


MAGNUS ENERGY GROUP LTD.

Annual Report 2010

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	PROXY FORM

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange").

The Company's Sponsor has not independently verified the contents of this annual report including the correctness of any of the figures used, statements or opinions made.

This annual report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Foo Quee Yin
Telephone number: 6221 0271

Corporate Profile

Incorporated in 1983, Magnus Energy Group Ltd. ("Magnus" or the "Company") began its humble business as a sub-contractor undertaking electrical installations. In a span of 20 years, Magnus established a track record as a provider of quality and reliable mechanical and electrical engineering ("M&E") services.

Following the challenging operating conditions & cyclical nature of the construction business, a strategic decision was made in 2003 to shift its business focus. Since then, Magnus has taken significant strides in its transformation from an M&E Company to an energy-related company with businesses involving oil and gas equipment distribution in the Asia Pacific, and coal mining activities in Indonesia.

Magnus is positioning itself to be a leading regional producer of oil, gas and coal in addition to oil and gas equipment distribution in the Asia Pacific region. This will be an ongoing process for the Company as it looks to diversify its energy business activities and broaden its' earnings base, while concurrently re-engineering itself to explore new opportunities globally.

The acquisition of Mid-Continent Equipment Group Pte Ltd. in 2004 has enabled Magnus to establish business opportunities in the oil and gas equipment industry.

In July 2008, Magnus successfully listed its coal operations under APAC Coal Limited ("APAC"), on the Australian Stock Exchange. A subsidiary of Magnus, APAC is a coal exploration company and has 30 years concession rights to explore coal over 23,124ha of land in East Kalimantan, Indonesia. Kalimantan is the world's 7th largest coal producer.

Magnus aims to expand its existing capabilities and to remain primarily involved in energy-related projects and services.

Chairman's Statement

Dear Shareholders,

There remains a fundamental demand for energy and resources worldwide as the world's economy recovers, led by emerging giants such as India and China. In that regard, our business model is still sound and we will press on in our quest for more energy and resource sources.

For the Financial Year ended 30 June 2010 ("FY2010"), we booked Group revenue on continuing operations of $74.7 million, a decrease of 22.7% over FY2009's $96.6 million. This was mainly due to the decrease in sales volume in our oilfield equipment supply segment. In line with decreased revenue, cost of sales was $64.0 million for FY2010, a decrease of 18.9% from $78.8 million for FY2009.

During the year, we sold larger quantities of lower margin products, namely onshore and offshore oil and gas equipment and marine equipment, capitalising on the sluggish growth in demand in this area. This resulted in a decrease in our gross profit for our continuing operations from $17.8 million for FY2009 to $10.7 million for FY2010, and a corresponding decline in gross profit margin from 18.4% to 14.4% respectively.

Our crude oil production segment, reported as discontinued operations, has entered into a 60/40 production sharing arrangement with China National Petroleum Corporation since September 2009. This change from the previous 80/20 arrangement, effectively reduces our margins by 20% for every barrel produced. Loss for FY2010 from discontinued operations was $0.4 million.

From our continuing operations, we recognised a net loss after tax of $1.3 million for FY2010, compared with net losses of $27.4 million for FY2009. All in, we pared down our total losses for the year to $1.7 million, from $56.1 million in FY2009.

On a per share basis, Earnings Per Share on a fully diluted basis attributable to equity holders of the Company for the year in review was a loss of 0.076cts, compared with a loss of 2.174cts in the previous year. Net Asset Value on a fully diluted basis was 2.38cts in FY2010, compared with 2.20cts in FY2009. To focus our capital on growth strategies, we have decided not to declare a dividend for FY2010.

Operational Highlights

Crude Oil Production

During the year, we have decided to dispose off our crude oil production subsidiary, Songyuan Yongda Oilfields Exploration & Technology Co., Ltd. ("Yongda"). At a total cash consideration of up to RMB 8.0 million, our proposed disposal of our entire 75% equity interest in Yongda, subject to shareholders' approval, will effectively represent our exit from this company's crude oil production business. While we propose to exit from Yongda, we remain open to opportunities in oil exploration works in China as well as other geographical locations if there are appropriate opportunities. For FY2010, with the winding down of our crude oil exploration and production, we booked revenue of $5.0 million for this segment.

Coal Mining & Others

As for our coal exploration and mining activities under APAC Coal Limited, we have been advised by our Indonesian litigation lawyers that the judicial review has been filed and in progress with the Indonesian Supreme Court. Until its resolution, we have been advised by the Indonesian Ministry of Energy and Mines to temporarily suspend our exploration and mining activities.

Once this legal matter is resolved, we intend to look for strategic local partner to further advance our penetration into the local market. Our intention is to re-commence exploration and mining activities after the granting of the exploration and exploitation permission by the Ministry of Energy and Mines. We will also explore opportunities to tap into other energy resources such as natural gas.

Oilfield Equipment Supply

The oilfield equipment supply segment remained our mainstay with revenue of $74.7 million during the year in review. This comprised 93.7% of our total group revenue. With the gradual revival of some oil and gas exploration activities over the past year, we secured more sales of oil field tubular products by rig companies in Australia. We also saw increased interest in the leasing of such products.

