

**What the future holds for Southeast Asia's
Exploration and Production Industry.**

An independent's perspective.

Asia Pacific E&P Conference

June 2018

London, England

Agenda

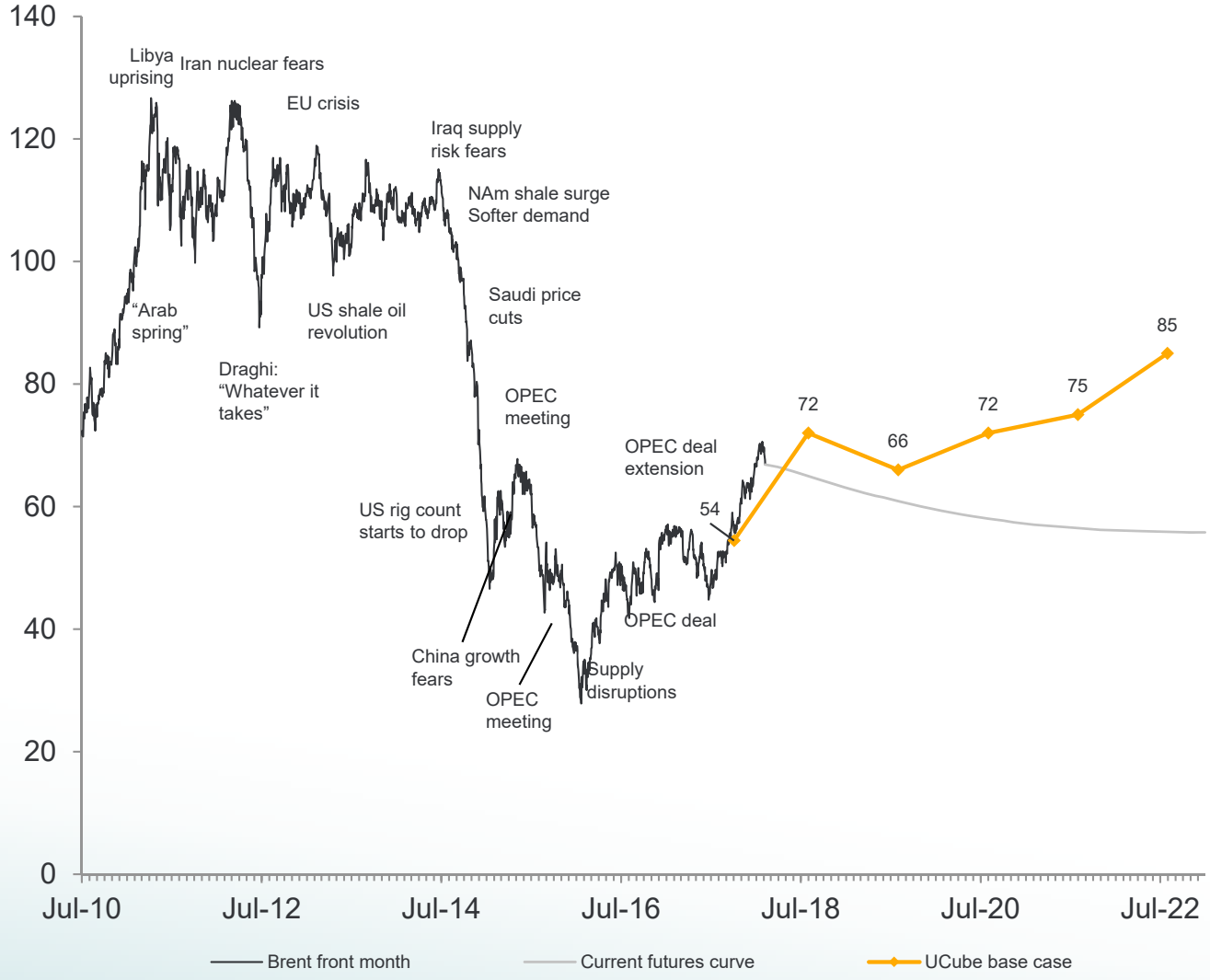
- A brief snapshot of the global picture
- Southeast Asia Forecast
- The Majors Flight
- Untapped Potential
- Case Studies
- The Opportunities



A Bit of
Self
Promotion

Peak oil price after a downturn is always higher than the previous peak

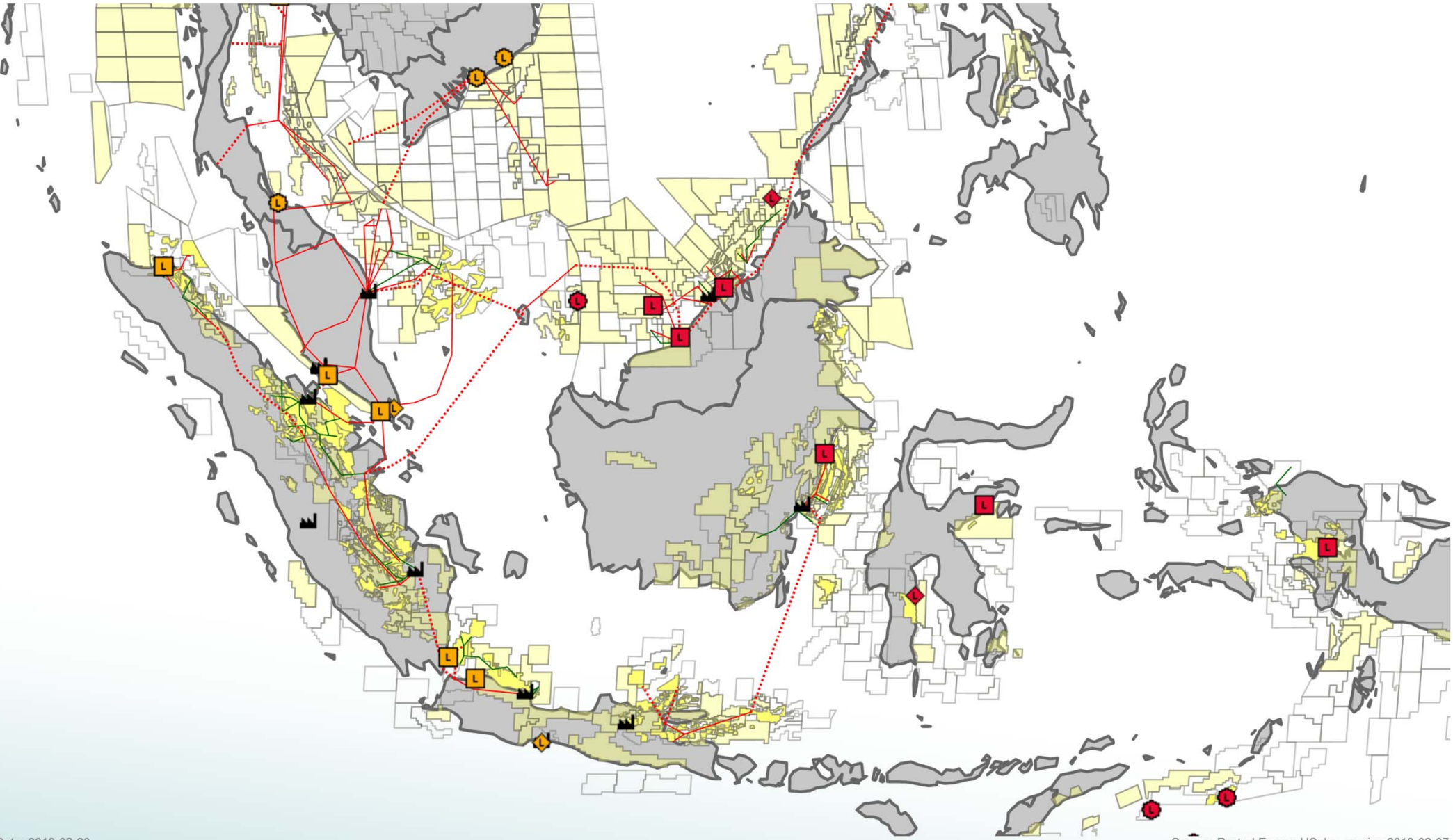
Brent crude front-month contract price, five-year futures curve and UCube base case
USD per bbl (nominal)



