

KRISENERGY LTD

Company Registration No: 231666
(Incorporated in the Cayman Islands)

Unaudited Third Quarter & Nine Months ended 30 September 2018 Financial Statements Announcement



13 November 2018

The following announcement may contain forward-looking statements by KrisEnergy Ltd. (the “**Company**” or “**KrisEnergy**”, and collectively with its subsidiaries, the “**Group**”) relating to financial trends for future periods.

Some of the statements in this presentation, which are not historical facts, are statements of future expectations with respect to, among others, the financial condition, results of operation and business, and the related plans and objectives of the Company and/or the Group. These forward-looking statements are based on the Company’s current views, intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and uncertainties. As actual results could differ materially from the Company’s current views, intentions, plans, expectations, assumptions and beliefs about the future, such forward-looking statements are not and should not be construed as a representation, forecast or projection of future performance of the Company and/or the Group. It should be noted that our actual performance may vary significantly from such statements. No undue reliance should be placed on forward-looking statements and the Company does not undertake to revise forward-looking statements to reflect future events or circumstances.

Financial and Operations Update

KrisEnergy Ltd. is an independent upstream oil and gas company focused on the appraisal, development and production of oil and gas in Asia. As at the date of this announcement, we hold working interests in a diverse portfolio of 14 contract areas in Asia, nine of which we operate, balancing cash flow from oil and gas production with significant development potential and exploration upside. Today, we present our unaudited financial statements reflecting the financial and operating results for the three months (“3Q2018”) and nine months (“9M2018”) ended 30 September 2018 (the “Results”). References made to the Company pertain to KrisEnergy Ltd. and references made to the Group pertain to the Company and its subsidiaries.

	For the three months ended 30 September			For the nine months ended 30 September		
	2018	2017	% Change	2018	2017	% Change
(US\$ thousands, except where otherwise indicated)						
Financial						
Sale of crude oil & liquids	35,563.5	34,984.5	1.7	116,972.8	93,867.7	24.6
Sale of gas	3,600.3	3,989.1	(9.7)	10,425.0	13,584.4	(23.3)
Revenue	39,163.8	38,973.6	0.5	127,397.8	107,452.1	18.6
EBITDAX^(1,2)	16,616.9	6,952.2	139.0	43,968.0	28,782.7	52.8
Cash and bank balances	56,247.1	58,480.1	(3.8)	56,247.1	58,480.1	(3.8)
Operations⁽²⁾						
Production volumes (boepd) ⁽³⁾	9,918	12,662	(21.7)	10,976	12,970	(15.4)
Average sales price						
• Oil and liquids (US\$/bbl)	70.80	47.65	48.6	67.05	46.87	43.1
• Gas – B8/32 (US\$/mcf)	4.64	4.08	13.7	4.36	3.91	11.5
• Gas – Block 9 (US\$/mcf)	2.32	2.32	-	2.32	2.32	-
Average lifting costs (US\$/boe) ⁽⁴⁾	22.82	18.91	20.7	23.26	19.05	22.1

Notes:

- (1) EBITDAX is a non-IFRS measure and is defined as earnings before interest, taxation, depreciation, amortisation, geological and geophysical expenses and exploration expenses
- (2) Non-IFRS measures
- (3) Includes KrisEnergy's working interest share in G11/48 up to 31 May 2018
- (4) Calculation of average lifting cost has been revised to reflect the Group's working interest share of joint-venture operating expenditure incurred versus production in the same period. See section 8 *Cost of Sales* in this *Financial Statement Announcement* for a detailed explanation

Nine Months 2018 Financial Update

Oil prices climbed for the fifth consecutive quarter in 3Q2018 with global benchmark Brent crude reaching US\$82.87 per barrel (“bbl”) in late September 2018, which marked the highest level since the fourth quarter 2014. Brent crude averaged US\$72.74/bbl in 9M2018, 38.5% higher than in the corresponding year-ago period (9M2017: US\$52.51/bbl). The firmer markets were reflected in a 43.1% increase in the average realised oil sales price achieved by the Group in 9M2018 and although production decreased by 15.4%, revenues stepped up 18.6% for the period. Group cash flow from operations in the first nine months 2018 increased 3.5 times and EBITDAX was 1.5 times higher versus the corresponding 2017 period.

- Working interest production in 9M2018 averaged 10,976 barrels of oil equivalent per day (“boepd”), 15.4% lower than a year ago (9M2017: 12,970 boepd). The Group ceased reporting production data from the Nong Yao oil field in G11/48 as of 31 May 2018 and therefore comparisons year-on-year and quarter-on-quarter are skewed. On a *pro forma* basis, excluding G11/48, for the Group’s three remaining producing assets – Block 9, B8/32 and G10/48 – recorded working interest production of 9,946 boepd in 9M2018 (9M2017: 11,046 boepd) and 9,918 boepd in 3Q2018 compared with 9,637 boepd in 2Q2018 and 10,528 boepd in 3Q2017. The 10.0% decrease on a *pro forma* basis in the first nine months resulted from a 22-day scheduled shutdown in April 2018 at the main Benchamas oil and gas field in B8/32, prolonged poor weather hampering maintenance and operations at remote locations in the B8/32 fields in August 2018, curtailed production at the Wassana oil field in G10/48 while equipment repairs were undertaken and natural decline. For detailed information see section *Nine Months 2018 Operational Update* on page 9 of this report.
- Revenue for 9M2018 increased 18.6% to US\$127.4 million (9M2017: US\$107.5 million) due to higher average realised selling prices for oil and liquids, and natural gas in Thailand.
- In 9M2018, the Group’s average realised price for oil and liquids was US\$67.05/bbl, 43.1% higher than a year ago (9M2017: US\$46.87/bbl). The average realised gas price for the B8/32 licence increased 11.5% to US\$4.36 per thousand cubic feet (“mcf”) (9M2017: US\$3.91/mcf) in line with higher prices for benchmark medium sulphur fuel oil. The realised gas price from the onshore Bangladesh Bangora field in Block 9 remained flat at US\$2.32/mcf.
- Operating costs in 9M2018 increased to US\$76.9 million (9M2017: US\$65.6 million) as a result of expenditure for well workovers and equipment maintenance in the Wassana field. In the first quarter 2018, the calculation of average lifting cost was revised to reflect the Group’s working interest share of joint-venture operating expenditure incurred versus production¹. In 9M2018, the average lifting cost was US\$23.26 per barrel of oil equivalent (“boe”) compared with a revised computed average lifting cost of US\$19.05/boe for 9M2017. The 22.1% increase was attributed to higher operating expenditure related to the Wassana field coupled with overall lower production volumes for the period.

