KS ENERGY LIMITED
An Integrated Energy Services Hub

(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Period Ended 31 March 2018

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 (1st Quarter) 3 months ended		
	31.03.2018	**31.03.2017**	**Increase/ (Decrease)**
	$'000	**$'000**	
Revenue	11,355	5,756	97.3%
Cost of sales	(17,305)	(12,624)	37.1%
Gross loss	**(5,950)**	**(6,868)**	**(13.4%)**
Other income	2	688	(99.7%)
Administrative expenses	(4,470)	(4,566)	(2.1%)
Other operating expenses	(759)	(3,368)	(77.5%)
Results from operating activities	(11,177)	(14,114)	(20.8%)
Finance income	63	1,580	(96.0%)
Finance costs	(4,654)	(4,537)	2.6%
Share of results of joint ventures (net of tax)	(1,661)	(3,024)	(45.1%)
Loss before tax	**(17,429)**	**(20,095)**	**(13.3%)**
Income tax (expense) / credit	(194)	143	N/M
Loss for the period	**(17,623)**	**(19,952)**	**(11.7%)**
Results attributable to:			
Owners of the Company	**(13,920)**	**(16,874)**	**(17.5%)**
Non-controlling interests	(3,703)	(3,078)	20.3%
Loss for the period	**(17,623)**	**(19,952)**	**(11.7%)**

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review
There was no impact on the Income statement resulting from the adoption of Singapore Financial Reporting Standards (International). Please refer to paragraph 5 for more details

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

	Group (1st Quarter) 3 months ended		
	31.03.2018	31.03.2017	Increase/ (Decrease)
	$'000	$'000	
Amortisation of intangible assets	(42)	(50)	(16.0%)
Depreciation of plant and equipment	(7,607)	(7,195)	5.7%
Finance costs on convertible bonds	-	(1,480)	N/M
Finance costs on secured bonds	(1,500)	-	N/M
Interest expense on borrowings	(3,154)	(3,057)	3.2%
Impairment loss on loan to a joint venture	-	(3,031)	N/M
Foreign exchange (loss)/gain (net)	(91)	681	(113.4%)
Loss on disposal of asset held for sale	(363)	-	N/M
Adjustments for over provision of tax in respect of prior years	-	355	N/M

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		
	31.03.2018	31.12.2017	31.12.2016	31.03.2018	31.12.2017	31.12.2016
	$'000	$'000	$'000	$'000	$'000	$'000
		Restated*				
Current Assets						
Cash and cash equivalents	10,905	8,455	8,754	209	549	290
Amounts due from subsidiaries	-	-	-	211	221	222
Amounts due from joint ventures	-	8,306	1	-	1	-
Trade receivables	10,977	11,447	8,289	-	-	-
Contract work in progress	238	9	20	-	-	-
Inventories	218	222	240	-	-	-
Other assets	9,624	13,148	16,763	32	70	76
Asset held for sale	-	669	2,604	-	-	-
	31,962	**42,256**	**36,671**	**452**	**841**	**588**
Non-Current Assets						
Joint ventures	37,085	38,746	42,780	37,085	38,746	42,780
Amounts due from joint ventures	-	27,451	35,677	-	-	-
Subsidiaries	-	-	-	76,521	92,583	122,297
Plant and equipment	401,136	386,046	448,446	63	114	333
Intangible assets and goodwill	74	117	320	-	-	-
Other assets	391	617	968	-	-	301
Deferred tax assets	1,118	1,132	1,225	-	-	-
	439,804	**454,109**	**529,416**	**113,669**	**131,443**	**165,711**
Total assets	**471,766**	**496,365**	**566,087**	**114,121**	**132,284**	**166,299**
Current Liabilities						
Bank overdraft	-	-	3,434	-	-	-
Trade and other payables	24,721	27,295	25,966	1,798	1,270	3,430
Amounts due to joint ventures	73	78	44	69	64	32
Amounts due to subsidiaries	-	-	-	18,897	19,213	20,529
Provision for current tax	7,982	8,031	9,880	-	-	1,182
Financial liabilities	14,045	9,336	85,544	500	-	74,862
	46,821	**44,740**	**124,868**	**21,264**	**20,547**	**100,035**
Non-Current Liabilities						
Trade and other payables	632	555	540	-	-	-
Financial liabilities	389,814	398,727	343,124	71,828	70,514	-
Deferred tax liabilities	1,039	55	12	55	55	-
Provision for loss from joint venture	-	-	10,496	-	-	-
	391,485	**399,337**	**354,172**	**71,883**	**70,569**	**-**
Total liabilities	**438,306**	**444,077**	**479,040**	**93,147**	**91,116**	**100,035**
Net assets	**33,460**	**52,288**	**87,047**	**20,974**	**41,168**	**66,264**
Equity Attributable to Owners of the Company:						
Share capital	359,973	359,973	359,973	359,973	359,973	359,973
Equity reserve	18,007	18,007	17,685	18,007	18,007	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(10,010)	(8,476)	(9,045)	-	-	-
Other reserve	(3,750)	(3,750)	(3,750)	-	-	-
Accumulated losses	(322,811)	(308,896)	(281,522)	(330,641)	(310,447)	(285,029)
	15,044	**30,493**	**56,976**	**20,974**	**41,168**	**66,264**
Non-controlling interests	18,416	21,795	30,071	-	-	-
Total equity	**33,460**	**52,288**	**87,047**	**20,974**	**41,168**	**66,264**

