

Financial Statement and Dividend Announcement for the Period Ended 30 September 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (3rd Quarter) 3 months ended			Group (Year-to-date) 9 months ended		
	30.09.2016	30.09.2015	Increase/ (Decrease)	30.09.2016	30.09.2015	Increase/ (Decrease)
	\$'000	\$'000 Restated*		\$'000	\$'000 Restated*	
Revenue	10,086	23,194	(56.5%)	31,801	79,094	(59.8%)
Cost of sales	(13,847)	(36,228)	(61.8%)	(51,830)	(107,727)	(51.9%)
Gross loss	(3,761)	(13,034)	(71.1%)	(20,029)	(28,633)	(30.0%)
Other income	278	594	(53.2%)	495	1,897	(73.9%)
Administrative expenses	(4,903)	(7,132)	(31.3%)	(15,731)	(21,486)	(26.8%)
Other operating expenses	(12,221)	(693)	1663.5%	(29,881)	(7,564)	295.0%
Results from operating activities	(20,607)	(20,265)	1.7%	(65,146)	(55,786)	16.8%
Finance income	1,479	726	103.7%	4,265	2,127	100.5%
Finance costs	(2,718)	(4,669)	(41.8%)	(12,893)	(14,543)	(11.3%)
Share of results of joint ventures (net of tax)	(9,053)	(15,975)	(43.3%)	(20,101)	(11,940)	68.4%
Loss before tax	(30,899)	(40,183)	(23.1%)	(93,875)	(80,142)	17.1%
Income tax expense	(106)	(521)	(79.7%)	(588)	(100)	488.0%
Loss for the period	(31,005)	(40,704)	(23.8%)	(94,463)	(80,242)	17.7%
Results attributable to:						
Owners of the Company	(26,458)	(38,079)	(30.5%)	(81,647)	(71,785)	13.7%
Non-controlling interests	(4,547)	(2,625)	73.2%	(12,816)	(8,457)	51.5%
Loss for the period	(31,005)	(40,704)	(23.8%)	(94,463)	(80,242)	17.7%

* The Group has now ceased reclassifying rig depreciation and direct rig costs from "cost of sales" to "other operating expenses" during off-charter periods.

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(a)(i) Profit/(Loss) for the period is arrived at after crediting/(charging):-

	Group (3rd quarter)			Group (Year-to-date)		
	<u>3 months ended</u>		Increase/ (Decrease)	<u>9 months ended</u>		Increase/ (Decrease)
	<u>30.09.2016</u>	<u>30.09.2015</u>		<u>30.09.2016</u>	<u>30.09.2015</u>	
	\$'000	\$'000		\$'000	\$'000	
Amortisation of intangible assets	(56)	(137)	(59.1%)	(170)	(398)	(57.3%)
Depreciation of plant and equipment	(7,483)	(17,769)	(57.9%)	(24,697)	(42,725)	(42.2%)
Impairment loss on plant and equipment	(11,330)	-	N/M	(11,330)	(3,856)	193.8%
Additional write down of assets held for sale	-	-	N/M	(1,441)	-	N/M
Finance costs on convertible bonds	(1,535)	(1,518)	1.1%	(4,823)	(4,714)	2.3%
Interest expense on borrowings	(1,183)	(3,151)	(62.5%)	(8,070)	(9,829)	(17.9%)
Write-back of doubtful trade receivables	-	662	N/M	-	662	N/M
Allowance for doubtful non-trade receivables	-	(77)	N/M	-	(77)	N/M
Foreign exchange (loss)/gain	(288)	(115)	150.4%	(519)	832	N/M
Loss on disposal of plant and equipment	(185)	(7)	2542.9%	(13,258)	(7)	189300.0%
Plant and equipment written off	-	(1)	N/M	-	(1)	N/M
Loss on liquidation of subsidiaries	-	-	N/M	(431)	-	N/M
Gain on liquidation/disposal of joint ventures	-	8	N/M	-	8	N/M
Adjustments for (under)/over provision of tax in respect of prior years	128	(189)	N/M	39	380	(89.7%)

