 2019 regarding the auditor's views on *Material Uncertainty Related to Going Concern*. Calculation of depreciation is based on unit-of-production over the total proved developed and undeveloped reserves and takes into account the expenditures incurred to date and estimated future development expenditure. The proved developed and undeveloped reserves as well as the estimated future expenditure are measured against the Group's qualified person's report, which is evaluated at the end of each year.

The Group is currently generating positive cash flow from operations and its continuous cost rationalisation exercise since 2015 has resulted in significant reductions in operating expenses. Please refer to page 16 of the presentation "KrisEnergy Ltd. 1st Informal Investor Meeting" dated 10 September 2019, which sets out the timeline for sanction of material investment decisions relative to oil price.

The terms of the facility with DBS were negotiated on arm's length terms between the Company and DBS. KrisEnergy understands that Keppel has not provided a guarantee for the DBS loans. KrisEnergy is not a party to the bilateral contract between Keppel and DBS and therefore cannot comment on it. For more information regarding the arrangement between Keppel and DBS, please refer to Keppel's announcement dated 14 August 2019.

Questions

- **For the three producing oil and/or gas fields, how is the production level? How do you fund the operating cost for these production? What is the operating margin for the three fields?**

- **Is KE going to bleed to death during this period of restructuring...meaning burnt more money and owe more debts going forward?**

- **How many of the oil fields are operating profitably? Over the past 3 years how many are dry holes? What is the burn rate of the company?**

KrisEnergy Response:

For the six months ended 30 June 2019, the Group's three producing fields recorded in aggregate 10,396 boepd of oil and gas, comprising 4,986 bopd of oil and 30.3 mmcfd of gas. The Group average lifting cost for the same period was $21.04/boe. Operating costs are generally funded from proceeds from the sale of oil and gas.

Further details on individual assets can be found in KrisEnergy's financial statements and earnings presentations, which are available on the Company's website. The Group is currently generating positive cash flow from operations and its continuous cost rationalisation exercise since 2015 has resulted in significant reductions in operating expenses and corporate general and administrative expenses. However, the Company's constrained liquidity position under its current capital structure necessitated seeking a moratorium against enforcement actions and legal proceedings by creditors against the Company pursuant to section 211B of the Companies Act (Cap. 50).

The Group continues to maintain and operate its producing assets in order to preserve its revenue stream. Capital expenditure has been reduced to a need-only and/or committed basis such as for development of Cambodia Block A. At the same time, the Company is reducing its operating expenses as much as possible without compromising health and safety or causing any value deterioration to its asset base and business.

Question

- **What is the future business prospect of upstream O&G sector? How does KrisEnergy manage its cash flow and ensure that the company is able to survive for a longer term?**

KrisEnergy Response:

Hydrocarbon fuels – oil, liquids and gas – remain the primary energy source globally and consumption is widely forecast by analysts, institutions and government bodies, etc., to continue to grow in the long term; although the magnitude of growth varies widely from year to year depending on many factors including, but not limited to, economic and population growth, geopolitical scenarios, regulatory developments and pricing. Technological and economic considerations for alternative energy sources will also impact markets for fossil fuels.

KrisEnergy constantly reviews its activities and cash flow based on various oil price scenarios. However, the Company has certain commitments to host governments that it must honour in order to satisfy licence agreements. The timing of those commitments, and where prevailing commodity prices lie, may be out of the Company's control due to external factors.

As part of its ongoing strategic review, the Group has identified and implemented various cost saving programs to conserve liquidity to meet the Group's funding requirements with the aim of preserving value of the portfolio. KrisEnergy has pursued all available options, including:

- Ongoing cost reduction initiatives;
- Operating and capital expenditure deferment;
- Alternative sources of financing (such as offtake prepayments and vendor financing arrangements);
- Sale of assets; and
- Raising new debt or equity capital.

Please refer to page 28 and 29 of the presentation "KrisEnergy Ltd. 1st Informal Investor Meeting" dated 10 September 2019 for more information.

Question

- **After 2016 restructuring, what were additional write downs on assets each quarter and how much were these due to oil price decline?**

KrisEnergy Response:

During the period from 4Q2016 to 2Q2019, the Group recognised US$434.2 million in asset impairments and write-offs. Of this, US$120.7 million related to the sale of Block A Aceh, US$173.6 million related to relinquishment of exploration assets due to licence expiry and US$139.9 million related to impairment of producing assets due to oil price decline.

Question

- **Please give an update of your Cambodia oil project.**

KrisEnergy Response:

Work on the Cambodia Block A Apsara oil development is continuing with progress on the *Ingenium II* production barge renovation including installation of modules such as the power generation sets and central control room. Steel for the platform facilities is being rolled and is scheduled to leave the mill at the end of September 2019. In addition, fast-track processing of the 200 sq. km 3D seismic data acquired over the Apsara development area is due to be completed around mid-October 2019. That data will be used to refine the location and design of Apsara development wells.

