

(A) INTERNAL REORGANISATION OF THE SUBSIDIARIES OF KS ENERGY LIMITED (THE “INTERNAL REORGANISATION”);

(B) PROPOSED PURCHASE OF S\$30,000,000 FIXED RATE SECURED BONDS DUE 2020 FROM OVERSEA-CHINESE BANKING CORPORATION LIMITED BY KS ENERGY LIMITED (THE “PROPOSED KSE BOND PURCHASE”);

(C) PROPOSED ISSUE OF S\$35,000,000 FIXED RATE UNSECURED BONDS DUE 2021 BY KS RESOURCES PTE. LTD. (THE “PROPOSED KSR BONDS ISSUANCE”);

(D) PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE LTD (“PROPOSED DISPOSAL”);

(E) ENTRY INTO MUTUAL RELEASE DEED;

(F) PROPOSED PURCHASE OF THE FIXED RATE SECURED BONDS DUE 2020 (“EXISTING KSE BONDS”) HELD BY PACIFIC ONE ENERGY LIMITED (“POEL”) AND MDM HEDY WILUAN (“HW”) (THE “PROPOSED KSE BOND PURCHASE FROM POEL AND HW”); AND

(G) PROPOSED ISSUANCE OF NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED TO POEL AND HW AS CONSIDERATION IN CONNECTION WITH THE PROPOSED KSE BOND PURCHASE (“PROPOSED ISSUANCE OF CONSIDERATION SHARES”),

(COLLECTIVELY, THE “PROPOSED TRANSACTIONS”)

*All capitalised terms used herein shall have the definitions ascribed to them in the announcements dated 26 May 2017, 1 August 2017, 29 September 2017, 4 October 2017, 8 December 2017, 7 June 2018, 9 July 2018, 19 October 2018, 9 November 2018 and 16 November 2018 (the “**Previous Announcements**”), unless otherwise stated or context otherwise requires.*

1. INTRODUCTION

The board of directors (the “**Directors**”) of KS Energy Limited (the “**Company**”) refers to the announcements dated 19 October 2018, 9 November 2018 and 16 November 2018 in relation to (i) the Internal Reorganisation; (ii) the Proposed KSE Bond Purchase; (iii) the Proposed KSR Bond Issuance; (iv) the Proposed Disposal; (v) the entry into the Mutual Release Deed; (vi) the Proposed KSE Bond Purchase from POEL and HW; and (vii) the Proposed Issuance of Consideration Shares (the “**Previous Announcements**”). Capitalised terms used herein shall, unless otherwise defined, have the meanings ascribed to them in the Previous Announcements.

2. EXTENSION OF LONG-STOP DATE

On 30 November 2018, the Company and the respective parties to the agreements have entered into supplemental deeds to extend the Long-Stop Date from 30 November 2018 to 31 December 2018 of the following agreements:

- (a) The sale and purchase agreement between the Company and KSR to transfer the 55.35% shareholding interest held in KS Distribution to KSR;
- (b) The sale and purchase agreement between the Company and ACH Distribution Pte. Ltd. in relation to the proposed disposal of 100% of the existing issued share capital of KSR; and
- (c) KSR Bond Subscription Agreement between OCBC, the Company and KSR.

3. EXTRAORDINARY GENERAL MEETING IN CONNECTION WITH THE PROPOSED DISPOSAL

Upon consultation with SGX-ST, the Company notes that KS Distribution and its subsidiaries represent a core asset of the Group and that shareholders' approval is required prior to the Proposed Disposal. The Company has on 22 November 2018 applied to the SGX-ST for waiver to comply with Rule 1014 of the Listing Manual in respect of the Proposed Disposal ("**Waiver Application**"). Rule 1014(1) of the Listing Manual states that where any of the relative figures as computed based on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a major transaction. Rule 1014(2) of the Listing Manual states that a major transaction must be made conditional upon approval by shareholders in a general meeting.

