

FALCON ENERGY GROUP LIMITED
(Company Registration No.: 200403817G)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE QUALIFIED AUDIT OPINION AND MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN ISSUE ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (“FY2018”)

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST (“**Listing Manual**”), the Board of Directors (“**Board**”) of Falcon Energy Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s auditors, Messrs Deloitte & Touche LLP (“**Auditors**”), have issued a Qualified Opinion (“**Qualified Opinion**”) and indicated the existence of Material Uncertainties related to going concern (“**Material Uncertainties**”) on the Company’s financial statements for FY2018.

The Auditors have issued the Qualified Opinion on the outstanding trade receivable balance from a debtor amounting to US\$63,382,000 (2017:US\$62,884,000) before allowance of US\$23,382,000 (2017: US\$22,884,000) where they were not able to conclude on the recoverability of the remaining balance of the trade receivable from the debtor and whether the allowance for doubtful debt is adequate and not excessive.

The Auditors have indicated the existence of Material Uncertainties which may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. The Group reported a net current liabilities position of US\$11,397,000 (2017: US\$116,121,000) and incurred loss before tax of US\$93,453,000 (2017: US\$173,788,000). The Company reported a net capital deficiency of US\$172,981,000 (2017: US\$100,498,000). The Group and Company are exposed to an increased liquidity risk in relation to their ability to successfully negotiate with principal and other lenders of the Group and finalise the debt restructuring plan which will determine the Group’s and the Company’s ability to service their borrowings when they fall due, to resolve with a secured lender on the ongoing writ of summons and statements of claims in respect of the outstanding amount due to the lender, exposure to the performance guarantee given by the Company in relation to the purchase of five rigs contracted by an associate and the resolution of the on-going legal claim in relation to the reconstruction of a vessel in favour of the Group.

The basis for the Qualified Opinion and Material Uncertainties are set out in more details in the Independent Auditor’s Report for FY2018 (“**Independent Auditor’s Report**”), a copy of which is attached as an Appendix to this announcement. The Independent Auditor’s Report will be provided to shareholders and the SGX-ST as part of the Company’s Annual Report for FY2018.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer
9 October 2018