CHARISMA ENERGY SERVICES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199706776D)

CHARISMA ENERGY

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Pursuant to Rule 704(4) of the Listing Rules (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Board of Directors (the "**Board**" or "**Directors**") of Charisma Energy Services Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, KPMG LLP, had without modifying their opinion, included a Material Uncertainty Related to Going Concern in its report (the "**Independent Auditor's Report**") on the consolidated financial statements of the Group for the financial year ended 31 December 2017 (the "**Audited Financial Statements**"). A copy of the Independent Auditors 'report, and the extract of the relevant note 2 to the Audited Financial Statements are annexed to this announcement as Appendix I.

Notwithstanding the above, the Board is of the opinion that the Group will continue as a going concern after taking into consideration the following:

1) The Group is currently in negotiations with their lenders to refinance the outstanding loans;

2) The management has critically assessed the cash flow forecasts of the Group for the next twelve months, and concluded that upon the successful refinancing of the outstanding loans, the cash flows generated from the Group's operating activities will be sufficient to allow the Group to continue its operations and meet its obligation for the foreseeable future;

3) The Group plans to divest certain assets to bring in additional fundings; and

4) The Group expects it will generate positive cash flows from its renewable energy business.

Based on the aforementioned, the Board is of the view that the Group will be able to continue as going concern, and that the Audited Financial Statements have been prepared on that basis.

Additionally, the Board (i) is of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner; and (ii) confirmed that all material disclosures have been provided for the trading of the Company's shares to continue.

The Independent Auditors' Report and a complete set of the Group's Audited Financial Statements will form part of the Company's annual report for FY2017 ("**FY2017 Annual Report**") which will be released on SGXNET and sent to the shareholders of the Company in due course. Shareholders of the Company are advised to read this announcement in conjunction with the FY2017 Annual Report

BY ORDER OF THE BOARD
Charisma Energy Services Limited

Lee Tiong Hock
Company Secretary
3 April 2018

APPENDIX I

Extracted from the Independent Auditors 'Report to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2017

Independent auditors' report

Members of the Company
Charisma Energy Services Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Charisma Energy Services Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to:

- Notes 2 and 19 to the financial statements which indicate that the Group incurred a net loss of US$31,355,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded current assets by US$34,812,000; and

- Notes 17 and 19, which state that the Group has defaulted its loan obligations. As a result, the Group's secured bank loans and loan from a shareholder of US$44,515,000 and US$850,000 can be called for repayment upon notification by the banks and the shareholder ("lenders") respectively. The Group is in negotiation with the lenders to restructure the loans. No letter of statutory demand for repayment has been issued by any lenders as at the date of this report.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding this, the financial statements have been prepared on a going concern basis, the validity of which is premised on:

- The Group's ability to reach agreement with lenders to restructure the loans, including the extension of the maturity dates of the loans beyond the next twelve months from the reporting date (the "debt restructuring plan"); and

- The Group's ability to generate sufficient operating cashflows.

If the debt restructuring plan was not timely executed, or the generation of future operating cashflows is insufficient, it could have an impact on the Group's ability to remain a going concern and to meet its debt obligations as and when they fall due. Hence, the classification of assets and liabilities, and the Group's 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 could be affected. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of the Group's vessels and accommodation modules

(Refer to Note 5 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group's vessels and accommodation modules amounted to US$17.6 million as at 31 December 2017. There is a risk that the recoverable amount of the Group's vessels and accommodation modules may be impacted by the lack of demand and/or continual decline in chartering rates. Management has assessed the recoverable amounts of the Group's vessels and accommodation modules based on either the estimated fair value less cost to sell on an open market basis or the value in use. Each individual vessel and accommodation modules is a cash-generating unit. The estimation of the recoverable amounts of the vessels and accommodation modules requires significant judgement.	We obtained management's estimates of the value in use of the accommodation modules and assessed the key assumptions including forecast charter rates, forecast utilisation and discount rates. We assessed these assumptions by reference to market data and past experience of the Group. These included: - comparing the forecast charter rates and utilisation to those achieved in prior periods; - comparing forecast charter rates to signed contracts for contracted periods and challenging the basis of charter rates post-contracted periods; and - re-computing the discount rates using market inputs, and incorporating market, country and asset-specific risk premiums. For vessels, where fair value less cost to sell was based on quotations from brokers, we assessed the competence and objectivity of the independent brokers. We also inquired the valuation method used by the brokers to derive at the fair value of the vessels which is on an open market basis. We compared the brokers' valuation against recent open market transactions. We also evaluated the adequacy of disclosures in respect of the impairment test assessment. *Findings* We found management's estimates of value in use for the accommodation modules has been appropriately applied. We are satisfied with the competency and objectivity of the brokers. The disclosures on the key assumptions are balanced and reflective of the risk of inherent estimation uncertainties.

