KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S EMPHASIS OF MATTER BY INDEPENDENT AUDITORS' ANNOUNCEMENT

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 5 April 2018 in relation to the announcement of the Emphasis of Matter By Independent Auditors (the "**Announcement**") released to the SGX-ST on 29 March 2018 as follows:

SGX-ST'S QUESTIONS:

1. Please provide the Board of Directors' opinion as to whether trading in the shares of the Company should be suspended pursuant to Listing Rule 1303(3).

Company's Reponses to question 1:

The Board of the Company believes that the Company and the Group will both continue as going concerns.

Included in the Announcement was an extract from note 2.1 to the audited consolidated financial statements of the Company for the year ended 31 December 2017 ("**FY2017**") which states the following:

"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.

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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."

The Board of the Company confirms the going concern basis remains premised on 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.

Management has critically assessed the cash flow forecasts of the Group and Company for the next twelve months and has concluded that there will be sufficient cash flows and resources to allow the Group and Company to continue its operations and meet its obligations for the foreseeable future, subject to successful completion of the stated plans. The Board of the Company is therefore of the opinion that the Company and the Group will both continue as going concerns as these stated plans remain on track, and no trading suspension in the shares of the Company is required.

2. Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to the market to enable trading to continue in an orderly manner.

Company's Responses to question 2:

To the best knowledge of the Board that all material disclosures have been provided in the Announcement and the Board confirms that sufficient information has been disclosed to the market to enable trading of the Company's securities to continue in an orderly manner.

The Company's Annual Report 2017 and its Appendix will be uploaded onto the SGX-ST's website on 10 April 2018 and the hard copy will be despatched to the Shareholders on 11 April 2018.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

10 April 2018

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