KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

The Board of Directors (the "**Board**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to respond to the questions raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 16 August 2019 in relation to the Company's unaudited financial statements for the second quarter and 6-month period ended 30 June 2019 (the "**Financial Statements**") released to the SGX-ST on 14 August 2019 (the "**Announcement**") as follows:

SGX-ST'S QUESTIONS:

1. We note that the Company has stated on page 16 of Financial Statements that "trade receivables" increased $1.3 million due to "*changes in regular collection patterns over the terms of contracts*". Please clarify what does "*changes in regular collection patters*" mean and provide the aging of the "trade receivables" on page 3 of the Financial Statements and set out the Company's efforts to collect there "trade receivables". In addition, please clarify if the Company has conducted impairment testing on these "trade receivables".

   Company's Reponses to question 1:

   Aging of the trade receivables as at 31 December 2018 and 30 June 2019:

In S$'000	Current	1-30 days	over 30 days	Total
As at 31-Dec-2018	597	0	1,161	1,758
As at 30-Jun-2019	2,155	126	825	3,106
Increase / (decrease)	1,558	126	(336)	1,348

   The comment given in relation to the increase in trade receivables i.e. "*changes in regular collection patterns over the terms of contracts*" was intended to convey that over the term of a charter contract, we would expect some variability in the time taken by customers to process payments and thereby lead to some variability in "trade receivables". The Group is not experiencing any slow collections beyond normal commercial terms.

   Since 30 June 2019, the Group has collected just over S$2.0 million of the trade receivables outstanding as at 30 June 2019. The Group assesses and evaluates whether credit losses are expected on receivables and, if so, determines an impairment loss allowance which is deducted from the gross carrying amount of the receivable.

2. We note that the Company has stated on page 17 of the Financial Statements that the Company was "*in a net liability position of $26.4 million*". In this regard, please provide:

   (i) the Board of Directors' assessment of the Group's ability to continue as a going concern and the bases for the said assessment;
   (ii) the Board Directors' opinion as to whether trading in shares of the Company should be suspended pursuant to Listing Rule 1303(3); and
   (iii) the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading to continue in an orderly manner.

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Company's Reponses to question 2(i):

The Board believes the Group will continue as a going concern. Included on page 17 of the Announcement was the following explanation:

The financial statements for the 6-months ended 30 June 2019 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's 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. During FY2019, the Group has so far secured future work for its rigs in South East Asia with a combined value of US$38.4 million (please refer to the announcements dated 22 February, 4 April, 28 June and 16 July 2019 for more details). This amount is consistent with the expectation of at least US$30 million mentioned in our full-year 2018 results announcement released on 27 February 2019.

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. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US$1.2 million over the course of FY2019. The Group shall continue to work closely with its bankers to allow the Group to meet its debt obligations as and when they fall due.

Following the termination of the rig construction contracts, the Group ceases to have capital commitments of $256.4 million and $229.3 million for assets under construction, as previously reported.

In view of the continuing credit facilities being made available to the Group, for at least another twelve months from the reporting date, and together with the mentioned plans, the Group believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above cash flow analysis, management acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

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

- The successful continuation of the plans to divest surplus assets.

The Board confirms the going concern basis remains premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's operating activities and surplus asset divestments.

Management has critically assessed the cash flow forecast of the Group for the next twelve months and has concluded that there will be sufficient cash flows and resources to allow the Group to continue its operations and meet its obligations for the foreseeable future, subject to successful completion of the stated plans. The Board is therefore of the opinion that the Group will continue as going concerns as these stated plans remain on track.

Company's Reponses to question 2(ii):

With reference to the Company's response to question 2(i), the Board's opinion is the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

Company's Reponses to question 2(iii):

The Board of the Company confirms that sufficient information has been disclosed in the Announcement for the trading of the Company's securities to continue in an orderly manner as to the best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

~~20~~ 19 August 2019

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