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.09.2016 \$'000	31.12.2015 \$'000	30.09.2016 \$'000	31.12.2015 \$'000
Current Assets				
Cash and cash equivalents	10,947	19,422	442	2,916
Amounts due from subsidiaries	-	-	467	1,164
Amounts due from joint ventures	1	441	-	22
Trade receivables	15,251	22,795	-	-
Contract work-in-progress	1,039	904	-	-
Inventories	227	235	-	-
Other assets	14,159	13,959	77	89
Assets held for sale	2,457	4,029	-	-
	44,081	61,785	986	4,191
Non-Current Assets				
Joint ventures	40,505	52,451	48,707	49,125
Amounts due from joint ventures	77,589	46,128	-	-
Subsidiaries	-	-	138,339	193,121
Plant and equipment	430,961	503,891	387	555
Intangible assets and goodwill	1,082	1,247	-	-
Other assets	3,047	3,144	301	301
Deferred tax assets	1,295	1,342	-	-
	554,479	608,203	187,734	243,102
Total assets	598,560	669,988	188,720	247,293
Current Liabilities				
Trade and other payables	30,151	28,418	2,801	1,844
Amounts due to joint venture	179	4,090	61	3,700
Amounts due to subsidiaries	-	-	18,290	7,236
Provision for current tax	8,981	10,418	1,182	1,234
Financial liabilities	256,156	368,711	73,886	69,022
	295,467	411,637	96,220	83,036
Non-Current Liabilities				
Trade and other payables	1,897	1,754	-	-
Financial liabilities	151,383	15,870	-	4,950
Deferred tax liabilities	35	69	23	57
Provision for loss from joint ventures	40,302	29,884	-	-
	193,617	47,577	23	5,007
Total liabilities	489,084	459,214	96,243	88,043
Net assets	109,476	210,774	92,477	159,250
Equity Attributable to Owners of the Company:				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	17,685	17,685	17,685	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(16,533)	(11,238)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(255,742)	(174,095)	(258,816)	(192,043)
	75,268	162,210	92,477	159,250
Non-controlling interests	34,208	48,564	-	-
Total equity	109,476	210,774	92,477	159,250

See paragraph 8 for more explanation on the balance sheet review

1(b) (i) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand	Group 30.09.2016	Group 31.12.2015
	\$'000	\$'000
Secured	182,270	298,875
Unsecured	73,886	69,836
Total	<u>256,156</u>	<u>368,711</u>
Amount repayable after one year	Group 30.09.2016	Group 31.12.2015
	\$'000	\$'000
Secured	151,383	10,920
Unsecured	-	4,950
Total	<u>151,383</u>	<u>15,870</u>
Amount repayable in total	Group 30.09.2016	Group 31.12.2015
	\$'000	\$'000
Secured	333,653	309,795
Unsecured	73,886	74,786
Total	<u>407,539</u>	<u>384,581</u>

Included in unsecured loans repayable within one year as at 30 September 2016 is an amount of \$13,037,000 relating to a loan from a related party (31 December 2015: \$0).

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies. Unsecured borrowings include convertible bonds issued by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.

	Group (9 months ended)	
	<u>30.09.2016</u>	<u>30.09.2015</u>
	\$'000	\$'000
<u>Operating activities</u>		
Loss before tax	(93,875)	(80,142)
Adjustments for:		
Amortisation of intangible assets	170	398
Depreciation of plant and equipment	24,697	42,725
Impairment loss on plant and equipment	11,330	3,856
Allowance for doubtful non-trade receivables	-	77
Write-back of doubtful trade receivables		(662)
Loss on disposal of plant and equipment	13,258	7
Loss on liquidation of subsidiaries	431	
Additional write down of assets held for sale	1,441	-
Gain on liquidation of joint ventures	-	(8)
Interest income	(4,265)	(2,127)
Interest expense	8,070	9,829
Finance cost on convertible bonds	4,823	4,714
Plant and equipment written off	-	1
Share of results of joint ventures	20,101	11,940
Operating loss before changes in working capital	<u>(13,819)</u>	<u>(9,392)</u>
Changes in working capital:		
Inventories and contract work-in-progress	(135)	(803)
Trade receivables	7,231	41,685
Other current assets	(586)	(872)
Trade and other payables	<u>(1,345)</u>	<u>(9,953)</u>
Cash (used in)/ from operations	(8,654)	20,665
Tax paid	<u>(1,916)</u>	<u>(3,334)</u>
Net cash (used in)/ from operating activities	<u>(10,570)</u>	<u>17,331</u>
<u>Investing activities</u>		
(Increase)/decrease in non-trade receivables with joint ventures and related parties	(28,174)	759
Dividends received	-	4,017
Interest received	190	2,127
Payments for purchase of plant and equipment	(1,065)	(8,855)
Proceeds from disposal of plant and equipment	1,089	10
Refund of deposit paid	6,720	-
Payments for purchase of intangible assets	(20)	(145)
Net cash used in investing activities	<u>(21,260)</u>	<u>(2,087)</u>
<u>Financing activities</u>		
Decrease in non-trade payables with joint ventures and related parties	-	(326)
Proceeds from bills payable to bank	-	1,352
Repayment of bills payable to bank	(814)	(893)
Decrease in deposits pledged	2,246	4,260
Interest paid on borrowings	(7,811)	(13,182)
Interest paid on convertible bonds	(1,503)	-
Repayment of finance lease liabilities	-	(6)
Proceeds from bank loans	62,932	23,273
Loans from related parties	13,037	6,300
Repayment of bank loans	(42,817)	(62,974)
Repayment of convertible bonds, excluding interest	-	(18,445)
Net cash from/(used in) financing activities	<u>25,270</u>	<u>(60,641)</u>
Net decrease in cash and cash equivalents	<u>(6,560)</u>	<u>(45,397)</u>
Cash and cash equivalents at beginning of the period	15,869	64,363
Effect of exchange rate changes on balances held in foreign currencies	331	3,038
Cash and cash equivalents at end of the period	<u>9,640</u>	<u>22,004</u>
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents	10,947	31,591
Deposits pledged	<u>(1,307)</u>	<u>(9,587)</u>
Cash and cash equivalents at end of the period	<u>9,640</u>	<u>22,004</u>