Streamlining and Cost Management

During the year, our oil and gas equipment supply subsidiary moved into a new $4.8 million building at 32 Loyang Crescent Singapore 508992. With a capacity of more than 40,000 sq ft of land, we have consolidated most of our products, except our tubular ones, in this location. We have also moved most of our staff to the new premises, thus rationalising costs and improving logistical management.

Financial Highlights

In line with decreased revenue, distribution and selling expenses were $0.4 million in FY2010, a decrease from $0.5 million in the previous year. Meanwhile, we reduced administrative expenses by 19.6% from $13.6 million in FY 2009 to $11.0 million in FY 2010. This was primarily due to reductions of expenses in emoluments, remuneration and salaries by $1.3 million; suspension of mining activities; legal, professional and consultancy fees of $1.0 million and exploration expenses of $0.5 million.

The group recorded an S$1.1 million net cash outflow from operating activities for FY2010 as compared to the net cash inflow of $2.5 million (restated) for FY2009. This was mainly due to lower revenue and gross margin, and repayment of owing to related parties.

To expand our capital base during the past year, we placed out 290 million shares and raised net proceeds of about $3.6 million to fund working capital and possible investment objectives. The proceeds have been received in August 2010.

Looking Ahead

As we exit the crude oil exploration business, our main core businesses today are oil and gas equipment distribution in the Asia Pacific region and exploration and development of coal mining activities in Indonesia. Despite recent renewed vigour on financial markets, the global economic environment remains hazy with the US, the European Union and Japan, the world's largest consumers, still grappling with their own uncertainties. As such, while we believe the global economy has recovered from the depths of last year's recession, the cloudy operating environment necessitates proceeding with prudence.

We remain cautiously optimistic and while sourcing for new avenues of growth, will manage our costs assiduously. In fact, we have been sourcing for more cost-effective solutions in the areas of drill pipes, casings and tubings. Where we previously indented mostly Japanese stock, we have, of late, identified and ordered from new Chinese sources who are not only more cost-effective but are also able to meet the American Petroleum Institute (API) standards.

There remains a fundamental demand for energy and resources worldwide as the world's economy recovers, led by emerging giants such as India and China. In that regard, our business model is still sound and we will press on in our quest for more energy and resource sources.

The Group intends to develop our green service solutions, in particular, the rental and sale of on-site waste management equipment and solutions used in pig farms in Malaysia and the rental and supply of equipment for recycling of oil sludges in India.

Conclusion

At this juncture, I would like to thank our former deputy chairman Dato' Md Wira Dani Bin Abdul Daim and our former independent non-executive director Mr Hisham Othman for their services on the Board. They had resigned during the year due to their heavy work commitments.

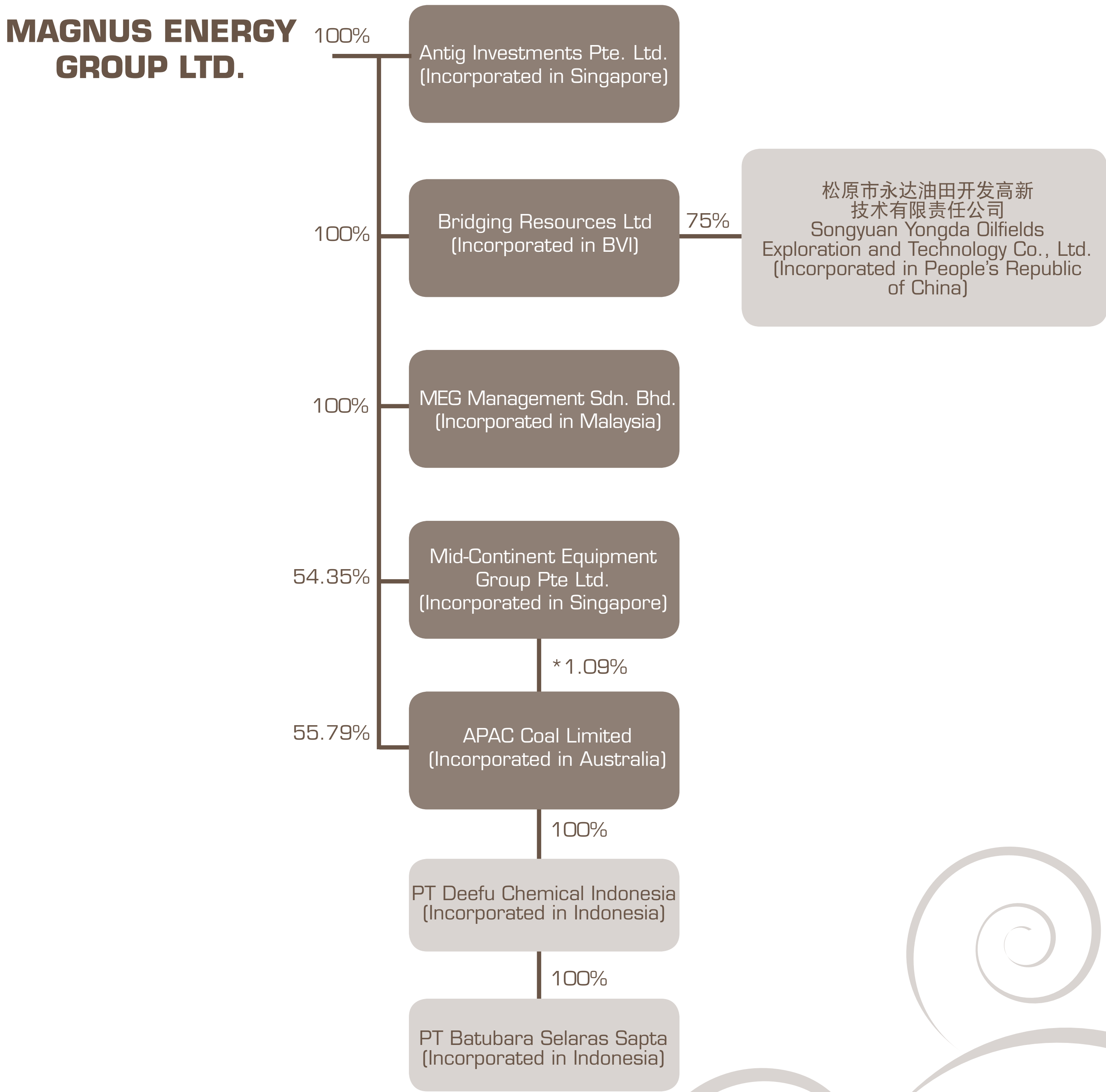
In November 2009, we had appointed Asian Corporate Advisors Pte.Ltd. as our continuing sponsor when we transited to the Catalist Board. This board regime gives us added flexibility to raise funds and seize opportunities when they arise. I am encouraged by the transition and on behalf of the Board, look forward to working with our continuing sponsor as we take the Group forward in this new phase of our corporate development. The past year has been eventful and challenging and a note of appreciation must be given to our directors, management and staff, as well as business partners. We will also like to thank our shareholders for their trust and support. Together, we look forward to the year ahead.

