KS ENERGY LIMITED
An Integrated Energy Services Hub

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of KS Energy Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company's independent auditor, KPMG LLP, has in their Independent Auditor's Report, included a section on "Disclaimer of Opinion" in relation to the Company's financial statements for the financial year ended 31 December 2019 ("FY2019").

Extracts of the Disclaimer of Opinion in the Independent Auditors' Report, Note 2.1 and Note 20 to the Company's financial statements for FY2019 are attached to this announcement as "**APPENDIX I**".

Shareholders of the Company are advised to read the Company's financial statements for FY2019 set out in the Annual Report 2019 of the Company.

By Order of the Board
KS ENERGY LIMITED

Marilyn Tan Lay Hong
Joint Company Secretary

1 April 2020

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

APPENDIX I

EXTRACT OF THE DISCLAIMER OF OPINION FROM THE INDEPENDENT AUDITORS REPORT

Disclaimer of opinion

We were engaged to audit the financial statements of KS Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS85.

Because of the significance of the matters described in the *'Basis for disclaimer of opinion'* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying financial statements.

Basis for disclaimer of opinion

We draw attention to Note 2.1 to the financial statements which indicates that the financial statements have been prepared by management on a going concern basis. In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation by management. The validity of the going concern assumption depends on the continuing support from the Group's various lenders. We have, however, not been able to satisfy ourselves that such support will be available. In this regard, we draw your attention to the following notes and related matters:

a) Bank loans obligations

   Note 20 to the financial statements states that the Group has secured bank loans from a financial institution, with a total carrying amount, including interest of $326,105,000, with $5,432,000, and $320,673,000 classified as "current" and "non-current" respectively. Under the original loan agreements, amended by an amendment and restatement deed dated 18 January 2019, the repayment of monthly loan instalments began from 1 August 2019. As of 31 December 2019, these loan instalments aggregating $4,045,000, comprising principal and interest repayments, have not been settled. The Group continues its discussion with the financial institution to put in place a debt moratorium covering the period from 1 August 2019 to 31 July 2020. As at the date of this report, the Group has not yet reached any agreement with the financial institution for this debt moratorium.

b) Secured bonds

   Note 20 to the financial statements states that the Group has secured bonds with a carrying amount, including interest of $5,322,000, which are classified as "current" and are due for repayment on 8 December 2020. As at the date of this report, the Group plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company. The extension of settlement date has yet to be agreed with the bondholders.

c) Deficiencies in net working capital and shareholders' equity

Note 2.1 to the financial statements indicates the Group incurred a net loss of $104,418,000 for the year ended 31 December 2019 and, as of that date, the Group's and the Company's current liabilities exceed current assets by $20,288,000 and $9,246,000 respectively. The Group and the Company are also in a net liability position of $71,598,000 and $27,191,000 respectively as at 31 December 2019. Management expects the net working capital and shareholders' equity, both at the Group and the Company, to remain negative for at least the next 12 months as the forecast cashflows of the Group and Company for the same period are insufficient to address the deficiency. As at the date of this report, there is no formalised re-capitalisation plan to improve the working capital and shareholders' equity positions.

It is the intention of the Group to re-negotiate the repayment terms of the debt obligations with the lenders and continue to operate as a going concern. However, we have not been able to obtain sufficient evidence to support the realisation of these intentions.

These conditions set out in (a), (b) and (c) in the preceding paragraphs indicate the existence of multiple uncertainties that are significant to the financial statements as a whole. The financial statements do not include any adjustments that would result from a failure to obtain such support from the lenders.

EXTRACT OF NOTE 2.1 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of $104,418,000 for the year ended 31 December 2019 and as at that date, the Group's and the Company's current liabilities exceed current assets by $20,288,000 and $9,246,000 respectively, and the Group and Company are in a net liability position of $71,598,000 and $27,191,000 respectively. Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 2019 are prepared on a going concern basis, and this is premised on the Board of Directors' (the "Board") and Management's belief in securing (i) the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, (ii) the sufficiency of cash flows to be generated from the Group's operating activities, (iii) refinancing plans with bondholders, and (iv) asset divestment plans.

(i) Availability of credit facilities

The Group currently has secured bank loans with carrying amount of $326,105,000 owing to a financial institution. During the year, the Group suspended its principal and interest repayments on these bank loans on the basis of its correspondence with the financial institution to suspend such loan instalments through 31 July 2020. The suspended loan instalments sums during the year amount to $4,045,000. The Group plans to continue to negotiate with the financial institution to restructure the bank loans, including extending the repayment of loan instalments beyond 31 July 2020 and at least for another twelve months from the reporting date.

(ii) Cash flows from operating activities

Although the Group expects the overall operating environment to remain challenging, it anticipates to generate positive cash flows from existing contracts and prospective contracts. The operating cash flow forecast is derived from the cash flow forecast – existing and prospective contracts, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(iii) Refinancing plans with bondholders

The fixed rate secured bonds with carrying value, including interest, of $5,322,000 are due for repayment on 8 December 2020. The Group plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company (see Note 20).