See paragraph 8 for explanation on the statement of cash flow review

1(d) Statement of Comprehensive Income

	<u>Group (Year-to-date)</u> <u>9 months ended</u>		
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>Increase/</u> <u>(Decrease)</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Loss attributable to:			
Owners of the Company	(81,647)	(71,785)	13.7
Non-controlling interests	(12,816)	(8,457)	51.5
Loss for the period	(94,463)	(80,242)	17.7
Other comprehensive (expense)/income for the period:			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(6,835)	29,901	N/M
Other comprehensive (expense)/income for the period	(6,835)	29,901	N/M
Total comprehensive expense for the period	(101,298)	(50,341)	101.2
Total comprehensive expense attributable to:			
Owners of the Company	(86,942)	(47,242)	84.0
Non-controlling interests	(14,356)	(3,099)	363.2
Total comprehensive expense for the period	(101,298)	(50,341)	101.2

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	Share	Equity	Treasury	Foreign	Share based	Other	Accumulated	Total	Non-	Total
	capital	reserve	shares	currency	compensation	reserve	losses	attributable	controlling	Equity
	\$'000	\$'000	\$'000	translation	reserve	\$'000	\$'000	to owners	Interests	\$'000
				reserve				of the		
				\$'000	\$'000	\$'000	\$'000	Company	\$'000	\$'000
At 1 January 2016	359,973	17,685	(26,365)	(11,238)	-	(3,750)	(174,095)	162,210	48,564	210,774
Loss for the period	-	-	-	-	-	-	(81,647)	(81,647)	(12,816)	(94,463)
Other comprehensive expense										
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	(5,295)	-	-	-	(5,295)	(1,540)	(6,835)
Total other comprehensive expense	-	-	-	(5,295)	-	-	-	(5,295)	(1,540)	(6,835)
Total comprehensive expense for the period	-	-	-	(5,295)	-	-	(81,647)	(86,942)	(14,356)	(101,298)
At 30 September 2016	359,973	17,685	(26,365)	(16,533)	-	(3,750)	(255,742)	75,268	34,208	109,476

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Share based compensation reserve	Other reserve	Accumulated (losses)/profits	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015	359,973	24,717	(34,510)	(31,353)	-	(3,750)	55,575	370,652	74,404	445,056
Loss for the period	-	-	-	-	-	-	(71,785)	(71,785)	(8,457)	(80,242)
Other comprehensive income/(expense)										
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	24,543	-	-	-	24,543	5,358	29,901
Total other comprehensive income	-	-	-	24,543	-	-	-	24,543	5,358	29,901
Total comprehensive income/(expense) for the period	-	-	-	24,543	-	-	(71,785)	(47,242)	(3,099)	(50,341)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Share based payment transactions	-	-	-	-	775	-	-	775	-	775
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	135	135
Total contributions by and distributions to owners of the Company	-	-	-	-	775	-	-	775	135	910
At 30 September 2015	359,973	24,717	(34,510)	(6,810)	775	(3,750)	(16,210)	324,185	71,440	395,625