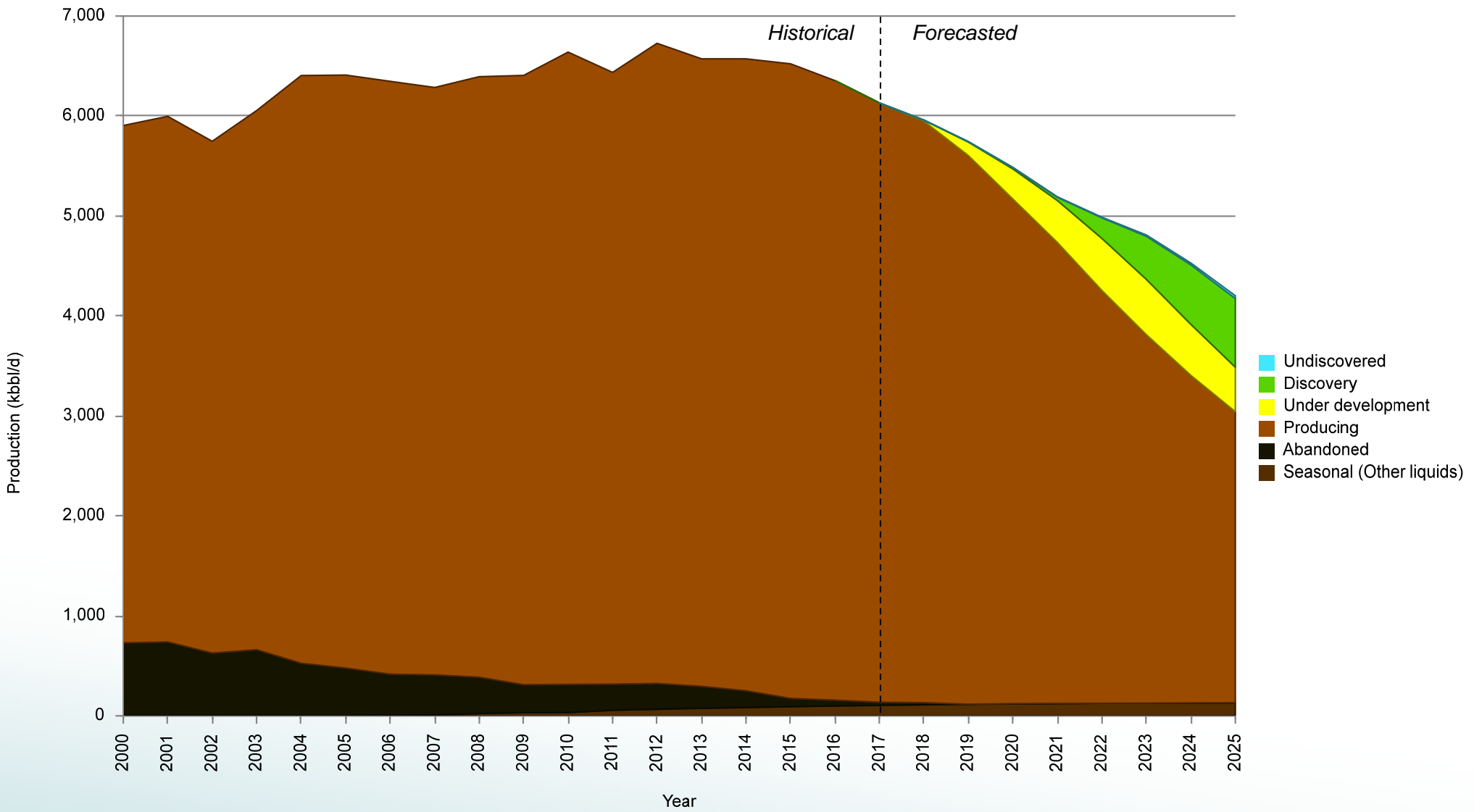
Source: Bloomberg, Rystad Energy research and analysis