Idris Bin Abdullah @ Das Murthy
Chairman

Financial Highlights

	2010	2009	2008
Turnover ($'000)	79,686	103,401	117,851
Net Asset Value per Share (Cents)	2.39	2.20	4.31
(Loss)/Profit before Taxation ($'000)			
- Continuing Operations	(863)	(24,606)	7,008
- Discontinued Operations	(441)	(28,737)	186
Total (Loss)/Profit after income tax attributable to Equity Holders of the Company ($'000)	(1,338)	(38,393)	133
Basic (Losses)/Earnings per Share (Cents)	(0.076)	(2.183)	0.008
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield Equipment Supply and Services	74,693	96,606	106,504
Crude Oil Production – Discontinued Operations	4,993	6,794	11,347

Corporate Structure



*% Shareholding held by Magnus

Board of Directors

Datuk Idris Bin Abdullah @ Das Murthy
Chairman and Independent Non-Executive Director

Date of first appointment: 23 May 2008
Date of last re-election as a director: 29 October 2008

Datuk Idris Abdullah, 53, joined the Board as an Independent Non-Executive Director in May 2008 and was appointed Non-Executive Chairman of Magnus on 21 August 2008. He is the Chairman of the Remuneration Committee and member of the Nominating Committee and Remuneration Committee.

He is a Senior Partner of Idris and Company Advocates handling general legal practice comprising Banking practice (both drafting and litigation), land matters, general corporate work including due diligence, corporate restructuring and corporate insolvency litigation, Construction and Building work, Exchange Control work, Criminal litigation, Intellectual Property Litigation and general Civil litigation since 1989. He is also the Chairman and shareholder of Industrial Power Technology Pte Ltd, and Advisor to a number of Sarawak companies. He is currently the Chairman and Non-executive Director with ASX-Listed Apac Coal Limited, a subsidiary of Magnus.

Datuk Idris Abdullah is a member of the Companies Commission of Malaysia ("SSM") as well as Chairman of Audit and Risk Management Committee SSM, member of Human Resource Committee I SSM, member of Disciplinary Committee I SSM and member of the Advisory Panel for the SSM training Academy (Comtrac). He is also a member of the Malaysian Communications and Multimedia Commission.

Datuk Idris Abdullah graduated with First Class Bachelor of Laws (Honours) from Faculty of Law University Malaya in 1981. He was admitted to the Roll of Advocates of the High Court of Malaysia in Sabah and Sarawak in year 1982. He was also admitted to the Roll of Advocates of Malaysia in Malaya in year 2007.

Mr Lim Kuan Yew
Managing Director

Date of first appointment: 17 March 2008
Date of last re-election as a director: 29 October 2008

Mr Lim, 51, joined the Board as a Non-Executive Director in March 2008 and was appointed as Managing Director on 15 May 2008. He oversees the Group's overall management and operations and is responsible for the strategic plans, future direction and business development for the Group.

Mr Lim brings with him extensive experience in areas of auditing, marketing of financial services and stockbroking and has previously held senior positions in general management and strategic planning in both private and public listed companies in Malaysia. He was also the founding member of a Company which provides management and corporate services to clients in the fields of corporate restructuring, mergers and acquisitions, operations review and strategic planning. He currently sits on the Board of several companies in Malaysia. He is also a director of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd., MEG Management Sdn. Bhd. and APAC Coal Limited, all subsidiaries of Magnus.