<u>Company</u>	Share	Equity	Treasury	Share based	Accumulated	Total
	capital	reserve	shares	compensation	losses	Equity
	\$'000	\$'000	\$'000	reserve	\$'000	\$'000
At 1 January 2016	359,973	17,685	(26,365)	-	(192,043)	159,250
Loss for the period	-	-	-	-	(66,773)	(66,773)
the period	-	-	-	-	(66,773)	(66,773)
At 30 September 2016	359,973	17,685	(26,365)	-	(258,816)	92,477
At 1 January 2015	359,973	24,717	(34,510)	-	(47,026)	303,154
Loss for the period	-	-	-	-	(25,390)	(25,390)
Total comprehensive expense for	-	-	-	-	(25,390)	(25,390)
the period	-	-	-	-	(25,390)	(25,390)
Share based payment transactions	-	-	-	775	-	775
Total contributions by and	-	-	-	775	-	775
distributions to owners of the	-	-	-	775	-	775
Company	-	-	-	775	-	775
At 30 September 2015	359,973	24,717	(34,510)	775	(72,416)	278,539

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued and paid-up capital for the period from 1 January 2016 to 30 September 2016.

As at 30 September 2016, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares (31 December 2015: 524,240,215 ordinary shares of which 8,639,000 were held as treasury shares).

Convertible Bonds

On 26 March 2010, the Company issued \$50 million of 3.0% convertible bonds with a maturity in March 2015 (the "2010 Bonds"). On 14 May 2010, the Company issued \$57 million additional 2010 Bonds. The 2010 Bonds were initially convertible into 66,875,000 fully-paid ordinary shares of the Company at an initial conversion price of \$1.60 per new share.

On 26 March 2013, the Company redeemed \$90 million in principal amount of the 2010 Bonds. The Company fully redeemed the remaining \$17 million face value of 2010 Bonds at maturity on 26 March 2015.

On 21 March 2013, the Company issued \$45 million of 6.0% convertible bonds with a maturity in March 2016 (the “2013 Bonds”). As at 30 September 2016, the Company has \$45 million face value of 2013 Bonds outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company at a conversion price of \$0.83 per new share. On 15 March 2016, 20 June 2016 and 21 September 2016, the Company announced that it had entered into supplemental trust deeds relating to the 2013 Bonds pursuant to which the maturity date of the 2013 Bonds had been extended to 21 December 2016 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, has been increased to 119.05% of the face value.

On 19 November 2015, the Company issued \$7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the “2015 Bonds”). The Company is finalising a supplemental agreement relating to the 2015 Bonds pursuant to which the maturity date of the 2015 Bonds will be extended to 21 December 2016 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, will be increased to 105.46% of the face value. As at 30 September 2016, the Company has \$7.5 million face value of 2015 Bonds outstanding which are convertible into 26,785,710 fully-paid ordinary shares of the Company at a conversion price of \$0.28 per new share.

As at 30 September 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company (31 December 2015: 81,002,430 ordinary shares).

KS Energy Performance Share Plan (the “Plan”)

As at 30 September 2016, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009. On 6 March 2015, pursuant to Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company granted 2,669,000 share awards to senior management, pursuant to the Plan. The closing price of the Company’s shares on the award date was \$0.375. All 2,669,000 share awards vested in December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2016, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

As at 31 December 2015, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The movement of treasury shares is as follows:

As at 1 January 2016:	8,639,000 shares
Purchase of treasury shares:	Nil
As at 30 September 2016:	8,639,000 shares

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company’s auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group (3rd Quarter)		Group (Year-to-date)	
	3 months ended		9 months ended	
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
Earnings per ordinary share:	Cents	Cents	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	(5.13)	(7.42)	(15.84)	(14.00)
(b) On a fully diluted basis	(5.13)	(7.42)	(15.84)	(14.00)

The basic and diluted earnings per share for the three months ended 30 September 2016 was calculated by dividing the loss attributable to shareholders of \$26,458,000 (30.09.2015: \$38,079,000) by the weighted average number of shares of 515,601,215 (30.09.2015: 512,932,215) in issue during the financial period.

The basic and diluted earnings per share for the nine months ended 30 September 2016 was calculated by dividing the loss attributable to shareholders of \$81,647,000 (30.09.2015: \$71,785,000) by the weighted average number of shares of 515,601,215 (30.09.2015: 512,932,215) in issue during the financial period.

