TECHNICS OIL & GAS LIMITED
Registration No: 200205249E
(Incorporated in Singapore)

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of Technics Oil & Gas Limited ("the Company") wishes to inform that the Independent Auditors of the Company, RSM Chio Lim LLP (the "Auditors") have in their Independent Auditor's Report included an Emphasis of Matter on the Company's financial statements as at 30 September 2014 (the "Financial Statements"), a summary of the Emphasis of Matter is attached. The opinion of the Auditors, however, remains unqualified.

Shareholders of the Company are advised to read the financial statements of the Group for FY2014, which will be dispatched to them shortly.

By Order of the Board
Technics Oil & Gas Limited

TING YEW SUE
Executive Chairman

Date: 9 January 2015

Summary of the Emphasis of Matter on the Company's financial statements as at 30 September 2014

Without qualifying its opinion, the Auditors have drawn attention to Note 2 to the Company's financial statements with respect to the matters on group's ability to continue as a going concern. In this regard, the group has incurred a net loss of $6,943,000 (2013: $10,049,000) during the reporting year ended 30 September 2014 and as at that date, the group's current liabilities exceeded its current assets by $26,929,000. These factors indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. In this regard, the financial statements have been prepared on a going concern basis and do not include any adjustments that may result in the event that the group is unable to continue as a going concern. The validity of the going concern basis on which the financial statements are prepared depends on management's assessment of the successful conclusion of the matters as set forth in Note 2 to the financial statements. In the event that the group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

The relevant portion of Note 2 to the Company's financial statements is reproduced below:

"*2. Going Concern*

The group incurred a net loss of $6,943,000 (2013: $10,049,000) during the reporting year ended 30 September 2014 and as at that date, the group's current liabilities exceeded its current assets by $26,929,000. These factors indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

At 30 September 2014, the group has breached certain banks' financial covenants as disclosed in Note 25. However, the banks have granted waiver retrospectively to the reporting year ended 30 September 2014 in relation to the breach of financial covenants subsequent to the reporting year and have not requested for any immediate repayment up to date of waiver letters, 13 November 2014 and 16 December 2014 respectively. The directors are satisfied that the banking facilities from its bankers for its working capital requirements for the next twelve months will continue to be available as and when required.

Subsequent to the end of the reporting year, the group has entered into a non-binding memorandum of understanding with Y.H.H. Marine Engineering Pte. Ltd. in relation to the proposed disposal of 100% of the entire capital contribution of its subsidiary, Vina Offshore Engineering Co., Ltd to further reduce excess capacity and provide additional working capital.

The group is also exploring into sale and leaseback arrangements for one of its properties. Such sale and leaseback arrangements will enable the group to unlock the cash value in the property, while enabling the group to continue using the property for its existing operations. In addition, it will allow resources to be redeployed more efficiently towards supporting the existing businesses of the group as well as provide additional working capital. The proceeds from the sale could also be used for other funding requirements of the group including but not limited to repayment of borrowings.

After considering the measures taken described above, the group believes that it has adequate resources to continue its operations as a going concern. For these reasons, the *group continues to adopt the going concern assumption in the preparation of the financial statements.*

The financial statements do not include any adjustments that may result in the event that the group is unable to continue as a going concern. In the event that the group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities."

The breaches of bank covenants referred to in Note 25 to the Company's financial statements relate to the requirement to maintain the net tangible asset of a subsidiary by two financial institutions at the value of $9,000,000 and $8,000,000 respectively for bank facilities and short term borrowing of $500,000, which have not been met. The lenders have agreed after the end of the reporting year to waive the requirements. The borrowing is shown as a current liability in the financial statement.