** Refer to paragraph 5 for more explanation*
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 31.03.2018 $'000**	**Group 31.12.2017 $'000**
Secured	12,403	9,236
Unsecured	1,642	100
Total	14,045	9,336

Amount repayable after one year	**Group 31.03.2018 $'000**	**Group 31.12.2017 $'000**
Secured	375,856	383,727
Unsecured	13,958	15,000
Total	389,814	398,727

Amount repayable in total	**Group 31.03.2018 $'000**	**Group 31.12.2017 $'000**
Secured	388,259	392,963
Unsecured	15,600	15,100
Total	403,859	408,063

Included in unsecured borrowings repayable within one year as at 31 March 2018 was an amount of $600,000 relating to loans from related parties (31 December 2017: $100,000).

Included in secured borrowings repayable after one year as at 31 March 2018 are fixed rate secured bonds due 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was $66,828,000 (31 December 2017: $65,514,000).

Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. The 2017 Bonds are secured by a share charge in respect of the Company's shares in KS Drilling Pte Ltd and a negative pledge.

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	
	31.03.2018	**31.03.2017**
Operating activities	**$'000**	**$'000**
Loss before tax	(17,429)	(20,095)
Adjustments for:		
Amortisation of intangible assets	42	50
Depreciation of plant and equipment	7,607	7,195
Impairment loss on loan to a joint venture	-	3,031
Finance income	(63)	(1,580)
Finance costs	3,154	3,057
Finance cost on convertible bonds	-	1,480
Finance cost on secured bonds	1,500	-
Share of results of joint ventures, net of tax	1,661	3,024
Unrealised foreign exchange gain	(358)	-
Loss on disposal of asset held for sale	363	-
Operating loss before changes in working capital	(3,523)	(3,838)
Changes in working capital:		
Contract work in progress	(229)	4
Trade receivables	257	(3,093)
Other assets	3,875	3,336
Trade and other payables	(4,079)	1,588
Cash used in operations	(3,699)	(2,003)
Tax (paid)/refund	(63)	13
Net cash used in operating activities	**(3,762)**	**(1,990)**
Investing activities		
Proceeds arising to non-trade net receivables with joint ventures	(4)	(119)
Interest received	63	16
Acquisition of plant and equipment	(474)	(189)
Proceeds from sale of asset held for sale	295	-
Cash acquired on consolidation of investment previously accounted for as joint venture	9,041	-
Net cash from/(used in) investing activities	**8,921**	**(292)**
Financing activities		
Decrease in deposits pledged	921	1,089
Interest paid on borrowings	(2,191)	(1,741)
Proceeds from bank loans	-	4,983
Repayment of bank loans	(794)	(419)
Loan from related parties	500	398
Payment of transaction costs of bank loans	(13)	(27)
Net cash (used in)/from financing activities	**(1,577)**	**4,283**
Net increase in cash and cash equivalents	**3,582**	**2,001**
Cash and cash equivalents at beginning of the year	6,776	2,408
Effect of exchange rate changes on balances held in foreign currencies	(210)	(228)
Cash and cash equivalents at end of the year	**10,148**	**4,181**
Cash and cash equivalents at end of the year includes the following:		
Cash and cash equivalents	10,905	8,212
Bank overdraft	-	(2,209)
Cash and cash equivalents (net)	10,905	6,003
Deposits pledged	(757)	(1,822)
Cash and cash equivalents at end of the year	**10,148**	**4,181**