The earnings per share computation has taken into consideration the following:

- (i) The issue of 2,669,000 treasury shares under the Plan on 4th December 2015.
- (ii) The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 33.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -**
 (a) **current financial period reported on; and**
 (b) **immediately preceding financial year**

	Group		Company	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	14.6	31.5	17.9	30.9

The Group's and the Company's net assets value per ordinary share for the periods have been computed based on the number of ordinary shares issued as at 30 September 2016 of 515,601,215 (31.12.2015: 515,601,215).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**
- a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

INCOME STATEMENT REVIEW

Financial period ended 30 September 2016

Overview

	Group (3rd Quarter)			Group (Year-to-date)		
	3 months ended			9 months ended		
	30.09.2016	30.09.2015	Change	30.09.2016	30.09.2015	Change
Revenue by segment	\$'000	\$'000		\$'000	\$'000	
Drilling	7,403	19,764	(62.5%)	25,161	72,540	(65.3%)
Engineering	2,683	3,709	(27.7%)	6,640	6,576	1.0%
Corporate	-	-	N/M	-	797	N/M
Less: Inter-segment revenue	-	(279)	N/M	-	(819)	N/M
	10,086	23,194	(56.5%)	31,801	79,094	(59.8%)

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

Results for the third quarter ended 30 September 2016 ("Q3 2016")

The group reported consolidated revenue of \$10.1 million in Q3 2016, representing a decrease of \$13.1 million, or 56.5%, below that of \$23.2 million reported a year ago for the third quarter ended 30 September 2015 ("Q3 2015") mainly due to lower revenue from the Drilling business following the completion of some charter contracts.

The consolidated loss after tax of \$31.0 million for Q3 2016 was 23.8% lower as compared to the consolidated loss after tax of \$40.7 million reported for Q3 2015, mainly due to lower finance costs and an improved result from joint ventures.

Results for the first nine months ended 30 September 2016 (“9M 2016”)

The consolidated revenue of \$31.8 million in 9M 2016, represents a decrease of \$47.3 million, or 59.8%, below that of \$79.1 million reported a year ago for the nine months ended 30 September 2015 (“9M 2015”), mainly due to the lower revenue from the Drilling business following the completion of some charter contracts.

The consolidated loss after tax was \$94.5 million for 9M 2016 as compared to the consolidated loss after tax of \$80.2 million reported for 9M 2015, mainly due to a \$9.4 million decline in results from operating activities, an \$8.2 million decline in share of results from joint ventures, offset by a \$3.8 million decline in net finance costs.

Revenue

Revenue from the Drilling business decreased \$12.4 million, or 62.5%, from \$19.8 million for Q3 2015 to \$7.4 million for Q3 2016 and decreased \$47.3 million, or 65.3%, from \$72.5 million for 9M 2015 to \$25.2 million for 9M 2016. The drop in revenue was mainly due to lower fleet utilisation in Q3 2016 and 9M 2016. Revenue contribution from the Drilling business made up about 73.4% of the Group’s consolidated revenue for Q3 2016 and 79.1% for 9M 2016.

Revenue from the Engineering business decreased \$1.0 million, or 27.7%, from \$3.7 million for Q3 2015 to \$2.7 million for Q3 2016. Revenue contribution from the Engineering business made up about 26.6% of the Group’s consolidated revenue for Q3 2016 and 20.9% for 9M 2016.

Revenue generated by the Group but not attributable to either the Drilling or the Engineering segment decreased \$0.8 million, from \$0.8 million for 9M 2015 following the completion of charter contracts.

Gross Loss

The gross loss of \$3.8 million for Q3 2016 was 71% lower as compared to the gross loss of \$13.0 million reported for Q3 2015. The smaller gross loss in Q3 2016 occurred due to the \$22.4 million drop in cost of sales on the \$13.1 million drop in revenue. Cost of sales includes certain fixed costs associated with our fleet of rigs such as depreciation which decreased from \$17.5 million in Q3 2015 to \$7.2 million in Q3 2016.

The gross loss of \$20.0 million for 9M 2016 was 30% lower as compared to the gross loss of \$28.6 million reported for 9M 2015. The smaller gross loss in 9M 2016 occurred due to the \$55.9 million drop in cost of sales on the \$47.3 million drop in revenue. Cost of sales includes certain fixed costs associated with our fleet of rigs such as depreciation which decreased from \$41.9 million in 9M 2015 to \$23.9 million in 9M 2016.

The lower depreciation charges in Q3 2016 and 9M 2016 are mainly due to accelerated depreciation charges booked in Q3 2015, the disposal of plant and equipment in Q2 2016 and the impairment charges booked on plant and equipment during 2015.