Questions

- **What is your guided capex amount for Q4 19 and next FY?**
- **In 2Q, the company mentioned that it will spend USD12.5m for 3Q19. Does that include the upgrade costs at the Wassana fields? What would your capex requirements be for the next 12 months?**
- **Can you give an update of the various oil fields exploration activities and whether any additional capex need to be provided?**
- **The firm was granted a 2Y extension for exploration activity within the Bay of Bengal. Why not focus on existing resources? What are the costs and benefits of finding more oil fields?**

KrisEnergy Response:

As the Company is undertaking a restructuring process, managing available cash will direct capital expenditure, which will largely depend on hydrocarbon sales and revenue. The Company is directing all expenditure to maintaining existing production for revenue and the development of Cambodia Block A.

In the *Unaudited Second Quarter & Six Months ended 30 June 2019 Financial Statements Announcement* dated 14 August 2019, the Company stated that planned capital expenditure for the third quarter 2019 is estimated to be approximately US$12.5 million of which 91% will be utilised for producing and development assets, predominantly at the Cambodia Block A concession, and the balance is intended to be allocated to mandatory work commitments.

	For the three months ending 30 Sep 2019
	(unaudited)
	(US$ thousands)
Producing assets	228.0
Assets under development	11,144.8

Non-producing assets	1,162.2
Total capital expenditure	12,535.0

The Company has not provided capital expenditure forecasts for the fourth quarter 2019 or the financial year 2020.

KrisEnergy has undertaken certain exploration commitment activities in 2019 as required in the licence agreements with host government countries. These are:

- In May 2019, the acquisition and processing of 2,720 sq. km 3D seismic data in the non-operated Andaman II exploration production sharing contract ("PSC") offshore North Sumatra. KrisEnergy holds a 30% non-operating working interest;
- In mid-June 2019, operator KrisEnergy commenced a 1,200 sq. km 3D seismic survey in Cambodia Block A, 1,000 sq. km over the reservation area and 200 sq. km over the Apsara development area. The survey was completed in mid-July 2019 and processing of the data is ongoing; and
- For the SS-11 PSC, offshore Bangladesh, the two-year extension provides additional time for partners to fulfil its work commitment.

Question

- **The ZCN has first ranking security over the shares and certain accounts of SJ Production Barge Ltd. Are you able to tell us what the carrying value of SJ Production Barge is?**

KrisEnergy Response:

SJ Production Barge Ltd's sole asset is a production barge which is currently under refurbishment by Keppel Shipyard Limited at the Benoi shipyard in Singapore. Under the terms of the refurbishment contract, the production barge has been mortgaged to Keppel Shipyard Limited until the accrued cost of refurbishment of the production barge has been fully repaid. As at 30 June 2019, the net carrying value of the production barge was US$22.6million.

Miscellaneous

Question

- **Did DBS' security position improve after 2016 restructuring?**

KrisEnergy Response:

The security package granted to DBS in connection with the RCF has not improved subsequent to the 2016-2017 restructuring in any way detrimental to the creditors or shareholders of the Company.

Question

- **What is the profit made by Keppel Corp of all the intercompany sales to KE? List all of them and explain why they are arms-length and at market prices? Explain the basis that these were at market price.**

KrisEnergy Response:

On 26 April 2018, KrisEnergy held an Extraordinary General Meeting ("EGM") for the adoption of the Interested Person Transactions Mandate for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with the Listing Manual, KrisEnergy issued a circular ahead of the EGM, accompanied by a letter from an independent financial adviser. At the EGM, Keppel Oil & Gas Pte Ltd and its affiliated companies abstained from voting and 99.62% of the total number of votes were in favour of the ordinary resolution.

On 9 November 2018, KrisEnergy Ltd. announced that its wholly-owned subsidiary, SJ Production Barge Ltd, had contracted Keppel Shipyard Ltd for the modification and upgrading of its production barge for the Apsara oil development in Cambodia Block A. The value of the contract is approximately US$21.7 million, where a portion of the payment is on deferred terms. The contract constituted an interested person transaction and was conducted under the interested person transactions mandate adopted and approved by the Company's shareholders on 26 April 2018. Details of the contract were disclosed in KrisEnergy's annual report for 2018.

The contract was awarded on the basis of a competitive tender process.

There are no other intercompany sales between KrisEnergy and its affiliates and Keppel and its affiliates.

At the Annual General Meeting of the Company held on 26 April 2019, a resolution put forth to approve the proposed renewal of the general mandate for Interested Person Transactions was not passed by way of poll.

Questions relating to the plans/intentions of Keppel and its related companies

KrisEnergy Response:

While Keppel has shown significant support for the Company's restructuring efforts so far, the Company is not in a position to comment on Keppel's intentions and plans for the Company. For further information on Keppel and its plans, please refer to Keppel's announcement dated 14 August 2019.