Southeast Asia

Lay of the land – Southeast Asia

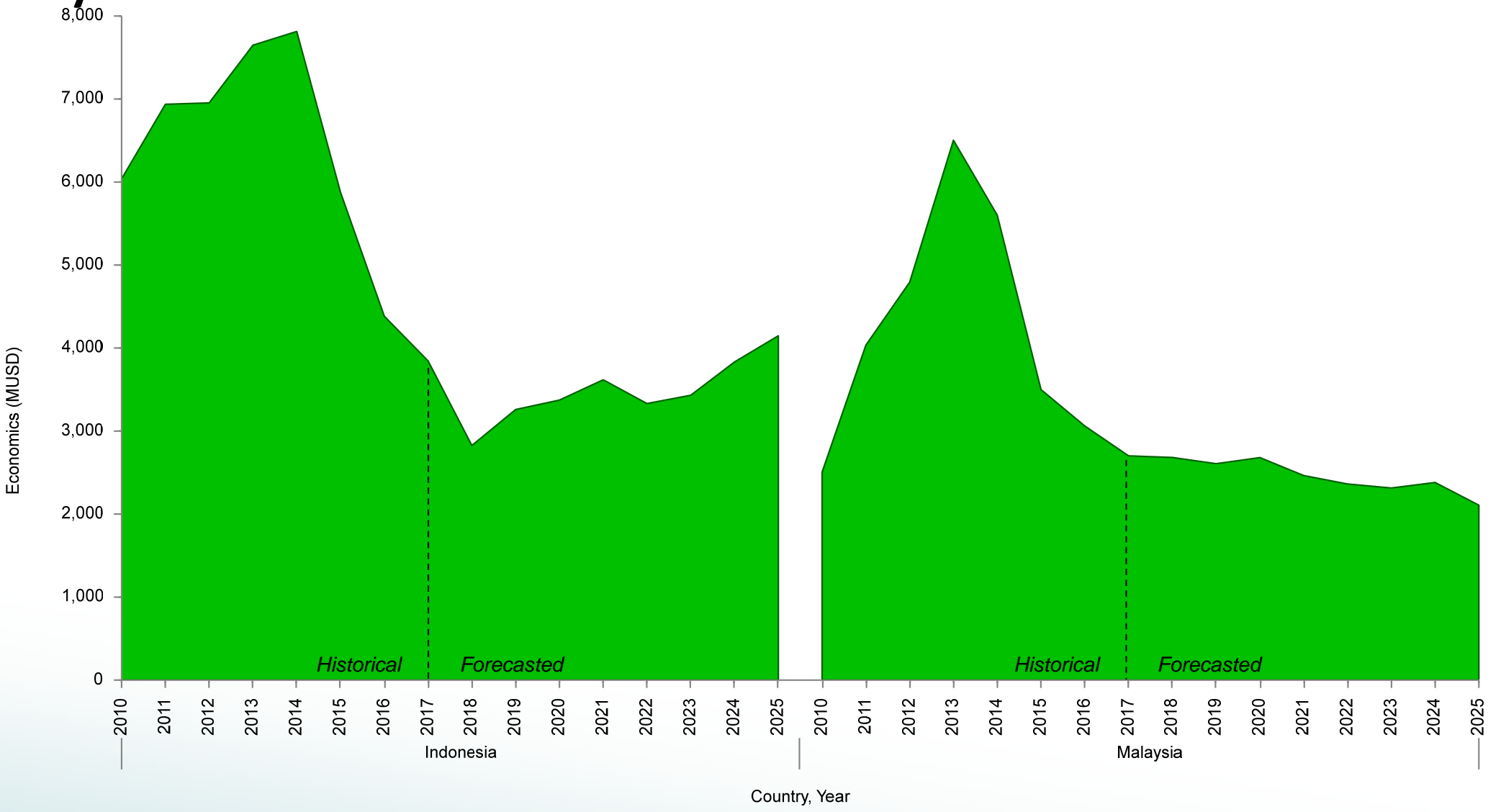


Declining production in Southeast Asia



Source: Rystad Energy UCube, version 2018-02-07

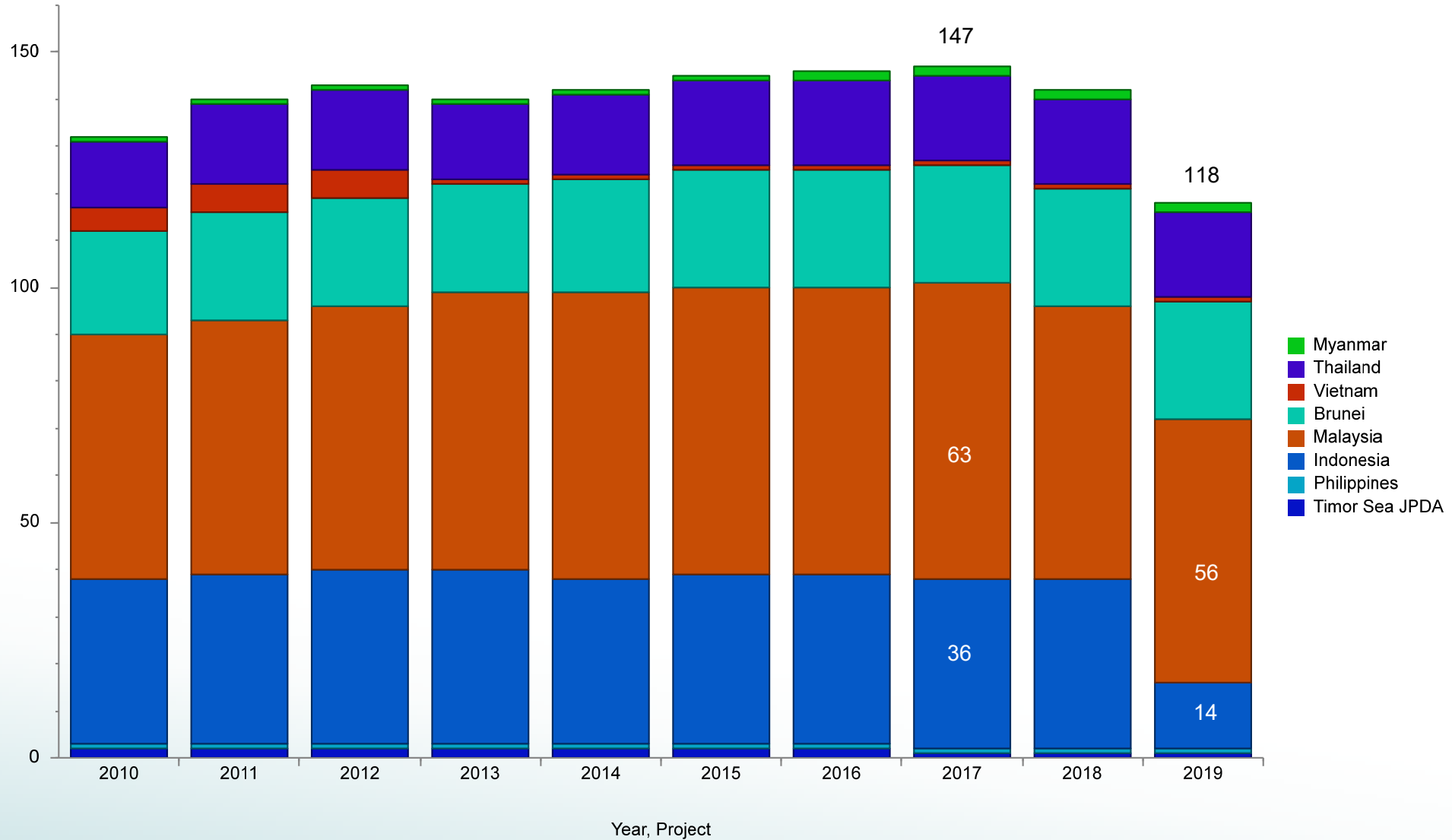
Majors reducing investments in the region – especially Indonesia & Malaysia