The gross loss margin increased from 36.2% in 9M 2015 to 63.0% in 9M 2016.

Other Income

Other income decreased from \$0.6 million for Q3 2015 to \$0.3 million for Q3 2016 and from \$1.9 million for 9M 2015 to \$0.5 million for 9M 2016. Other income mainly comprised income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased \$2.2 million from \$7.1 million in Q3 2015 to \$4.9 million in Q3 2016 mainly due to reduced staff costs. Similarly, administrative expenses decreased \$5.8 million, from \$21.5 million in 9M 2015 to \$15.7 million in 9M 2016, for the same reason.

Other operating expenses increased by \$11.5 million from \$0.7 million in Q3 2015 to \$12.2 million in Q3 2016, mainly due to an impairment charge of \$11.3 million recorded on plant and equipment in Q3 2016. Other operating expenses increased \$22.3 million from \$7.6 million in 9M 2015 to \$29.9 million in 9M 2016,

mainly due to a loss on disposal of plant and equipment of \$13.3 million in 9M 2016, a write down of \$1.4 million on assets held for sale and a net \$7.5 million increase in impairment losses on plant and equipment.

Finance Income and Costs

Finance income increased from \$0.7 million in Q3 2015 to \$1.5 million in Q3 2016 and increased from \$2.1 million in 9M 2015 to \$4.3 million 9M 2016. The finance income is mainly derived from interest income on loans provided to a joint venture and additional loans were provided in Q1 2016.

Finance costs decreased from \$4.7 million in Q3 2015 to \$2.7 million in Q3 2016 and decreased \$1.6 million from \$14.5 million in 9M 2015 to \$12.9 million in 9M 2016 due to a reduction in borrowing costs.

Share of results of Joint Ventures

The group's share of results from joint ventures of \$9.1 million loss for Q3 2016 was 43% lower as compared to the group's share of results from joint ventures of \$16.0 million loss reported for Q3 2015. The loss in Q3 2016 is mainly due to losses recorded by the Distribution business and a jointly held drilling rig which was off-hire during Q3 2016. The group's share of results from KS Distribution improved by \$9.4 million from a loss of \$14.9 million for Q3 2015 to a loss of \$5.5 million for Q3 2016.

The group's share of results from joint ventures of \$20.1 million loss for 9M 2016 was 68% higher as compared to the group's share of results from joint ventures of \$11.9 million loss reported for 9M 2015. The loss in 9M 2016 is mainly due to losses recorded by the Distribution business and a jointly held drilling rig which was off-hire during 9M 2016. The group's share of results from the KS Distribution Group improved by \$6.1 million from a loss of \$14.3 million for 9M 2015 to a loss of \$8.2 million for 9M 2016.

Tax expense

The tax expense decreased from \$0.5 million in Q3 2015 to \$0.1 million in Q3 2016 but increased from \$0.1 million in 9M 2015 to \$0.6 million in 9M 2016. The lower tax expense in 9M 2015 was due to a tax credit on a maturing convertible bond.

Result Attributable to Shareholders

The result attributable to the owners of the group of \$26.5 million loss for Q3 2016 was 30.5% lower as compared to the result attributable to the owners of the group of \$38.1 million loss reported for Q3 2015.

The result attributable to the owners of the group of \$81.6 million loss for 9M 2016 was 13.7% higher as compared to the result attributable to the owners of the group of \$71.8 million loss reported for 9M 2015.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased from \$608.2 million as at 31 December 2015 to \$554.5 million as at 30 September 2016. Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the rig fleet decreased from \$425.5 million as at 31 December 2015 to \$362.5 million as at 30 September 2016, due to depreciation charges, the impairment losses in 9M 2016 and the disposal of plant and equipment in 9M 2016.

The carrying value of joint ventures decreased 22.9% from \$52.5 million as at 31 December 2015 to \$40.5 million as at 30 September 2016 mainly due to the Group's share of results from the joint ventures and the liquidation of a joint venture in 9M 2016. Joint ventures comprise the 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of \$40.5 million as at 30 September 2016.

Within non-current assets, amounts due from joint ventures increased by \$31.5 million to \$77.6 million as at 30 September 2016 from \$46.1 million as at 31 December 2015. The increase was mainly due to the advance of additional loans during Q1 2016 totalling \$27.6 million to our joint venture company called PT Java Star Rig for it to settle a customs bond obligation and scheduled debt repayments. More details of the customs bond obligation were announced by the Company on 1 March 2016.

