KS ENERGY LIMITED
An Integrated Energy Services Hub

(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Period Ended 31 March 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (1st Quarter) 3 months ended		
	31.03.2016	31.03.2015	Increase/ (Decrease)
	$'000	$'000 Restated*	
Revenue	8,849	35,091	(74.8%)
Cost of sales	(20,124)	(36,246)	(44.5%)
Gross loss	**(11,275)**	**(1,155)**	**876.2%**
Other income	174	280	(37.9%)
Administrative expenses	(5,283)	(7,347)	(28.1%)
Other operating expenses	(1,643)	(1,484)	10.7%
Reults from operating activities	(18,027)	(9,706)	85.7%
			N/M
Finance income	1,323	693	90.9%
Finance costs	(5,148)	(4,904)	5.0%
Share of results of joint ventures (net of tax)	(6,125)	4,077	N/M
Loss before income tax	**(27,977)**	**(9,840)**	**184.3%**
Income tax expense	(236)	(72)	227.8%
Loss for the period	**(28,213)**	**(9,912)**	**184.6%**
Results attributable to:			
Owners of the Company	**(23,734)**	**(8,488)**	**179.6%**
Non-controlling interests	(4,479)	(1,424)	214.5%
Loss for the period	**(28,213)**	**(9,912)**	**184.6%**

** In 2015, the Group ceased reclassifying rig depreciation and direct rig costs from "cost of sales" to "other operating expenses" during off-charter periods.*

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(a)(i) Profit/(Loss) for the period is arrived at after crediting/ (charging):-

	31.03.2016	31.03.2015	Increase/ (Decrease)
	$'000	$'000	
Interest income	1,323	693	90.9%
Amortisation of intangible assets	(58)	(127)	(54.3%)
Depreciation of plant and equipment	(9,577)	(12,261)	(21.9%)
Finance costs on convertible bonds	(1,766)	(1,735)	1.8%
Interest expense on other borrowings	(3,382)	(3,169)	6.7%
Plant and equipment written off	(1)	-	N/M
Foreign exchange gain (nett)	123	844	N/M
Adjustments for overprovision of tax in respect of prior years	(90)	(57)	N/M

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.03.2016 $'000	31.12.2015 $'000	31.03.2016 $'000	31.12.2015 $'000
Current Assets				
Cash and cash equivalents	13,676	19,422	1,079	2,916
Amounts due from subsidiaries	-	-	839	1,164
Amounts due from joint ventures	3	441	2	22
Trade receivables	11,549	22,795	-	-
Contract work-in-progress	63	904	-	-
Inventories	224	235	-	-
Other assets	14,728	13,959	80	89
Assets held for sale	3,846	4,029	-	-
	44,089	**61,785**	**2,000**	**4,191**
Non-Current Assets				
Joint ventures	46,830	52,451	48,707	49,125
Amounts due from joint ventures	74,007	46,128	-	-
Subsidiaries	-	-	168,512	193,121
Plant and equipment	472,343	503,891	500	555
Intangible assets and goodwill	1,170	1,247	-	-
Other assets	3,014	3,144	301	301
Deferred tax assets	1,281	1,342	-	-
	598,645	**608,203**	**218,020**	**243,102**
Total assets	**642,734**	**669,988**	**220,020**	**247,293**
Current Liabilities				
Trade and other payables	29,357	28,418	1,317	1,844
Amounts due to joint ventures	442	4,090	38	3,700
Amounts due to subsidiaries	-	-	5,309	7,236
Provision for current tax	9,358	10,418	1,182	1,234
Financial liabilities	218,679	368,711	72,839	69,022
	257,836	**411,637**	**80,685**	**83,036**
Non-Current Liabilities				
Trade and other payables	1,724	1,754	-	-
Financial liabilities	178,198	15,870	4,650	4,950
Deferred tax liabilities	35	69	23	57
Provision for loss from joint venture	32,445	29,884	-	-
	212,402	**47,577**	**4,673**	**5,007**
Total liabilities	**470,238**	**459,214**	**85,358**	**88,043**
Net assets	**172,496**	**210,774**	**134,662**	**159,250**
Equity Attributable to Owners of the Company:				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	17,685	17,685	17,685	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(19,329)	(11,238)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(197,829)	(174,095)	(216,631)	(192,043)
	130,385	**162,210**	**134,662**	**159,250**
Non-controlling interests	42,111	48,564	-	-
Total equity	**172,496**	**210,774**	**134,662**	**159,250**