Source: Rystad Energy UCube, version 2018-02-07

Majors exiting Southeast Asia – 147 projects in 2017 down to 118 by 2019

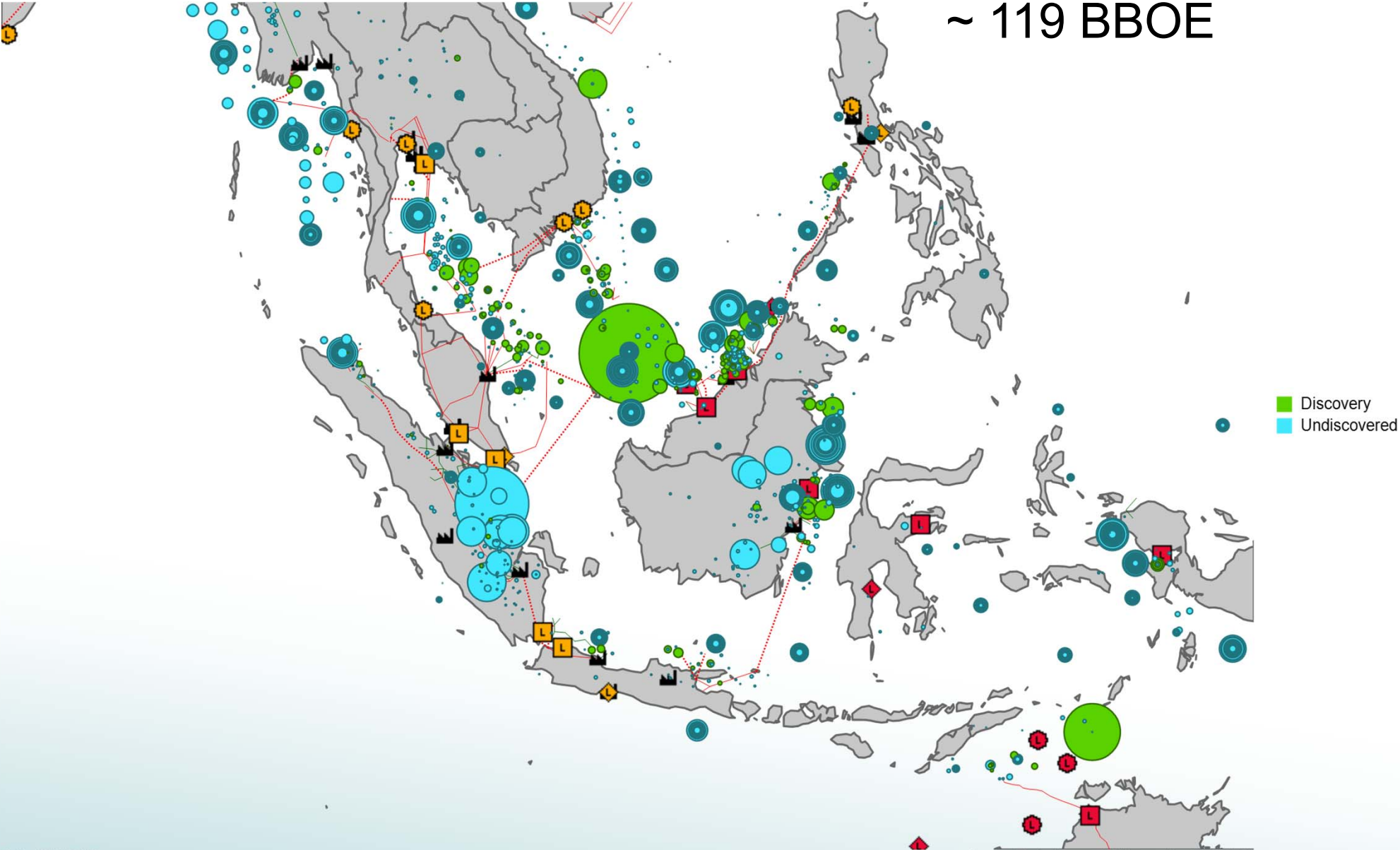
That's a 20% drop in just 2 years



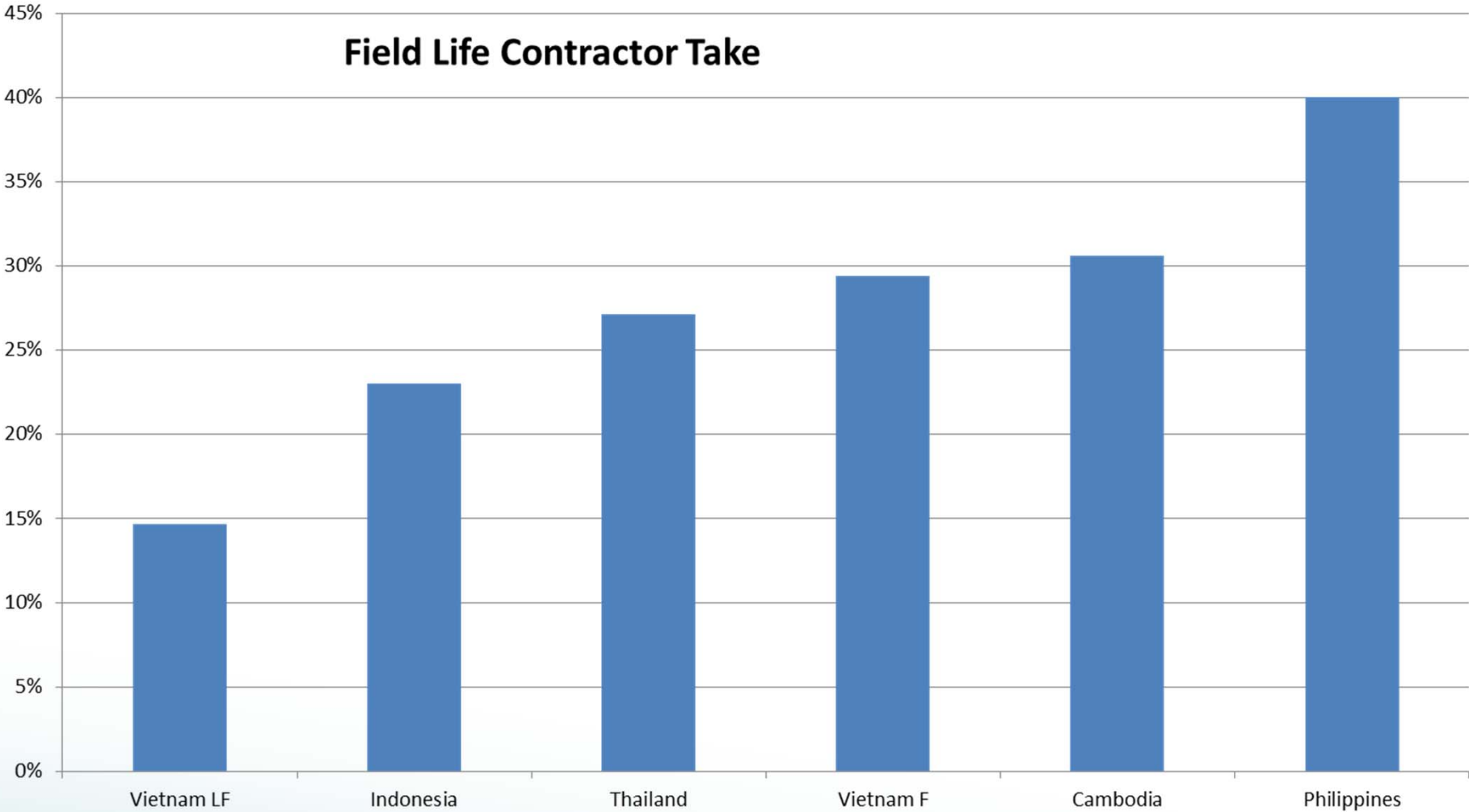
Source: Rystad Energy UCube, version 2018-02-07

Southeast Asia's Potential

Remaining resources – unsanctioned discoveries and yet-to-find resources