Mr Koh Teng Kiat
Executive Director and Chief Operating Officer

Date of first appointment: 17 February 2005
Date of last re-election as a director: 29 October 2008

Mr Koh, 54, is an Executive Director and Chief Operating Officer of Magnus. He has an oversight role on the operations of the Group's business activities. He actively involved in the management and operational aspects of the coal exploration and mining activities in East Kalimantan listed under APAC Coal Limited in Australia since 2008.

Mr Koh is a skilled management and corporate financial expert with more than 26 years of business exposure in the Asia Pacific region. He has extensive experience in company operational and financial system restructuring having worked in various types of organisations ranging from manufacturing, construction industry, resource to petroleum sector. He has also worked in public companies and in multi-national businesses. Presently, he sits on the board of all subsidiaries of Magnus in Singapore and Overseas. He also holds directorships in two private companies in Singapore.

Mr Koh holds a degree from The Chartered Institute of Management Accountants of the United Kingdom. He is a Fellow member of both The Chartered Institute of Management Accountants of the United Kingdom and Institute of Certified Public Accountants of Singapore.

Mr Goh Boon Kok
Independent Non-Executive Director

Date of first appointment: 01 June 2004
Date of last re-election as a director: 29 October 2009

Mr Goh, 70, is an Independent Non-Executive Director of Magnus since June 2004. He has been a member of the Audit Committee, Nominating Committee and Remuneration Committee since his appointment as a Director and was elected Chairman of the Audit Committee on 4 July 2008.

Mr Goh is a Certified Public Accountant and currently runs his own practice, Messrs Goh Boon Kok & Co. Prior to that, he has more than 11 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. Mr Goh is also an independent non-executive director of several companies listed on the SGX-ST.

Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore and is a member of The Chartered Institute of Management Accountants (UK) and Chartered Institute of Secretaries & Administrators (UK).

Mr Chin Kok Sang
Independent Non-Executive Director

Date of first appointment: 01 July 2008
Date of last re-election as a director: 29 October 2008

Mr Chin, 52, joined the Board as an Independent Non-Executive Director in July 2008. He is the Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

He is the founding Director of TKC & Associates Sdn Bhd, a consulting firm in Malaysia which provides corporate advisory services with particular focus in the areas of Corporate & Debt Restructuring. He has undertaken consulting assignments in various sectors and industries ranging from banking, toll concession, mobile telecommunication services, property development and construction and fast moving consumer goods. Prior to that, he was a Senior Corporate Banker with a major European based international bank at their offices in Australia, Singapore and Malaysia.

Mr Chin graduated with a Bachelor of Commerce from University of Melbourne. He is a member of The Institute of Chartered Accountants in Australia.

Key Management

Mr Luke Ho Khee Yong
Chief Financial Officer and Company Secretary

Mr Ho, 34, joined Magnus in September 2006 as a Regional Finance Manager and was promoted to Chief Financial Officer in September 2009. He also assumed the office of Company Secretary on 23 June 2010.

Having assumed his current roles, he now oversees the accounting, financial and corporate secretarial matters for the Group. He has more than 12 years of experience in finance and management in the Asia Pacific Region.

Mr Ho obtained his Diploma in Accountancy from Ngee Ann Polytechnic in August 1996 and holds a Degree from The Chartered Institute of Management Accountants of the United Kingdom. He is an Associate Member of The Chartered Institute of Management Accountants of the United Kingdom and also a non-practicing member of Institute of Certified Public Accountants of Singapore.

Corporate Information

Board of Directors
Datuk Idris Bin Abdullah @ Das Murthy
(Chairman and Independent Non-Executive Director)
Mr Lim Kuan Yew
(Managing Director)
Mr Koh Teng Kiat
(Executive Director/Chief Operating Officer)
Mr Goh Boon Kok
(Independent Non-Executive Director)
Mr Chin Kok Sang
(Independent Non-Executive Director)

Audit Committee
Goh Boon Kok
(Chairman)
Idris Bin Abdullah @ Das Murthy
Chin Kok Sang

Nominating Committee
Chin Kok Sang
(Chairman)
Goh Boon Kok
Idris Bin Abdullah @ Das Murthy

Remuneration Committee
Idris Bin Abdullah @ Das Murthy
(Chairman)
Goh Boon Kok
Chin Kok Sang

Auditors
Moore Stephens LLP
Public Accountants and Certified Public Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge
Mr Christopher Bruce Johnson
Date of Appointment: 31 October 2005

Company secretary
Luke Ho Khee Yong

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10 Anson Road
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Tel: 6325 1850
Fax: 6325 1851
Electronic mail address: info@magnusenergy.com.sg
Website: www.magnusenergy.com.sg

Registrar & Share Transfer Office
Boardroom Corporate & Advisory Services Pte. Ltd.
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Singapore 048623
Tel: 65-6536 5355
Fax: 65-6536 1360

Principal Bankers
United Overseas Bank Limited
80 Raffles Place
#12-00 UOB Plaza 1
Singapore 048624

RHB Bank Berhad
90 Cecil Street #03-00
Singapore 069531

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") of Magnus Energy Group Ltd. ("Magnus" or the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") in accordance with the principles and guidelines set out in the Code of Corporate Governance 2005 ("Code"). The Board recognises the importance of practicing good corporate governance as it establishes and maintains an ethical environment and enhances shareholders' value and financial performance of the Group.

This report describes the Company's corporate governance practices with specific reference to the Code. Except as disclosed in the Annual Report, there has been no deviation from the principles and guidelines of the Code.

1. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Role of the Board of Directors ("Board")

The role of the Board is to oversee the business and *corporat*e affairs of the Group and provide strategic direction and corporate governance guidance for the Group. The Board's principal functions include:

- approving the Group's corporate strategic plans and objectives for the Group;
- nominations of Directors for appointment to the Board and appointment of key managerial personnel;
- overseeing the processes for evaluating the adequacy of internal controls, financial reporting and compliance;
- reviewing the Group's operations and financial performance; and
- monitoring the performance of management.

The Group has adopted internal control systems that set out approval limits for capital expenditures, investments and divestments and cheque signatory arrangements. The Board obtains timely and adequate information during Board meetings in Board papers that identify and address key issues concerning the Group.

The Board at its best efforts and knowledge ensure that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and management. The Board communicates the requirements and demands during the meeting held throughout the year with the management.

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management. The directors take decision in interest of the group objectively.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS (cont'd)

Board Processes

The Board has delegated specific responsibilities to three committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

Board Meetings Held

The Board meets at least quarterly to review, consider the Group's key activities, strategic, financial performance and to approve the release of the results of the Group. Fixed meetings are scheduled at the start of the financial year. Ad hoc meetings are called when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings.

Matters which are specifically reserved for the Board's decision or approval include, among others:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- approving the Group's policies, strategies and business plans;
- approving annual budgets, major funding proposals, investment and divestment proposals;
- corporate financial restructuring plans and issuance of shares; and
- authorisation of acquisition/disposal and other material transactions.

The Articles of Association of the Company allow directors to participate in a Board meeting other than physical meetings, by teleconferencing or videoconferencing. The number of meetings held by the Board and Board Committees and attendance of each member of the Board for the financial year under review is tabulated below:

Director	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of Meetings							
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Idris Bin Abdullah @ Das Murthy	4	3	4	3	1	1	1	1
Md Wira Dani Bin Abdul Daim (1)	4	0	4	0*	1	NA	1	NA
Lim Kuan Yew	4	4	4	4*	1	1*	1	1*
Koh Teng Kiat	4	4	4	4*	1	1*	1	NA
Goh Boon Kok	4	4	4	4	1	1	1	1
Chin Kok Sang	4	3	4	3	1	1	1	1
Hisham Othman (2)	4	2	4	2*	1	1*	1	NA

Notes

(1) Dato' Md Wira Dani Bin Abdul Daim has retired as a director as he sought not to re-elect at the Annual General Meeting of the Company held on 29 October 2009.

(2) Mr Hisham Othman resigned as a director on 15 April 2010.

(*) Attended the various Committees meeting by invitation

1. THE BOARD'S CONDUCT OF ITS AFFAIRS (cont'd)

Training of Directors

The Company provides to the directors The Directors, Code of Conduct, which embraces the values of honesty, integrity, personal excellence and accountability which should be the cornerstone of every director's conduct. This also sets out the duties and obligations of each director. Further, to assist the Board in discharging its duties, the Company conducts orientation for newly appointed directors to help them get familiarised with the business operations and regulatory issues of the Group. To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with the Management. Directors are informed via electronic mail of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive appropriate training to improve themselves in the discharge of their duties as directors. The Company Secretary will organise and bring to directors' attention, information on seminars that may be of relevance to them.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises five members, two executive directors, and three non-executive directors of whom all three are independent directors:

Name of Directors	Designation	Date of Appointment	Audit Committee	Nominating Committee	Remuneration Committee
Idris Bin Abdullah @ Das Murthy	Non-executive Chairman and Independent non-executive Director	23 May 2008	Member	Member	Chairman
Lim Kuan Yew	Managing Director	17 March 2008	NA	NA	NA
Koh Teng Kiat	Executive Director/COO	17 February 2005	NA	NA	NA
Goh Boon Kok	Independent non-executive Director	01 June 2004	Chairman	Member	Member
Chin Kok Sang	Independent non-executive Director	01 July 2008	Member	Chairman	Member

The Board has reviewed its present size and composition appropriate for effective decision making, taking into account the scope and nature of operations of the Company, the skills and knowledge of the Directors.

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of expertise and experience, in areas namely, accounting & finance, business and management, corporate governance and legal aspects.

The current Board, with Independent non-executive directors making up two-third of the Board, has a strong and independent element to exercise objective judgement on corporate affairs.

Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taken into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors of the Company help to develop proposals on strategy and also review the performance of the Management in meeting agreed goals and objectives.

The independent and non-executive directors are also encouraged to meet regularly without management present.

3. CHAIRMAN AND MANAGING DIRECTOR

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the Non-Executive Chairman, Datuk Idris Bin Abdullah @ Das Murthy and the Managing Director (in absence of a Chief Executive Officer), Mr Lim Kuan Yew. There is also no relationship between the Non-Executive Chairman and Managing Director.

The Non-Executive Chairman is responsible for leading the Board and facilitating its effectiveness while the Managing Director is responsible for the conduct of the Group's daily business operations.