See paragraph 8 for more explanation on the balance sheet review

1(b) (i) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	Group 31.03.2016	Group 31.12.2015
	$'000	$'000
Secured	145,840	298,875
Unsecured	72,839	69,836
Total	218,679	368,711

Amount repayable after one year

	Group 31.03.2016	Group 31.12.2015
	$'000	$'000
Secured	173,548	10,920
Unsecured	4,650	4,950
Total	178,198	15,870

Included in unsecured loans repayable within one year is an amount of $2,849,000 relating to a loan from a related party.

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies. Unsecured borrowings include convertible bonds issued by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.

	Group (3 months ended)	
	31.03.2016	31.03.2015
Operating activities	**$'000**	**$'000**
Loss before tax	(27,977)	(9,840)
Adjustments for:		
Amortisation of intangible assets	58	127
Depreciation of plant and equipment	9,577	12,261
Interest income	(1,323)	(693)
Interest expense on other borrowings	3,382	3,169
Finance costs on convertible bonds	1,766	1,735
Plant and equipment written off	(1)	-
Share of results of joint ventures	6,125	(4,077)
Operating (loss)/profit before changes in working capital	(8,393)	2,682
Changes in working capital:		
Inventories	841	(553)
Trade receivables	10,844	31,973
Other current assets	(1,272)	75
Trade and other payables	1,584	(9,140)
Cash generated from operating activities	3,604	25,037
Tax paid	(1,153)	(1,363)
Cash flows from operating activities	**2,451**	**23,674**
Investing activities		
(Increase)/decrease of non-trade receivables with joint ventures and related parties	(28,269)	951
Dividends received	-	1,605
Interest received	58	694
Payments for purchase of plant and equipment	(449)	(4,106)
Payments for purchase of intangible assets	-	(60)
Cash flows (used in) investing activities	**(28,660)**	**(916)**
Financing activities		
(Decrease)/increase of non-trade payables with joint ventures and related parties	-	(46)
Proceeds from bills payable to bank	-	174
Repayment of bills payable to bank	(814)	(472)
Decrease/(Increase) in deposits pledged	2,529	(2,173)
Interest paid	(4,787)	(4,944)
Repayment of finance lease liabilities	-	(4)
Proceeds from bank loans	45,245	6,200
Repayment of bank loans	(20,873)	(21,506)
Loan from related party	2,849	-
Repayment of convertible bonds, excluding interest	-	(18,445)
Cash flows generated from/ (used in) financing activities	**24,149**	**(41,216)**
Net decrease in cash and cash equivalents	**(2,060)**	**(18,458)**
Cash and cash equivalents at beginning of the period	15,869	64,363
Effect of exchange rate changes on balances held in foreign currencies	(1,157)	2,354
Cash and cash equivalents at end of the period	**12,652**	**48,259**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents	13,676	64,279
Deposits pledged	(1,024)	(16,020)
Cash and cash equivalents at end of the period	**12,652**	**48,259**

See paragraph 8 for explanation on the statement of cash flow review

1(d) Statement of Comprehensive Income

	Group (1st Quarter) 3 months ended		
	31.03.2016	31.03.2015	Increase/ (Decrease)
	$'000	$'000	%
Loss attributable to:			
Owners of the Company	(23,734)	(8,488)	179.6
Non-controlling interests	(4,479)	(1,424)	214.5
Loss for the period	**(28,213)**	**(9,912)**	184.6
Other comprehensive (expense)/income for the period:			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(10,065)	16,670	N/M
Other comprehensive (expense)/income for the period	**(10,065)**	**16,670**	N/M
Total comprehensive (expense)/income for the period	**(38,278)**	**6,758**	N/M
Total comprehensive (expense)/income attributable to:			
Owners of the Company	(31,825)	5,145	N/M
Non-controlling interests	(6,453)	1,613	N/M
Total comprehensive (expense)/income for the period	**(38,278)**	**6,758**	N/M

