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**Financial Statement and Dividend Announcement for the Period Ended 31 March 2020**

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KS Energy Limited (the “**Company**”) is required by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to announce these unaudited financial statements pursuant to Rule 705(2)(e) of the Listing Manual of the SGX-ST.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group (1<sup>st</sup> Quarter)</b>		<b>Increase/ (Decrease)</b>
	<b>3 months ended</b>		
	<b>31.03.2020</b>	<b>31.03.2019</b>	
	<b>\$'000</b>	<b>\$'000</b>	
Revenue	8,674	4,693	84.8%
Cost of sales	(10,876)	(11,289)	(3.7%)
<b>Gross loss</b>	<b>(2,202)</b>	<b>(6,596)</b>	<b>(66.6%)</b>
Other income	1	548	(99.8%)
Administrative expenses	(2,621)	(3,323)	(21.1%)
Other operating expenses	(4,297)	(242)	>100%
Impairment loss on amounts due from a joint venture	(4,001)	–	N/M
Impairment loss on investment in a joint venture	(68)	–	N/M
<b>Results from operating activities</b>	<b>(13,188)</b>	<b>(9,613)</b>	<b>37.2%</b>
Finance income	1,445	34	>100%
Finance costs	(2,552)	(3,513)	(27.4%)
<b>Loss before tax</b>	<b>(14,295)</b>	<b>(13,092)</b>	<b>9.2%</b>
Income tax expense	(174)	(212)	(17.9%)
<b>Loss for the period</b>	<b>(14,469)</b>	<b>(13,304)</b>	<b>8.8%</b>
Loss attributable to:			
<b>Owners of the Company</b>	<b>(11,459)</b>	<b>(10,348)</b>	<b>10.7%</b>
Non-controlling interests	(3,010)	(2,956)	1.8%
<b>Loss for the period</b>	<b>(14,469)</b>	<b>(13,304)</b>	<b>8.8%</b>

*N/M – Not Meaningful*

*See paragraph 8 for more explanation on the income statement review*

1(a)(i) Profit/(Loss) for the period is arrived at after crediting/ (charging):-

	<b>Group (1<sup>st</sup> Quarter)</b>		<b><u>Increase/ (Decrease)</u></b>
	<b><u>3 months ended</u></b>		
	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>	
	<b>\$'000</b>	<b>\$'000</b>	
Amortisation of intangible assets	–	(1)	N/M
Depreciation of plant and equipment	(5,173)	(7,285)	(29.0%)
Impairment loss on plant and equipment	(3,076)	–	N/M
Finance costs on secured bonds	(115)	(837)	(86.3%)
Interest expense on borrowings	(2,437)	(2,676)	(8.9%)
Impairment loss on amounts due from a joint venture	(4,001)	–	N/M
Impairment loss on investment in a joint venture	(68)	–	N/M
Gain on disposal of plant and equipment	–	548	N/M
Foreign exchange loss (net)	(1,151)	(155)	>100.0%
Adjustments for under provision of tax in respect of prior years	(17)	–	N/M

