KS ENERGY LIMITED
An Integrated Energy Services Hub

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of KS Energy Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company's independent auditor, KPMG LLP, has in their Independent Auditor's Report, included an emphasis of matter (the "Emphasis of Matter") in relation to the Company's financial statement for the financial year ended 31 December 2015.

Extracts of the Emphasis of Matter in the Independent Auditors' Report, Note 2 and Note 32 to the Company's financial statements for FY2015 are attached to this announcement as "**APPENDIX I**".

Shareholders of the Company are advised to read the Company's financial statements for FY2015 set out in the Annual Report 2015 of the Company.

By Order of the Board
KS ENERGY LIMITED

Kim Yi Hwa
Company Secretary

30 March 2016

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

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KS ENERGY LIMITED
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APPENDIX I

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1 in the financial statements which indicates that the Group incurred a net loss of $260,432,000 during the year ended 31 December 2015 and, as of that date, the Group's and the Company's current liabilities exceeded current assets by $349,852,000 and $78,845,000 respectively, mainly caused by a reclassification of certain bank loans to "current liabilities" as a result of breaches of certain loan covenants. As explained therein, the financial statements have been 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 (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans (collectively, the "cash-generating plans"). There are, however, uncertainties associated with these cash-generating plans. These uncertainties include:

- The eventual conclusion and the timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers as well as the exercise of the renewal options by existing customers during this period of oil crisis;
- The realisation of the assets divestment plans, and the timing and value of the cash proceeds to be raised from such divestments; and
- The successful implementation of any convertible bonds issue, private equity placement and rights issue when a need arises to raise further funding.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern if the cash flows from these cash-generating plans were found to be insufficient to meet the Group's debt obligations as and when they fall due. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

EXTRACT OF NOTE 2 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of $260,432,000 for the year ended 31 December 2015 and as at that date, the Group's and the Company's current liabilities exceed current assets by $349,852,000 and $78,845,000 respectively. The deficiency in net working capital is mainly caused by breaches of loan covenants, as disclosed in Note 22, by failing to maintain certain financial covenants, as required by the banks, at all times. As a result of these covenant breaches, the Group's loans of $292,593,000 could be called for repayment at any time upon notification by the banks, and consequently a "non-current" portion of $226,189,000 has been re-classified to "current" liabilities as at 31 December 2015.

In analysing the going concern position of the Group, management of the Company has considered the waiver on these covenant breaches received from a lender subsequent to the year-end, which effectively defers $226,189,000 of bank loans from becoming repayable within twelve months after the reporting date; and the availability of the undrawn credit facilities amounting to approximately $81,609,000. Management further believes that the Group is able to generate sufficient cash flows from its operating activities, asset divestment plans and other financing plans, as described below, to repay its debt obligation as and when they fall due within the next twelve months.

(i) Operating cash flow forecast

The Group expects to raise positive operating cash flows from existing rig charter contracts which includes extended charters from renewal options to be exercised by the customers, and prospective rig charter contracts.

(ii) Assets divestment plans

The Group plans to divest certain non-core assets to raise net proceeds of an estimated $59,200,000.

(iii) Financing plans

The Group plans to raise $14,500,000 from issuing convertible bonds to an existing lender. The terms and conditions of this issuance have already been agreed in-principle. Other plans include a private equity placement and/or rights issue, should there be a need to raise further funding to meet the Group's debt obligations as and when they fall due.

In view of the continuing credit facilities being made available to the Group, for at least another twelve months from the reporting date, and together with the additional cash flow generating activities as described in the preceding paragraphs, management of the Group is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above cash flow analysis, management acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

- The eventual conclusion and the timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers as well as the exercise of the renewal options by existing customers during this period of oil crisis;

- The realisation of the assets divestment plans, and the timing and value of the cash proceeds to be raised from such divestments; and

- The successful implementation of any convertible bonds issue, private equity placement and rights issue when a need arises to raise further funding.

The above-mentioned conditions are material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least another twelve months from the balance sheet date.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

EXTRACT OF NOTE 32 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Waiver for the non-compliance with certain financial covenants within bank loan agreements

The Group obtained waivers for the breach of financial covenants which led to the reclassification of loans totalling $226,189,000 from "non-current" liabilities to "current" liabilities as at 31 December 2015, as referred to in Note 2.