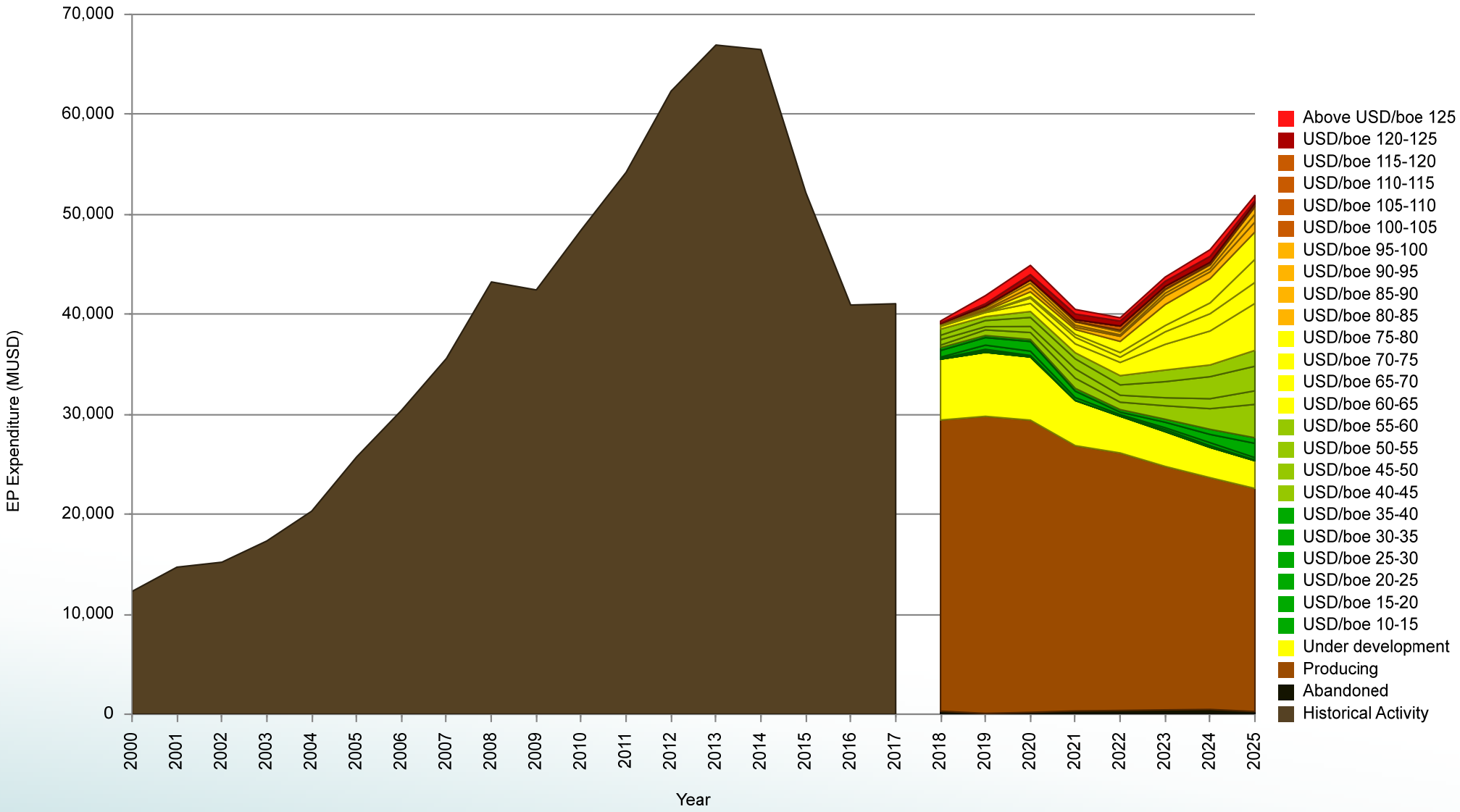


Fiscal Terms Overall Ranking



N.B. Rankings based upon petroleum economics ran for a 30 mmbbl development. Field Life Contractor Take excludes any costs and is expressed as a percentage of Field Life Contractor Take over the sum of Field Life Contractor Take and Field Life Government Take

