
**RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S ANNOUNCEMENT
DATED 13 SEPTEMBER 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 17 September 2019 in relation to the Company's announcement entitled "Emphasis of matter by independent auditors" released to the SGX-ST on 13 September 2019 (the “**Announcement**”) as follows:

SGX-ST'S QUESTIONS:

1. We refer to the announcement issued by the Company on 13 September 2019 entitled "Emphasis of matter by independent auditors". Please disclose the following:
 - (i) the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment;
 - (ii) the Board of Directors' opinion as to whether trading of KS Energy Limited's shares 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 of KS Energy Limited's shares to continue in an orderly manner; and the bases for its views.

Company's Responses to question 1(i):

The Board believes the Group will continue as a going concern. KS Drilling Pte Ltd (“**KS Drilling**”) is the principal subsidiary of KS Energy Limited. Included on page 2 of the Announcement was an extract of Note 2.1 to the audited financial statements of KS Drilling for the financial year ended 31 December 2018, with the following explanation:

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of US\$74,915,000 (2017: US\$24,492,000) for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceed current assets by US\$9,500,000, and the Company had a deficit in shareholders' equity of US\$8,827,000. The financial statements for the year ended 31 December 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 the (i) Group's operating activities and (ii) financing plans.

(i) Operating activities

Management expects to generate positive cash flows from existing rig charter contracts and prospective rig charter contracts sufficient to meet its working capital needs.

(ii) Financing plans

Management has considered that the Group currently has an in-principle debt moratorium on the principal and interest on the bank loans with carrying amounts of US\$246,347,000 (Group) and US\$233,000,000 (Company). Such an in-principle moratorium dated 27 August 2019, which expires on 31 July 2020 (the “relevant period”), implies that the repayment of certain loan principals and interests during the relevant period are deferred.

During the moratorium period, the Company continues to negotiate with the lender to restructure the loans.

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 additional operating cash flow generating activities as described in the preceding paragraphs, management believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above, management acknowledges that there remains uncertainties over the ability of the Group which includes:

- the eventual conclusion and timing of execution of several rigs charter contracts currently subject to on-going negotiations with prospective customers; and*
- the completion of the loan restructuring plan post-moratorium period.*

This indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

The Board 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 financing plans.

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 a going concern as these stated plans remain on track.

Company's Responses to question 1(ii):

With reference to the Company's response to question 1(i), the Board's opinion is the Company's securities should not be suspended pursuant to Listing Rule 1303(3).

Company's Responses to question 1(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.

2. Please clarify the impact of the auditors' comments on KS Drilling Pte Ltd as well as KS Energy Limited.

Company's Responses to question 2:

KS Drilling is the principal subsidiary of KS Energy Limited and their financial results are consolidated within the financial results of the Group. If for any reason KS Drilling is unable to continue as a going concern, it could have an impact on KS Drilling's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish

liabilities in the normal course of business at the amounts stated in the financial statements. If any such impact were to materialise, there would also be a corresponding impact on the financial statements of the Group. However, as explained in the Company's responses to question 1 above, the Board believes there are reasonable grounds to believe that the Group will continue as a going concern.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Marilyn Tan Lay Hong
Joint Company Secretary

18 September 2019

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