Total current assets decreased 28.6% from \$61.8 million as at 31 December 2015 to \$44.1 million as at 30 September 2016. The decrease in current assets was mainly due to lower cash and cash equivalents and lower trade receivables. Cash and cash equivalents decreased \$8.5 million from \$19.4 million as at 31 December 2015 to \$10.9 million as at 30 September 2016. Trade receivables decreased \$7.5 million from \$22.8 million as at 31 December 2015 to \$15.3 million as at 30 September 2016 mainly due to the lower level of revenues over the period.

The carrying value of assets held for sale as at 30 September 2016 was \$2.5 million (31 December 2015: \$4.0 million) and relates to a drilling rig which is currently being marketed for sale.

The breakdown of “other current assets” is shown below:

	30.09.2016 \$'000	31.12.2015 \$'000	Movement \$'000
Detailed breakdown:			
Sundry Deposits	374	626	(252)
Withholding tax recoverable	2,080	2,841	(761)
Value-added tax receivable	7,267	7,915	(648)
Other debtors	2,864	1,298	1,566
Prepayments	1,574	1,279	295
Other Current Assets	14,159	13,959	200

The increase in other current assets was mainly due to higher amounts under “other debtors” and “prepayments” offset with lower amount of “withholding tax recoverable”, “value-added tax receivable”, and “sundry deposits” as at 30 September 2016 compared to 31 December 2015. These balances mainly originate from our Drilling business and are routine in nature.

Total liabilities increased \$29.9 million, or 6.5%, from \$459.2 million as at 31 December 2015 to \$489.1 million as at 30 September 2016. This was principally attributable to a \$23.0 million increase in total borrowings from \$384.6 million as at 31 December 2015 to \$407.6 million as at 30 September 2016.

Within current liabilities, amounts due to joint ventures reduced from \$4.1 million as at 31 December 2015 to \$0.2 million as at 30 September 2016 due to the liquidation of a joint venture in Q1 2016.

As at 30 September 2016, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$251.4 million and \$95.2 million respectively. As at 31 December 2015, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$349.9 million and \$78.8 million respectively.

Improving the net current liability position of the Group and Company is a key concern for the Company. As previously detailed in the Annual Report in respect of the financial statements for the period ended 31 December 2015, the financial statements for the period ended 30 September 2016 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 (i) the Group’s operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating cash flow forecast

The Group expects to raise positive cash flows from existing rig charter contracts and prospective rig charter contracts. The eventual conclusion and the timing of execution of new rig charter contracts are subject to on-going negotiations with prospective customers. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by Management.

ii. Assets divestment plans

The Group plans to divest certain non-core assets.

iii. Financing plans

The Group plans to refinance the convertible bonds due before the end of the year and the secured borrowings repayable in the next 12 months. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the \$256.2 million of current borrowings as and when they fall due.

The Group's net gearing (defined as net borrowings to total equity) increased to 3.62 as at 30 September 2016 from 1.73 as at 31 December 2015. Similarly, the Group's debt ratio (defined as net borrowings to total assets) increased to 0.66 as at 30 September 2016 from 0.55 as at 31 December 2015.

The equity attributable to the owners of the Company decreased \$86.9 million from \$162.2 million as at 31 December 2015 to \$75.3 million as at 30 September 2016. The decrease was mainly due to the loss after tax and non-controlling interests during 9M 2016 and due to foreign exchange losses.

Secured current borrowings decreased \$116.6 million from \$298.9 million as at 31 December 2015 to \$182.3 million as at 30 September 2016 whereas secured non-current borrowings increased \$140.5 million from \$10.9 million as at 31 December 2015 to \$151.4 million as at 30 September 2016. As at 31 December 2015, \$226.2 million of borrowings scheduled for repayment after 2016 were held as current liabilities due to a breach of financial covenants. As at 30 September 2016, a waiver for the breach has been obtained from the lending institution so amounts scheduled for repayment after more than one year are classified as non-current liabilities. Included within secured current borrowings as at 30 September 2016 is an amount of \$93.4 million which is currently due for repayment in early 2017.

Unsecured current borrowings increased from \$69.8 million as at 31 December 2015 to \$73.9 million as at 30 September 2016. The balance as at 30 September 2016 was principally due to an aggregate principal amount of \$45.0 million of 6.0% convertible bonds due in December 2016, an aggregate principal amount of \$7.5 million of 6.0% convertible bonds also due in December 2016 and \$13.0 million of loans from a related party.

