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 31 MARCH 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 SGX-ST on 17 May 2018 in relation to the Company's unaudited Financial Statements for the 3-months ended 31 March 2018 ("**Financial Statements for Q1FY2018**") released to the SGX-ST on 11 May 2018 (the "**Announcement**") as follows:

SGX-ST'S QUESTIONS:

1. The Company stated on pages 12 and 13 of the Financial Statement that "[at] *the beginning of Q1 2018, our Drilling business acquired an additional interest in PT KS Drilling Indonesia ("KSDI") via a new option agreement, resulting in KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture*".

   Please state the impact of this acquisition on the investment in joint venture carried in the Company's balance sheet.

   Company's Reponses to question 1:

   The acquisition had no impact on the value of investment in KSDI as the carrying amount of the Group's investment was zero (fully impaired) prior to the acquisition.

2. The Company stated on page 15 of the Financial Statement that "[the] *decrease in other current assets was due to lower amounts under "value-added tax receivable", "deferred operating expenses", "advanced payments to suppliers", "withholding tax recoverable", "prepayments", "other debtors" and "sundry deposits" as at 31 March 2018 compared to 31 December 2017. These balances mainly originate from our Drilling business and are routine in nature"*.

   Please explain what these categories of "other current assets" stand for.

   Company's Responses to question 2:

   "Value-added tax recoverable" is the value added taxes paid on goods and services from suppliers, which arose mainly from our Indonesia operations. As the value added tax is claimable and/or refundable in future, the amount is treated as 'Value-added tax recoverable' under current assets.

   "Deferred operating expenses" are deferred mobilisation expenses incurred for the Group's rig chartering contracts. The expenses are recognised in the income statement, together with the associated mobilisation revenue, over the duration of the relevant contract.

   "Withholding tax recoverable" are the withholding taxes deducted by our clients upon payment of the Group's invoices. Such deductions are claimable against corporate income taxes payable and/or refundable from tax authorities. It is therefore treated under current assets.

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"Prepayments" is mainly composed of prepaid insurance, to be expensed in the income statement over the length of the insurance contracts.

"Other debtors" relates mainly to contractually reimbursable expenses incurred on behalf of clients.

"Sundry deposits", are amounts paid as deposits for our various services such as telephone, electricity, lease premises etc.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

21 May 2018

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