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Share based compensation reserve	Accumulated (losses)/ profits	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	359,973	17,685	(26,365)	(11,238)	(3,750)	-	(174,095)	162,210	48,564	210,774
Loss for the period	-	-	-	-	-	-	(23,734)	(23,734)	(4,479)	(28,213)
Other comprehensive income/(expense)										
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	(8,091)	-	-	-	(8,091)	(1,974)	(10,065)
Total other comprehensive income	-	-	-	(8,091)	-	-	-	(8,091)	(1,974)	(10,065)
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**(8,091)**	**-**	**-**	**(23,734)**	**(31,825)**	**(6,453)**	**(38,278)**
At 31 March 2016	**359,973**	**17,685**	**(26,365)**	**(19,329)**	**(3,750)**	**-**	**(197,829)**	**130,385**	**42,111**	**172,496**
At 1 January 2015	359,973	24,717	(34,510)	(31,353)	(3,750)	-	55,575	370,652	74,404	445,056
Loss for the period	-	-	-	-	-	-	(8,488)	(8,488)	(1,424)	(9,912)
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	13,633	-	-	-	13,633	3,037	16,670
Total other comprehensive income	-	-	-	13,633	-	-	-	13,633	3,037	16,670
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**13,633**	**-**	**-**	**(8,488)**	**5,145**	**1,613**	**6,758**
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Share based payment transactions	-	-	-	-	-	100	-	100	-	100
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	135	135
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**-**	**-**	**100**	**-**	**100**	**135**	**235**
At 31 March 2015	**359,973**	**24,717**	**(34,510)**	**(17,720)**	**(3,750)**	**100**	**47,087**	**375,897**	**76,152**	**452,049**

Company	Share capital	Equity reserve	Treasury shares	Share based compensation reserve	Accumulated (losses)/profits	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	359,973	17,685	(26,365)	-	(192,045)	159,248
Profit for the period	-	-	-	-	(24,586)	(24,586)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(24,586)**	**(24,586)**
At 31 March 2016	**359,973**	**17,685**	**(26,365)**	**-**	**(216,631)**	**134,662**
At 1 January 2015	359,973	24,717	(34,510)	-	(47,027)	303,153
Profit for the period	-	-	-	-	2,902	2,902
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,902**	**2,902**
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Share based payment transactions	-	-	-	100	-	100
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**100**	**-**	**100**
At 31 March 2015	**359,973**	**24,717**	**(34,510)**	**100**	**(44,125)**	**306,155**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued and paid-up capital for the period from 1 January 2016 to 31 March 2016.

As at 31 March 2016, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares (31 December 2015: 524,240,215 ordinary shares of which 8,639,000 were held as treasury shares).

Convertible Bonds

On 26 March 2010, the Company issued $50 million of 3.0% convertible bonds with a maturity in March 2015 (the "2015 Bonds"). On 14 May 2010, the Company issued $57 million additional 2015 Bonds. The 2015 Bonds were initially convertible into 66,875,000 fully-paid ordinary shares of the Company at an initial conversion price of $1.60 per new share.

On 26 March 2013, the Company redeemed $90 million in principal amount of the 2015 Bonds. The Company fully redeemed the remaining $17 million face value of 2015 Bonds at maturity on 26 March 2015.

On 21 March 2013, the Company issued $45 million of 6.0% convertible bonds with a maturity in March 2016 (the "2016 Bonds"). As at 31 December 2015, the Company has $45 million face value of 2016 Bonds outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company at a conversion price of $0.83 per new share. On 15 March 2016, the Company announced that it had entered into a supplemental trust deed relating to the 2016 Bonds pursuant to which the maturity date of the 2016 Bonds had been extended to 21 June 2016.

On 19 November 2015, the Company issued $7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the "September 2016 Bonds"). As at 31 December 2015, the Company has $7.5 million face value of September 2016 Bonds outstanding which are convertible into 26,785,710 fully-paid ordinary shares of the Company at a conversion price of $0.28 per new share.

As at 31 March 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company (31 December 2015: 81,002,430 ordinary shares).