¹ Previously, the average lifting cost was calculated using operating cost reported in accordance with IFRS matched with the cost of production to the volume sold

- Depreciation, depletion and amortisation (“**DD&A**”) charges declined to US\$31.5 million in 9M2018 (9M2017: US\$45.9 million) as a consequence of lower Group production and lower carrying values of oil and gas properties.
- EBITDAX in 9M2018 increased 52.8% to US\$44.0 million (9M2017: US\$28.8 million). The year-on-year increase was primarily attributed to a higher gross margin resulting from improved average realised selling prices and lower corporate general and administrative expenses.
- Other operating expenses in 9M2018 amounted to US\$25.1 million versus other operating income of US\$18.1 million in 9M2017 due to a non-cash impairment of US\$12.9 million related to the expiry of the East Seruway production sharing contract (“**PSC**”) in Indonesia, and dry hole expenses of US\$6.8 million associated with the Ca Lang-1 exploration commitment well in Block 120, offshore Vietnam.
- Cash flow from operating activities in 9M2018 was US\$30.6 million against US\$8.8 million in 9M2017.
- The net loss after tax in 9M2018 was US\$62.3 million (9M2017: US\$51.7 million) and was primarily incurred as a result of finance charges (US\$38.0 million), higher operating costs, non-cash impairment charges and dry hole expenses. Other material non-cash charges to the profit and loss statement in 9M2018 amounted to US\$51.8 million, comprising: (i) US\$31.5 million for DD&A charges; (ii) US\$15.5 million related to the non-cash accretion of the bond discount related to the S\$130 million senior unsecured notes due 2022 (“**2022 Notes**”), the S\$200 million senior unsecured notes due 2023 (“**2023 Notes**”) and 2024 zero coupon notes (“**2024 ZCNs**”); and (iii) US\$4.8 million non-cash fair value adjustment of financial instruments.
- Pursuant to the financial restructuring in the first quarter 2017 (“**1Q2017**”), the Group recognised a one-off non-cash fair value gain on exchange of the 2022 Notes and 2023 Notes amounting to US\$73.9 million (the “**Notes Exchange Gain**”) as the 2022 Notes and 2023 Notes were recognised at a discount to par value upon exchange. Each reporting quarter until maturity or redemption of the 2022 Notes and 2023 Notes, the non-cash accretion of the bond discount, computed on the effective interest method in accordance with IFRS, will be charged to the Group’s profit and loss as finance costs to offset the Notes Exchange Gain. In addition, non-cash accretion of bond discount on the 2024 ZCNs will be charged to finance costs as the 2024 ZCNs were initially recognised at a discount to par value on issuance in 1Q2017.
- As at 30 September 2018, the Group’s cash and bank balances amounted to US\$56.2 million and, after taking into account restricted cash of US\$8.3 million, the Group’s cash and cash equivalents (including amounts held under joint operations) amounted to US\$48.0 million. Total unused sources of liquidity, including undrawn amounts of the revolving credit facility (“**RCF**”), amounted to US\$78.0 million.
- As at 30 September 2018, total debt recognised on the Group’s balance sheet amounted to US\$426.3 million and the Group’s gearing was 81.8%.

Group Capital Management

- On 29 March 2018, the Company and DBS Bank Ltd (“**DBS**”) signed an extension request letter whereby the tenor of the existing RCF was extended by two years to 30 June 2020. There were no changes to the existing terms and conditions of the RCF. On 9 April 2018, DBS provided an additional commitment of US\$20.0 million (the “**Bridge Upsize**”) under the RCF for a period of up to three months to support the Group’s liquidity requirements. On 5 July 2018, the Bridge Upsize maturity date was extended for three months to 8 October 2018. On 5 October 2018, the Bridge Upsize maturity date was extended for another three months to 8 January 2019.
- Although the Group is benefitting from the general improvement in oil prices, production has decreased during the 9M2018. The Group does, however, continue to tightly manage costs and expenditures, and take all necessary steps to maximise operational efficiencies.
- For all operational, financial and strategic decisions of the Group, balance sheet management is critical. It is imperative that development timelines for projects, such as the Apsara oil field in Cambodia Block A, remain on track in order for the Group to bring on stream new production in the Gulf of Thailand and hence grow free cash flow. Finance charges continue to impair the Group’s financial performance, which in turn impacts the benefits of improved oil prices. Therefore, the Company remains focused on strategies to ensure progress with development projects and to implement processes and solutions to improve the Group’s net gearing and cash liquidity levels in both the short and long terms.

Nine Months 2018 Operational Update

Operational activities continue to be planned and managed within the Group's financial constraints and any non-essential, non-commitment expenditure remains deferred as appropriate. Average *pro forma* working interest production, excluding G11/48, was 10.0% lower in 9M2018 at 9,946 boepd versus 11,046 boepd a year ago. Several scheduled maintenance stoppages, poor weather in the Gulf of Thailand, output constraints at the Wassana field for equipment repairs and natural decline impacted the daily average in the reporting period and subsequently production has stabilised. The *Mist* jack-up rig was contracted for an exploration/development drilling program in G10/48 in the Gulf of Thailand, where KrisEnergy operates the Wassana oil field. Drilling is scheduled to commence in November 2018.

Production and Development

- Average gross production at the KrisEnergy-operated Wassana oil field in the G10/48 concession was 4,639 barrels of oil per day ("**bopd**") in 9M2018 and the Group's average working interest production in the period was 4,129 bopd.
 - One crude oil offloading of approximately 285,000 bbls was completed on 31 August 2018 and an additional 181,000-bbl offloading was completed on 30 September 2018;
 - A planned shutdown was undertaken 27-28 August 2018 for installation and commissioning of a new 450-kilowatt emergency diesel generator and for various maintenance works on piping; and
 - In September 2018, a 6-inch subsea flowline from the mobile offshore production unit to the floating storage and offloading ("**FSO**") vessel 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 production will be optimised with the installation of new export pumps in the fourth quarter 2018.
- Gross production at the non-operated B8/32 oil and gas producing fields in 9M2018 was 17,245 bopd of liquids and 83.3 million cubic feet per day ("**mmcfd**") of gas. Average working interest production for the period was 1,443 boepd.
 - The main Benchamas field underwent a 22-day planned maintenance shutdown in April 2018 to install a new FSO vessel. Production at the nearby 2,500 bopd Chaba field was uninterrupted during the stoppage;
 - An extended bad weather period in August 2018 limited movement between remote platforms and therefore the ability to perform reservoir zonal perforations and maintenance of gas compressors and generator systems. Crude oil production dipped to approximately 15,000 bopd during the period but recovered in late September/early October 2018 to around 20,000 bopd; and
 - A 13-well infill drilling program commenced in August 2018. All wells have been completed with seven in production and the remaining six wells are expected on stream by the end of 2018.
- At the KrisEnergy-operated Bangora field in the Block 9 PSC onshore Bangladesh, gross output in 9M2018 averaged 86.0 mmcfd of gas and 254 barrels per day of condensate. The Group's average working production in 9M2018 was 4,375 boepd.