Recoverability of trade receivables

(Refer to Note 10 to the financial statements)

The key audit matter

The Group has outstanding trade receivables of US$8.9 million. The Group has experienced significant delays in the recovery of debts owing from various counterparties.

Determining the creditworthiness of counterparties and the recoverability of receivables requires significant management judgement.

How the matter was addressed in our audit

We challenged the Group's assessment of the recoverability of trade receivables, focusing on those that were long outstanding and/or of significant amounts. Our procedures include:

- analysing the payment history of the debtors for these receivables and the receipts subsequent to the year-end;
- considering revised repayment schedules reached with these debtors; and
- evaluating the financial position of the counterparties with due regard to the status of on-going discussion between the Group and the counterparties.

We also considered the adequacy of disclosures about the degree or risk of estimation involved in arriving at the provision for impairment losses recognised.

Findings

The Group has used all reasonable and supportable information that is available as part of its credit monitoring process and applied its knowledge of its customers in estimating the recoverability of the receivables. We found the disclosures to be proportionate to the judgement exercised by the Group.

Extracted from the Independent Auditors 'Report to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2017

Valuation of investment in joint venture and loan to joint venture

(Refer to Notes 8 and 10 to the financial statements)

The key audit matter

The Group has an equity investment of US$1.0 million and non-trade amounts of US$7.8 million (the "initial investment") due from Mustang Operations Centre 1 LLC ("MOC1") as at 31 December 2017. MOC1 is a joint venture set up in 2014 to construct and lease a processing facility to an Alaskan based oil company to process oil from the Mustang field located on the North Slope of Alaska. The development of the Mustang field has been put on hold due to current market conditions.

As the non-trade amounts due from MOC1 are secured by the Mustang Field and its underlying assets, the Group believes that the initial investment is recoverable.

The determination of the recoverable amount of the initial investment in MOC1 requires judgement. This determination is based on management's assessment of the Mustang field valuation which is dependent on the prevailing and projected oil prices and other macroeconomic factors surrounding an oil field project.

How the matter was addressed in our audit

We inquired with management about the latest developments and future plans viability of the Mustang Field project.

We evaluated management's assessment of the value of the Mustang field, taking into consideration the current and projected oil prices, any known information and management's future plans about the Mustang field project.

Findings

We found the approach and basis taken by the Group to determine the recoverable amounts of its initial investment to be balanced.

Extracted from the Independent Auditors 'Report to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2017

Revenue recognition

(Refer to Notes 21 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Group has ongoing charter contracts with an external charter party for the leasing of its vessels. As the offshore oil support industry continues to remain challenging, the Group is in negotiations with the charterer for revisions in contract terms. The amount of revenue recognised is dependent on management's judgement with regard to the estimates of charter rates based on these on-going negotiations.	We inquired management on the status of the Group's on-going negotiations with the charterer. We compared the charter revenue recognised for the year to the terms of the charter contracts. *Findings* Management has applied its judgement in determining the amount of revenue to be recognised, taking into consideration the external and internal information regarding current and forecast market conditions, and the potential outcome from the existing contract re-negotiations with the charterer. We found the approach taken by management to be balanced. Management's basis of revenue recognition for the year ended 31 December 2017 has taken into account the inherent uncertainties about the outcome of the contract re-negotiation.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Extracted from the Independent Auditors 'Report to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2017

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lucas Tran.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2018

Extracted Note 2 to the Audited Financial Statements of Charisma Energy Services Limited for the financial year ended 31 December 2017

2. Going concern

The financial statements have been prepared on a going concern basis notwithstanding the Group incurred a net loss of US$31,355,000 for the current financial year and has net current liabilities of US$34,812,000 as at 31 December 2017. The directors of the Company, having considered the following factors, are of the view that the going concern basis remains appropriate:

Refinancing plans

(i) The Group is currently in negotiation with the banks and a shareholder to refinance the outstanding loans of US$44,515,000 and US$850,000 respectively. The banks have not issued any demand for the immediate repayment of the loans (see notes 17 and 19) arising from the Group's default of its loan obligations in 2017. The Group is working on getting the necessary support from the banks and the shareholder that will enable the Group to roll over the outstanding amounts as at the date of the report.

Assets divestment

(ii) The Group plans to divest certain non-core assets. The Group is working on divesting these assets to bring in additional fundings.

Operating activities

(iii) The Group expects it will generate positive cash flows from its renewable energy business.