KS Energy Performance Share Plan (the "Plan")

As at 31 March 2016, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009. On 6 March 2015, pursuant to Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company granted 2,669,000 share awards to senior management, pursuant to the Plan. The closing price of the Company's shares on the award date was $0.375. All 2,669,000 share awards vesting in December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2016, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

As at 31 December 2015, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The movement of treasury shares is as follows:

As at 1 January 2016:	8,639,000 shares
Purchase of treasury shares:	Nil
As at 31 March 2016:	8,639,000 shares

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group (1st Quarter) 3 months ended	
	31.03.2016	**31.03.2015**
Earnings per ordinary share:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	(4.60)	(1.65)
(b) On a fully diluted basis	(4.60)	(1.65)

The basic and diluted earnings per share for the three months ended 31 March 2016 was calculated by dividing the loss attributable to shareholders of $23,734,000 (31.03.2015: $8,488,000) by the weighted average number of shares of 515,601,215 (31.03.2015: 512,932,215) in issue during the financial period.

The earnings per share computation has taken into consideration the following:

(i) The issue of 2,669,000 treasury shares under the Plan on 4th December 2015.
(ii) The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 33.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	31.03.2016	**31.12.2015**	**31.03.2016**	**31.12.2015**
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	25.3	31.5	26.1	30.9

Net asset value per ordinary share is calculated by dividing the equity attributable to the owners of the Company (excluding non-controlling interests) of $130,385,000 (31.12.2015: $162,210,000) by the number of ordinary shares issued as at 31 March 2016 of 515,601,215 (31.12.2015: 515,601,215).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

1st Quarter ended 31 March 2016

	Group (1st Quarter) 3 months ended		
	31.03.2016	**31.03.2015**	**Change**
Revenue by segment			
Dilling	7,384	34,465	-78.6%
Engineering	1,465	97	1410.3%
Corporate	-	797	-100.0%
Inter-segment	-	(268)	-100.0%
	8,849	**35,091**	**-74.8%**

Overview

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

Consolidated revenue was $8.8 million for the three months ended 31 March 2016 ("Q1 2016"), a decrease of $26.3 million, or 74.8%, below that of $35.1 million reported for the three months ended 31 March 2015 ("Q1 2015") mainly due to lower revenue from the Drilling business following the completion of some charter contracts.

Consolidated loss after tax was $28.2 million for Q1 2016 compared to a consolidated loss after tax of $9.9 million reported for Q1 2015. The larger loss after tax for Q1 2016 was mainly due to lower revenues following the completion of some charter contracts and a negative shift in results from joint ventures.

Revenue

Revenue from the Drilling business dropped $27.1 million, or 78.6%, from $34.5 million for Q1 2015 to $7.4 million for Q1 2016. The drop in revenue was mainly due to lower fleet utilisation in Q1 2016. Revenue contribution from the Drilling business made up about 83.4% of the Group's consolidated revenue for Q1 2016.

Revenue from the Engineering business increased $1.4 million from $0.1 million for Q1 2015 to $1.5 million for Q1 2016. Revenue contribution from the Engineering business made up about 16.6% of the Group's consolidated revenue Q1 2016.

Revenue generated by the Group but not attributable to either the Drilling or the Engineering segments decreased by $0.8 million from $0.8 million for Q1 2015 to $Nil for Q1 2016 following the completion of a charter contract in early Q1 2015.

Gross Loss

The Group's gross loss was $11.3 million for Q1 2016, a decrease of $10.1 million below that of $1.2 million reported for Q1 2015. The larger gross loss in Q1 2016 occurred due to the $16.1 million drop in cost of sales on the $26.2 million drop in revenue. Cost of sales includes certain fixed costs associated with our fleet of rigs such as depreciation which decreased from $12.0 million in Q1 2015 to $9.3 million in Q1 2016.

Other Income

Other income decreased from $0.3 million for Q1 2015 to $0.2 million for Q1 2016. Other income mainly comprised income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $2.0 million from $7.3 million in Q1 2015 to $5.3 million in Q1 2016 due to lower headcount and staff overheads.