- The Bangora field was shut-in for scheduled annual maintenance from 22 to 25 August 2018. Production resumed 29 hours ahead of initial estimates. Further minor works on compressors were performed throughout September 2018.
 - In November 2018, gross Bangora gas production increased from 82 mmcf/d to almost 100 mmcf/d as a result of a zonal recompletion in one well.
- For details regarding progress on the Apsara oil development in Cambodia Block A, Gulf of Thailand, see section 10 of these Results entitled *Recent Developments*.

Exploration

- A formal letter of approval was received on 20 August 2018 from the Thai authorities for the environmental impact assessment for the planned Montha-1 exploration well in the reservation area of the G10/48 concession.
- The Indonesian authorities confirmed approval for the final four-year exploration period of the Udan Emas PSC. As a consequence, the gross acreage of the block was reduced to 1,069.5 sq. km from the original 5,396.4 sq. km. Exploration period of the Udan Emas PSC block has been extended to 19 July 2022.

For activities and developments since 30 September 2018, see section 10 of these Results entitled *Recent Developments*.

Financial Statements Announcement

Third Quarter and Nine Months ended 30 September 2018

Figures for the period ended 30 September 2018 have not been audited.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR RESULTS

1 (a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Sales of crude oil	35,563.5	34,984.5	116,972.8	93,867.7
Sales of gas	3,600.3	3,989.1	10,425.0	13,584.4
Revenue	39,163.8	38,973.6	127,397.8	107,452.1
Cost of sales:				
Operating costs ⁽¹⁾	(22,142.2)	(26,758.5)	(76,889.6)	(65,648.6)
Thai petroleum royalties paid	(2,939.3)	(3,125.0)	(9,597.2)	(8,633.9)
Depreciation, depletion and amortisation	(9,008.7)	(15,719.5)	(31,477.2)	(45,933.9)
Gross profit/(loss)	5,073.6	(6,629.4)	9,433.8	(12,764.3)
Other income	6,673.0	1,273.9	11,422.8	8,163.8
General and administrative expenses	(9,147.2)	(5,560.9)	(17,396.3)	(18,432.4)
Other operating (expenses)/income	(866.7)	(2,251.8)	(25,107.5)	18,078.8
Finance income	209.2	62.5	426.5	220.1
Finance costs	(11,933.5)	(10,980.4)	(38,002.4)	(42,821.5)
Loss before tax	(9,991.6)	(24,086.1)	(59,223.1)	(47,555.5)
Tax expense	(1,005.7)	(1,483.7)	(3,072.1)	(4,113.2)
Loss for the period	(10,997.3)	(25,569.8)	(62,295.2)	(51,668.7)
Other comprehensive income				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Exchange differences on translation of foreign operations	(27.5)	18.2	(48.5)	(15.1)
Total comprehensive income for the period	(11,024.8)	(25,551.6)	(62,343.7)	(51,683.8)
Loss per share attributable to owners of the Company (cents per share)				
Basic	(0.7)	(1.7)	(4.1)	(3.4)
Diluted	(0.7)	(1.7)	(4.1)	(3.4)

Note:

(1) Calculation of average lifting cost has been revised to reflect the Group's working interest share of joint-venture operating expenditure incurred versus production in the same period. See section 8 *Cost of Sales* for a detailed explanation.

Extraordinary items

There were no extraordinary items during the period.

EBITDAX Computation

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Adjusted loss before tax	(9,991.6)	(24,086.1)	(59,223.1)	(47,555.5)
Add:				
Finance costs	11,933.5	10,980.4	38,002.4	42,821.5
Depreciation, depletion and amortisation	9,020.8	15,771.1	31,525.2	46,144.3
Impairment losses	-	-	12,938.6	52,266.5
Net fair value (loss)/gain on financial instruments	508.1	1,977.3	4,779.6	(76,875.0)
Write-off of joint operations receivables	-	-	-	6,160.0
EBITDA	11,470.8	4,642.7	28,022.7	22,961.8
Geological and geophysical expenses	4,787.5	2,034.9	8,555.9	5,451.3
Exploration expenses	358.6	274.6	7,389.4	369.6
EBITDAX	16,616.9	6,952.2	43,968.0	28,782.7

EBITDAX and EBITDA are supplemental measures of our performance that are not required by, or presented in accordance with IFRS. EBITDAX and EBITDA are not measurements of financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of liquidity. Adjusted profit/loss before tax deducts SRB taxes from the calculation of EBITDAX and EBITDA. In addition, EBITDAX and EBITDA are not standardised terms, hence, a direct comparison between companies using such terms may not be possible.

1 (b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	As at 30 September	As at 31 December	As at 30 September	As at 31 December
	2018	2017	2018	2017
	(unaudited)	(audited)	(unaudited)	(audited)
	(US\$ thousands)			
ASSETS				
Non-current assets				
Exploration and evaluation assets	379,586.8	380,947.8	-	-
Oil and gas properties	151,908.1	177,540.9	-	-
Other property, plant and equipment	11,643.7	11,181.8	-	-
Intangible assets	8,444.9	8,444.9	-	-
Investment in subsidiaries	-	-	336,578.2	335,572.5
Other receivables	4,085.6	4,422.0	721,088.4	729,357.5
	555,669.1	582,537.4	1,057,666.6	1,064,930.0