*N/M – Not Meaningful*

*See paragraph 8 for more explanation on the income statement review*

**1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31.03.2020 \$'000	31.12.2019 \$'000	31.03.2020 \$'000	31.12.2019 \$'000
<b>Current assets</b>				
Cash and cash equivalents	3,810	2,457	226	24
Amounts due from subsidiaries	–	–	258	311
Trade receivables	3,529	3,903	–	–
Contract assets	2,061	9,942	–	–
Inventories	3,318	4,313	–	–
Other assets	5,887	5,586	19	31
	<b>18,605</b>	<b>26,201</b>	<b>503</b>	<b>366</b>
<b>Non-current assets</b>				
Amounts due from a joint venture	21,393	–	–	–
Subsidiaries	–	–	–	–
Plant and equipment	265,503	282,209	–	1
Other assets	138	671	–	–
Deferred tax assets	509	548	–	–
	<b>287,543</b>	<b>283,428</b>	<b>–</b>	<b>1</b>
<b>Total assets</b>	<b>306,148</b>	<b>309,629</b>	<b>503</b>	<b>367</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	390,942	390,942	390,942	390,942
Equity reserve	18,007	18,007	18,007	18,007
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(8,811)	(6,590)	–	–
Other reserve	(3,750)	(3,750)	–	–
Accumulated losses	(443,689)	(432,238)	(411,261)	(409,775)
	<b>(73,666)</b>	<b>(59,994)</b>	<b>(28,677)</b>	<b>(27,191)</b>
<b>Non-controlling interests</b>	(16,138)	(11,604)	–	–
<b>Total equity</b>	<b>(89,804)</b>	<b>(71,598)</b>	<b>(28,677)</b>	<b>(27,191)</b>
<b>Current liabilities</b>				
Bank overdraft	3,912	3,659	–	–
Trade and other payables	22,519	25,978	2,512	2,589
Contract liabilities	532	51	–	–
Amounts due to a joint venture	70	–	–	–
Amounts due to subsidiaries	–	–	2,436	1,852
Provision for current tax	3,330	3,136	–	–
Financial liabilities	14,699	13,577	5,252	5,171
Lease liabilities	136	88	–	–
	<b>45,198</b>	<b>46,489</b>	<b>10,200</b>	<b>9,612</b>
<b>Non-current liabilities</b>				
Trade and other payables	9,200	8,751	–	–
Amounts due to subsidiaries	–	–	18,980	17,946
Financial liabilities	341,123	324,667	–	–
Lease liabilities	431	309	–	–
Deferred tax liabilities	–	1,011	–	–
	<b>350,754</b>	<b>334,738</b>	<b>18,980</b>	<b>17,946</b>
<b>Total liabilities</b>	<b>395,952</b>	<b>381,227</b>	<b>29,180</b>	<b>27,558</b>
<b>Total equity and liabilities</b>	<b>306,148</b>	<b>309,629</b>	<b>503</b>	<b>367</b>

See paragraph 8 for more explanation on the balance sheet review

## 1(b) (i) Aggregate amount of group's borrowings and debt securities

<b>Amount repayable in one year or less, or on demand</b>	<b>Group 31.03.2020 \$'000</b>	<b>Group 31.12.2019 \$'000</b>
Secured	10,949	10,356
Unsecured	3,750	3,221
<b>Total</b>	<b>14,699</b>	<b>13,577</b>

  

<b>Amount repayable after one year</b>	<b>Group 31.03.2020 \$'000</b>	<b>Group 31.12.2019 \$'000</b>
Secured	334,873	317,584
Unsecured	6,250	7,083
<b>Total</b>	<b>341,123</b>	<b>324,667</b>

  

<b>Amount repayable in total</b>	<b>Group 31.03.2020 \$'000</b>	<b>Group 31.12.2019 \$'000</b>
Secured	345,822	327,940
Unsecured	10,000	10,304
<b>Total</b>	<b>355,822</b>	<b>338,244</b>

Included in unsecured borrowings repayable within one year as at 31 December 2019 was an amount of \$304,000 relating to loans from related parties.

Included in secured borrowings repayable in one year or less as at 31 March 2020 are fixed rate secured bonds due 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was \$5,252,000 (31 December 2019: \$5,171,000 included in secured borrowings repayable after one year).

### Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. The 2017 Bonds are secured by a share charge in respect of a portion of the Company's shares in a subsidiary of the Group, KS Drilling Pte Ltd and a negative pledge.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.**

