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 a section on 'Material uncertainty related to going concern' (the "Emphasis of Matter") in relation to the Company's financial statements for the financial year ended 31 December 2017 ("FY2017").

Extracts of the Emphasis of Matter in the Independent Auditors' Report, Note 2.1, Note 18 and Note 30 to the Company's financial statements for FY2017 are attached to this announcement as "**APPENDIX I**".

Shareholders of the Company are advised to read the Company's financial statements for FY2017 set out in the Annual Report 2017 of the Company.

By Order of the Board
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary

29 March 2018

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

APPENDIX I

EXTRACT OF THE EMPHASIS OF MATTER FROM THE INDEPENDENT AUDITORS REPORT

Material uncertainty related to going concern

We draw attention to:

- Note 2.1 to the financial statements which indicates that the Group incurred a net loss of $24,559,000 during the year ended 31 December 2017 and, as of that date, the Group's and the Company's current liabilities exceed current assets by $2,450,000 and $19,706,000 respectively; and

- Note 30 to the financial statements which indicates that the Group has a capital commitment of $253,014,000 for an asset under construction due for delivery on 31 December 2018.

As explained therein, the financial statements have been prepared on a going concern basis, the validity of which is premised on the favourable resolution of the following:

(i) The ability to secure a short term loan of $5,500,000 from a financial institution, so as to meet the debt obligations due within the next twelve months; and

(ii) The Group's ability to complete the financing arrangement for the capital obligation of $253,014,000 for an asset under construction due for delivery (the new build contract) on 31 December 2018.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern if the fund raising plans as mentioned above, were not timely executed 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. Further, should the Group subsequently decide not to complete the new build contract, this would result in an adjustment on the carrying value of the asset under construction. The financial statements do not include any adjustments relating to the recoverability and classification of the reported asset amounts or the amounts and classification of liabilities. Our opinion is not modified in respect of this matter.

EXTRACT OF NOTE 2.1 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of $24,559,000 (2016: $126,318,000) for the year ended 31 December 2017 and as at that date, the Group's and the Company's current liabilities exceed current assets by $2,450,000 and $19,706,000 (2016: $88,197,000 and $99,447,000) respectively. Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 2017 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 (i) Group's operating activities, and (ii) financing plans.

(i) Operating activities

Although the Group expects the overall operating environment to remain challenging, it anticipates to generate 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 – existing and prospective rig charter contracts, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(ii) Financing plans

The Group is seeking an additional short term loan of $5,500,000 from a financial institution to meet its working capital requirements during FY2018. This plan, together with the operating activities is expected to allow the Group to meet its current obligations as and when they fall due.

The Group has a capital obligation of $253.0 million for an asset under construction due on 31 December 2018; and another capital obligation of $226.2 million for another asset under construction due on 31 December 2019 (the "new build contracts"). The Group plans to seek the necessary financing closer to the dates of delivery to meet these capital obligations.

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 financing plans, management of the Group believes 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 timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers; and

- The successful implementation of the financing plans.

The above-mentioned conditions indicate the existence of a material uncertainty 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. As the Group also plans to raise the necessary funding for the new build contracts, there is no adjustment considered for the carrying value of the assets under construction of $62,634,000 as at 31 December 2017. Should the Group decide subsequently to discontinue the new build contracts, adjustment to the carrying values of these rigs may be required.

EXTRACT OF NOTE 18 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Assets under construction

In 2011 and 2014, the Group entered into two contracts for the construction and delivery of two jack-up drilling rigs, “Rig 1” and “Rig 2”.

At 31 December 2017, rigs and other related assets include assets under construction with total costs capitalised of $62,634,000 (2016: $70,446,000), being $18,800,000 for Rig 1 due for delivery in December 2018; and $43,800,000 for Rig 2 due for delivery in December 2019 (see Note 30 for details of the capital commitments). No borrowing costs were capitalised for assets under construction in 2017 (2016: $Nil).

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EXTRACT OF NOTE 30 TO THE AUDTIED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Commitments

Capital commitments

As at 31 December, the capital commitments of the Group and Company to acquire plant and equipment (refer to Note 18) are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Rig 1	253,014	273,774
Rig 2	226,220	244,782
	479,234	518,556

	Group	
	2017	**2016**
	$'000	**$'000**
Within 1 year	253,014	244,782
After 1 year but within 5 years	226,220	273,774
	479,234	518,556

The delivery dates of the contracts were originally 23 September 2016 for Rig 1 and 7 February 2014 for Rig 2. Several revisions were negotiated subsequently and the current delivery dates are 31 December 2018 for Rig 1 and 31 December 2019 for Rig 2.

The Company does not have any capital commitments at the reporting date (2016: $Nil).