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 independent auditor of KS Drilling Pte Ltd ("KS Drilling"), 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 KS Drilling's financial statements for the financial year ended 31 December 2018 ("FY2018").

Extracts of the Emphasis of Matter in the Independent Auditors' Report and Note 2.1 to KS Drilling's financial statements for FY2018 are attached to this announcement as "**APPENDIX I**".

By Order of the Board
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary

13 September 2019

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KS ENERGY LIMITED
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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 of the financial statements which indicates that the Group has recognised a loss after tax of US$74,915,000 during for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceed current assets by US$9,500,000, and the Company had a deficit in shareholders' equity of US$8,827,000.

As explained therein, the financial statements have been prepared on a going concern basis, the validity of which is premised on the (i) sufficiency of cash flows to be generated from the Group's operating activities to meet working capital needs, (ii) the presence of an in-principle debt moratorium dated 27 August 2019 that remains valid through 31 July 2020 (the "relevant period"), which defers repayment of certain loan principals and interests during the relevant period and (iii) the Group's ability to reach agreement with a lender to restructure the bank loans with the carrying amounts of US$246,347,000 (Group) and US$233,000,000 (Company) by the end of the debt moratorium on 31 July 2020. There are, however, uncertainties associated with these plans. These uncertainties include:

- the eventual conclusion and timing of execution of several rigs charter contracts currently subject to on-going negotiations with prospective customers; and

- the completion of the loan restructuring plan post-moratorium period.

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 cash flows from operations were found to be insufficient to meet the Group's obligations as and when they fall due and/or the loan restructuring plan post-moratorium period was not completed. 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. Our opinion is not modified in respect of this matter.

EXTRACT OF NOTE 2.1 TO THE AUDTIED FINANCIAL STATEMENTS OF KS DRILLING FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 US$74,915,000 (2017: US$24,492,000) for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceed current assets by US$9,500,000, and the Company had a deficit in shareholders' equity of US$8,827,000. The financial statements for the year ended 31 December 2018 are prepared on 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

Management expects to generate positive cash flows from existing rig charter contracts and prospective rig charter contracts sufficient to meet its working capital needs.

(ii) Financing plans

Management has considered that the Group currently has an in-principle debt moratorium on the principal and interest on the bank loans with carrying amounts of US$246,347,000 (Group) and US$233,000,000 (Company). Such an in-principle moratorium dated 27 August 2019, which expires on 31 July 2020 (the "relevant period"), implies that the repayment of certain loan principals and interests during the relevant period are deferred. During the moratorium period, the Company continues to negotiate with the lender to restructure the loans.

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 operating cash flow generating activities as described in the preceding paragraphs, management believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above, management acknowledges that there remains uncertainties over the ability of the Group which includes:

- the eventual conclusion and timing of execution of several rigs charter contracts currently subject to on-going negotiations with prospective customers; and

- the completion of the loan restructuring plan post-moratorium period.

This indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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.