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 and 4 June 2018 in relation to the Company being placed on the minimum trading price ("**MTP**") entry criterion watch-list under Rule 1311(2) and financial entry criteria watch list under Rule 1311(1) of the Listing Manual of the SGX-ST (the "**Listing Manual**") with effect from 5 June 2017 and 5 June 2018, respectively.

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 watch-lists, 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 6-months ended 30 June 2019 ("**Q2 2019**") which was announced on 14 August 2019 (the "**Q2 2019 Results Announcement**").

Update on Financial Position and Outlook

The Group recorded a net loss of $73.1 million for Q2 2019 compared to the consolidated loss after tax of $29.5 million reported for Q2 2018, an increase of $43.6 million. The higher loss was mainly due to:

i. a $48.6 million higher loss from operating activities which increased from a $21.4 million loss in 6M 2018 to a $70.0 million loss in 6M 2019 mainly due to a $55.0 million write-off of assets under construction following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details). Following the termination of the rig construction contracts, the Group ceases to have capital commitments of $256.4 million and $229.3 million for assets under construction, as previously reported; and

ii. a $4.5 million change in tax from a $4.1 million tax credit in 6M 2018 to a $0.4 million tax expense in 6M 2019 due to the adjustments in 6M 2018 for over provision of tax in respect of prior years.

Partially offset by

iii. a $3.5 million increase in Finance Income from $0.1 million in 6M 2018 to $3.6 million in 6M 2019 due to a gain on repurchasing secured bonds.

iv. a $3.1 million decrease in Finance Costs from $9.4 million in 6M 2018 to $6.3 million in 6M 2019; and

v. a $2.9 million smaller loss from share of results of joint venture, from a $2.9 million loss in 6M 2018 to $0.0 million in 6M 2019 due to the disposal of the joint venture.

The Group's shareholders' funds fell from positive $1.2 million as at 31 December 2018 to negative $40.8 million as at 30 June 2019 mainly due to a loss of $73.1 million for Q2 2019 offset by issuance and allotment of new ordinary shares of $31.0 million and foreign currency translation impacts.

As at 30 June 2019, the Company had a net current liability of $3.4 million and the Group had a net current liability of $4.7 million. In addition, as at 30 June 2019, the Group had negative shareholder's equity of $36.7 million and the Company was in a net liability position (total liabilities exceeded total assets) of $26.4 million.

As at 30 June 2019, the Group's current assets were $24.8 million, an increase of $0.9 million from $23.9 million as at 31 December 2018. Inventories increased by $6.1 million, other current assets increased by $3.3 million, trade receivables increased by $1.3 million and contract assets increased by $1.3 million; whereas cash and cash equivalents decreased by $11.1 million.

As at 30 June 2019, the Group's current liabilities stood at $29.5 million as compared to $42.2 million as at 31 December 2018. The decrease was mainly due to the reclassification of secured bank loans and accrued interest from current borrowings to non-current borrowings.

For more details on the financial position of the Company, please refer to the Q2 2019 Results Announcement.

Update on Future Direction and Other Material Developments

The Group has recently made the following announcements in relation to contracts awarded to the Drilling business unit:

i. On 16 July 2019, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US$5.6 million;

ii. On 28 June 2019, a new contract for the "KS Medstar 1" jack-up drilling rig with an expected value of approximately US$2.5 million;

iii. On 28 June 2019, a new contract for a land drilling rig in Indonesia with an expected value of approximately US$21.4 million;

iv. On 6 June 2019, a new contract together with Universal Energy Resources Inc with an expected value of approximately US$95 million;

v. On 4 April 2019, a new contract for the "KS Java Star" jack-up drilling rig with an expected value of approximately US$4.9 million; and

vi. On 22 February 2019, a contract extension for the "KS Java Star 2" jack-up drilling rig with an expected value of approximately US$6.7 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 business unit 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 and financial exit criteria within 36 months from 5 June 2017 and 5 June 2018, respectively.

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
14 August 2019