	<b>Group (3 months ended)</b>	
	<b>31.03.2020</b>	<b>31.03.2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Operating activities</u></b>		
Loss before tax	(14,295)	(13,092)
<b>Adjustments for:</b>		
Amortisation of intangible assets	–	1
Depreciation of plant and equipment	5,173	7,285
Impairment loss on plant and equipment	3,076	–
Gain on disposal of plant and equipment	–	(548)
Impairment loss on amounts due from a joint venture	4,001	–
Impairment loss on investment in a joint venture	68	–
Finance income	(1,445)	(34)
Finance costs	2,437	2,676
Finance costs on secured bonds	115	837
Unrealised foreign exchange loss/(gain)	1,110	(132)
Operating profit/(loss) before changes in working capital	<u>240</u>	<u>(3,007)</u>
<b>Changes in working capital:</b>		
- contract assets	595	(524)
- trade receivables	424	(2,639)
- other assets	(304)	(180)
- trade and other payables	832	420
- contract liabilities	481	–
<b>Cash from/(used in) operating activities</b>	<b><u>2,268</u></b>	<b><u>(5,930)</u></b>
Taxes refund/(paid)	50	(1)
<b>Net cash from/(used in) operating activities</b>	<b><u>2,318</u></b>	<b><u>(5,931)</u></b>
<b><u>Investing activities</u></b>		
Proceeds from non-trade net receivables with a joint venture	466	–
Interest received	5	34
Acquisition of plant and equipment	(57)	(55)
Proceeds from disposal of plant and equipment	–	722
Disposal of a subsidiary, net of cash disposed	(265)	–
<b>Net cash from investing activities</b>	<b><u>149</u></b>	<b><u>701</u></b>
<b><u>Financing activities</u></b>		
Decrease in deposits pledged	22	231
Interest paid on borrowings	(148)	(912)
Repayment of bank loans	(855)	(671)
Repayment of lease liabilities	(37)	–
Payment of transaction costs of bank loans	–	(11)
<b>Net cash used in financing activities</b>	<b><u>(1,018)</u></b>	<b><u>(1,363)</u></b>

<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,449</b>	<b>(6,593)</b>
Cash and cash equivalents at beginning of the year	(1,492)	10,005
Effect of exchange rate fluctuations on cash held in foreign currencies	(328)	138
<b>Cash and cash equivalents at end of the period</b>	<b>(371)</b>	<b>3,550</b>

**Cash and cash equivalents at end of the period includes the following:**

Cash and cash equivalents	3,810	8,944
Bank overdraft	(3,912)	(3,544)
Cash and cash equivalents (net)	(102)	5,400
Deposit pledged	(269)	(1,850)
<b>Cash and cash equivalents at end of the period</b>	<b>(371)</b>	<b>3,550</b>

See paragraph 8 for explanation on the statement of cash flow review

**1(d) Statement of Comprehensive Income**

	Group (1 <sup>st</sup> Quarter)		Increase/ (Decrease) %
	3 months ended		
	31.03.2020 \$'000	31.03.2019 \$'000	
<b>Loss attributable to:</b>			
Owner of the Company	(11,459)	(10,348)	10.7
Non-controlling interests	(3,010)	(2,956)	1.8
<b>Loss for the period</b>	<b>(14,469)</b>	<b>(13,304)</b>	8.8
<b>Other comprehensive income for the period:</b>			
Defined benefit plan remeasurements	10	–	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(3,050)	(89)	>100.0
<b>Other comprehensive income for the period</b>	<b>(3,040)</b>	<b>(89)</b>	>100.0
<b>Total comprehensive income for the period</b>	<b>(17,509)</b>	<b>(13,393)</b>	30.7
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	(13,672)	(10,374)	31.8
Non-controlling interests	(3,837)	(3,019)	27.1
<b>Total comprehensive income for the period</b>	<b>(17,509)</b>	<b>(13,393)</b>	30.7

**1(d)(i)** A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>At 1 January 2020</b>	390,942	18,007	(26,365)	(6,590)	(3,750)	(432,238)	(59,994)	(11,604)	(71,598)
<b>Total comprehensive income for the period</b>									
Loss for the period	–	–	–	–	–	(11,459)	(11,459)	(3,010)	(14,469)
<b>Other comprehensive income</b>									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	(2,221)	–	–	(2,221)	(829)	(3,050)
Defined benefit plan remeasurements	–	–	–	–	–	8	8	2	10
Total other comprehensive income	–	–	–	(2,221)	–	8	(2,213)	(827)	(3,040)
<b>Total comprehensive income for the period</b>	–	–	–	(2,221)	–	(11,451)	(13,672)	(3,837)	(17,509)
<b>Transactions with owners of the Company, recognised directly in equity</b>									
<b>Contributions by owners of the Company</b>									
Disposal of a subsidiary	–	–	–	–	–	–	–	(697)	(697)
<b>Total contributions by owners of the Company</b>	–	–	–	–	–	–	–	(697)	(697)
<b>At 31 March 2020</b>	<b>390,942</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(8,811)</b>	<b>(3,750)</b>	<b>(443,689)</b>	<b>(73,666)</b>	<b>(16,138)</b>	<b>(89,804)</b>