Investments in Southeast Asia – based on breakeven prices should follow the oil price



Source: Rystad Energy DCube, version 2018-02-07

Case Studies

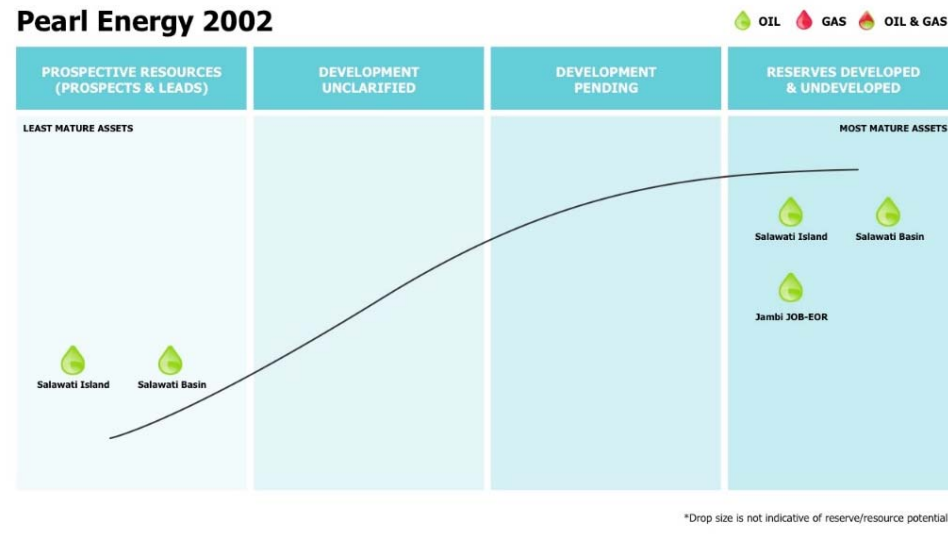
*Creating **REAL** Value*

Pearl Energy

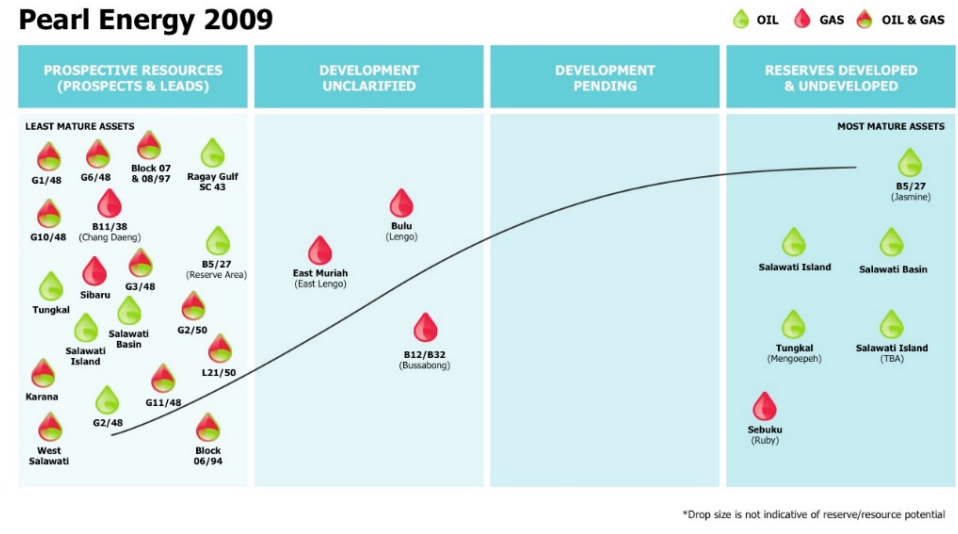
Background

- Pearl Energy was founded in 2000 and acquired its first producing assets in 2002 - (**Brent ~ \$25**)
- Pearl Energy was listed on the mainboard of the Singapore Stock Exchange (the “SGX”) in April 2005 as the first and leading independent E&P company focused in Southeast Asia

Pearl Energy 2002



Pearl Energy 2009



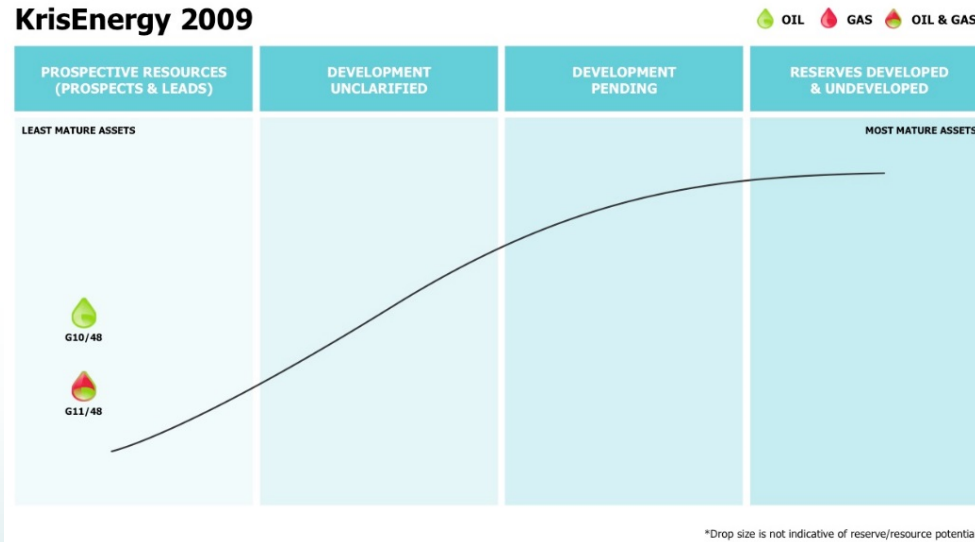
- Seed Shareholders enjoyed a **10x return** on their investment on exit

