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 3-months ended 30 September 2018 ("**Q3 2018**") which was announced on 9 November 2018 (the "**Q3 2018 Results Announcement**").

Update on Financial Position and Outlook

The Group recorded a net loss of $9.3 million for Q3 2018 compared to the consolidated loss after tax of $8.4 million reported for Q3 2017, an increase of $0.9 million. The higher loss was mainly due to:

i. a $12.8 million decrease in share of results from joint ventures, from a $7.6 million gain in Q3 2017 to a $5.2 million loss in Q3 2018;

ii. a $1.6 million decrease in Finance Income from $1.6 million in Q3 2017 to $0 in Q3 2018;

iii. a $1.1 million increase in tax expense from a $0.8 million credit in Q3 2017 to a $0.3 million expense in Q3 2018; and

iv. a $0.1 million increase in Finance Costs from $4.7 million in Q3 2017 to $4.8 million in Q3 2018

offset by

i. improved result from operating activities which improved by $14.7 million from a $13.6 million loss in Q3 2017 to a $1.1 million profit in Q3 2018.

The Group's shareholders' funds fell from $52.3 million as at 31 December 2017 to $16.2 million as at 30 September 2018 mainly due to a loss of $38.8 million for 9M 2018 offset by foreign currency translation impacts.

As at 30 September 2018, the Company had a net current liability of $25.7 million and the Group had a net current liability of $34.9million.

As at 30 September 2018, the Group's current assets were $33.5 million, a decrease of $8.8 million from $42.3 million as at 31 December 2017. Amounts due to joint ventures decreased by $8.3 million, other current assets decreased by $5.3 million, cash and cash equivalents decreased by $0.9 million and asset held for sale decreased by $0.7 million; whereas trade receivables increased by $6.4 million.

As at 30 September 2018, the Group's current liabilities stood at $68.5 million as compared to $44.7 million as at 31 December 2017. The increase was mainly due to the reclassification of bank loans from non-current borrowings to current borrowings and new loans from a related party.

For more details on the financial position of the Company, please refer to the Q3 2018 Results Announcement.

Update on Future Direction and Other Material Developments

On 19 October 2018, the Company announced that:

i. there shall be an internal reorganisation of the Group whereby the Company's entire 55.35% shareholdings in KS Distribution Pte. Ltd. ("**KS Distribution**" and together with its subsidiaries the "**KS Distribution Group**") shall be transferred to its wholly-owned subsidiary, KS Resources Pte Ltd ("**KSR**") such that the Company's interest in KS Distribution shall be held through KSR;

ii. the Company has on 19 October 2018 entered into a bond purchase agreement ("**KSE Bond Purchase Agreement**") with Oversea-Chinese Banking Corporation Limited ("**OCBC**") pursuant to which OCBC wishes to sell and the Company wishes to purchase S$30,000,000 in principal amount of KSE Bonds (as defined below) outstanding as at the date of the KSE Bond Purchase Agreement; and

iii. the Company, together with its wholly-owned subsidiary, KSR, has on 19 October 2018 entered into a bond subscription agreement with OCBC ("**KSR Bond Subscription Agreement**", together with the KSE Bond Purchase Agreement, the "**Agreements**") pursuant to which KSR shall issue and OCBC shall subscribe for an aggregate of S$35,000,000 fixed rate unsecured bonds due 2021 ("**KSR Bonds**").

The completion of the Internal Reorganisation, the Proposed KSE Bond Purchase and the Proposed KSR Bonds Issuance are conditional upon each another.

For further details please refer to the general announcement called "proposed transactions" released on 19 October 2018.

On 19 October 2018, the Company also announced that the Company had on 19 October 2018 entered into a sale and purchase agreement (the "**SPA**") with ACH Distribution Pte. Ltd. (the "**Purchaser**") in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd ("**KSR**") ("**Sale Shares**", and KSR together with its subsidiaries collectively, the "**Target Group**") which holds 55.35% of KS Distribution Pte. Ltd. ("**KS Distribution**"), and subject to the terms and conditions of the SPA (the "**Proposed Disposal**") for an aggregate cash consideration of S$1,643,000 (the "**Consideration**"). KS Distribution is a joint venture and is 55.35% owned by the Company through its wholly-owned subsidiary, KSR, and 44.65% owned by a third party, Actis Excalibur Limited ("**Actis**"). ACH has concurrently entered into a separate sale and purchase agreement with Actis in relation to the purchase of Actis' entire shareholdings in KS Distribution.

The Company's intention to dispose the distribution business, which is accounted for as a joint venture and which has been suffering losses in recent years due to instability in the oil prices and slower growth in the global economy. The Company has recorded losses from its share of results from KS Distribution of $2.9 million for the six-months ended 30 June 2018 and $14.0 million for the 12-months ended 31 December 2017. The Proposed Disposal is undertaken as part of the restructuring of the Group and its debt liabilities. It will also allow the Company to strengthen its financial position and achieve an immediate gain on disposal. The Proposed Disposal is essential to the Group's continued development and operation as it will result in a substantial reduction in losses, a significant lowering of liabilities and a cash inflow.

For further details please refer to the asset acquisitions and disposals announcement called "proposed disposal of the entire issued share capital of KS Resources Pte Ltd" released on 19 October 2018.

The Group has made the following announcements so far during FY2018 in relation to contracts awarded to the Drilling business unit:

i. On 18 January 2018, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US$3.0 million;

ii. On 21 March 2018, a new contract for the "KS Medstar 1" jack-up drilling rig with an expected value of approximately US$4.0 million; and

iii. On 6 April 2018, a new contract for the "KS Discoverer 6" land drilling rig with an expected value of approximately US$5.0 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

Lai Kuan Loong Victor
Company Secretary
9 November 2018