
RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 28 February 2020 and 2 March 2020 in relation to the Company's unaudited financial statements for the financial year ended 31 December 2019 (the "**Financial Statements**") released to the SGX-ST on 26 February 2020 (the "**Announcement**") as follows:

SGX-ST'S QUESTION:

(a) We note that the Company has stated on page 16 of the Financial Statements that the "Group currently has an in-principle debt moratorium on the principal and interest on secured bank loans with carrying amounts of US\$242.2 million" and "the in-principle moratorium . . . expires on 31 July 2020 and implies that the repayment of certain loan principals and interests are currently deferred.

Please clarify if there are due loan principals and interests under the in-principle moratorium and if so, are they classified as current borrowings.

Company's Response to SGX-ST's question (a):

For the secured bank loans that are subject to the in-principle moratorium, no principal repayments are due until 31st July 2020. Included within current borrowings as at 31st December 2019 are the principal repayments due from 1st August 2020 to 31st December 2020 which totalled S\$673,000. Included within non-current liabilities as at 31st December 2019 was S\$3,372,000 of accrued interest for the secured bank loans that are subject to the in-principle moratorium.

SGX-ST'S QUESTION:

(b) We note that the Company stated on page 14 of the Financial Statements that there was a "\$14.8 million increase in impairment losses on plant and equipment which increased from \$1.8 million in FY2018 to \$16.6 million in FY2019 arising from several onshore drilling rigs in Indonesia".

Please provide details on the aforesaid impairment losses.

Company's Response to SGX-ST's question (b):

We refer to page 14 of the Announcement and the explanation for the increase in other operating expenses, due, in part, to a net \$14.8 million increase in impairment losses on plant and equipment. As provided on page 2 of the Announcement, the impairment loss on plant and equipment was \$16.627 million for FY2019 and \$1.793 million for FY2018.

Items of plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The Audit and Risk Management Committee had reviewed the assumptions and methodologies used to determine the recoverable amounts, together with the external auditors KPMG LLP, an international accounting firm, as part of the statutory audit process. The Board is therefore satisfied with the reasonableness of the methodologies used to determine the values of the impairment losses on plant and equipment.

By Order of the Board
KS Energy Limited

Marilyn Tan Lay Hong
Joint Company Secretary

3 March 2020

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