
UPDATE ON THE GROUP'S BUSINESS AND OPERATIONS IN VIEW OF COVID-19 AND CRUDE OIL PRICE MOVEMENTS

The Board of Directors (the “**Board**”) of KS Energy Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to update shareholders on the impact of the coronavirus disease 2019 (“**COVID-19**”) pandemic and falling crude oil prices on the Group’s business and operations. The World Health Organisation declared the outbreak to be a global pandemic on 11 March 2020 and has issued advice including basic protective measures against COVID-19.

The price of the US crude oil futures contract for delivery in the month of May 2020 collapsed below US\$0 on Monday 20 April 2020, a day before the expiry of the contract. This unprecedented market move led to negative prices for the first time in history, amid a COVID-19 induced fall in demand which resulted in storage facilities reaching their limit whilst crude supply remains elevated. The May 2020 futures contract ended the day at minus US\$37.63 a barrel as desperate traders paid to get rid of oil.¹

The weak demand for crude oil globally and an increasingly uncertain price outlook puts further pressure on the oil and gas industry. There are expectations that energy prices are likely to remain volatile in the near-term, given the increasingly weak demand. We expect our customers, who are national and international oil and gas companies, to adjust their business plans accordingly and reduce exploration and production activities.

The Group remains focused on our existing customers and is closely monitoring oil and gas projects both onshore and offshore and the regulations to reduce people movements and interactions to stem the spread of COVID-19 in Singapore, Indonesia, Vietnam and Egypt. The health and safety of all members of staff and business partners remains a key focus whilst navigating the daily business through the challenges arising from the COVID-19 situation.

In Singapore, the Company strictly implemented the government’s safe distancing at workplaces guidance and encouraged tele-commuting. It has since closed its offices from the beginning of the “circuit-breaker” measures which started on 7 April 2020 with staff working from home. In Indonesia, the offices in Jakarta and Batam are also temporarily closed with staff working from home.

The Group has put in place cost-saving measures in varying degrees on different cost elements, starting with salary adjustments, including an overall 30% reduction in the pay of senior executives, from the month of March. Whether these measures are scaled up or extended in time would depend on how the situation develops as the pandemic is highly uncertain in terms of the length and depth of its economic impact.

The Group has implemented special medical and quarantine procedures for the rig crews to overcome the challenges of COVID-19. The Group is currently operating rigs in Indonesia and offshore Vietnam. The Group currently has a good supply of equipment in Indonesia and the supply chain in Vietnam has not been significantly disrupted as the number of cases in Vungtau is relatively low at present. In fact, Vietnam has reported no new COVID-19 cases since 17 April 2020. The Group’s drilling rig in Egypt has recently completed her contract and has returned to Alexandria Port.

A significant challenge for the business in Indonesia during the COVID-19 pandemic has been the movement restrictions of rig crew and client’s third-party personnel to and from our offshore rigs. Operations on the sixth-generation semi-submersible drilling rig “SSV *Catarina*” were suspended and the rig was moved to a safe anchorage at Balikpapan on 20 March 2020. The Company will release further announcements as and when there are material developments.

¹ Business Times, 21 April 2020, Oil price crashes into negative territory for the first time in history amid pandemic

In the Company's financial statements for the financial year ended 31 December 2019 ("FY2019") dated 1 April 2020 it stated: "*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.*"

The Board can update shareholders that the Group continues 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; the Group expects the overall operating environment to become more challenging and now only anticipates generating positive cash flows from existing contracts and not prospective contracts for the remainder of the year; the Group still plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company; and the Group is finding opportunities to divest some surplus assets.

As a result of not expecting any prospective contracts for the remainder of the year, the Group is reviewing the carrying amounts of the Group's non-financial assets by updating each asset's recoverable amount. An impairment loss will be recognised in the unaudited financial results for the three months ended 31 March 2020 ("**Q1 2020**") to be released next month if the carrying amount of an asset, or its related cash-generating unit, exceeds its estimated recoverable amount. The Group currently anticipates recognising an impairment loss of around US\$3.3 million, subject to review by the Audit and Risk Management Committee and Board. If market disruptions caused by the current COVID-19 pandemic and the current depressed oil price persists, the Group may record further impairment losses.

The Group is currently not facing any material uncertainty concerning the ability to fulfil near-term obligations and is not expecting the likely deferral of a significant payment from a major customer or other cash source. The Group expects to remain compliant with debt covenants. However, the Groups' ability to service debt obligations is dependent on a favourable outcome from the ongoing negotiations to restructure the bank loans. The Group is committed to partnering with the financial institution to see the business through these challenging times however if the required support is not forthcoming from the financial institution then the Group may have no option but to seek advice regarding its viability.

Financial Highlight for Q1 2020:

	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue for the 3-months ended	4,693	5,786	6,731	15,065	8,896
Cash and cash equivalents as at	8,944	4,534	3,990	2,457	3,810

Shareholders of the Company are advised to read the Independent Auditors' Report and the audited financial statements of the Group for the financial year ended 31 December 2019 in the Company's Annual Report, which was uploaded onto the website of the SGX-ST on 15 April 2020.

To mitigate the impact from COVID-19, the Group continues to focus on operational excellence and tightening cost controls. The Group continues to monitor the rapidly evolving COVID-19 situation and shall keep shareholders informed of any material developments as and when they arise.

Shareholders and potential investors of the Company are advised to read this announcement, the Announcement, and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board
KS Energy Limited

Marilyn Tan Lay Hong
Joint Company Secretary

23 April 2020

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