Other operating expenses increased by $0.1 million from $1.5 million in Q1 2015 to $1.6 million in Q1 2016.

Finance Income and Costs

Finance income increased $0.6 million from $0.7 million in Q1 2015 to $1.3 million in Q1 2016. The finance income mainly arises from interest income on loans provided to a joint venture and additional loans have been provided since Q1 2015.

Finance costs increased $0.2 million from $4.9 million in Q1 2015 to $5.1 million in Q1 2016.

Share of results of Joint Ventures

The Group's share of results from joint ventures decreased $10.2 million from an $4.1 million profit for Q1 2015 to a $6.1 million loss for Q1 2016 due to losses recorded by the Distribution business and a jointly held drilling rig. The Group's share of results from the KS Distribution Group decreased by $4.2 million from a $2.3 million profit for Q1 2015 to a $1.9 million loss for Q1 2016.

Tax expense

The tax expense increased from $0.1 million in Q1 2015 to $0.2 million in Q1 2016 mainly due to the absence of tax credit of 0.2 million arising out of equity option on convertible bond in Q1 2015.

Result Attributable to Shareholders

The result attributable to the owners of the Group slipped from a loss of $8.5 million in Q1 2015 to a loss of $23.7 million in Q1 2016.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased from $608.2 million as at 31 December 2015 to $598.6 million as at 31 March 2016. Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the rig fleet decreased from $425.5 million as at 31 December 2015 to $397.5 million as at 31 March 2016, due to depreciation charges and foreign exchange impacts.

The carrying value of joint ventures decreased 10.9% from $52.5 million as at 31 December 2015 to $46.8 million as at 31 March 2016 mainly due to the Group's share of results from the joint ventures and the liquidation of a joint venture. Joint ventures comprise the 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of $46.8 million as at 31 March 2016.

Within non-current assets, amounts due from joint ventures increased by $27.9 million to $74.0 million as at 31 March 2016 from $46.1 million as at 31 December 2015. This increase was mainly due to the provision of additional loans during Q1 2016 totalling $27.6 million to our joint venture PT Java Star Rig for it to settle a customs bond obligation and scheduled debt repayments. More details of the customs bond obligation were announced by the Company on 1 March 2016.

Total current assets decreased 28.6% from $61.8 million as at 31 December 2015 to $44.1 million as at 31 March 2016. The decrease in current assets was mainly due to lower trade receivables and lower cash and cash equivalents. Trade receivables decreased $11.3 million from $22.8 million as at 31 December 2015 to $11.5 million as at 31 March 2016 due to lower revenues over the period. Cash and cash equivalents decreased $5.7 million from $19.4 million as at 31 December 2015 to $13.7 million as at 31 March 2016.

The carrying value of assets held for sale as at 31 March 2016 was $3.8 million (31 December 2015: $4.0 million) and relates to a drilling rig which is currently under negotiation with a potential buyer.

The breakdown of “other current assets” is shown below:

	31.03.2016 $'000	31.12.2015 $'000	Movement $'000
Detailed breakdown:			
Sundry Deposits	**615**	626	(11)
Withholding tax recoverable	**3,026**	2,841	185
Value-added tax receivable	**7,671**	7,915	(244)
Other debtors	**2,756**	1,298	1,458
Prepayments	**660**	1,279	(619)
Other Current Assets	**14,728**	**13,959**	**769**

The increase in other current assets was mainly due to higher amount of “other debtors” and “withholding tax recoverable” offset with lower amounts under ”prepayments”, “value-added tax receivable” and ‘sundry deposits” as at 31 March 2016 compared to 31 December 2015. These balances mainly originate from our Drilling business and are routine in nature.

Total liabilities increased $11.0 million, or 2.4%, from $459.2 million as at 31 December 2015 to $470.2 million as at 31 March 2016. This was principally attributable to a $12.3 million increase in total borrowings from $384.6 million as at 31 December 2015 to $396.9 million as at 31 March 2016.

Within current liabilities, amounts due to joint ventures reduced from $4.1 million as at 31 December 2015 to $0.4 million as at 31 March 2016 due to the liquidation of a joint venture in Q1 2016.