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

1(d) Statement of Comprehensive Income

	Group (1st Quarter) 3 months ended		
	31.03.2018	31.03.2017	Increase/ (Decrease)
	$'000	$'000	%
Loss attributable to:			
Owners of the Company	(13,920)	(16,874)	(17.5)
Non-controlling interests	(3,703)	(3,078)	20.3
Loss for the period	**(17,623)**	**(19,952)**	(11.7)
Other comprehensive expense for the period:			
Defined benefit plan remeasurements	6	-	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(1,899)	(4,830)	(60.7)
Other comprehensive expense for the period	**(1,893)**	**(4,830)**	(60.8)
Total comprehensive expense for the period	**(19,516)**	**(24,782)**	(21.2)
Total comprehensive expense attributable to:			
Owners of the Company	(15,449)	(20,760)	(25.6)
Non-controlling interests	(4,067)	(4,022)	1.1
Total comprehensive expense for the period	**(19,516)**	**(24,782)**	(21.2)

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.

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated losses	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,896)	30,493	21,795	52,288
Loss for the period	-	-	-	-	-	(13,920)	(13,920)	(3,703)	(17,623)
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	-	-	-	(1,534)	-	-	(1,534)	(365)	(1,899)
Defined benefit plan remeasurements	-	-	-	-	-	5	5	1	6
Total other comprehensive expense	-	-	-	(1,534)	-	5	(1,529)	(364)	(1,893)
Total comprehensive expense for the period	**-**	**-**	**-**	**(1,534)**	**-**	**(13,915)**	**(15,449)**	**(4,067)**	**(19,516)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	688	688
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**688**	**688**
At 31 March 2018	**359,973**	**18,007**	**(26,365)**	**(10,010)**	**(3,750)**	**(322,811)**	**15,044**	**18,416**	**33,460**

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated losses	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2017, as previously stated	359,973	17,685	(26,365)	(9,045)	(3,750)	(281,522)	56,976	30,071	87,047
Impact of change in accounting policy	-	-	-	9,045	-	(9,079)	(34)	-	(34)
At 1 January 2017, as restated	359,973	17,685	(26,365)	-	(3,750)	(290,601)	56,942	30,071	87,013
Total comprehensive expense for the year									
Loss for the period	-	-	-	-	-	(16,874)	(16,874)	(3,078)	(19,952)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	(3,886)	-	-	(3,886)	(944)	(4,830)
Total other comprehensive expense	**-**	**-**	**-**	(3,886)	-	-	(3,886)	(944)	(4,830)
Total comprehensive expense for the period	**-**	**-**	**-**	**(3,886)**	**-**	**(16,874)**	**(20,760)**	**(4,022)**	**(24,782)**
At 31 March 2017, as restated	**359,973**	**17,685**	**(26,365)**	**(3,886)**	**(3,750)**	**(307,475)**	**36,182**	**26,049**	**62,231**