The Non-Executive Chairman's responsibilities include, inter alia, the following:

- scheduling the meetings and setting the meeting agenda for the Board in consultation with the Managing Director;
- ensuring the smooth conduct of board meetings and monitoring the translation of the Board's decisions into executive action;
- reviewing the Board papers prepared by management to ensure that complete and timely information are provided to the Board;
- promotes and ensures high standards compliance with the Company's guidelines on corporate governance;
- ensure effective communication with shareholders through information posted on websites, announcements, general meetings and investors relations management;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors;
- encourage constructive relations between executive directors and non-executive directors;
- ensure effective communication with shareholders;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors in particular;
- encourage constructive relations between executive directors and non-executive directors; and
- promote high standards of corporate governance.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee ("NC") comprises the following independent non-executive directors:

- Mr Chin Kok Sang (Chairman)
- Mr Goh Boon Kok
- Datuk Idris Bin Abdullah @ Das Murthy

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The NC has adopted specific terms of reference and its principal functions are as follows:

- identify candidates and review all nominations on appointments and re-appointment of directors, having regard to the Director's contribution and performance including making recommendations on the composition of the Board and the balance between executive and non-executive directors appointed to the Board;

4. **BOARD MEMBERSHIP (cont'd)**

- review the Board structure, size and composition annually;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code; and
- review and decide if a director, who has multiple board representations, is able to and has been adequately carrying out his duties as a director of the Company.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

All Directors shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

The Company has in place a formal process for the selection and appointment of new directors to the Board. The search for a suitable candidate could be drawn from contacts and network of existing directors or recommendation for the purposes of identifying suitably qualified and experienced candidates for appointment to the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possesses the particular skill, experience and knowledge, business, finance and management skills necessary to the Group's businesses and each Director, through his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Board appointments are made by way of a Board Resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended such appointment to the Board. Pursuant to the Articles of Association of the Company, all newly appointed directors who are appointed by the Board are required to retire and subject to election by shareholders at the Annual General Meeting at the first opportunity after their appointment.

Pursuant to Article 78 of the Company's Articles of Association, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming Annual General Meeting ("AGM"). Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Datuk Idris Bin Abdullah @ Das Murthy shall retire pursuant to Article 96(2) at the forthcoming AGM, and has consented for re-election.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, directorships are disclosed in the Annual Report to enable shareholders to make informed decisions.

Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

The independent directors have declared their independence for the financial year ended 30 June 2010, in accordance with the independent guidelines contained in the Code.

During the financial year ended 30 June 2010, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments.

5. BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC is also responsible for deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the Board's approval, which address how the Board has enhanced long-term shareholders' value.

In addition to the above, the Board also implemented a process to be carried out by the NC for evaluating the performance and effectiveness of the Board as a whole every year and the contribution by each individual director in terms of required mix of skills and experience and other qualities, including core competencies, to the Group.

The NC may act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors.

In conjunction to performing an evaluation on the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, the Board evaluates the Group's performance and assets over its total share issue as a comparative measure.

The Board reviews the financial results of the Group and the Company by evaluating the performance in profitability terms, asset values, liquidity and dividend yield.

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is usually provided with Board papers in advance before each Board Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, to enable them to be properly informed of matters to be discussed and/or approved.

Directors have separate and independent access to the Company's Senior Management and the Company Secretary. They have full access to the Company's records and information and may seek independent legal and other professional advice, if they deem necessary, in the furtherance of their duties. Such expenses are borne by the Company.

The Company Secretary attends all Board Meetings and records all decisions and conclusions of the Board meetings in the minutes book. In addition, the Company Secretary assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Memorandum and Articles of Association and applicable rules and regulations, including requirements of the Singapore Companies Act, Chapter 50, and the provisions in the Rules of Catalist of the SGX-ST are complied with. The appointment and removal of the Company Secretary are decided by the Board as a whole.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises the following independent non-executive directors:

- Datuk Idris Bin Abdullah @ Das Murthy (Chairman)
- Mr Goh Boon Kok
- Mr Chin Kok Sang

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (cont'd)

The RC has adopted specific terms of reference and its principal functions are as follows:

- review and recommend to the Board a framework of remuneration for directors and key executives.

  The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind;

- determine the specific remuneration packages for each executive director and key executive based on performance, service seniority, experience and scope of responsibility;
- review and recommend to the Board the terms of service agreements of the directors;
- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and
- administer the Magnus Energy Employee Share Option Plan and the Magnus Energy Performance Share Plan.

The members of the RC will ensure that they do not set their own remuneration.

The RC may obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC. The RC will review annually all aspects of remuneration, including directors' fees, salaries, allowances, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the managers and the directors capable of meeting our Company's objectives and to reflect their duties and responsibilities.

The non-executive and independent directors are paid yearly directors' fees and additional fees for serving as Chairman on each of the Board Committees, which are determined by the Board, appropriate to the level of contribution, taking into factors such as the effort and time spent and the responsibilities of the independent directors. These fees are subject to shareholders' approval at each Annual General Meeting of the Company.

The Company has entered into service agreements with two executive directors, namely Lim Kuan Yew and Koh Teng Kiat on 15 August 2008 and 19 September 2007 respectively, which are renewed on a 3-yearly basis on such terms and conditions offered by the Company. The service agreement with Koh Teng Kiat has been renewed on 1 July 2010. The Board has reviewed and considered the service contracts to be appropriate prior to the implementation of the service contracts. The appropriate notice period of the service contracts shall be a 3-months written notice.

