

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

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**ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL IN RELATION TO THE QUALIFIED AUDIT OPINION AND MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN ISSUED ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (“FY2017”)**

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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 FY2017.

The Auditors have issued the Qualified Opinion on the outstanding trade receivable balance from a debtor amounting to US\$62,884,000 before allowance of 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\$116,121,000 and incurred loss before tax of US\$173,788,000. The Company reported a net capital deficiency of US\$100,498,000. The Group and Company are exposed to an increased liquidity risk in relation to their exposure to the performance guarantee, the deferment of delivery of the completed rig and their ability to fulfil future commitments for the purchase of rig, the ability to resolve with a secured lender on the ongoing writ of summons and statement of claims and to repay or redeem their indebtedness when the bank borrowings fall due.

The basis for the Qualified Opinion and Material Uncertainties are set out in more details in the Independent Auditor’s Report for FY2017 (“**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 FY2017 on 13 December 2017.

Further announcements will be made by the Company and the Board via SGXNET as and when there are material developments in compliance with the listing rules of the Singapore Exchange Securities Trading Limited.

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  
8 December 2017