Current assets				
Inventories	9,925.8	22,569.0	-	-
Trade and other receivables	40,820.1	59,863.2	3.6	-
Prepayments	819.4	739.0	108.4	101.8
Cash and bank balances	56,247.1	73,824.8	43.9	247.4
	107,812.4	156,996.0	155.9	349.2
Total Assets	663,481.5	739,533.4	1,057,822.5	1,065,279.2
EQUITY AND LIABILITIES				
Equity				
Ordinary shares	1,878.6	1,878.6	1,878.6	1,878.6
Share premium	730,302.2	730,302.2	730,302.2	730,302.2
Other reserves	30,660.5	30,524.5	41,252.0	41,067.5
Accumulated losses	(665,274.1)	(602,978.9)	(52,583.3)	(24,307.8)
Total Equity	97,567.2	159,726.4	720,849.5	748,940.5
Non-current liabilities				
Employee benefit liability	1,411.8	1,630.8	-	-
Loans and borrowings	406,297.6	276,342.6	288,027.6	276,342.6
Derivative liabilities	11,907.2	7,321.5	11,907.2	7,321.5
Deferred tax liabilities	35,991.9	36,836.6	-	-
Provisions	34,873.3	42,675.1	-	-
Other payables	-	-	25,616.9	25,711.1
	490,481.8	364,806.6	325,551.7	309,375.2
Current liabilities				
Trade and other payables	42,294.7	44,199.7	9,899.8	5,923.5
Accrued operating expenses	12,475.3	19,486.9	1,521.5	1,040.0
Loans and borrowings	20,000.0	148,270.0	-	-
Withholding tax payable	187.5	215.2	-	-
Tax payable	475.0	2,828.6	-	-
	75,432.5	215,000.4	11,421.3	6,963.5
Total Liabilities	565,914.3	579,807.0	336,973.0	316,338.7
Total Equity And Liabilities	663,481.5	739,533.4	1,057,822.5	1,065,279.2

1 (b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
(US\$ thousands)			
20,000.0	-	148,270.0	-

Amount repayable after one year

As at 30 September 2018		As at 31 December 2017	
Secured ⁽¹⁾	Unsecured ⁽²⁾	Secured	Unsecured
(US\$ thousands)			
184,087.2	222,210.4	62,768.8	213,573.8

Notes:

(1) Aggregate of the RCF and discounted 2024 ZCNs

(2) Aggregate of the discounted 2022 Notes, discounted 2023 Notes and the US\$34.4 million unsecured term loan

Details of any collateral

As at 30 September 2018, certain subsidiaries of the Company have assets pledged under the RCF. On 29 March 2018, the RCF was extended by two years to 30 June 2020. There were no changes to the existing terms and conditions of the RCF. On 9 April 2018, DBS provided the Bridge Upsize under the RCF for a period of up to three months to support the Group's liquidity requirements. On 5 July 2018, the Bridge Upsize maturity date was extended for three months to 8 October 2018. On 5 October 2018, the Bridge Upsize maturity date was extended for another three months to 8 January 2019.

The 2024 ZCNs, issued under the terms of the Preferential Offering, have a first ranking security interest over the shares and certain accounts of SJ Production Barge Ltd, a wholly-owned subsidiary of the Company, and a junior ranking security interest over the assets secured or to be secured from time to time under the RCF.

For further information on the RCF security, see the offering circular for the Preferential Offering dated 6 January 2017 and the final information memorandum in relation to the 2022 Notes and 2023 Notes dated 11 January 2017.

1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group			
	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Operating activities:				
Loss before tax	(9,991.6)	(24,086.1)	(59,223.1)	(47,555.5)
Adjustments for:				
Depreciation, depletion and amortisation	9,008.7	15,719.5	31,477.2	45,933.9
Depreciation of property, plant and equipment	12.1	51.6	48.0	210.4
Decommissioning provisions	(519.1)	-	(1,207.4)	-
Dry hole expenses	358.6	-	6,789.4	-
Employee defined benefits	19.1	(111.9)	(219.0)	(99.4)
Equity-settled transactions with employees	61.0	158.3	184.5	471.8
Gain on sale	-	-	(2,526.7)	-
Impairment loss on exploration and evaluation assets	-	-	12,938.6	52,266.5
Net fair value loss/(gain) on financial instruments	508.1	1,977.3	4,779.6	(76,875.0)
Write-off of joint operations receivables	-	-	-	6,160.0
Unrealised foreign exchange gain on financial instruments	(4,577.9)	-	(4,055.5)	-
Finance cost	6,595.0	5,508.7	21,236.7	23,401.9
Unwinding of discount on bonds	5,036.3	4,832.8	15,546.6	17,502.9

	The Group			
	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	<i>(unaudited)</i>			
	<i>(US\$ thousands)</i>			
Unwinding of discount on decommissioning provisions	302.2	638.9	1,219.1	1,916.7
Interest income	(209.2)	(62.5)	(426.5)	(220.1)
Operating cash flows before changes in working capital	6,603.3	4,626.6	26,561.5	23,114.1
Decrease in inventories	1,575.9	10,699.5	8,208.3	3,572.6
Decrease in other current assets	-	-	-	1,919.7
Decrease in trade and other receivables	7,033.3	5,261.2	21,283.3	4,872.4
Decrease in trade and other payables	(19,175.5)	(4,098.2)	(6,460.6)	(12,094.3)
Cash flows (used in)/from operations	(3,963.0)	16,489.1	49,592.5	21,384.5
Interest received	209.2	62.5	426.5	220.1
Interest paid	(4,527.7)	(1,253.9)	(13,006.0)	(6,203.7)
Tax paid	(3,500.2)	(3,315.5)	(6,418.8)	(6,623.1)
Net cash flows (used in)/from operating activities	(11,781.7)	11,982.2	30,594.2	8,777.8
Investing activities:				
Addition to exploration and evaluation assets	(2,938.2)	(2,012.9)	(18,366.9)	(31,675.8)
Farm-out of exploration and evaluation assets	-	-	-	22,105.5
Addition to oil and gas properties	(1,255.6)	(3,743.1)	(22,915.3)	(11,716.5)
Proceeds from sale	-	0.9	8,450.0	0.9
Purchase of other plant, property and equipment	(3.0)	(5.4)	(10.5)	(31.4)
Subsequent expenditure on assets refurbishment	(58.8)	(71.3)	(499.6)	(200.9)
Net cash flows used in investing activities	(4,255.6)	(5,831.8)	(33,342.3)	(21,518.2)
Financing activities:				
Payment of bond interest	(2,239.7)	(1,459.4)	(4,781.3)	(6,151.0)
Proceeds from bank borrowings	5,000.0	10,000.0	25,000.0	28,000.0
Repayment of bank borrowings	(20,000.0)	(10,000.0)	(35,000.0)	(83,000.0)
Proceeds from issuance of bonds	-	-	-	94,404.1
Proceeds from warrants exercised	-	-	-	0.9
Financial restructuring expense	-	-	-	(7,809.8)
Net cash flows (used in)/from financing activities	(17,239.7)	(1,459.4)	(14,781.3)	25,444.2
Net (decrease)/increase in cash and cash equivalents	(33,277.0)	4,691.0	(17,529.4)	12,703.8
Cash and cash equivalents at beginning of the period	81,281.4	45,501.3	65,554.8	37,522.3
Net effect of exchange rate changes	(27.3)	17.8	(48.3)	(16.0)
Cash and cash equivalents at end of the period	47,977.1	50,210.1	47,977.1	50,210.1

	The Group			
	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Add: restricted cash	8,270.0	8,270.0	8,270.0	8,270.0
Cash and bank balances at end of the period	56,247.1	58,480.1	56,247.1	58,480.1

As at 30 September 2018, total cash and cash equivalents were US\$48.0 million compared with US\$50.2 million as at 30 September 2017, and unused sources of liquidity as at 30 September 2018 amounted to US\$78.0 million.