Group	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>At 1 January 2019</b>	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153
<b>Total comprehensive income for the period</b>									
Loss for the period	–	–	–	–	–	(10,348)	(10,348)	(2,956)	(13,304)
<b>Other comprehensive income</b>									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	(26)	–	–	(26)	(63)	(89)
Total other comprehensive income	–	–	–	(26)	–	–	(26)	(63)	(89)
<b>Total comprehensive income for the period</b>	–	–	–	<b>(26)</b>	–	<b>(10,348)</b>	<b>(10,374)</b>	<b>(3,019)</b>	<b>(13,393)</b>
<b>At 31 March 2019</b>	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(7,186)</b>	<b>(3,750)</b>	<b>(361,349)</b>	<b>(20,670)</b>	<b>8,430</b>	<b>(12,240)</b>



Company	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2020	390,942	18,007	(26,365)	(409,775)	(27,191)
Loss for the period	–	–	–	(1,486)	(1,486)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,486)</b>	<b>(1,486)</b>
<b>At 31 March 2020</b>	<b>390,942</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(411,261)</b>	<b>(28,677)</b>
At 1 January 2019	359,973	18,007	(26,365)	(363,282)	(11,667)
Loss for the period	–	–	–	(11,210)	(11,210)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(11,210)</b>	<b>(11,210)</b>
<b>At 31 March 2019</b>	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(374,492)</b>	<b>(22,877)</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's issued and paid-up capital for the period from 1 January 2020 to 31 March 2020. The Company did not have any subsidiary holdings as at 31 March 2020 (31 March 2019: Nil) where "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

As at 31 March 2020, the number of ordinary shares in issue was 1,319,112,010 of which 8,639,000 were held by the Company as treasury shares.

As at 31 March 2019, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares.

#### Convertible Bonds

As at 31 March 2020 and 31 March 2019, there were no convertible bonds outstanding.

#### Warrants

As at 31 March 2020 and 31 March 2019, there were no outstanding warrants.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 March 2020 and 31 December 2019, the share capital of the Company, less treasury shares, was 1,310,473,010 ordinary shares (1,319,112,010 issued ordinary shares less 8,639,000 treasury shares).

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, cancellation and/or use of treasury shares during the 3-months ended 31 March 2020.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no sales, transfers, cancellation and/or use of subsidiary holdings during the 3-months ended 31 March 2020.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

**(a) Updates on the efforts taken to resolve each outstanding audit issue.**

**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

**This is not required for any audit issue that is a material uncertainty relating to going concern.**

Not applicable as the latest audited financial statements for the financial year ended 31 December 2019 was subject to a disclaimer of opinion in relation to the validity of the going concern assumption.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the financial year ended 31 December 2019.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards (International) (SFRS(I)s) and related Interpretations ("SFRS(I)s INT") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020. The adoption of these new/revised SFRS(I)s and SFRS(I)s INT does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>3 months ended</b>	
	<b><u>31.03.2020</u></b>	<b><u>31.03.2019</u></b>
Loss per share attributable to owners of the Group:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue (cents per share)	(0.87)	(2.01)
- Weighted average number of shares	1,310,473,010	515,601,215
(b) On a fully diluted basis (cents per share)	(0.87)	(2.01)
- Weighted average number of shares	1,310,473,010	515,601,215

The basic and diluted earnings per share for the three months ended 31 March 2020 was calculated by dividing the loss attributable to shareholders of \$11,459,000 (31.03.2019: \$10,348,000) by the weighted average number of shares in issue during the financial period.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b><u>31.03.2020</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.03.2020</u></b>	<b><u>31.12.2019</u></b>
	Cents	Cents	Cents	Cents
Net asset value (excluding non-controlling interests) per ordinary share based on existing issued share capital as at the end of the period reported on	<u>(5.6)</u>	<u>(4.6)</u>	<u>(2.2)</u>	<u>(2.1)</u>

