# KS ENERGY LIMITED

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

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

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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 3-months ended 31 March 2020 ("**Q1 2020**") which was announced on 14 May 2020 (the "**Q1 2020 Results Announcement**").

**<u>Update on Financial Position and Outlook</u>**

The Group recorded a net loss of $14.5 million for Q1 2020 compared to the consolidated loss after tax of $13.3 million reported for Q1 2019, an increase of $1.2 million. 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 PT KS Drilling Indonesia ("KSDI") as a joint venture in Q1 2020 instead of being consolidated as a subsidiary following the lapse of options to purchase additional KSDI's shares on 1 January 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.

The Group's shareholders' funds fell from negative $71.6 million as at 31 December 2019 to negative $89.8 million as at 31 March 2020 mainly due to a loss of $14.5 million for Q1 2020 offset by foreign currency translation impacts.

As at 31 March 2020, the Company had a net current liability of $9.7 million and the Group had a net current liability of $26.6 million. In addition, as at 31 March 2020, the Group had negative shareholder's equity of $73.7 million and the Company was in a net liability position (total liabilities exceeded total assets) of $28.7 million.

As at 31 March 2020, the Group's current assets were $18.6 million, a decrease of $7.6 million from $26.2 million as at 31 December 2019. Contract assets decreased by $7.8 million; inventories decreased by $1.0 million and trade receivables decreased by $0.4 million; whereas cash and cash equivalents increased by $1.3 million and other current assets increased by $0.3 million.

As at 31 March 2020, the Group's current liabilities stood at $45.2 million as compared to $46.5 million as at 31 December 2019. The decrease was mainly due to the decrease of trade and other payables offset by an increase in financial liabilities.

For more details on the financial position of the Company, please refer to the Q1 2020 Results Announcement.

**<u>Update on Future Direction and Other Material Developments</u>**

On 23 April 2020 we announced an update on the Group's business and operations in view of COVID-19 and crude oil price movements. Below we reiterate several comments made in that announcement.

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.

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.

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.

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.

**<u>Exit Criteria</u>**

Pursuant to Rule 1313(2) of the Listing Manual, an issuer on the watch-list may be removed from the watch-list if it satisfies the following requirements, where applicable:

(1) Financial Exit Criteria

The issuer records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S$40 million or more over the last 6 months.

(2) MTP Exit Criteria

The issuer records a volume-weighted average price of at least S$0.20 and an average daily market capitalisation of S$40 million or more over the last 6 months.

Based on available information:

1. the Group's most recently completed financial year for the year ended 31 December 2019 recorded a pre-tax loss of S$103.7 million;
2. the Group's average daily market capitalisation over the 6 months from September 2019 to March 2020 was S$18.9 million; and
3. the Company's volume-weighted average price for the last six months immediately preceding this announcement was S$0.018 per share.

On 11 May 2020, the Singapore Exchange Regulation announced that it is removing the MTP rule for Mainboard issuers with effect from 1 June 2020. The MTP watch-list will cease to exist on 1 June 2020 and Mainboard companies on the list will no longer need to satisfy the exit criteria and apply for removal from the MTP watch-list. Accordingly, the Company will no longer need to satisfy the exit criteria for removal from the MTP watch-list.

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

Shareholders and potential investors of the Company are advised to read this announcement, the Q1 2020 Results 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
14 May 2020