KrisEnergy

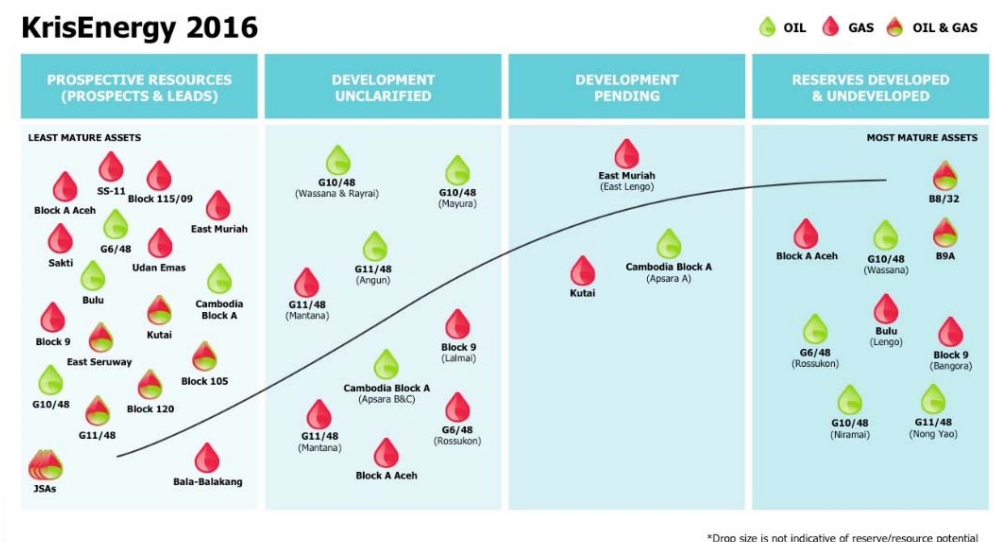
Background

- KrisEnergy was incorporated in 2009 and acquired its first two exploration assets in the same year - **(Brent ~ \$60)**
- The company acquired its first producing assets in 2010 providing cash flow and exploration upside
- KrisEnergy was listed in July 2013 on the SGX

KrisEnergy 2009



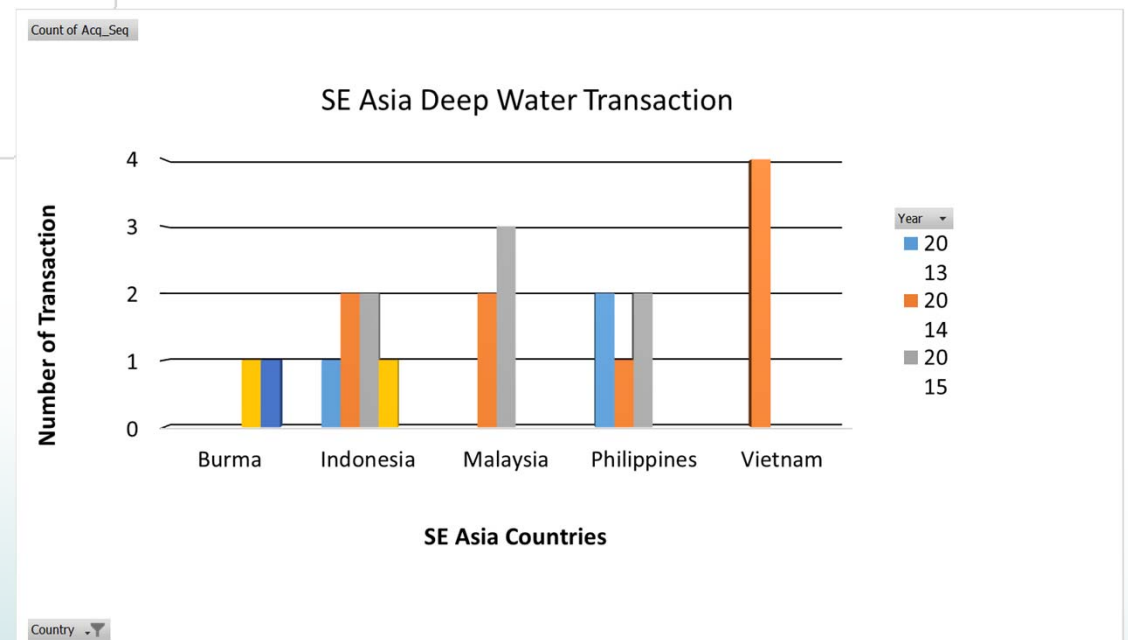
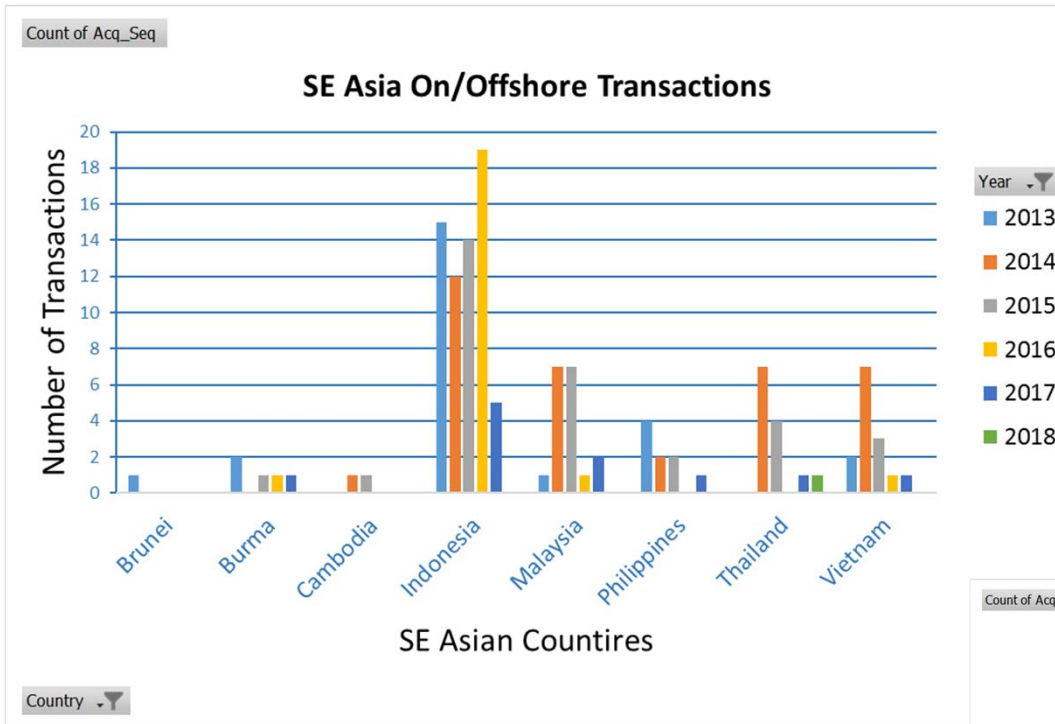
KrisEnergy 2016



- KrisEnergy has weathered the down turn in the E&P cycle, and the seed investor will **remain near whole** – a huge achievement in this day and age

The Opportunities

Deal flow, although slower than previous years, remains active



Some of the Players Involved



MEDCOENERGI



MITSUI & CO.