The reasons for the Waiver Application are as follows:

(a) The Proposed Disposal of KSR includes KS Distribution and debt liabilities

The Company acknowledges the relative figures under Rule 1006 would exceed 20% if computed based on the net asset value of KS Distribution alone. However, the Proposed Disposal relates to the disposal of KSR which will not only hold the shares of KS Distribution but also certain debt liabilities. The relative figures under Rule 1006 do not exceed 20% for KSR.

(b) The Proposed Disposal is to an independent third party

The Purchaser was identified pursuant to discussions with a bondholder. The Purchaser is not in any way related to the Company, its directors, the management or its substantial shareholders.

The Company wishes to proceed with completing the Proposed Disposal as soon as possible to provide increased deal certainty. If the waiver is not obtained and prior approval of Shareholders is required for the Proposed Disposal, the timeline to closing the Proposed Disposal would be materially extended, which may adversely affect the Proposed Disposal. The Purchaser has also entered separately into an agreement to acquire the shares of KS Distribution held by the joint venture partner, Actis and wishes to complete the transactions simultaneously.

(c) KS Distribution is a joint venture of the Group

The financial results of KS Distribution are not consolidated line-by-line into the financial statements of the Group. Instead, the financial results of KS Distribution are equity accounted by the Group as a joint venture. The core businesses of the Group that are consolidated line-by-line in the financial statements of the Group are the Drilling business and the engineering business. These comprise 100% of the Group's revenue in the financial year ended 31 December 2017. The Company is not involved in the day to day management of the distribution business and the disposal of KS Distribution will not have a significant impact on the operations of the rest of the Group as their operations are independent.

The Company has disclosed its intentions to dispose of assets, including KS Distribution, since the year ended 31 December 2015.

(d) Support of majority shareholder

The Company has obtained confirmation from its majority Shareholder, Pacific One Energy Limited ("**POEL**"), which holds 59.79% of the issued share capital (excluding treasury shares) of the Company (as at the date of this announcement) that it is supportive of the Proposed Disposal and would, if required, vote in favour of the Proposed Disposal.

(e) Financial benefits to the Group

The Board is of the view that the terms of the Proposed Disposal are attractive considering the recent performance of KS Distribution and current market conditions. KS Distribution has been loss making in recent years and the Company has not received a dividend from KS Distribution since 2015. The Company has recorded losses from its share of results from KS Distribution of \$2.9 million for the six-months ended 30 June 2018 and \$14.0 million for the 12-months ended 31 December 2017.

The Company's proceeds from the Proposed Disposal will be S\$1.643 million but it will also divest debt liabilities with a carrying value of \$37.0 million as at 30 September 2018 thereby significantly reducing the Company's finance costs going forward.

The Proposed Disposal is undertaken as part of the restructuring of the Group and to reduce its debt liabilities. It will allow the Company to strengthen its financial position. The Proposed Disposal is essential to the Group's continued development and operation as it will result in a substantial reduction in losses, a significant lowering of liabilities and a cash inflow.

With the Proposed Disposal, the Group will focus on its current businesses of capital equipment charter, the provision of drilling and rig management services and specialised engineering and fabrication. There shall be no change in business profile of the Group following the Proposed Disposal.

(f) Proposed Extraordinary General Meeting to be held after the Completion Date (if required)

If required by the SGX-ST, the Company shall arrange to convene an extraordinary general meeting to seek shareholders' ratification for the Proposed Disposal within 3 months from the Completion Date.

Based on the Company's submissions and representations to the SGX-ST, the SGX-ST has on 29 November 2018 approved in-principle the Waiver Application ("**SGX AIP**"), subject to the following:

- (a) Unanimous approval of the Directors of the Company for the Proposed Disposal;
- (b) Submission of a written undertaking from the Company that it will seek Shareholders' ratification for the Proposed Disposal at an extraordinary general meeting ("**EGM**") to be convened within three (3) months from the completion of the Proposed Disposal;
- (c) The Company procuring written irrevocable undertakings from Shareholders holdings shares that carry more than 50% of the voting rights of the Company that:-
 - i. They will vote in favour of the resolution to ratify the Proposed Disposal at the EGM to be convened; and
 - ii. They will not dispose of any part of their existing shares in the Company before and on the date of the EGM;
- (d) Submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company; and

- (e) The Company's announcement via SGXNet of:-
- i. The grant of the waiver, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;
 - ii. Full details of the Proposed Disposal including information required under Listing Rule 1010; and
 - iii. Unanimous approval of the Directors of the Company for the Proposed Disposal.