(iv) Asset divestment plans

The Group is also looking to divest any assets to improve the Group's financial position when opportunities arise.

In view of the above, the Board and Management believe that the continuing use of the going concern assumption in the preparation of the financial statements remains appropriate. Nevertheless, the Board and Management acknowledge 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 contracts currently subject to on-going negotiations with the customers; and

- The ability of the Group to have its credit facilities extended beyond 31 July 2020, and have these credit facilities restructured, including reducing loan obligations with one financial institution, due at least for the next twelve months from the reporting date.

The above-mentioned conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, the Board and Management have 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.

EXTRACT OF NOTE 20 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Financial liabilities

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Secured bank loans	5,185	5,786	–	–
Secured bonds	5,171	–	5,171	–
Unsecured bank loans	2,917	5,728	–	–
Short-term borrowings from related parties	304	135	–	–
	13,577	11,649	5,171	–
Non-current				
Secured bank loans	317,584	326,128	–	–
Secured bonds	–	38,221	–	38,221
Unsecured bank loans	7,083	4,272	–	–
	324,667	368,621	–	38,221
Total financial liabilities	338,244	380,270	5,171	38,221

Moratorium on bank loans

KS Drilling and its subsidiaries ("KS Drilling")

During the year, KS Drilling suspended its principal and interest repayments owing (the "loan instalments") to a financial institution on the basis of the correspondence reached with the financial institution to suspend such loan instalments through 31 July 2020. The loan instalments suspended during the year amounted to $4,045,000. The Group plans to continue to negotiate with the financial institution to restructure the loan obligations.

Secured bonds

	Group and Company	
	2019	**2018**
	$'000	**$'000**
At 1 January	38,221	65,514
Accretion expense of redemption premium payable on secured bonds at maturity	904	4,817
Partial repurchase of secured bonds	(31,000)	(30,000)
Waiver for accrued secured bonds interest	(2,954)	(2,110)
At 31 December	5,171	38,221

The secured bonds were issued by the Company on 8 December 2017 and are repayable on 8 December 2020 (the "2017 Secured bonds"). The face value of the 2017 Secured bonds includes the redemption premium payable at maturity is $5,392,000.

The initial terms of the issuance are as follows:

(a) The 2017 Secured bonds were issued at a price of 100% along with 65,500,000 bonus warrants, each with the right to subscribe 1 share at the price of $0.045 per share.

(b) The subscription right may be exercised at the option of the warrant holder, at any time until the date falling seven day/s prior to the maturity date, on or about 8 December 2020, subject to customary closed periods.

(c) Unless previously redeemed or purchased and cancelled, the 2017 Secured bonds will be redeemed by the Company at 119.82% of their principal amount together with unpaid accrued interest thereon on the maturity date on 8 December 2020. Secured bondholders have right to extend the maturity to 8 December 2021 subject to redemption by the Company at 125.90% of their principal amount together with unpaid accrued interest thereon.

(d) The 2017 Secured bonds bear coupons at the rate from 1.15% - 3.00% per annum, payable on a semi-annual basis, with an initial coupon payment date on 8 June 2018. In case of extension of maturity, Secured bonds will bear coupons at the rate of 4.00% per annum.

(e) The yield-to-maturity was approximately 8.38% per annum, calculated on a semi-annual basis.

(f) The 2017 Secured bonds are secured by a share charge in respect of a portion of the shares in KS Drilling Pte Ltd and a negative pledge.

On 7 December 2018, the Company and the bondholders entered into a supplemental agreement, the third supplemental agreement, to amend and supplement the initial terms. Following the entry into the third supplemental agreements, the first interest payment date was extended to 8 December 2020, the maturity date. The interest payable on the maturity date shall comprise the interest payable in arrears on 8 December 2018, 8 June 2019, 8 December 2019, 8 June 2020 and the maturity date itself.

On 7 December 2018, the Company entered into a termination deed with existing warrant holders to terminate all of the 65,500,000 warrants and on 11 December 2018, the Company completed the purchase and cancellation of an aggregate of $30,000,000 in principal amount of the 2017 Secured bonds from a bondholder. The bondholder agreed to waive the payment of the accrued interest and redemption premium of $2,447,000 that was due under the terms of the 2017 Secured bonds.

On 26 February 2019, the Company entered into a subscription agreement to allot and issue an aggregate of 794,871,795 new ordinary shares in the capital of the Company. The new ordinary shares were issued to bondholders as consideration for the payment by the Company for the purchase of an aggregate $31,000,000 in principal amount of the 2017 Secured bonds. The bondholders agreed to waive the payment of the accrued interest and redemption premium of $3,504,000 that was due under the terms of the 2017 Secured bonds.