In setting remuneration packages, the RC ensures that the directors are adequately but not excessively remunerated as compared within the industry and in comparable companies.

The Company has implemented Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") as part of a compensation plan for attracting as well as promoting long-term employee retention, and to motivate them towards better performance through dedication and loyalty. These plans shall also create performance-related elements of remuneration designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. Details are set out in the Directors' Report.

9. DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown of the level and mix of remuneration of the Directors and key executives for the financial year ended 30 June 2010 is set out below:

Name	Salaries	Bonus %	Consultancy fees %	Director fees %	Fair value of share options granted # %	Other benefits %	Total %
$250,000 to below $500,000							
Directors							
Koh Teng Kiat	78.9	12.2	–	–	4.7	4.2	100.0
Lim Kuan Yew	87.4	12.6	–	–	–	–	100.0
Below $250,000							
Directors							
Idris Bin Abdullah @ Das Murthy	–	–	–	100.0	–	–	100.0
Md Wira Dani Bin Abdul Daim (1)	–	–	–	100.0	–	–	100.0
Goh Boon Kok	–	–	–	74.9	25.1	–	100.0
Chin Kok Sang	–	–	–	100.0	–	–	100.0
Hisham Othman (2)	–	–	–	100.0	–	–	100.0
Key Executives							
Luke Ho Khee Yong	80.8	14.9	–	–	1.4	2.9	100.0
Wong Siew Chuan (3)	96.9	–	–	–	–	3.1	100.0

Refers to the expense on share options granted to the directors and employees recognized in the financial statements

(1) Retired on 29 Oct 2009

(2) Resigned on 15 Apr 2010

(3) Resigned on 30 Sep 2009

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that fees payable to non-executive directors for the financial year ended 30 June 2010 be fixed at S$87,374. The Board duly accepted the RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

There are no employees who are immediate family members of the Chairman or a Director.

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board.

Other than providing monthly management accounts to the Board, the Management provides all members of the Board in a meeting with detailed management accounts of the Group's performance, financial position and prospects on a quarterly basis. The Management also presents to the Board the half yearly and full year financial results of the Group and the Audit Committee reports for review and approval. The Board approves the results after review and authorized the release of the results to the SGX-ST and the public via SGXNET.

Periodic announcements on business and other developments of the Group are made to keep shareholders informed about the progress of the Group.

11. AUDIT COMMITTEE ("AC")

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the following independent non-executive directors:-

- Mr Goh Boon Kok (Chairman)
- Datuk Idris Bin Abdullah @ Das Murthy
- Mr Chin Kok Sang

Two members of the AC have professional and in-depth experiences in the field of financial management and accounting. The Board is of the view that AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

The AC meets at least four times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. During the financial year, the AC met with the external auditors once, without the presence of the Group's management.

The AC carried out its functions in accordance with the Companies Act, Cap. 50 ("Act") and the Rules of Catalist of the SGX-ST Listing Manual ("Catalist Rules"). The functions of the AC are as follows:-

- review the audit plans and scope of the external auditors of the Company and ensure adequacy of the Group's system of internal accounting controls and the co-operation given by the management to the external auditors;
- review the quarterly, half and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;
- review the auditors' evaluation of the system of internal controls, the results of the audit and discuss problems and concerns arising from their audit or any other matters which the auditors might wish to discuss privately with the AC;
- review any formal announcements relating to the Company's financial performance in addition to the quarterly, half and full year financial statements compliance;
- review the assistance given by the Group's officer to the auditors and discuss any concerns if any with the external auditors in the absence of management;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

11. AUDIT COMMITTEE ("AC") (cont'd)

- review the independence of the external auditors annually and recommend the external auditors to be nominated for re-appointment, or removal of the external auditor, and approve the compensation of the external auditors; and
- review interested person transactions in accordance with the requirements of the Catalist Rules.

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The AC also reviews any reports by which staff of the Company; or any other officers, may; in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in matters of financial reporting or any matters affecting the Group. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action and resolution.

The AC has recommended the re-appointment of Messrs Moore Stephens as external auditors of the Company for the ensuing financial year.

The AC is satisfied with the independence and objectivity of the external auditor and recommends to the Board the nomination of the external auditor for re-appointment. The AC has reviewed all non-audit services provided to the Group by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

12. INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Company's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect where necessary.

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company is in place throughout the financial year and up to the date of this report. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the management letter issued by the external auditors, are in place to mitigate any possible and/or suspected irregularities. Nothing has come to the attention of the AC and/or Board of any deficiency and/or dysfunction of the internal control implementation that has resulted in any significant loss and/or material financial misstatement.

13. INTERNAL AUDIT

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed reports directly to the AC Chairman and administratively to the Managing Director.

During the financial year ended 30 June 2010, the AC had engaged Messrs Horwath First Trust, established in 2002 by a dynamic team of professionals from the big four certified public accountants, to carry out a follow up review of the 2007 Internal Audit Report focusing in areas of inventory management of Mid-Continent Tubular Pte Ltd and Mid-Continent Equipment Group Pte Ltd., both subsidiaries of the Group. The Internal Auditors is in the midst of finalising the internal audit review for FY2010. In view of the re-location of new premise in Mid-Continent Equipment Group Pte Ltd., the internal audit review work has been postponed and is anticipated to be completed in November 2010. The Internal Auditors will issue a report on the results of the internal audit work summarising their findings and recommendations to the management and report directly to the Chairman of the AC. The AC shall oversee and monitor the implementation on the findings for improvement.