Company	Share capital	Equity reserve	Treasury shares	Accumulated losses	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	359,973	18,007	(26,365)	(310,447)	41,168
Loss for the period	-	-	-	(20,194)	(20,194)
Total comprehensive expense for the period	**-**	**-**	**-**	**(20,194)**	**(20,194)**
At 31 March 2018	**359,973**	**18,007**	**(26,365)**	**(330,641)**	**20,974**
At 1 January 2017	359,973	17,685	(26,365)	(285,029)	66,264
Loss for the period	-	-	-	(17,369)	(17,369)
Total comprehensive expense for the period	**-**	**-**	**-**	**(17,369)**	**(17,369)**
At 31 March 2017	**359,973**	**17,685**	**(26,365)**	**(302,398)**	**48,895**

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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 2018 to 31 March 2018. The Company did not have any subsidiary holdings as at 31 March 2018 (31 December 2017: Nil).

As at 31 March 2018 and 31 December 2017, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares.

<u>Convertible Bonds</u>

As at 31 March 2018 and 31 December 2017, there were no convertible bonds outstanding.

<u>Warrants</u>

On 8 December 2017, the Company issued 65.5 million non-listed bonus warrants pursuant to the issue of $65.5 million aggregate principal value of secured fixed rate bonds due 2020. Each warrant carries the right to subscribe for one fully-paid ordinary share of the Company at an initial exercise price of $0.045 per new share. The warrants, unless previously exercised, will expire on 8 December 2020.

As at 31 March 2018, the Company has 65,500,000 warrants outstanding (31 December 2017: 65,500,000).

<u>KS Energy Performance Share Plan (the "Plan")</u>

As at 31 March 2018, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009.

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 31 March 2018 and 31 December 2017, 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, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of treasury shares as at 31 March 2018 (31 March 2017: Nil).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 March 2018 (31 March 2017: Nil).

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 2017.

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.

The Group adopted all the applicable Singapore Financial Reporting Standards (International) ("SFRS(I)") and related Interpretations ("INT SFRS(I)") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The impact of the adoption of the SFRS(I) and INT SFRS(I) that is effective from 1 January 2018 by the Group are as follows:

(i) SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group adopted SFRS(I) effective 1 January 2018, the Group will therefore apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve ("FCTR") for all foreign operations to $Nil at the date of transition, and reclassify the cumulative FCTR of $9,045,058 as at 1 January 2017 determined in accordance with FRS at that date to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Applying the optional exemption provision per SFRS(I) 1, the Group has reclassified $9,045,058 from its foreign currency translation reserve to accumulated losses on 1 January 2017.

(ii) SFRS(I) 9 Financial Instruments

With effect from 1 January 2018, The Group adopted the simplified approach and record lifetime expected credit loss ("ECL") on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group took advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the Group has increased the impairment for trade receivables by $33,985 and increased accumulated losses by the same amount as at 1 January 2018.

(iii) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 with effect from 1 January 2018, with no significant impact on the Group's financial statements upon its adoption. Accordingly, comparative financial information presented in this announcement has not been restated for SFRS(I) 15.

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 (1st Quarter) 3 months ended	
	31.03.2018	**31.03.2017**
Earnings per ordinary share:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	(2.70)	(3.27)
(b) On a fully diluted basis	(2.70)	(3.27)

The basic and diluted earnings per share for the three months ended 31 March 2018 was calculated by dividing the loss attributable to shareholders of $13,920,000 (31.03.2017: $16,874,000) by the weighted average number of shares in issue during the financial period.