Net Cash Flow used in/from Operating Activities

Net cash flow used in operating activities was US\$11.8 million in 3Q2018 versus net cash flow from operating activities of US\$12.0 million in 3Q2017. The decrease was primarily a result of movements in working capital relating to the settlement of trade and other payables and proceeds from a crude term sales agreement of US\$11.6 million.

Net Cash Flow used in Investing Activities

In 3Q2018, net cash flow used in investing activities amounted to US\$4.3 million (3Q2017: US\$5.8 million). Material capital expenditure in 3Q2018 included (i) development activities in Cambodia Block A of US\$1.1 million; (ii) US\$0.8 million for pre-development expenditure in G6/48 in the Gulf of Thailand; and as well as (iii) ongoing ordinary course of business expenditure in each of B8/32, G10/48 and Block 9.

Net Cash Flow used in Financing Activities

In 3Q2018, net cash flow used in financing activities amounted to US\$17.2 million (3Q2017: US\$1.5 million). During 3Q2018, US\$15.0 million of the RCF was repaid and bond coupon payments for the 2023 Notes amounted to US\$2.2 million.

Borrowings

As at 30 September 2018, the total amount drawn on the RCF was US\$118.27 million and the total amount drawn on the Bridge Upsize was US\$20.0 million. Unused sources of liquidity (comprising cash and cash equivalents, cash held under joint operations and undrawn amounts from the RCF) amounted to US\$78.0 million. Gearing as at 30 September 2018 was 81.8%.

1 (d)(i) A statement (for the issuer and group), showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

THE GROUP	Share Capital	Share Premium	Accumulated Losses	Foreign Currency Translation Reserve	Employee Share Reserve	General Reserve	Total Equity
	(US\$ thousands)						

At 1 January 2018	1,878.6	730,302.2	(602,978.9)	(1,862.0)	767.2	31,619.3	159,726.4
Loss net of tax	-	-	(18,187.5)	-	-	-	(18,187.5)
<u>Other comprehensive income:</u>							
Exchange differences on translation of foreign operations	-	-	-	31.6	-	-	31.6
Total comprehensive income for the period	-	-	(18,187.5)	31.6	-	-	(18,155.9)
Equity-settled transactions with employees	-	-	-	-	61.5	-	61.5
At 31 March 2018	1,878.6	730,302.2	(621,166.4)	(1,830.4)	828.7	31,619.3	141,632.0
Loss net of tax	-	-	(33,110.4)	-	-	-	(33,110.4)
<u>Other comprehensive income:</u>							
Exchange differences on translation of foreign operations	-	-	-	(52.6)	-	-	(52.6)
Total comprehensive income for the period	-	-	(33,110.4)	(52.6)	-	-	(33,163.0)
Equity-settled transactions with employees	-	-	-	-	62.0	-	62.0
At 30 June 2018	1,878.6	730,302.2	(654,276.8)	(1,883.0)	890.7	31,619.3	108,531.0
Loss net of tax	-	-	(10,997.3)	-	-	-	(10,997.3)
<u>Other comprehensive income:</u>							
Exchange differences on translation of foreign operations	-	-	-	(27.5)	-	-	(27.5)
Total comprehensive income for the period	-	-	(10,997.3)	(27.5)	-	-	(11,024.8)
Equity-settled transactions with employees	-	-	-	-	61.0	-	61.0
At 30 September 2018	1,878.6	730,302.2	(665,274.1)	(1,910.5)	951.7	31,619.3	97,567.2

THE GROUP	Share Capital	Share Premium	Accumulated Losses	Foreign Currency Translation Reserve	Employee Share Reserve	General Reserve	Total Equity
	(US\$ thousands)						
At 1 January 2017	1,874.5	729,529.1	(463,694.1)	(1,846.9)	1,011.8	(8,681.0)	258,193.4
Profit net of tax	-	-	55,722.8	-	-	-	55,722.8
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	(26.1)	-	-	(26.1)
Total comprehensive income for the period	-	-	55,722.8	(26.1)	-	-	55,696.7
Equity-settled transactions with employees	-	-	-	-	154.2	-	154.2
Issuance of warrants	-	-	-	-	-	40,300.7	40,300.7
Issuance of shares on warrants exercised	-	1.2	-	-	-	(0.4)	0.8
At 31 March 2017	1,874.5	729,530.3	(407,971.3)	(1,873.0)	1,166.0	31,619.3	354,345.8

Loss net of tax	-	-	(81,821.7)	-	-	-	(81,821.7)
<u>Other comprehensive income:</u>							
Exchange differences on translation of foreign operations	-	-	-	(7.2)	-	-	(7.2)
Total comprehensive income for the period	-	-	(81,821.7)	(7.2)	-	-	(81,828.9)
Equity-settled transactions with employees	-	-	-	-	159.3	-	159.3
At 30 June 2017	1,874.5	729,530.3	(489,793.0)	(1,880.2)	1,325.3	31,619.3	272,676.2

Loss net of tax	-	-	(25,569.8)	-	-	-	(25,569.8)
<u>Other comprehensive income:</u>							
Exchange differences on translation of foreign operations	-	-	-	18.2	-	-	18.2
Total comprehensive income for the period	-	-	(25,569.8)	18.2	-	-	(25,551.6)
Equity-settled transactions with employees	0.3	62.9	-	-	95.1	-	158.3
At 30 September 2017	1,874.8	729,593.2	(515,362.8)	(1,862.0)	1,420.4	31,619.3	247,282.9

