KS ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198300104G)

QUARTERLY UPDATE DISCLOSURE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")

The Board of Directors (the "**Board**") of KS Energy Limited (the "**Company**" and together with its subsidiaries the "**Group**") refers to the Company's announcement dated 3 June 2017 in relation to the Company being placed on the minimum trading price ("**MTP**") entry criterion watch-list under Rule 1311(2) of the Listing Manual of the SGX-ST (the "**Listing Manual**") with effect from 5 June 2017.

Pursuant to Rule 1313(2) of the Listing Manual, which requires the Company to provide a quarterly update on the efforts and the progress made by the Company in meeting the exit criteria of the MTP watch-list, including where applicable its financial situation, its future direction, or other material developments that may have a significant impact on its financial position, the Board wishes to provide the following updates on the Group to complement the unaudited financial statements and dividend announcement for the 12-months ended 31 December 2017 ("**FY2017**") which was announced on 28 February 2018 (the "**FY2017 Results Announcement**").

Update on Financial Position and Outlook

The Group recorded a net loss of $24.6 million for FY2017 compared to the consolidated loss after tax of $126.3 million reported for FY2016, an improvement of $101.7 million. The improvement was mainly due to:

i. smaller losses from operating activities which reduced by $58.3 million and was mainly due to:
   a. a $9.7 million improvement in gross profit from a $29.2 million loss in FY2016 to a $19.5 million loss in FY2017;
   b. a $6.7 million increase in Other Income from $4.8 million in FY2016 to $11.5 million in FY2017;
   c. a $0.8 million decrease in Administrative Expenses from $19.4 million in FY2016 to $18.6 million in FY2017; and
   d. a $41.1 million decrease in Other Operating Expenses from $60.6 million in FY2016 to $19.5 million in FY2017;

ii. a $17.5 million increase in Finance Income from $5.8 million in FY2016 to $23.3 million in FY2017;

iii. a $26.5 million increase in share of results from joint ventures, from a $10.1 million loss in FY2016 to a $16.4 million gain in FY2017;

iv. a $1.3 million decrease in tax expense from a $0.7 million expense in FY2016 to a $0.6 million credit in FY2017; and

v. Offset by a $2.0 million increase in Finance Costs from $16.8 million in FY2016 to $18.8 million in FY2017.

The Group's shareholders' funds fell from $87.0 million as at 31 December 2016 to $52.3 million as at 31 December 2017 mainly due to a loss of $24.6 million for FY2017 and foreign currency translation impacts.

As at 31 December 2017, the Company had a net current liability of $19.7 million and the Group had a net current liability of $2.5 million.

As at 31 December 2017, the Group's current assets were $42.3 million, an increase of $5.6 million from $36.7 million as at 31 December 2016. Trade receivables increased by $3.2 million and amounts due from joint ventures increased $8.3 million; whereas cash and cash equivalents decreased by $0.3 million; assets held for sale decreased by $1.9 million and other current assets decreased by $3.7 million.

As at 31 December 2017, the Group's current liabilities stood at $44.7 million as compared to $124.9 million as at 31 December 2016. The decrease was mainly due to the redemption of the 2013 Bonds, the 2015 Bonds and loans from related party.

For more details on the financial position of the Company, please refer to the FY2017 Results Announcement.

Update on Future Direction and Other Material Development

The Group had made two separate announcements on 24 February 2017 that it's Drilling business unit:

i. Had been awarded a contract for the "KS Medstar 1" jack-up drilling rig. The work in Egypt is expected to commence in Q1 2017. The expected value of this contract is approximately US$6 million for approximately 4-month work; and
ii. Has been awarded a contract for the "KS Discoverer 6" land drilling rig. The work in Indonesia is expected to commence in Q2 2017. The expected value of the new contract is approximately US$5 million for approximately 8-month work.

The Group also announced on 16 March 2017 that its Drilling business unit had been awarded a contract for the "KS Discoverer 7" land drilling rig. The work in Indonesia is expected to commence in Q2 2017. The expected value of the new contract is approximately US$4.8 million for approximately 9-month work.

Subsequently, it was announced on 4 April 2017 that its Drilling business unit has been awarded a contract for the "KS Java Star 2" jack-up drilling rig. The work in Vietnam is expected to commence in April 2017. The expected value of the new contract is approximately US$11.1 million.

On 26 May 2017, it was announced that the Company had entered into separate bond purchase agreements and warrant subscription agreements with each of Oversea-Chinese Banking Corporation Limited ("**OCBC**"), TAEL One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.) ("**TAEL**"), Pacific One Energy Limited ("**POEL**") and Ms Hedy Wiluan ("**HW**") (collectively, the "**Lenders**", each a "**Lender**"), pursuant to which an aggregate S$80.15 million fixed rate secured bonds due 2020 (the "**Bonds**") (the "**Proposed Bonds Issue**") and an aggregate 80,150,000 non-listed bonus warrants carrying the right to subscribe for one (1) share each in the capital of the Company (the "**Warrants**") (the "**Proposed Warrants Issue**") shall be issued to the Lenders. The completion of the Proposed Bonds Issue shall be simultaneous with the completion of the Proposed

Warrants Issue.

In addition, the Group announced on 1 August 2017 that in connection with the Proposed Transactions, the Company has on 1 August 2017 entered into separate deeds of amendment and restatement with each of OCBC, TAEL, POEL and HW to amend the terms and conditions of the Bond Purchase Agreement, the Bond Repurchase Agreements and the Warrant Subscription Agreements (the "**Amendment Deeds**"). The salient terms of the Amendment Deeds are as follows:

a) the Company and the Lenders have agreed to extend the proposed Closing Date of the Proposed Transactions from 21 June 2017 to 21 September 2017 (the "**Revised Closing Date**"); and

b) each of the Lenders has also agreed to waive the payment of the accrued interest and redemption premium under the Existing Convertible Bonds that are held by each of them respectively.

Please refer to the announcements dated 26 May 2017 and 1 August 2017 for the full details.

On 27 October 2017 the Company held an Extraordinary General Meeting to seek approval from shareholders to redeem the 2013 Bonds, the 2015 Bonds and shareholder loans and issue new Bonds and Warrants. All resolutions relating to the matters were duly passed and the transactions were completed on 8 December 2017. Please refer to the announcements dated 8 December 2017.

It was announced on 18 January 2018 that its Drilling business unit has been awarded a contract extension for the "KS Java Star 2" jack-up drilling rig. The expected value of the contract extension is approximately US$3.0 million.

The Group remains focused on continuous cost cutting efforts and improving the performance of the Group's existing businesses.

The Company intends to continue to carry on business through its Drilling and Distribution business units and maintain its listing status on the SGX-ST, and will take active steps to be removed from the watch-list based on the MTP exit criteria within 36 months from 5 June 2017.

The Company will make further announcements to update shareholders of the Company as and when there are any material developments.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary
28 February 2018