Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: KrisEnergy Limited

Security: KrisEnergy Limited

Meeting details:
Date: 26 April 2019
Time: 9.00 a.m.
Venue: Cinnamon Room, Level 5, Novotel Clarke Quay Singapore, 177A River Valley Road, Singapore 179031

Company Description

KrisEnergy Limited is a Singapore-based investment holding company. The Company is an independent upstream oil and gas company with a portfolio of exploration, appraisal, development and production assets focused on the geological basins in Asia. The Company operates through exploration and production of oil and gas in Asia segment. The Company holds interests in approximately 20 licenses in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam covering a gross acreage of approximately 60,750 square kilometers. The Company operates approximately 15 of the contract areas. The Company's portfolio contains over five producing assets: the B8/32, B9A, Wassana and Nong Yao oil fields in the Gulf of Thailand, and the onshore Bangora gas field in Block 9 in Bangladesh. It has a production capacity of approximately 19,000 barrels of oil equivalent per day from over five oil and gas fields in the Gulf of Thailand and approximately one onshore gas field in Bangladesh.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=SK3)

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1. Would the board/management provide better clarity on the following cash flow/financing matters? Specifically:

(i) **Capital expenditure (Capex): While the group has projected a capital expenditure in the first quarter of FY2019 of US$22.3 million, what is the projected full year capex? What are the minimum levels of exploration activities as accorded in the group's contracts? Can management provide the figures by concession?**

(ii) **Cash flow: Has the group carried out a sensitivity analysis of the cash flow based on the crude oil benchmark prices?**

(iii) **Oil prices: Despite the volatile prices in the year, the group realised a 39.9% increase in its average selling oil price in 2018. How does the group manage the market risk of oil prices? Does it enter into hedging/futures/forward contracts?**

(iv) **Operations: Would management slow down or halt its oil production if prices are too low?**

(v) **Headroom:** With the recent announcement on 4 April 2019, the group's revolving credit facility was increased such that the total commitments do not exceed US$200 million. **Can management clarify how much headroom is available? How is the group going to deleverage and reduce its borrowings?**

2. The company has experienced high level of management changes with several experienced key management personnel leaving the group.

On 18 April 2019, Mr Kiran Raj, the chief executive officer, announced his departure with effective from 17 October 2019. Mr Raj was appointed to the role on 9 November 2017. On 11 April 2019, the company also announced the cessation of Mr James Parkin as chief operating officer (with effect from 3 October 2019).

Other cessations included:
- Chan Hon Chew (as director)
- Michael Chia Hock Chye (as director)

On the other hand, the team has also been strengthened with:
- Ong Leng Yeow (as director)
- Joanne Ang Sui Keng (as interim CFO)

Mr Kelvin Tang Chih Hao was promoted from his position of COO to the CEO on 1 September 2017.

(i) **Can the board help shareholders understand if the group's operations had been affected by the changes in the board and to the key management team?**

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(ii) Has the board evaluated if the group has the necessary human resources in place for the group to meet its objectives?

(iii) What guidance has the board given to management to further improve on the execution of the group's strategic plans?

(iv) For the benefit of new and long-standing shareholders, following the changes to the management team and to the board, would the company provide shareholders with an updated holistic overview of the group's strategies and identify the key value drivers.

3. At the annual general meeting scheduled to be held on 26 April 2019, the company is seeking shareholders' approval for the sum of US$592,500 (S$814,658) to be paid to all non-executive directors as directors' fees for the financial year ended 31 December 2018. (2017: US$600,000 (S$807,366)).

The group has been loss-making and has seen extensive erosion of its equity to US$22.7 million at the end of 2018. The year-end carrying value of debt amounted to US$459.1 million while gearing increased to 95.5%. The group is kept in business with the support of its banker who had upsized the group's revolving credit facility. In the words of the chairman, the group continues to face significant hurdles.

(i) Has the board reviewed if the proposed directors' fees (both the quantum and the cash based nature) are appropriate given the circumstances?

(ii) Have the directors considered the positive impact of them taking a voluntary haircut or waiver of the directors' fee? It would demonstrate the directors' commitment to the group and boost the morale of the team. Doing so would also give the directors the moral authority to make difficult decisions and persuade and encourage other stakeholders to support the group during this difficult period.

(iii) Would the directors also consider receiving the fees in shares (if there is a voluntary haircut) to alleviate the group's cash flow problems and to show their commitment to the group as the same time?