THE COMPANY	Share Capital	Share Premium	Accumulated Losses	Employee Share Option Reserve	General Reserve	Total Equity
	<i>(US\$ thousands)</i>					
At 1 January 2018	1,878.6	730,302.2	(24,307.8)	767.2	40,300.3	748,940.5
Loss net of tax	-	-	(14,079.6)	-	-	(14,079.6)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(14,079.6)	-	-	(14,079.6)
Equity-settled transactions with employees	-	-	-	61.5	-	61.5
At 31 March 2018	1,878.6	730,302.2	(38,387.4)	828.7	40,300.3	734,922.4
Loss net of tax	-	-	(8,887.6)	-	-	(8,887.6)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(8,887.6)	-	-	(8,887.6)
Equity-settled transactions with employees	-	-	-	62.0	-	62.0
At 30 June 2018	1,878.6	730,302.2	(47,275.0)	890.7	40,300.3	726,096.8
Loss net of tax	-	-	(5,308.3)	-	-	(5,308.3)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(5,308.3)	-	-	(5,308.3)
Equity-settled transactions with employees	-	-	-	61.0	-	61.0
At 30 September 2018	1,878.6	730,302.2	(52,583.3)	951.7	40,300.3	720,849.5

THE COMPANY	Share Capital	Share Premium	Accumulated Losses	Employee Share Option Reserve	General Reserve	Total Equity
	(US\$ thousands)					
At 1 January 2017	1,874.5	729,529.1	(43,811.0)	1,011.8	-	688,604.4
Profit net of tax	-	-	64,026.3	-	-	64,026.3
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	64,026.3	-	-	64,026.3
Equity-settled transactions with employees	-	-	-	154.2	-	154.2
Issuance of warrants	-	-	-	-	40,300.7	40,300.7
Issuance of shares on warrants exercised	-	1.2	-	-	(0.4)	0.8
At 31 March 2017	1,874.5	729,530.3	20,215.3	1,166.0	40,300.3	793,086.4
Loss net of tax	-	-	(6,994.7)	-	-	(6,994.7)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(6,994.7)	-	-	(6,994.7)
Equity-settled transactions with employees	-	-	-	159.3	-	159.3
At 30 June 2017	1,874.5	729,530.3	13,220.6	1,325.3	40,300.3	786,251.0
Loss net of tax	-	-	(10,195.7)	-	-	(10,195.7)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(10,195.7)	-	-	(10,195.7)
Equity-settled transactions with employees	0.3	62.9	-	95.1	-	158.3
At 30 September 2017	1,874.8	729,593.2	3,024.9	1,420.4	40,300.3	776,213.6

1 (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company did not hold any treasury shares or subsidiary holdings as at 30 September 2018 (30 September 2017: Nil).

KrisEnergy Employee Share Option Scheme (“KrisEnergy ESOS”)

The KrisEnergy ESOS was implemented and adopted during the Company's initial public offering (“IPO”). The duration of the KrisEnergy ESOS is 10 years commencing from 10 July 2013. As at 30 September 2018, there were no outstanding options under the KrisEnergy ESOS.

KrisEnergy Performance Share Plan (“KrisEnergy PSP”)

The KrisEnergy PSP was implemented and adopted during the IPO. The duration of the KrisEnergy PSP is 10 years commencing from 10 July 2013. The awards granted under the KrisEnergy PSP are as follows:

- As disclosed and further described in the Prospectus dated 12 July 2013, under the management shareholders awards (“**MS-Awards**”) granted pursuant to the KrisEnergy PSP during the IPO, up to 3.0% (issued under equal First Tranche and Second Tranche) of the issued ordinary shares in the capital of the Company (“**Shares**”) may be vested upon the satisfaction of the conditions of the MS-Awards. Following the exit of First Reserve Fund, XII LP on 6 April 2018, the First Tranche Condition (as defined in the Prospectus) had been satisfied. However, in accordance with and as permitted under the terms of the MS-Awards, (i) as the Company does not have sufficient distributable reserves or amounts credited to its premium account at this juncture to make the required issue of Shares (being the first one-third of the First Tranche), the Company has determined to pay a cash sum equal to the aggregate fair market value of the Shares that would otherwise have been issued; and (ii) the Company will (taking into account cash reserves and budgeted commitments for the following 12 months) make such cash payment on a delayed basis.
- On 13 November 2013, awards comprising 5,429,689 Shares were granted to employees, including 963,624 Shares to the Executive Directors.
- On 25 June 2014, awards comprising 1,713,111 Shares were granted to employees, including 963,624 Shares to the Executive Directors.
- On 31 December 2014, awards comprising 3,473,737 Shares were granted to employees, including 1,680,840 Shares to the Executive Directors.
- On 17 March 2015, awards comprising 647,325 Shares were granted to employees. No awards were granted to any Executive Directors.
- On 9 November 2015, awards comprising 11,613,474 Shares were granted to employees, including 1,622,244 Shares to the Executive Directors.

As at 30 September 2018, the number of Shares granted as awards under the KrisEnergy PSP, but not yet vested was (a) up to 2.5% of the Shares may be vested upon the satisfaction of the conditions of the MS-Awards; and (b) 5,186,848 Shares.

The awards allotted and issued under the KrisEnergy PSP are as follows:

- On 21 July 2014, pursuant to the partial vesting of awards granted on 13 November 2013 under the KrisEnergy PSP, 1,809,898 Shares were allotted and issued to our employees, including 321,207 Shares to Executive Directors.
- On 20 July 2015, pursuant to the partial vesting of awards granted on 13 November 2013 and 17 March 2015 under the KrisEnergy PSP, 2,025,674 Shares were allotted and issued to employees, including 321,207 Shares to Executive Directors.
- On 31 December 2015, pursuant to the partial vesting of awards granted on 9 November 2015 under the KrisEnergy PSP, 3,916,835 Shares were allotted and issued to employees, including 540,747 Shares to Executive Directors.
- On 19 July 2016, pursuant to the partial vesting of awards granted on 13 November 2013 and 17 March 2015 under the KrisEnergy PSP, 1,921,278 Shares were allotted and issued to employees, including 214,140 Shares to Executive Directors.
- On 30 December 2016, pursuant to the partial vesting of awards granted on 9 November 2015 under the KrisEnergy PSP, 3,649,501 Shares were allotted and issued to employees, including 360,498 Shares to Executive Directors.
- On 19 July 2017, pursuant to the partial vesting of awards granted on 17 March 2015 under the KrisEnergy PSP, 205,154 Shares were allotted and issued to employees.
- On 29 December 2017, pursuant to the partial vesting of awards granted on 9 November 2015 under the KrisEnergy PSP, 3,010,511 Shares were allotted and issued to employees, including 288,400 Shares to Executive Directors.

On 2 February 2017, along with the 2024 ZCNs, 1,255,183,632 Warrants were issued by the Company. Each Warrant converts to one share in the ordinary share capital of the Company.

On 17 February 2017 and 7 March 2017, 9,000 Warrants and 2,376 Warrants were exercised and converted into 9,000 Shares and 2,376 Shares, respectively.

