KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE REGULATION ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

The Board of Directors (the "**Board**") of KS Energy Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following responses to queries raised by the Singapore Exchange Regulation on 19 May 2020 in relation to the Company's unaudited financial statements for the period ended 31 March 2020 (the "**Q1 2020 Financial Statements**") released via SGXNet on 14 May 2020 (the "**Announcement**") as follows:

SGX Query 1:

Please explain the basis for the change in accounting treatment of KSDI which was disclosed on page 12 of the Financial Statements.

Company's Response:

We refer to page 12 of the Announcement which stated:

"*On 1 January 2020, an option for the Group to purchase 20,000 shares of PT KS Drilling Indonesia ("**KSDI**") lapsed, leaving the Group with control over voting rights of 490,000 shares of KSDI, representing 49% of all voting rights. The Group has therefore determined it has joint control over KSDI from 1 January 2020, resulting in KSDI being equity-accounted as a joint venture instead of being consolidated as a subsidiary*."

The Company wishes to add that on 1 January 2018, the Group entered into an option agreement with a shareholder of KSDI giving the Group an option to purchase 20,000 shares of KSDI, representing 2% of total voting rights (the "**Option**"). Pursuant to the Option agreement, which confers the Group potential voting rights of 51% of KSDI, the Group determined it had control over KSDI from 1 January 2018 and started consolidating KSDI as a subsidiary from 1 January 2018.

On 1 January 2020, the Option lapsed, leaving the Group with control over voting rights of 490,000 shares of KSDI, representing 49% of all voting rights. The Group therefore determined it had joint control over KSDI from 1 January 2020, resulting in KSDI being equity-accounted as a joint venture instead of being consolidated as a subsidiary.

The basis for the change in accounting treatment of KSDI was the change in the assessment for the level of control the Group had over KSDI.

SGX Query 2:

Please explain the basis and nature for the impairment losses on plant and equipment which was disclosed on page 12 of the Financial Statements.

Company's Response:

We refer to page 13 of the Announcement and the explanation for the increase in other operating expenses due to a net $3.1 million increase in impairment losses on plant and equipment. As provided on page 2 of the Announcement, the impairment loss on plant and equipment was $3.076 million for Q1 2020 and $0.0 million for Q1 2019.

Items of plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The Audit and Risk Management Committee had reviewed the assumptions and methodologies used to determine the recoverable amounts, including a more conservative expectation for future contracts over the remainder of financial year ending 31 December 2020 given the current market situation. The Board was therefore satisfied with the reasonableness of the methodologies used to determine the values of the impairment losses on plant and equipment.

By Order of the Board
KS Energy Limited

Marilyn Tan Lay Hong
Joint Company Secretary

20 May 2020

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