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

The diluted earnings per share computations have not taken into consideration the effects of outstanding warrants issued along with the 2017 Bonds as at 31 March 2018, nor the convertible bonds as at 31 March 2017, as they are anti-dilutive pursuant to para 41 of SFRS(I) 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	
	31.03.2018	**31.12.2017**	**31.03.2018**	**31.12.2017**
	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	2.9	5.9	4.1	8.0

The net asset values per ordinary share of the Group and Company have been computed based on the 515,601,215 ordinary shares issued as at 31 March 2018 (31.12.2017: 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 31 March 2018

	Group (1st Quarter) 3 months ended		
	31.03.2018	**31.03.2017**	**Change**
Revenue by segment	**$'000**	**$'000**	
Drilling	11,334	5,682	99.5%
Engineering	21	74	-71.6%
	11,355	**5,756**	**97.3%**

Overview

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

Results for the three months ended 31 March 2018 ("Q1 2018")

The consolidated revenue was $11.4 million for Q1 2018, an increase of $5.6 million, or 97.3%, above that of $5.8 million reported for the three months ended 31 March 2017 ("Q1 2017") due to the higher revenue from the Drilling segment.

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. KSDI and its subsidiaries is referred to as the "JVC Group".

The consolidated loss after tax was $17.6 million for Q1 2018, an improvement of $2.4 million compared to the consolidated loss after tax of $20.0 million reported for Q1 2017. The improvement was mainly due to:

i. smaller losses from operating activities which reduced by $2.9 million and was mainly due to:
    a. a $0.9 million improvement in gross profit from a $6.9 million loss in Q1 2017 to a $6.0 million loss in Q1 2018;
    b. a $0.1 million decrease in Administrative Expenses from $4.6 million in Q1 2017 to $4.5 million in Q1 2018;
    c. a $2.6 million decrease in Other Operating Expenses from $3.4 million in Q1 2017 to $0.8 million in Q1 2018; and offset by
    d. a $0.7 million decrease in Other Income from $0.7 million in Q1 2017 to $0 in Q1 2018.

ii. a $1.3 million smaller loss from share of results from joint ventures, from a $3.0 million loss in Q1 2017 to a $1.7 million loss in Q1 2018;

iii. a $0.2 million increase in Finance Costs from $4.5 million in Q1 2017 to $4.7 million in Q1 2018; and

iv. a $0.3 million increase in tax expense from a $0.1 million credit in Q1 2017 to a $0.2 million expense in Q1 2018; offset by

v. a $1.5 million decrease in Finance Income from $1.6 million in Q1 2017 to $0.1 million in Q1 2018.

Revenue

The consolidated revenue was $11.4 million in Q1 2018, an increase of $5.6 million, or 97.3%, above that of $5.8 million reported for Q1 2017.

Revenue from the Drilling business increased $5.7 million, or 99.5%, from $5.7 million for Q1 2017 to $11.4 million for Q1 2018. The higher revenue resulted from higher fleet utilisation following the award of charter contracts. Revenue contribution from the Drilling business made up about 99.8% of the Group's consolidated revenue for Q1 2018.

Revenue from the Engineering business decreased $0.1million, or 71.6%, $0.1 million for Q1 2017 to $0 for Q1 2018. The low revenue resulted from the lack of new projects. Revenue contribution from the Engineering business made up about 0.2% of the Group's consolidated revenue for Q1 2018.

Gross Margin

The gross loss of $6.0 million for Q1 2018 was $0.9 million, or 13.4%, smaller than the gross loss of $6.9 million reported for Q1 2017. The smaller gross loss in Q1 2018 was the net result of a $4.7 million increase in cost of sales and a $5.6 million increase in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation which increased by $0.5 million from $7.0 million in Q1 2017 to $7.5 million in Q1 2018. The higher depreciation charge in Q1 2018 was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

The gross loss margin decreased from 119.3% in Q1 2017 to 52.4% in Q1 2018.

Other Income

Other income decreased by $0.7 million from $0.7 million for Q1 2017 to $0 for Q1 2018. Other income mainly comprised foreign exchange gains and other income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $0.1 million from $4.6 million in Q1 2017 to $4.5 million in Q1 2018 mainly due to reduced staff costs.

