

KS ENERGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198300104G)

**QUARTERLY UPDATE DISCLOSURE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL OF THE
SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”)**

The Board of Directors (the “**Board**”) of KS Energy Limited (the “**Company**” and together with its subsidiaries the “**Group**”) refers to the Company’s announcement dated 3 June 2017 and 4 June 2018 in relation to the Company being placed on the minimum trading price (“**MTP**”) entry criterion watch-list under Rule 1311(2) and financial entry criteria watch list under Rule 1311(1) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) with effect from 5 June 2017 and 5 June 2018, respectively.

Pursuant to Rule 1313(2) of the Listing Manual, which requires the Company to provide a quarterly update on the efforts and the progress made by the Company in meeting the exit criteria of the watch-lists, including where applicable its financial situation, its future direction, or other material developments that may have a significant impact on its financial position, the Board wishes to provide the following updates on the Group to complement the unaudited financial statements and dividend announcement for the 12-months ended 31 December 2019 (“**FY2019**”) which was announced on 26 February 2020 (the “**FY2019 Results Announcement**”).

Update on Financial Position and Outlook

The Group recorded a net loss of \$104.4 million for FY2019 compared to the consolidated loss after tax of \$53.9 million reported for FY2018, an increase of \$50.5 million. The higher loss was mainly due to:

- i. a \$66.4 million higher loss from operating activities which increased from a \$31.9 million loss in FY2018 to a \$98.3 million loss in FY2019 mainly due to the assets under construction write off and the impairment losses on plant and equipment arising from several onshore drilling rigs in Indonesia; and
- ii. a \$4.2 million change in tax from a \$3.5 million tax credit in FY2018 to a \$0.7 million tax expense in FY2019 due to the adjustments in FY2018 for over provision of tax in respect of prior years.

Partially offset by

- iii. a \$9.9 million decrease in Finance Costs from \$18.9 million in FY2018 to \$9.0 million in FY2019;
- iv. \$9.2 million smaller loss from share of results of joint venture, from a \$9.2 million loss in FY2018 to \$0.0 million in FY2019 due to the disposal of the joint venture; and
- v. a \$1.0 million increase in Finance Income from \$2.6 million in FY2018 to \$3.6 million in FY2019. This mainly due to a gain on repurchasing secured bonds of \$3.5 million in FY2019 and \$2.4 million in FY2018.

The Group's shareholders' funds fell from positive \$1.2 million as at 31 December 2018 to negative \$71.6 million as at 31 December 2019 mainly due to a loss of \$104.4 million for FY2019 offset by issuance and allotment of new ordinary shares of \$31.0 million and foreign currency translation impacts.

As at 31 December 2019, the Company had a net current liability of \$9.2 million and the Group had a net current liability of \$15.6 million. In addition, as at 31 December 2019, the Group had negative shareholder's equity of \$60.0 million and the Company was in a net liability position (total liabilities exceeded total assets) of \$27.2 million.

As at 31 December 2019, the Group's current assets were \$26.2 million, an increase of \$2.3 million from \$23.9 million as at 31 December 2018. Contract assets increased by \$8.6 million; inventories increased by \$4.1 million, trade receivables increased by \$2.1 million and other current assets increased by \$0.6 million; whereas cash and cash equivalents decreased by \$13.1 million.

As at 31 December 2019, the Group's current liabilities stood at \$41.8 million as compared to \$42.2 million as at 31 December 2018. The decrease was mainly due to the decrease of trade and other payables.

For more details on the financial position of the Company, please refer to the FY2019 Results Announcement.

Update on Future Direction and Other Material Developments

The Group has made the following announcements in relation to contracts awarded to the Drilling business unit:

- i. On 19 December 2019, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US\$6.1 million;
- ii. On 16 July 2019, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US\$5.6 million;
- iii. On 28 June 2019, a new contract for the "KS Medstar 1" jack-up drilling rig with an expected value of approximately US\$2.5 million;
- iv. On 28 June 2019, a new contract for a land drilling rig in Indonesia with an expected value of approximately US\$21.4 million;
- v. On 6 June 2019, a new contract together with Universal Energy Resources Inc with an expected value of approximately US\$95 million;
- vi. On 4 April 2019, a new contract for the "KS Java Star" jack-up drilling rig with an expected value of approximately US\$4.9 million; and
- vii. On 22 February 2019, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US\$6.7 million.

The Group remains focused on continuous cost cutting efforts and improving the performance of the Group's existing businesses.

The Company intends to continue to carry on business through its Drilling business unit and maintain its listing status on the SGX-ST and will take active steps to be removed from the watch-list based on the

MTP exit criteria and financial exit criteria within 36 months from 5 June 2017 and 5 June 2018, respectively.

The Company will make further announcements to update shareholders of the Company as and when there are any material developments.

BY ORDER OF THE BOARD

KS ENERGY LIMITED

Marilyn Tan Lay Hong
Joint Company Secretary
26 February 2020