As at 31 March 2016, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $213.7 million and $78.7 million respectively. As at 31 December 2015, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $349.9 million and $78.8 million respectively. The improvement of the net current liability position since 31 December 2015 was mainly attributable to the reclassification of $226.2 million of borrowings scheduled for repayment after 2016 from current liabilities to non-current liabilities following the receipt of a waiver for the breach of financial covenants from the lending institution. The drop in current assets from Q1 2015 to Q1 2016 and a loan due for repayment in Q1 2017 has worsened the net current liability position as at 31 March 2016.

Improving the net current liability position of the Group and Company is a key concern for the Company. As previously detailed in the announcement made by the Company on 30 March 2016 and in the 2015 Annual Report in respect of the financial statements for the period ended 31 December 2015, the

financial statements for the period ended 31 March 2016 have also been 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 (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating cash flow forecast

The Group expects to raise positive operating cash flows from existing rig charter contracts which include extended charters from renewal options to be exercised by the customers, and prospective rig charter contracts. The eventual conclusion and the timing of execution of several rig charter contracts are currently subject to on-going negotiations with prospective customers as well as the exercise of the renewal options by existing customers.

ii. Assets divestment plans

The Group plans to divest certain non-core assets. The Company announced on 29 April 2016 the commencement of a process to solicit and consider offers for its stake in the Distribution business.

iii. Financing plans

The Group plans to raise net proceeds of $14.5 million from issuing convertible bonds to an existing lender. The terms and conditions of this issuance have already been agreed in principle. Other refinancing plans are in discussion to address the $45.0 million of 6.0% convertible bonds maturing in June 2016, the $7.5 million of 6.0% convertible bonds maturing in September 2016 and the secured borrowing repayable in the next 12 months. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $218.7 million of current borrowings as and when they fall due. Other plans include a private equity placement and/or rights issue should there be a need for further funding to meet the Group's debt obligations as and when they fall due.

The Group's net gearing (defined as net borrowings to total equity) increased to 2.22 as at 31 March 2016 from 1.73 as at 31 December 2015. Similarly, the Group's debt ratio (defined as net borrowings to total assets) increased to 0.60 as at 31 March 2016 from 0.55 as at 31 December 2015.

The equity attributable to the owners of the Company decreased $31.8 million from $162.2 million as at 31 December 2015 to $130.4 million as at 31 March 2016. The decrease was mainly due to the loss after tax and non-controlling interests during Q1 2016 and due to foreign exchange losses.

Secured current borrowings decreased $153.1 million from $298.9 million as at 31 December 2015 to $145.8 million as at 31 March 2016 and secured non-current borrowings increased $162.6 million from $10.9 million as at 31 December 2015 to $173.5 million as at 31 March 2016 mainly due to the reclassification of $226.2 million of borrowings scheduled for repayment after 2016 from non-current liabilities to current liabilities due to a breach of financial covenants as at 31 December 2015. A waiver for the breach has been subsequently obtained from the lending institution during Q1 2016. In addition, secured current borrowings increased approximately $80.2 million and secured non-current borrowings decreased approximately $80.2 million due to the reclassification of a secured bank loan due in Q1 2017 from non-current borrowings to current borrowings.

Unsecured current borrowings increased from $69.8 million as at 31 December 2015 to $72.8 million as at 31 March 2016. The balance as at 31 December 2015 and 31 March 2016 was principally due to an aggregate principal amount of $45.0 million of 6.00% convertible bonds due in June 2016 and an aggregate principal amount of $7.5 million of 6.00% convertible bonds due in September 2016.

Unsecured non-current borrowings decreased from $5.0 million as at 31 December 2015 to $4.7 million as at 31 March 2016 due to scheduled repayments of a corporate term loan during Q1 2016.

STATEMENT OF CASH FLOWS REVIEW

As at 31 March 2016, cash and cash equivalents amounted to $13.7 million (31 March 2015: $64.3 million), of which unpledged cash and cash equivalents amounted to $12.7 million (31 March 2015: $48.3 million).