Other operating expenses decreased $2.6 million from $3.4 million in Q1 2017 to $0.8 million in Q1 2018 mainly due to:

i. A $3.0 million decrease in impairment losses on a loan to a joint venture which decreased from $3.0 million in Q1 2017 to $0 in Q1 2018 due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture; offset with
ii. A $0.3 million loss on disposal of an asset held for sale in Q1 2018; and
iii. A $0.1 million increase in foreign exchange losses which increased from $0 in Q1 2017 to $0.1 million in Q1 2018.

Finance Income and Costs

Finance income decreased by $1.5 million from $1.6 million in Q1 2017 to $0.1 million in Q1 2018. The finance income was mainly derived from interest income on loans provided to a joint venture and has decreased due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

Finance costs increased $0.2 million from $4.5 million in Q1 2017 to $4.7 million in Q1 2018 due to higher overall interest rates in Q1 2018.

Share of results of Joint Ventures

The Group's share of results from joint ventures decreased $1.3 million from a loss of $3.0 million for Q1 2017 to a loss of $1.7 million for Q1 2018. The loss in Q1 2018 is due to losses recorded by the Distribution business. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") decreased $1.3 million from a loss of $3.0 million for Q1 2017 to a loss of $1.7 million for Q1 2018.

Tax expense

The tax expense increased by $0.3 million from a tax credit of $0.1 million in Q1 2017 to an expense of $0.2 million in Q1 2018 due to adjustments for the overprovision of tax in prior years.

Result Attributable to Shareholders

The result attributable to Owners of the Group was a loss of $13.9 million for Q1 2018 which was $3.0 million smaller than the loss of $16.9 million reported for Q1 2017.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased $14.3 million from $454.1 million as at 31 December 2017 to $439.8 million as at 31 March 2018.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet increased by $16.4 million from $322.5 million as at 31 December 2017 to $338.9 million as at 31 March 2018 mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture offset by depreciation charges, and foreign exchange impacts. The carrying value of assets under construction decreased by $1.0 million from $62.6 million as at 31 December 2017 to $61.6 million as at 31 March 2018 mainly due to the foreign exchange impacts.

The carrying value of joint ventures decreased $1.6 million from $38.7 million as at 31 December 2017 to $37.1 million as at 31 March 2018 mainly due to the Group's share of results from the joint ventures. Joint ventures comprise the 55.35% equity interest in the KS Distribution Group, with a carrying amount of $37.1 million as at 31 March 2018.

Non-current amounts due from joint ventures decreased by $27.5 million from $27.5 million as at 31 December 2017 to $0 as at 31 March 2018. The decrease was due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

Total current assets decreased $10.3 million from $42.3 million as at 31 December 2017 to $32.0 million as at 31 March 2018. The decrease in current assets was mainly due to lower amounts due from joint ventures and trade receivables, other assets and offset by higher cash and cash equivalents. Amounts due from joint ventures decreased $8.3 million due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. Trade receivables decreased $0.4 million from $11.4 million as at 31 December 2017 to $11.0 million as at 31 March 2018 due to the lower revenue in Engineering business and foreign exchange impacts. Other current assets decreased $3.5 million from $13.1 million as at 31 December 2017 to $9.6 million as at 31 March 2018 (see table below).

The carrying value of asset held for sale as at 31 March 2018 was $0 (31 December 2017: $0.7 million). It was disposed in Q1 2018.

The breakdown of "other current assets" is shown below:

	31.03.2018 $'000	31.12.2017 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	**85**	128	(43)
Withholding tax recoverable	**1,371**	1,480	(109)
Value-added tax receivable	**3,466**	4,865	(1,399)
Deferred operating expenses	**1,648**	2,768	(1,120)
Other debtors	**1,785**	1,832	(47)
Advanced payments to suppliers	**875**	1,594	(719)
Prepayments	**394**	481	(87)
Other Current Assets	**9,624**	**13,148**	**(3,524)**

The decrease in other current assets was mainly 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.

Total liabilities decreased $5.8 million, or 1.3%, from $444.1 million as at 31 December 2017 to $438.3 million as at 31 March 2018. This was principally attributable to a $4.2 million decrease in total borrowings from $408.0 million as at 31 December 2017 to $403.8 million as at 31 March 2018, mainly due to foreign exchange impacts.

