KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S EMPHASIS OF MATTER BY INDEPENDENT AUDITORS' ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 SGX-ST on 3 April 2017 in relation to the announcement of the Emphasis of Matter By Independent Auditors (the "**Announcement**") released to the SGX-ST on 31 March 2017 as follows:

SGX-ST'S QUESTIONS:

1. The Board's confirmation on (i) whether sufficient information is disclosed for the trading of the Company's securities to continue in an orderly manner, and (ii) the basis for its views.

   Company's Reponses to question 1:

   (i) 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.

   (ii) The basis for the Board's view is that, to the best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

2. Whether the Board is of the opinion that the Company and the Group can continue as going concerns. The Board should justify the basis of its opinion.

   Company's Responses to question 2:

   The Board of the Company believes that the Company and the Group will both continue as going concerns.

   Included in the Announcement was an extract from note 2.1 to the audited consolidated financial statements of the Company for the year ended 31 December 2016 ("**FY2016**") which states the following:

   The financial statements for the year ended 31 December 2016 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, (ii) asset divestment plans and (iii) financing plans.

   (i) Operating activities

   Although the Group expects the overall operating cash flow to remain negative 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) Asset divestment plans

   The Group plans to divest certain non-core assets.

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(iii) Financing plans

The Group is currently in negotiations with the bondholders and a shareholder to restructure some of its debts by rolling over an aggregated outstanding sum of $74,862,000, comprising $61,560,000 of outstanding convertible bonds and $13,302,000 of shareholder loan, together with the cumulative accrued interest and bond premium, to be repayable more than twelve months from the reporting date, without triggering cross default clauses on other borrowings of $343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.

The Group has also applied for and is currently awaiting finalisation of a bridging loan of $5,000,000 from a financial institution.

The Group has capital commitment of $244,782,000 as at 31 December 2016 for an asset under construction due on 31 December 2017. The Group plans to seek the necessary financing closer to the date of delivery from an identified financier.

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 asset divestment and financing plans, management of 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;*
- *The realisation of the asset divestment plans, and the timing and value of the cash proceeds to be raised from such divestments; and*
- *The successful implementation of the financing plans.*

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least another twelve months from the balance sheet date.

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 of the Company confirms the going concern basis remains premised on 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, (ii) asset divestment plans and (iii) financing plans.

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

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The Company's Annual Report 2016 will be despatched to the Shareholders on 12 April 2017 and the same will be uploaded onto the website of the SGX-ST on the same date.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

5 April 2017

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