
RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS' ANNOUNCEMENT

The Board of Directors (the "**Board**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to respond to the questions raised by the SGX-ST on 2 April 2019 in relation to the announcement of the Disclaimer of Opinion By Independent Auditors (the "**Announcement**") released to the SGX-ST on 1 April 2019 as follows:

SGX-ST'S QUESTIONS:

1. The Board's opinion as to: (i) whether the Company and the Group can continue to operate as a going concern; and (ii) the bases for its views.

Company's Responses to question 1:

The Board believes that the Company and the Group will both continue as going concerns.

Included in the Announcement was an extract from note 2.1 to the audited consolidated financial statements of the Company for the year ended 31 December 2018 ("**FY2018**") which states the following:

The financial statements for the year ended 31 December 2018 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group's operating activities, and (ii) financing plans.

(i) *Operating activities*

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US\$30 million. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(ii) *Financing plans*

The Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US\$1.2 million from such divestments over the course of the year. The Group shall continue to work closely with its bankers and is confident of extending loan repayments of \$5.7 million currently within current borrowings to allow the Group to meet its debt obligations as and when they fall due.

The Group has capital commitments of \$258.2 million and \$230.8 million for assets under construction due on 31 December 2018 and 31 December 2019 respectively. The Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group.

(iii) *Capital plans*

The Group also plans to redeem \$31,000,000 of the Group's bonds, the consideration for which will be through a proposed issuance of new ordinary shares in the capital of the

Company to be approved by the Company's shareholders at an Extraordinary General Meeting, thereby removing the deficit in shareholders' equity for the Group and the Company.

The financing plans, together with the operating activities as described above, is expected to allow the Group to meet its current obligations as and when they fall due.

In view of the continuing credit facilities being made available to the Group, for at least another twelve months from the reporting date, and together with the financing and capital plans, the Group believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above cash flow analysis, management acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

- *The eventual conclusion and timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers; and*
- *The successful implementation of the financing and capital plans.*

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least another twelve months from the reporting date.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. As the Group also plans to raise the necessary funding for the new build contracts, there is no adjustment considered for the carrying value of the assets under construction of \$64,212,000 (2017: \$62,634,000) as at 31 December 2018. Should the Group decide subsequently to discontinue the new build contracts, adjustment to the carrying values of these rigs may be required.

The Board confirms the going concern basis remains premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the (i) Group's operating activities, and (ii) financing plans.

Management has critically assessed the cash flow forecasts of the Group and Company for the next twelve months and has concluded that there will be sufficient cash flows and resources to allow the Group and Company to continue its operations and meet its obligations for the foreseeable future, subject to successful completion of the stated plans. The Board is therefore of the opinion that the Company and the Group will both continue as going concerns as these stated plans remain on track.

The Company's Annual Report 2018 will be despatched to the Shareholders on 11 April 2019 and the same will be uploaded onto the website of the SGX-ST on the same date.

2. The Board's opinion as to whether trading in the Company's securities should be suspended pursuant to Listing Rule 1303(3).

Company's Responses to question 2:

With reference to the Company's response to question 1, the Board's opinion is the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

3. The Board's confirmation as to: (i) whether sufficient information is disclosed for trading of the Company's securities to continue in an orderly manner, and (ii) the basis for its views.

Company's Responses to question 3:

- (i) The Board of the Company confirms that sufficient information has been disclosed in the Announcement for the trading of the Company's securities to continue in an orderly manner.
- (ii) The basis for the Board's view is that, to the best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

4 April 2019

For more information on KS Energy Limited, please visit our website at www.ksenergy.com.sg