The Group's and the Company's net asset values per ordinary share have been computed based on the 1,310,473,010 ordinary shares issued as at 31 March 2020 (31.12.2019: 1,310,473,010).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### INCOME STATEMENT REVIEW

#### Financial period ended 31 March 2020

	Group (1 <sup>st</sup> Quarter) 3 months ended		Change
	31.03.2020 \$'000	31.03.2019 \$'000	
<b>Revenue by segment</b>			
Drilling	8,588	4,693	83.0%
Engineering	86	–	N/M
	<u>8,674</u>	<u>4,693</u>	<b>84.8%</b>

### Overview

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

On 1 January 2020, an option for the Group to purchase 20,000 shares of PT KS Drilling Indonesia (“KSDI”) lapsed, leaving the Group with control over voting rights of 490,000 shares of KSDI, representing 49% of all voting rights. The Group has therefore determined it has joint control over KSDI from 1 January 2020, resulting in KSDI being equity-accounted as a joint venture instead of being consolidated as a subsidiary. KSDI and its subsidiaries is referred to as the “JVC Group”.

### Results for the three months ended 31 March 2020 (“Q1 2020”)

The consolidated revenue was \$8.7 million for Q1 2020, an increase of \$4.0 million, or 84.8%, above that of \$4.7 million reported for the three months ended 31 March 2019 (“Q1 2019”) due to higher revenue from the Drilling segment resulting from higher fleet utilisation following the award of charter contracts.

The consolidated loss after tax was \$14.5 million for Q1 2020, an increase of \$1.2 million compared to the consolidated loss after tax of \$13.3 million reported for Q1 2019. The higher loss was mainly due to:

- i. a \$3.6 million higher loss from operating activities which increased from a \$9.6 million loss in Q1 2019 to a \$13.2 million loss in Q1 2020 mainly due to the impairment losses on amounts due from a joint venture and on plant and equipment.

Partially offset by

- ii. a \$1.4 million increase in Finance Income from \$0.0 million in Q1 2019 to \$1.4 million in Q1 2020. This was mainly due to equity accounting KSDI as a joint venture in Q1 2020; and
- iii. a \$1.0 million decrease in Finance Costs from \$3.5 million in Q1 2019 to \$2.5 million in Q1 2020.

## **Revenue**

The consolidated revenue was \$8.7 million for Q1 2020, an increase of \$4.0 million, or 84.8%, above that of \$4.7 million for Q1 2019.

Revenue from the Drilling business increased \$3.9 million, or 83.0%, from \$4.7 million for Q1 2019 to \$8.6 million for Q1 2020. The higher revenue resulted from higher fleet utilisation following the award of charter contracts. Revenue contribution from the Drilling business made up about 99.0% of the Group's consolidated revenue for Q1 2020.

Revenue from the Engineering business increased \$0.1 million from \$0.0 million for Q1 2019 to \$0.1 million for Q1 2020. Revenue contribution from the Engineering business made up about 1.0% of the Group's consolidated revenue for Q1 2020.

## **Gross Loss**

The gross loss of \$2.2 million for Q1 2020 was 66.6% smaller than the gross loss of \$6.6 million reported for Q1 2019. The smaller gross loss in Q1 2020 was the net result of a \$4.0 million increase in revenue and a \$0.4 million decrease in cost of sales. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased from \$7.2 million in Q1 2019 to \$5.1 million in Q1 2020. The lower depreciation charge in Q1 2020 was mainly due to equity accounting KSDI as a joint venture in Q1 2020, impairments and disposals of plant and equipment in FY2019 and some fully depreciated equipment.

The gross loss margin decreased from 140.5% in Q1 2019 to 25.4% in Q1 2020. Excluding rig depreciation from cost of sales, the adjusted profit margin increased from 12.9% in Q1 2019 to 33.4% in Q1 2020.

## **Other Income**

The breakdown of "other income" is shown below:

	<b>31.03.2020</b>	<b>31.03.2019</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Detailed breakdown:</b>			
Gain on disposal of plant and equipment	–	<b>548</b>	(548)
Others	1	–	1
<b>Other Income</b>	<b>1</b>	<b>548</b>	<b>(547)</b>

Other income decreased from \$0.5 million for Q1 2019 to \$0.0 million for Q1 2020. Other income mainly comprised the gain on disposal of plant and equipment and other income not directly related to the revenue generated from our day-to-day operations.