As at 30 September 2018, the Company's issued share capital was 1,502,849,065 Shares and 1,255,172,256 outstanding Warrants.

1 (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year

SHARE CAPITAL	As at 30 September 2018		As at 31 December 2017	
	(unaudited)			
	No. of shares	US\$	No. of shares	US\$
Issued and fully paid ordinary shares				
At 1 January	1,502,849,065	1,878,561	1,499,622,024	1,874,528
Warrants exercised on 17 February 2017	-	-	9,000	11

Warrants exercised on 7 March 2017	-	-	2,376	3
Vesting of equity-settled transactions with employees on 19 July 2017	-	-	205,154	257
Vesting of equity-settled transactions with employees on 29 December 2017	-	-	3,010,511	3,763
At reporting date	1,502,849,065	1,878,561	1,502,849,065	1,878,561

SHARE PREMIUM	As at 30 September 2018	As at 31 December 2017
	(unaudited)	
	US\$	
At 1 January	730,302,151	729,529,098
Warrants exercised on 17 February 2017	-	978
Warrants exercised on 7 March 2017	-	260
Vesting of equity-settled transactions with employees on 19 July 2017	-	62,888
Vesting of equity-settled transactions with employees on 29 December 2017	-	708,927
At reporting date	730,302,151	730,302,151

1 (d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at end of the current financial period reported on.

There were no sales, transfer, cancellation and/or use of treasury shares as at 30 September 2018 (30 September 2017: Nil).

1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at end of the current financial period reported on.

There were no sales, transfer, cancellation and/or use of subsidiary holdings as at 30 September 2018 (30 September 2017: Nil).

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The financial statements have not been audited or reviewed by the Group's external auditors.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

(1) Based on share capital of 1,502,849,065 ordinary shares as at 30 September 2018 and 31 December 2017

2018 Third Quarter Report 21

cyclical factors and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The following table sets forth a selected summary of our income statement and non-IFRS financial data for the three months and nine months ended 30 September 2018.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Sales of crude oil	35,563.5	34,984.5	116,972.8	93,867.7
Sales of gas	3,600.3	3,989.1	10,425.0	13,584.4
Revenue	39,163.8	38,973.6	127,397.8	107,452.1
Cost of sales:				
Operating costs	(22,142.2)	(26,758.5)	(76,889.6)	(65,648.6)
Thai petroleum royalties paid	(2,939.3)	(3,125.0)	(9,597.2)	(8,633.9)
Depreciation, depletion and amortisation	(9,008.7)	(15,719.5)	(31,477.2)	(45,933.9)
Gross profit/(loss)	5,073.6	(6,629.4)	9,433.8	(12,764.3)
Other income	6,673.0	1,273.9	11,422.8	8,163.8
General and administrative expenses	(9,147.2)	(5,560.9)	(17,396.3)	(18,432.4)
Other operating (expenses)/income	(866.7)	(2,251.8)	(25,107.5)	18,078.8
Finance income	209.2	62.5	426.5	220.1
Finance costs	(11,933.5)	(10,980.4)	(38,002.4)	(42,821.5)
Loss before tax	(9,991.6)	(24,086.1)	(59,223.1)	(47,555.5)
Tax expense	(1,005.7)	(1,483.7)	(3,072.1)	(4,113.2)
Loss for the period	(10,997.3)	(25,569.8)	(62,295.2)	(51,668.7)

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited) (US\$ thousands)			
Revenue	39,163.8	38,973.6	127,397.8	107,452.1
Adjusted operating costs	(22,142.2)	(26,758.5)	(76,889.6)	(65,648.6)
Thai petroleum royalties paid	(2,939.3)	(3,125.0)	(9,597.2)	(8,633.9)
Gross profit before depreciation, depletion and amortisation	14,082.3	9,090.1	40,911.0	33,169.6
Corporate general and administrative expenses	(2,043.3)	(2,137.9)	(3,525.2)	(5,825.3)
Gain on early termination of fair value hedge	-	-	-	1,438.4
Gain on sale	-	-	2,526.7	-
Unrealised foreign exchange gain on financial instruments	4,577.9	-	4,055.5	-
EBITDAX	16,616.9	6,952.2	43,968.0	28,782.7
Geological and geophysical expenses	(4,787.5)	(2,034.9)	(8,555.9)	(5,451.3)

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(unaudited)			
	(US\$ thousands)			
Exploration expenses	(358.6)	(274.6)	(7,389.4)	(369.6)
EBITDA	11,470.8	4,642.7	28,022.7	22,961.8

Revenue

Working interest production in 3Q2018 averaged 9,918 boepd, a 21.7% decrease from the same period last year (3Q2017: 12,662 boepd) when the Company reported working interest production from the G11/48 licence in which it ceased participation on 31 May 2018. On a *pro forma* basis, Group working interest production in 3Q2017 from three assets – B8/32, G10/48 and Block 9 – was 10,528 boepd, 5.8% above 3Q2018 levels, mainly due to bad weather hampering operations in the B8/32 concession. Revenue for 3Q2018 was US\$39.2 million, stable compared with the same period last year (3Q2017: US\$39.0 million) due to higher average realised selling prices for oil and liquids, and natural gas in Thailand.

The average realised oil and liquids sales price in 3Q2018 increased 48.6% to US\$70.80/bbl (3Q2017: US\$47.65/bbl). The average realised gas price achieved from B8/32 in 3Q2018 was US\$4.64/mcf, 13.7% higher than a year ago (3Q2017: US\$4.08/mcf) in line with higher benchmark medium sulphur fuel oil prices.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
Production volumes⁽¹⁾				
Oil and liquids (bopd)	5,200	7,107	6,034	7,237
Gas (mmcf)	28.3	33.3	29.7	34.4
Total (boepd)	9,918	12,662	10,976	12,970
Average sales price				
Oils and liquids (US\$/bbl)	70.80	47.65	67.05	46.87
Gas – B8/32 and B9A (US\$/mcf)	4.64	4.08	4.36	3.91
Gas – Block 9 (US\$/mcf)	2.32	2.32	2.32	2.32

Note:

(1) Includes KrisEnergy's working interest share in G11/48 up to 31 May 2018

Cost of Sales

Operating costs decreased 17.3% to US\$22.1 million in 3Q2018 (3Q2017: US\$26.8 million) as a result of zero operating expenditure associated with the Nong Yao oil field and lower operating cost for the Wassana field due to higher production volumes for the period following well workovers in the first half 2018.