Within current liabilities, trade and other payables decreased $2.6 million from $27.3 million as at 31 December 2017 to $24.7 million as at 31 March 2018.

As at 31 March 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $14.9 million and $20.8 million respectively. As at 31 December 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 million respectively.

Continuing to improve the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 31 March 2018 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 activities

   Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating 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, 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 non-core assets where possible.

iii. Financing plans

   The Group seeks additional working capital facilities to cover any cash shortfalls. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $14.0 million of current borrowings as and when they fall due.

The Group has a capital commitment of $248.2 million for an asset under construction due on 31 December 2018 and a capital commitment of $222.0 million for an asset under construction due on 31 December 2019. The Group plans to seek the necessary financing closer to the date of delivery and is expected to have sufficient resources to meet the capital commitments of the Group.

Secured current borrowings increased $3.2 million from $9.2 million as at 31 December 2017 to $12.4 million as at 31 March 2018 and secured non-current borrowings decreased $7.8 million from $383.7 million as at 31 December 2017 to $375.9 million as at 31 March 2018. The net decrease in secured borrowings was mainly due changes in foreign exchange rates as the secured bank loans are denominated in foreign currencies.

Unsecured current borrowings increased $1.5 million from $0.1 million as at 31 December 2017 to $1.6 million as at 31 March 2018 due to the loans from a related party and the reclassification of unsecured bank loans from non-current borrowings to current borrowings as at 31 March 2018.

Unsecured non-current borrowings decreased from $15.0 million as at 31 December 2017 to $14.0 million as at 31 March 2018 due to the reclassification of unsecured bank loans from non-current borrowings to current borrowings as at 31 March 2018.

STATEMENT OF CASH FLOWS REVIEW

As at 31 March 2018, cash and cash equivalents amounted to $10.9 million (31 March 2017: $6.0 million), of which unpledged cash and cash equivalents amounted to $10.1 million (31 March 2017: $4.2 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $3.8 million for the three months ended 31 March 2018. The net cash outflow from operating activities comprised a cash outflow of $3.5 million arising due to operating losses before changes in working capital; a cash outflow of $0.1 million arising due to income taxes paid; and a cash outflow of $0.2 million arising due to changes in working capital.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an inflow of $8.9 million for the three months ended 31 March 2018. This was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture which generated a cash inflow of $9.0 million; proceeds from sale of asset held for sale of $0.3 million; interest received of $0.1 million; offset with the acquisition of plant and equipment which incurred cash outflow of $0.5 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $1.6 million for the three months ended 31 March 2018. Interest paid during Q1 2018 generated a cash outflow of $2.2 million and the repayment of bank loans during Q1 2018 amounted to $0.8 million. A reduction of deposits pledged generated a cash inflow of $0.9 million during Q1 2018. New loans from a related party generated a net cash inflow of $0.5 million.

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 Q1 2018 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 28 February 2018.

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 current trend in oil prices indicates the probability of a better business environment for the offshore services sector. If this trend sustains, it would be reasonable to expect opportunities to eventuate for companies such as KS Energy at least through the medium term. The Group seeks to manage its 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 transaction

The Group has the following interested person transactions ("IPT") for the first three months of the financial year ended 31 March 2018:

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 KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing [2]		SGD 833,768
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD 29,499*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period* [1]	*USD 2,771,044*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period*	*USD 464,348*	
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period* [2]		*USD 46,513,181*

(1) 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 31 March 2018 was US$0.9 million.

(2) 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 27 April 2017, 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 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 March 2018 was US$37.7 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$37.7 million balance is US$0.03 million that has been advanced during the current financial year to 31 March 2018.

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 chief financial officer.

BY ORDER OF THE BOARD

Lai Kuan Loong, Victor
Company Secretary
11 May 2018

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

We, Kris Wiluan and Soh Gim Teik, 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 31 March 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS WILUAN
Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 11 May 2018