## **Operating Expenses**

Administrative expenses decreased \$0.7 million from \$3.3 million in Q1 2019 to \$2.6 million in Q1 2020 mainly due to reduced staff costs.

Other operating expenses increased \$4.1 million from \$0.2 million in Q1 2019 to \$4.3 million in Q1 2020 mainly due to:

- i. A \$3.1 million increase in impairment losses on plant and equipment which increased from \$0.0 million in Q1 2019 to \$3.1 million in Q1 2020; and
- ii. A \$1.0 million increase in foreign exchange losses which increased from \$0.2 million in Q1 2019 to \$1.2 million in Q1 2020.

Impairment loss on amounts due from a joint venture increased \$4.0 million from \$0.0 million in Q1 2019 to \$4.0 million in Q1 2020 due to losses recorded by KSDI, which was being equity-accounted as a joint venture since 1 January 2020.

### **Finance Income and Costs**

Finance income increased from \$0.0 million in Q1 2019 to \$1.4 million in Q1 2020. The finance income was mainly derived from interest income on loans provided to a joint venture and has increased due to KSDI being equity-accounted as a joint venture in Q1 2020.

Finance costs decreased \$0.9 million from \$3.5 million in Q1 2019 to \$2.6 million in Q1 2020 due to a reduction in borrowing costs and transaction costs following the repurchase of the secured bonds.

### **Tax expense**

The tax expense was \$0.2 million for both Q1 2019 and Q1 2020.

### **Loss Attributable to Shareholders**

The loss attributable to Owners of the Company was a loss of \$11.5 million for Q1 2020 which was \$1.2 million larger than the loss of \$10.3 million reported for Q1 2019.

## **STATEMENT OF FINANCIAL POSITION REVIEW**

### **Assets**

The Group's total non-current assets increased \$4.1 million from \$283.4 million as at 31 December 2019 to \$287.5 million as at 31 March 2020.

Non-current amounts due from a joint venture increased by \$21.4 million from \$0.0 million as at 31 December 2019 to \$21.4 million as at 31 March 2020. The increase was due to KSDI being equity-accounted as a joint venture since 1 January 2020.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by \$16.8 million from \$281.6 million as at 31 December 2019 to \$264.8 million as at 31 March 2020 mainly due to KSDI being equity-accounted, depreciation charges of \$5.1 million, impairment of plant and equipment of \$3.1 million offset against by foreign exchange impacts of \$14.6 million and transfers from inventories of \$1.2 million.

Total current assets decreased \$7.6 million from \$26.2 million as at 31 December 2019 to \$18.6 million as at 31 March 2020. The decrease in current assets was mainly due to lower contract assets, inventories, and trade receivables, offset by higher cash and cash equivalents and other current assets.

Contract assets decreased \$7.8 million from \$9.9 million as at 31 December 2019 to \$2.1 million as at 31 March 2020 mainly due to KSDI being equity-accounted, which reduced accrued revenue.

Inventories decreased \$1.0 million from \$4.3 million as at 31 December 2019 to \$3.3 million as at 31 March 2020 mainly due to transfer of \$1.2 million from inventories to plant and equipment offset by foreign exchange impacts of \$0.2 million.

Trade receivables decreased \$0.4 million from \$3.9 million as at 31 December 2019 to \$3.5 million as at 31 March 2020 mainly due to lower activity in the Drilling business versus Q4 2019. Impairment testing has been performed on the trade receivables and no impairment loss was recognised as at 31 March 2020.

Other current assets increased \$0.3 million from \$5.6 million as at 31 December 2019 to \$5.9 million as at 31 March 2020 (see table for the breakdown).

The breakdown of "other current assets" is shown below:

	31.03.2020 \$'000	31.12.2019 \$'000	Movement \$'000
<b>Detailed breakdown:</b>			
Sundry deposits	157	143	14
Withholding tax recoverable	977	363	614
Value-added tax receivable	3,641	4,030	(389)
Other debtors	523	527	(4)
Advanced payment to supplier	487	266	221
Prepayments	102	257	(155)
<b>Other Current Assets</b>	<b>5,887</b>	<b>5,586</b>	<b>301</b>

These balances mainly originate from our Drilling business and are routine in nature.