In 3Q2018, the Group's average lifting cost was US\$22.82/boe, 15.4% lower than the previous quarter (2Q2018: US\$26.98/boe). 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 matched with the cost of production to the volume sold. The revised computed average lifting cost in 3Q2017 was US\$18.91/boe.

DD&A charges decreased 42.7% to US\$9.0 million (3Q2017: US\$15.8 million) in line with lower production volume for the period.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
Average lifting cost⁽¹⁾				
Oil, liquids and gas (US\$/boe)	22.82	18.91	23.26	19.05
Net operating expenditure (US\$'000)	20,823.9	22,029.0	69,702.4	67,446.8
Total production (boe) ⁽²⁾	912,479	1,164,868	2,996,432	3,540,818

Note:

- (1) Calculation of average lifting cost has been revised to reflect the Group's working interest share of joint-venture operating expenditure incurred versus production in the same period
(2) Includes KrisEnergy's working interest share in G11/48 up to 31 May 2018

Other income

Other income was US\$6.7 million in 3Q2018 compared with US\$1.3 million in 3Q2017. The increase was mainly due to a net foreign exchange gain of US\$5.0 million in 3Q2018.

General and administrative expenses

General and administrative expenses increased to US\$9.1 million in 3Q2018 (3Q2017: US\$5.6 million) mainly due to a one-off expense incurred on the transfer of asset amounting to US\$4.2 million, which was partially offset by lower professional fees.

Other operating expenses

Other operating expenses amounted to US\$0.9 million in 3Q2018 (3Q2017: US\$2.3 million). The decrease was primarily attributable to a lower net loss on the quarterly fair value adjustment of financial instruments.

Finance income

Finance income was higher year-on-year due to higher average bank balances in 3Q2018.

Finance costs

Finance costs amounted to US\$11.9 million in 3Q2018 (3Q2017: US\$11.0 million). In 3Q2018, non-cash accretion of bond discount for the 2022 Notes, 2023 Notes and the 2024 ZCNs amounted to US\$5.0 million, and interest expenses on the 2022 Notes, 2023 Notes and RCF, including the cash interest step-up for the 2022 Notes and 2023 Notes in relation to the higher average Brent crude oil price in the interest period, amounted to US\$6.4 million.

Loss before tax

The loss before tax in 3Q2018 of US\$10.0 million (3Q2017: US\$24.1 million) was mainly attributable to a one-off expense incurred on the transfer of asset together with interest expenses on the 2022 Notes, 2023 Notes and RCF.

Tax expense

Tax expense amounted to US\$1.0 million in 3Q2018 (3Q2017: US\$1.5 million) due to lower provision of tax expense in line with a lower revenue contribution from the B8/32 oil and gas fields compared with the same period last year.

Loss for the period

The net loss for the period was US\$11.0 million in 3Q2018 (3Q2017: US\$25.6 million) as a result of the above-mentioned factors.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was previously provided.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Benchmark oil markets experienced a return of volatility early in the fourth quarter of 2018. Brent crude reached a year-to-date high of US\$86.74/bbl on 3 October 2018, the highest level since 30 October 2014. However, certain geopolitical factors and concerns of a potential global supply surplus/imbalance resulted in a 20.0% drop in the market in the first week of November 2018. The Company has no control over commodity markets and continuously reviews the commerciality of its portfolio through economic models using a range oil price forecasts across each of its producing and development assets.

While higher oil prices have boosted 2018 revenues to date, management is aware that prolonged elevated prices may result in inflationary pressures on the costs of oil field services, materials and equipment. Given KrisEnergy's extensive near-term development portfolio, management remains vigilant on potential pressures on the Group's capital expenditure.

The Group continues to focus on securing financing for its development projects and other capital management initiatives that may include various corporate actions, to improve its balance sheet.

Recent Developments

- On 1 October 2018, the *Mist* jack-up rig, owned by Borr Drilling Management DMCC, was contracted for an exploration/development drilling program in the G10/48 concession in the Gulf of Thailand. Drilling of the Montha-1 exploration well commenced on 12 November 2018 in the G10/48 reservation area and will be followed by three infill development wells plus one contingent infill well in the Wassana production area.
- In Indonesia, KrisEnergy has reduced headcount in the Jakarta office from 26 employees to seven permanent staff as of 31 October 2018. The reduction was in line with the realignment of KrisEnergy's business strategy to focus financial and manpower resources on existing producing assets as well as near-term oil development in the Gulf of Thailand. Indonesia remains an important feature of KrisEnergy's portfolio and management intends to continue work on gas sales negotiations for the Lengo gas development in the Bulu PSC, offshore East Java.

- On 5 November 2018, KrisEnergy announced that Rubicon Vantage International Pte Ltd had filed a Part 8 Claim Form in the High Court of Justice Business and Property Courts of England and Wales against the Company for an alleged sum of approximately US\$1.8 million. The Company is taking legal advice and intends to vigorously resist and refute any and all allegations and claims made against it. This claim is not expected to have any material impact on the Company's operations for the current financial year. For further details, see announcement *Announcement on Litigation* dated 5 November 2018.
- In November 2018, 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 development in the Block A concession offshore Cambodia. Keppel Shipyard's scope of work on the production barge includes installation of a power generation module, Electrical House, new accommodation units and other refurbishment works. The value of the contact is approximately US\$21.7 million, where a portion of the payment will be on deferred payment terms. For further information, see the announcement *KrisEnergy awards contract for flagship Cambodia oil project* dated 9 November 2018.

11. Dividend

(a) Any interim / final ordinary dividend declared / recommended for the current financial period reported on

None.

(b) Any interim / final ordinary dividend declared / recommended for the corresponding period of the immediately preceding financial year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect

No dividend has been declared or recommended for the three months ended 30 September 2018.

13. If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company obtained shareholders' approval for the adoption of a general mandate for interested person transactions at an extraordinary general meeting of the Company held on

26 April 2018. For further information, please refer to the *Circular to Shareholders in relation to the Proposed Adoption of the Interested Person Transactions Mandate* dated 9 April 2018.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Keppel Corporation Limited (and/or its subsidiaries including Keppel Shipyard Limited)	Nil	S\$30,000,000

14. Negative confirmation pursuant to Rule 705(5)

Pursuant to Rule 705(5), we, Tan Ek Kia and Kelvin Tang, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial results for the three months and nine months ended 30 September 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has procured undertakings from all its directors and executive officers pursuant to Rule 720(1).

On behalf of the board of directors.

Tan Ek Kia
Independent Non-Executive Chairman

Kelvin Tang
Executive Director &
Chief Executive Officer

Singapore, 13 November 2018