KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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 30 August 2018 in relation to the Company's unaudited financial statements for the 2nd quarter and 6-month period ended 30 June 2018 ("**6M 2018**") released to the SGX-ST on 14 August 2018 (the "**Announcement**") as follows:

SGX-ST'S QUESTIONS:

1. (a) We note that the Company has significant non-current liabilities and negative working cashflow. Please provide us with the Board of Directors' assessment as to whether the Company can repay its short-term obligations as and when they fall due and the bases for the same.

Company's Reponses to question 1(a):

On page 17 of the Announcement, the Company stated:

"As at 30 June 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $19.3 million and $23.8 million, respectively. As at 31 December 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 million, respectively.

Continuing to improve the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 30 June 2018 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 (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. 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 rig charter contracts and prospective rig charter contracts. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

ii. Assets divestment plans

The Group plans to divest non-core assets where possible.

iii. Financing plans

The Group seeks additional working capital facilities to cover any cash shortfalls. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $21.7 million of current borrowings as and when they fall due."

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1. (b) The Company stated on page 16 of the Announcement that the "*carrying value of the drilling rig fleet increased by $17.0 million from $322.5 million as at 31 December 2017 to $339.5 million as at 30 June 2018 mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture offset by depreciation charges, impairment charges, the disposal of plant and equipment, and foreign exchange impacts*".

Please state the quantum of the "impairment charges" and the nature of the same.

Company's Reponses to question 1(b):

During 6M 2018, the Group disposed plant and equipment which resulted in a loss on disposal of $2,084,000 as disclosed on page 2 of the Announcement. The Group also impaired the carrying value of similar equipment that had not been disposed by an amount of $1,793,000. This amount was also disclosed on page 2 of the Announcement.

1. (c) The Company stated on page 17 of the Financial Statements that "[the] *Group plans to divest non-core assets where possible*".

Please clarify what these "non-core assets" are.

Company's Reponses to question 1(c):

The Group may, from time to time, buy and sell plant and equipment in the ordinary course of business. As mentioned above, during 6M 2018, the Group disposed plant and equipment which resulted in a loss on disposal of $2,084,000. The plant and equipment sold is a non-core asset that was identified as an asset which Management considers to be no longer essential to the Group's business operations within a location. Such assessments are done on a case-by-case basis taking into consideration the operating prospects of an asset when approached by prospective buyers.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

31 August 2018

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