### Liabilities

Total liabilities increased \$14.8 million, or 3.9%, from \$381.2 million as at 31 December 2019 to \$396.0 million as at 31 March 2020. This was principally attributable to a \$17.6 million increase in total borrowings (current and non-current), a \$0.4 million increase in contract liabilities, a \$0.2 million increase in bank overdraft and a \$0.2 million increase in provision for current tax offset by a \$3.1 million decrease in trade and other payables (current and non-current) and a \$1.0 million decrease in deferred tax liabilities.

Total borrowings as at 31 March 2020 and 31 December 2019:

	31.03.2020 \$'000	31.12.2019 \$'000	Movement \$'000
Current Borrowings - Secured	10,949	10,356	593
Non-current Borrowings - Secured	334,873	317,584	17,289
<b>Total Borrowings - Secured</b>	<b>345,822</b>	<b>327,940</b>	<b>17,882</b>
Current Borrowings - Unsecured	3,750	3,221	529
Non-current Borrowings - Unsecured	6,250	7,083	(833)
<b>Total Borrowings - Unsecured</b>	<b>10,000</b>	<b>10,304</b>	<b>(304)</b>
<b>Total Borrowings</b>	<b>355,822</b>	<b>338,244</b>	<b>17,578</b>

Total borrowings increased by \$17.6 million from \$338.2 million as at 31 December 2019 to \$355.8 million as at 31 March 2020 due to a \$17.9 million increase in secured borrowings. The increase in secured borrowings was due to a \$18.8 million foreign exchange impact as most of the secured bank loans are denominated in a foreign currency offset by loan repayments of \$0.9 million.

The amount of current borrowings due within the next twelve months increased \$1.1 million from \$13.6 million as at 31 December 2019 to \$14.7 million as at 31 March 2020 mainly due to reclassification of secured and unsecured loans from non-current to current borrowings and foreign exchange impacts.

The amount of non-current borrowings due after more than one year increased \$16.4 million from \$324.7 million as at 31 December 2019 to \$341.1 million as at 31 March 2020 mainly due to foreign exchange impacts offset by the reclassification of secured and unsecured loans from non-current to current borrowings.

Within current liabilities, trade and other payables decreased \$3.5 million from \$26.0 million as at 31 December 2019 to \$22.5 million as at 31 March 2020. The decrease was mainly due to a \$2.5 million decrease in withholding tax payable, a \$2.1 million decrease in accrued operating expenses and a \$2.0 million decrease in trade creditors (all due to KSDI being equity-accounted as a joint venture) offset by an increase in accrued interest expenses of \$2.5 million and an increase in sundry creditors of \$0.6 million.

Within non-current liabilities, deferred tax liabilities decreased \$1.0 million from \$1.0 million as at 31 December 2019 to \$0.0 million as at 31 March 2020 due to KSDI being equity-accounted as a joint venture.

Within non-current liabilities, trade and other payables increased \$0.4 million from \$8.8 million as at 31 December 2019 to \$9.2 million as at 31 March 2020 mainly due to an \$0.4 million increase in accrued interest.

### **Going Concern**

As at 31 March 2020, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$26.6 million and \$9.7 million respectively. As at 31 December 2019, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$20.3 million and \$9.2 million respectively.

In addition, as at 31 March 2020, the Group and Company were in a net liability position (total liabilities exceeded total assets) of \$89.8 million and \$28.7 million respectively.

The Board of Directors (the “**Board**”) believes the Group will continue as a going concern and the financial statements for the 3-months ended 31 March 2020 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 contracts. The operating cash flow forecast is derived from the cash flow forecast of existing contracts, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management. 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. The fixed rate secured bonds with carrying value of \$5,437,000 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. The Group is also looking to divest any assets to improve the Group’s financial position when opportunities arise.

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 a going concern as these stated plans remain on track.

The Board’s opinion is the Company’s securities should not be suspended pursuant to Listing Rule 1303(3). The Board confirms that sufficient information has been disclosed 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.



