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## RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 15 November 2019 in relation to the Company's unaudited financial statements for the third quarter and 9-month period ended 30 September 2019 (the "**Financial Statements**") released to the SGX-ST on 14 November 2019 (the "**Announcement**") as follows:

### **SGX-ST'S QUESTIONS:**

1. *The Company stated on page 17 of the Financial Statements that total borrowings decreased by \$30.7 million from \$380.3 million as at 31 December 2018 to \$349.6 million as at 30 September 2019. Please provide us with a detailed breakdown of the decrease in "total borrowings".*

### **Company's Responses to question 1:**

Total borrowings as at 31 December 2018 and 30 September 2019:

	30.09.2019	31.12.2018	Movement
	\$'000	\$'000	\$'000
Current Borrowings - Secured	3,380	5,785	-2,405
Non-current Borrowings - Secured	336,160	364,350	-28,190
Total Borrowings - Secured	339,540	370,135	-30,595
Current Borrowings - Unsecured	2,183	5,864	-3,681
Non-current Borrowings - Unsecured	7,917	4,271	3,646
Total Borrowings - Unsecured	10,100	10,135	-35
<b>Total Borrowings</b>	<b>349,640</b>	<b>380,270</b>	<b>-30,630</b>

Total borrowings decreased by \$30.63 million from \$380.27 million as at 31 December 2018 to \$349.64 million as at 30 September 2019 due to a \$30.60 million decrease in secured borrowings. The decrease in secured borrowings was principally due to the repurchase of secured bonds in Q2 2019, offset by an increase in secured loans.

The carrying value of the secured bonds decreased by \$33.13 million from \$38.22 million as at 31 December 2018 to \$5.09 million as at 30 September 2019 mainly due to the repurchase of an aggregate of S\$31,000,000 in principal amount of secured bonds, completed on 26 April 2019, offset by deferred finance costs of \$0.82 million.

The carrying value of the secured loans increased by \$2.54 million from \$331.91 million as at 31 December 2018 to \$334.45 million as at 30 September 2019 due to a \$4.29 million foreign exchange impact as most of the secured bank loans are denominated in a foreign currency and an increase of \$0.29 million due to deferred finance costs, offset by loan repayments of \$2.04 million.

2. Please explain what is the "in-principle debt moratorium" on page 17 of the Financial Statements and salient terms of the said moratorium.

**Company's Responses to question 2:**

The bank has confirmed in writing that they are agreeable to extend the moratorium for principal and interest repayment on the bank loans with carrying amounts of US\$249.1 million. The Group is currently finalising the required documentation.

3. The Company also stated on page 17 of the Financial Statements that "trade and other payables" decreased \$5.8 million due to a \$5.3 million reduction in accrued operating expenses and a \$4.1 million reduction in accrued interest, offset by a \$2.6 million increase in trade creditors. Please confirm that these figures are correct.

**Company's Responses to question 3:**

Trade and other payables as at 31 December 2018 and 30 September 2019:

	30.09.2019	31.12.2018	Movement
	\$'M	\$'M	\$'M
Trade creditors	7.93	5.27	2.66
Accrued operating expenses	4.00	9.29	(5.30)
Accrued interest expenses	1.36	5.41	(4.05)
Withholding tax payable	2.44	2.04	0.40
Sundry creditors	0.65	0.28	0.37
Others	1.59	1.57	0.04
<b>Total Trade and Other Payables</b>	<b>17.97</b>	<b>23.86</b>	<b>(5.88)</b>

Trade and other payables decreased \$5.88 million from \$23.86 million as at 31 December 2018 to \$17.97 million as at 30 September 2019 mainly due to a \$5.30 million reduction in accrued operating expenses and a \$4.05 million reduction in accrued interest, offset by a \$2.66 million increase in trade creditors due to a special periodic survey of a jack-up drilling rig, a \$0.40 million increase in withholding tax payable and a \$0.37 million increase in sundry creditors.

4. We note that the Company has stated on page 17 of the Financial Statements that the Group and Company were in a "net current liability position of \$8.6 million and \$3.7 million". In this regard, please provide:
- the Board of Directors' assessment of the Group's ability to continue as a going concern and the bases for the said assessment;
  - the Board Directors' opinion as to whether trading in shares of the Company should be suspended pursuant to Listing Rule 1303(3); and
  - the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading to continue in an orderly manner.

**Company's Responses to question 4(i):**

The Board believes the Group will continue as a going concern. Included on page 17 of the Announcement was the following explanation:

*The financial statements for the 9-months ended 30 September 2019 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 the Group's 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. During FY2019, the Group has so far secured future work for its rigs in South East Asia with a combined value of US\$38.4 million (please refer to the announcements dated 22 February, 4 April, 28 June and 16 July 2019 for more details). This amount is consistent with the expectation of at least US\$30 million mentioned in our full-year 2018 results announcement released on 27 February 2019.*

*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. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US\$1.2 million over the course of FY2019. The Group expects to generate at least \$0.8 million from divestments of surplus assets in Q4 2019. The Group shall continue to work closely with its bankers to allow the Group to meet its debt obligations as and when they fall due.*

*Following the termination of the rig construction contracts, the Group ceases to have capital commitments of \$256.4 million and \$229.3 million for assets under construction, as previously reported.*

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 mentioned 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 continuation of the plans to divest surplus assets.

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 Group's operating activities and surplus asset divestments.

Management has critically assessed the cash flow forecast of the Group for the next twelve months and has concluded that there will be sufficient cash flows and resources to allow the Group 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 Group will continue as going concerns as these stated plans remain on track.

**Company's Responses to question 4(ii):**

With reference to the Company's response to question 4(i), the Board's opinion is the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

**Company's Responses to question 4(iii):**

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 as 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**

Marilyn Tan Lay Hong  
Joint Company Secretary

19 November 2019

For more information on KS Energy Limited, please visit our website at [www.ksenergy.com.sg](http://www.ksenergy.com.sg)