In that regard, the supplemental deed entered into by the Company and ACH Distribution Pte. Ltd. has also amended the sale and purchase agreement between the Company and ACH Distribution Pte. Ltd. (the "**Original Agreement**") as follows:

- (a) Clause 5.2 of the Original Agreement shall be deleted and replaced with the following:

"all approvals, consents, and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority, bank or financial institution (including the waiver from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the Vendor to obtain shareholders' approval for the sale and purchase of the Stake prior to Completion but excluding the actual shareholders' approval) for the sale and purchase of the Stake being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such approval, consents, and/or waivers are granted or obtained subject to any conditions, and if such conditions affect any of the parties, such conditions being acceptable to the party concerned, and if such conditions are to be fulfilled before Completion, such conditions being fulfilled before Completion;"

- (b) A new Clause 5A shall be inserted into the Original Agreement as follows:

"5A. CONDITION SUBSEQUENT

5A.1 The Vendor undertakes to seek shareholders' ratification for the sale and purchase of the Stake at an extraordinary general meeting to be convened within three (3) months from Completion. Notwithstanding the foregoing, the Parties agree that title of the Stake shall pass to the Purchaser upon Completion.

5A.2 If shareholders' ratification for the sale and purchase of the Stake is not sought for any reason whatsoever, the Parties agree that title of the Stake shall remain with the Purchaser and the Purchaser shall not be obliged to transfer the Stake back to the Vendor unless the Purchaser has (i) received a full refund of the Consideration from the Vendor and (ii) received full repayment of all outstanding loans extended by it to the Company on or around Completion, of an amount in aggregate not more than S\$40 million, within four (4) months from the date of this Supplemental Deed. In the event that the Stake has been transferred back to the Vendor, the Purchaser shall ensure that the Stake is transferred free from all charges, liens, mortgages and other Encumbrances."

4. SGX AIP

The Directors would like to update that:

- i. The Company has obtained unanimous approval of the Directors for the Proposed Disposal on 18 October 2018 and has satisfied paragraph (a) of the SGX AIP as stated above;
- ii. The Company shall submit an undertaking to seek Shareholders' ratification for the Proposed Disposal at an EGM to be convened, as well as a confirmation that the waiver does not contravene any laws and regulations governing the Company to satisfy paragraph (b) and (d) of the SGX AIP;
- iii. The Company has received an undertaking from POEL on 22 November 2018, which holds 59.79% of the voting shares of the Company (the "**Relevant Shares**"), (i) to vote, and to procure its representative or proxy to vote, in favour of any resolution(s) relating to the Proposed Disposal proposed to be passed at the upcoming EGM, and (ii) to ensure that none of the beneficial interests in the Relevant Shares that it legally and beneficially owns are sold, transferred or otherwise disposed of during the period between the date of the undertaking and the date of the EGM without prior written consent of the Company and has satisfied paragraph (c) of the SGX AIP; and
- iv. Full details of the Proposed Disposal including information required under Listing Rule 1010 have been disclosed in the announcements on 19 October 2018 and the responses to SGX queries on 16 November 2018 and the Company has hence satisfied paragraph (e)(ii) of the SGX AIP.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the supplemental deeds are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 19 Jurong Port Road Singapore 619093 for a period of three (3) months from the date of this announcement.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have individually and collectively reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly. Where any information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

7. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement, the Previous Announcements, and any further announcements by the Company carefully.

Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**BY ORDER OF THE BOARD
KS ENERGY LIMITED**

Lai Kuan Loong Victor
Company Secretary
3 December 2018

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