Cash Flow from Operating Activities

Operating activities generated a net cash inflow of $2.5 million for the three months ended 31 March 2016. The net cash flow from operating activities comprised a cash outflow of $8.4 million arising due to an operating loss before changes in working capital; a cash inflow of $11.9 million arising due to changes in working capital; and a cash outflow of $1.2 million arising due to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of $28.7 million for the three months ended 31 March 2016. This was attributable mainly to an increase in non-trade receivables from joint ventures and related parties which generated a cash outflow of $28.3 million and the purchase of plant and equipment which generated a cash outflow of $0.4 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of $24.1 million for the three months ended 31 March 2016. The aggregate repayment of bank loans during Q1 2016 amounted to $20.9 million and the aggregate proceeds from new bank loans entered into during Q1 2016 totalled $45.2 million. A net cash inflow of $2.8 million was generated from the execution of loans from a related party, Pacific One Energy Limited, our majority shareholder. Interest paid during Q1 2016 generated a cash outflow of $4.8 million. The reduction of deposits pledged generated a cash inflow of $2.5 million in Q1 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q1 2016 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 26 February 2016.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the offshore services sector continues to be affected by the volatility of oil prices which has reduced the demand for the rigs and related services. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services.

The Group seeks to manage our balance sheet to improve its financial position.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. Interested persons transaction

The Group has the following interested person transactions ("IPT") for the three months ending 31 March 2016:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
PT Dwi Sumber Arca Waja, its subsidiaries and its associates ("DSAW Group")		
• Provision of goods and services to and from the DSAW Group	-	SGD 140,648
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Shareholder loan provided for the settlement of the corporate guarantee extended in favour of banks in respect of import duty bond extended by PT KS Drilling Indonesia and its subsidiaries, including issuance fees *	SGD 15,340,216	
• Interest on shareholder pursuant to the guarantee issued for custom bond on behalf of JVC Group.	SGD 1,085,746	
• Injection of shareholders' loan provided by KS Drilling to JVC Group		SGD 8,717,040
• Net injection of funds after repayment of interest , guarantee fees and shareholders' loan provided by KS Drilling to PT KS Drilling Indonesia and its subsidiaries		USD 7,634,130
• Interest bearing loans to PT KS Drilling Indonesia and its subsidiaries - Principal , accrued interest and unpaid guarantee fees as at end of period **	USD 14,371,059	USD 40,043,134
• Corporate guarantees extended in favour of banks in respect of loan facilities extended to PT KS Drilling Indonesia and its subsidiaries - Principal and accrued interest in respect of the bank loan facilities as at end of period ***	-	-

* On 22 January 2016, PT Java Star Rig (a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt of US$ 14,070,000 arose between KS Drilling as creditor and PT Java Star Rig as debtor. This debt would be charged to PT Java Star Rig at an interest rate of 7.0% per annum. (Please refer to the announcement dated 1 March 2016 for more details)

** With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, the Group provided financing to PT KS Drilling Indonesia and its subsidiaries by way of shareholder loans that accrues interest at the rate of 7% per year. The principal amount outstanding in respect of such shareholder loans from KS Drilling Pte Ltd, an 80% subsidiary of the Company, to PT Java Star Rig, to finance the acquisition of the jack-up rig named “KS Java Star” was US$51.4 million as at 31 Mar 2016. During the year PT KS Drilling Indonesia has advanced an addition amount of US$21,879,923 as loan.

*** KS Drilling Pte Ltd, an 80% subsidiary of the Company, had extended a corporate guarantee in favour of a bank lending to PT Java Star Rig for 100% of the bank loan facility. The principal amount outstanding in respect of the bank loan facility to finance the jack-up rig named “KS Java Star” has been fully repaid.

14. Negative confirmation pursuant to Rule 705 (5)

Not applicable.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and the chief financial officer.

BY ORDER OF THE BOARD

Kim Yi Hwa
Company Secretary
13 May 2016

KS ENERGY LIMITED
An Integrated Energy Services Hub
(Company Registration No. 198300104G)

CONFIRMATION BY THE BOARD

We, Mr Kris Taenar Wiluan and Mr Lim Ho Seng, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the first quarter FY2016 financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS TAENAR WILUAN
Executive Chairman and Chief Executive Officer

LIM HO SENG
Director

Singapore, 13 May 2016