Unsecured non-current borrowings decreased from \$5.0 million as at 31 December 2015 to \$Nil million as at 30 September 2016 due to the repayment of a corporate term loan during Q2 2016.

STATEMENT OF CASH FLOWS REVIEW

As at 30 September 2016, cash and cash equivalents amounted to \$10.9 million (30 September 2015: \$31.6 million), of which unpledged cash and cash equivalents amounted to \$9.6 million (30 September 2015: \$22.0 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of \$10.6 million for the nine months ended 30 September 2016. The net cash flow from operating activities comprised a cash outflow of \$13.8 million arising due to an operating loss before changes in working capital; a cash inflow of \$5.2 million arising due to changes in working capital; and a cash outflow of \$1.9 million arising due to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of \$21.3 million for the nine months ended 30 September 2016. This was attributable mainly to an increase in non-trade receivables from joint ventures and related parties which generated a cash outflow of \$28.2 million and the purchase of plant and equipment which generated a cash outflow of \$1.1 million. The refund of a deposit paid generated a cash inflow of \$6.7 million and the proceeds from the disposal of plant and equipment generated a cash inflow of \$1.1 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of \$25.3 million for the nine months ended 30 September 2016. The aggregate repayment of bank loans during 9M 2016 amounted to \$42.8 million and the aggregate proceeds from new bank loans entered into during 9M 2016 totalled \$62.9 million. A net cash inflow of \$13.0 million was generated from the execution of loans from a related party, Pacific One Energy Limited, our majority shareholder. Interest paid on loans and convertible bonds during 9M 2016 incurred a cash outflow of \$9.3 million. The reduction of deposits pledged generated a cash inflow of \$2.2 million in 9M 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q3 2016 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 12 August 2016.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the offshore services sector continues to be affected by the volatility of oil prices which has reduced the demand for the rigs and related services. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services.

The Group seeks to manage our balance sheet to improve its financial position.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended for the current financial reporting period.

13. Interested persons transactions

The Group has the following interested person transactions (“IPT”) for the nine months ended 30 September 2016:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders’ mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
PT Dwi Sumber Arca Waja, its subsidiaries and its associates (“DSAW Group”) <ul style="list-style-type: none">Provision of goods and services to and from the DSAW Group	-	SGD 140,648
PT KS Drilling Indonesia and its subsidiaries (“JVC Group”) <ul style="list-style-type: none">Shareholder loan provided for the settlement of the corporate guarantee extended in favour of banks in respect of import duty bond extended by JVC Group, including issuance fees (the Additional Loan) *Expected interest income on Additional LoanInjection of shareholders’ loans pursuant to the Financing provided by KS Drilling to JVC Group **Net injection of funds by KS Drilling to JVC GroupTotal outstanding amount due from JVC Group including loan principal, accrued interest, rig management fees and guarantee fees as at the end of period	SGD 15,340,216 SGD 1,085,746 USD 14,622,511	SGD 8,717,040 USD 7,634,130 USD 40,752,462

<ul style="list-style-type: none"> Corporate guarantees extended in favour of banks in respect of loan facilities extended to JVC Group - Principal and accrued interest in respect of the bank loan facilities as at end of period *** 	-	-
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* On 22 January 2016, PT Java Star Rig (“PT JSR”, a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the “Additional Loan”). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 30 September 2016 was US\$14.2 million which has been advanced during the nine months ended 30 September 2016.

** With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 29 April 2016, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the “Financing”) to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd (“KS Drilling”), an 80% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 30 September 2016 was US\$37.2 million which has been used to finance the acquisition of the jack-up rig named “KS Java Star” and additional equipment required by the rig. Included in the US\$37.2 million balance is US\$7.7 million that has been advanced during the nine months ended 30 September 2016.

*** In 2013, KS Drilling extended a corporate guarantee in favour of a bank lending to PT Java Star Rig for 100% of a bank loan facility to finance the jack-up rig named “KS Java Star”. The principal amount outstanding in respect of the bank loan facility has now been fully repaid.

14. Negative confirmation pursuant to Rule 705 (5)

Provided below.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and the chief financial officer.

BY ORDER OF THE BOARD

Lai Kuan Loong Victor
Company Secretary
14 Nov 2016

NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

We, Kris Wiluan and Lim Ho Seng, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the period ended 30 September 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS TAENAR WILUAN
Executive Chairman and Chief Executive Officer

LIM HO SENG
Director

Singapore, 14 November 2016