## **STATEMENT OF CASH FLOWS REVIEW**

As at 31 March 2020, cash and cash equivalents less the bank overdraft amounted to negative \$0.1 million (31 March 2019: positive \$5.4 million), of which unpledged cash and cash equivalents amounted to negative \$0.4 million (31 March 2019: positive \$3.6 million).

### **Cash Flow from Operating Activities**

Operating activities generated a net cash inflow of \$2.3 million for the three months ended 31 March 2020. The net cash inflow from operating activities comprised a cash inflow of \$0.2 million arising due to operating profit before changes in working capital and a cash inflow of \$2.0 million arising due to changes in working capital; and a cash inflow of \$0.1 million arising due to income tax refunds.

### **Cash Flow from Investing Activities**

The net cash flow from investing activities amounted to an inflow of \$0.1 million for the three months ended 31 March 2020. This was mainly due to proceeds from non-trade net receivables with a joint venture which generated a cash inflow of \$0.5 million; offset with KSDI being equity-accounted as a joint venture which incurred a cash outflow of \$0.3 million and the acquisition of plant and equipment which incurred a cash outflow of \$0.1 million.

### **Cash Flow from Financing Activities**

The net cash flow from financing activities amounted to an outflow of \$1.0 million for the three months ended 31 March 2020. This was mainly due to the repayment of bank loans during Q1 2020 of \$0.9 million and the interest paid during Q1 2020 of \$0.1 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast was made. However, the Group's performance for Q1 2020 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 26 February 2020.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

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 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 will continue to review the carrying amounts of the Group's non-financial assets by updating each asset's recoverable amount at each reporting date. An impairment loss will be recognised if the carrying amount of an asset, or its related cash-generating unit, exceeds its estimated recoverable amount. If market disruptions caused by the current COVID-19 pandemic and the current depressed oil price persists, the Group may record further impairment losses.

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 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.

**11. If a decision regarding dividend has been made: -**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

None.

**(b)**

**(i) Amount per share in cents**

Not applicable.

**(ii) Previous corresponding period in cents**

Not applicable.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared/recommendeded for the current financial reporting period due to the lack of distributable funds.

### 13. Interested persons transaction

The Group has the following interested person transactions (“IPT”) for the first three months of the financial year ended 31 March 2020:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
<p><b>PT KS Drilling Indonesia and its subsidiaries (“JVC Group”)</b></p> <ul style="list-style-type: none"> <li>Expected additional interest income on Financing <sup>(2)</sup></li> <li>Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group <sup>(2)</sup></li> </ul> <p><u>Additional information pursuant to the JVC IPT Mandate:</u></p> <ul style="list-style-type: none"> <li>Injection of funds by KS Drilling to JVC Group</li> <li>Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period <sup>(1)</sup></li> <li>Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period</li> <li>Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period <sup>(2)</sup></li> </ul>	<p>USD 1,908,232</p>	<p>SGD 4,562,887</p> <p>SGD 940,657</p> <p>USD 824,615</p> <p>USD 672,071</p> <p>USD 56,994,059</p>

<sup>(1)</sup> On 22 January 2016, PT Java Star Rig (“PT JSR”, a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the “Additional Loan”). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount has been fully repaid as at 31 March 2020. The Company released an update announcement dated 21 June 2018.

- (2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 26 April 2019, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the “Financing”) to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd (“KS Drilling”), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 March 2020 was US\$41.1 million which has been used to finance the acquisition of the jack-up rig named “KS Java Star” and additional equipment required by the rig. Included in the US\$41.1 million balance is US\$0.8 million that has been advanced during the current financial year to 31 March 2020.

**14. Negative confirmation pursuant to Rule 705 (5)**

Provided below.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and chief financial officer.

**BY ORDER OF THE BOARD**

**Marilyn Tan Lay Hong**  
**Joint Company Secretary**

**14 May 2020**

**NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

We, Mr Kris Wiluan and Soh Gim Teik, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the period ended 31 March 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**KRIS WILUAN**  
**Executive Chairman and Chief Executive Officer**

**SOH GIM TEIK**  
**Director**

Singapore, 14 May 2020