Santos

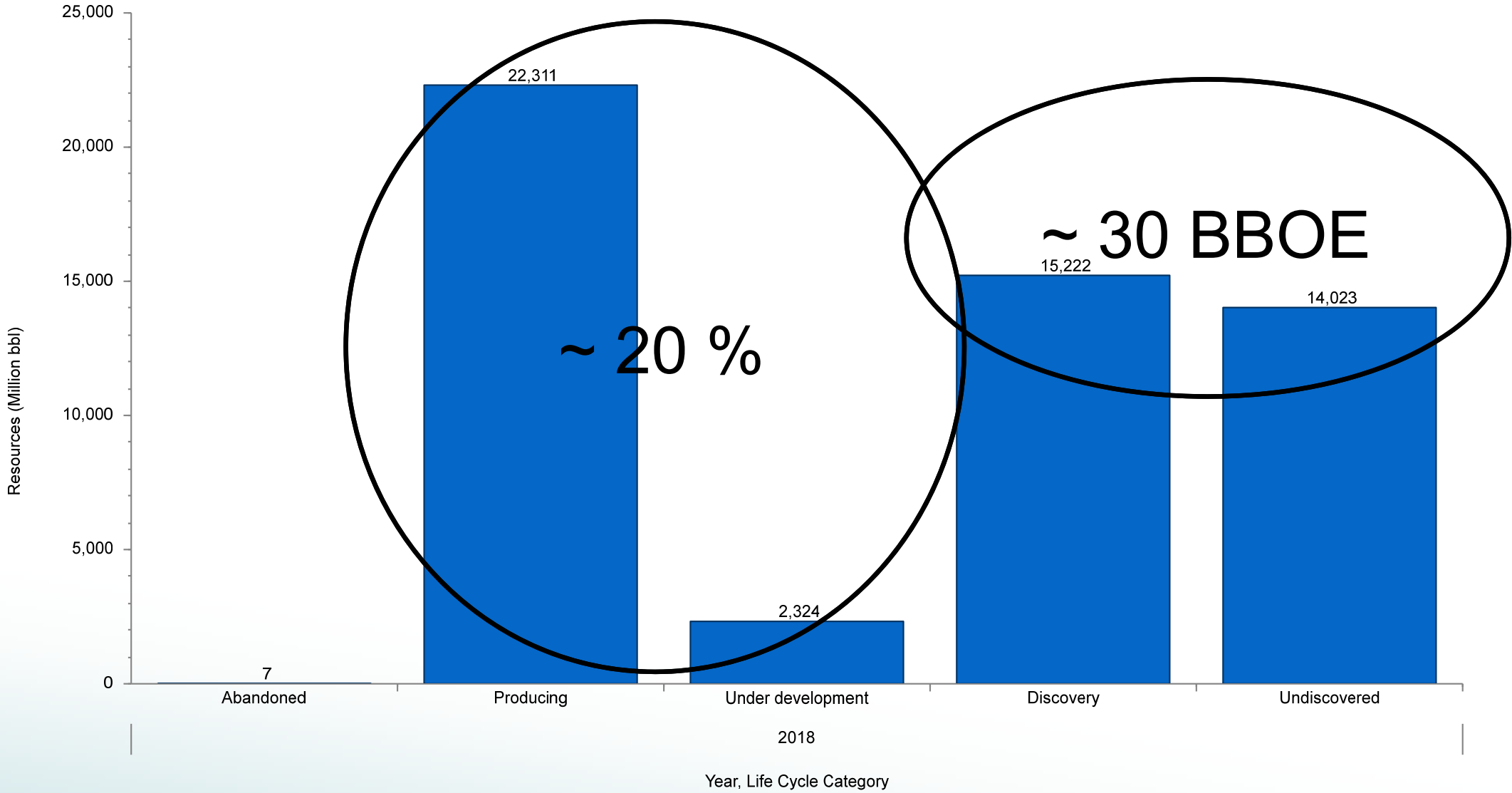


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Tender rounds have largely been failures with very few new blocks awarded

- **Philippines:** *delayed until agreement with China over SCS*
- **Myanmar:** *was a success a few years back, politics in the way of the next one*
- **Vietnam;** *better acreage tangled up with China issues, and corruption in country*
- **Malaysia:** *ticking along as usual but very long lead time*
- **Indonesia:** *did manage to get away blocks recently, and carrying on with new fiscal terms*
- **Laos:** *direct negotiation, no rounds*
- **Cambodia:** *same as Laos*
- **Timor Leste:** *was going to have one but no news yet*
- **Thailand:** *more delays, last bid round in 2005, possible new terms are coming*
- **Brunei:** *nothing going on as far as I know*

Southeast Asia's production is on decline but large existing and untapped resources remain to be produced close to demand centers



Source: Rystad Energy UCube, version 2018-02-07

Views of the Market

Short Term

- Majors focus on deepwater & unconventional
- Continued disposal of assets by majors
- Abundance of smaller companies
- Lack of cash especially local players
- Local companies fill NOC void
- Finding markets for gas

Long Term

- Withdrawal of majors unless 'into gas' or unconventional
- Consolidation of small players
- Small-medium size companies more competitive
- Larger number of "key" players
- Increased support from governments
- Better understanding of gas markets

For Newcomers – my thoughts

- Permanent presence in region
- Contacts & understanding of culture
- Knowledge & expertise
- Partner with incumbent & good database
- Be patient & prepare for a long stay with a consistent strategy
- Good financial backing & project with cash flow
- The time is right – **(Brent ~\$70)**

Thank You



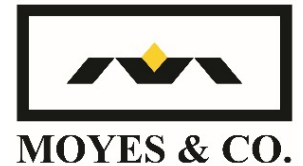
SEAPEX



PESGB



Moyes & Co



Rystad Energy