The AC reviews the adequacy of the internal audit function annually and ensures that the internal audit function has appropriate standing within the Group.

14. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with the continuous disclosure obligations of the Company and pursuant to the provisions of the Catalist Rules and the Act, the Board's policy is that shareholders shall be informed of all major developments of the Group's businesses and operations. The Board adopts the practice of regularly communication of information to shareholders through SGXNET and press releases. All announcements and annual reports of the Company are available on the Company's website at www.magnusenergy.com.sg.

The Company sends the annual report in the form of CD version and notice of AGM to all shareholders of the Company. The notice of AGM is advertised in a Singapore's newspaper. At the AGM, shareholders are given the opportunity to opine their views and query the Directors or the Management on matters regarding the Company. Shareholders have the opportunity to participate effectively and to vote in AGMs. They are allowed to vote in person or by appointed proxy.

During the AGM, the resolutions on each substantial issue are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal. For such resolutions, clear explanation and reasons are provided together with its material implications.

The Company adopts the practices of preparation of minutes or notes of AGM, including the comments and/or queries from the shareholders and response from the Board and Management, and to make these minutes or notes available to shareholders upon their requests. In addition, the Company practises transparency during the AGM whereby the Chairman of NC, RC and AC and the Company's external auditors are present and available to address shareholders' questions and concerns about the conduct of the Company and/or audit and the preparation and content of the Independent Auditors Report.

RISK MANAGEMENT (Catalist Rule 1204(4)(b)(iv))

As the company does not have a risk management committee, the AC and Management assume the responsibility of the risk management function. Management reviews regularly the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

MATERIAL CONTRACTS (Catalist Rule 1204(8))

There were no material contracts of the Company, or its subsidiaries involving the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

DEALING IN SECURITIES (Catalist Rule 1204(18))

In line with the internal compliance code, the Company has in place a policy prohibiting share dealings by Directors and officers of the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks and one month before the announcement of the Group's interim and full-year results respectively and ending on the date of the announcement of the relevant results. The Company will also send memorandum prior to the commencement of each window period as a reminder to the Directors, officers and relevant employees to ensure that they comply with the Code.

The Directors and officers of the Group do not deal in the Company's securities on short-term considerations.

In addition, Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

CATALIST SPONSOR (Catalist Rule 1204(20))

The Company is currently under the SGX-ST Catalist soponsor-supervision regime and the continuing sponsor of the Company is Asian Corporate Advisors Pte Ltd. In compliance with the code, there was no non-sponsor fees paid to the Company's Sponsor for the financial year ended 30 June 2010.

INTERESTED PERSONS TRANSACTIONS (Catalist Rule 907)

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During the financial year ended 30 June 2010, there were no interested persons transactions.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2010 and statement of financial position of the Company as at 30 June 2010.

1 Directors

The directors of the Company in office at the date of this report are:

Idris Bin Abdullah @ Das Murthy
Lim Kuan Yew
Koh Teng Kiat
Goh Boon Kok
Chin Kok Sang

2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Share Options and Awards

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP")

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders at the Extraordinary General Meeting of the Company held on 19 November 2007. Please refer to Note 40 for further details.

The Remuneration Committee of the Company (the "RC") has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy, Chin Kok Sang and Goh Boon Kok.

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the RC:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

3 Share Options and Awards (cont'd)

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (cont'd)

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) per cent of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options will be exercisable within four years on or after the first, second and third anniversary of the date of the grant in the proportion of 35.0%, 35.0% and 30.0% respectively. The size of the non-discounted share options were 16,618,000 shares, of which 11,341,000 have expired as at 30 June 2010. The non-discounted share options shall lapse or be terminated at the end of the vesting period or when the employee ceased to be an employee of the Group.

The exercise period will commence after the first anniversary of the date of grant if the exercise price is equal to, or more than, the market price on the date of grant. The exercise period commences after the second anniversary of the date of grant if the exercise price is discounted from the market price on the date of grant.

(b) Outstanding Share Options

The number of unissued ordinary shares of the Company under share options outstanding at the end of the financial year is as follows:

Date of grant	Number of unissued ordinary shares under outstanding options	Vesting Period	Fair value per ordinary share
4 December 2007	1,846,950	4 December 2008 to 3 December 2009	0.0190
4 December 2007	1,846,950	4 December 2009 to 3 December 2010	0.0354
4 December 2007	1,583,100	4 December 2010 to 3 December 2011	0.0372

3 Share Options and Awards (cont'd)

(c) Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that the share options granted to and exercised by directors of the Company and its subsidiaries during the financial year are detailed as follows:

Name of directors	Aggregate share options granted since commencement of the scheme to 30.6.2010	Aggregate share options exercised since commencement of the scheme to 30.6.2010	Aggregate share options lapsed at 30.6.2010	Aggregate share options outstanding since commencement of the scheme as at 30.6.2010
Non-discounted share options of the Company				
Koh Teng Kiat	2,080,000	–	–	2,080,000
Goh Boon Kok	1,387,000	–	–	1,387,000
Share options of the subsidiary, APAC Coal Limited				
Koh Teng Kiat	1,300,000	–	–	1,300,000

(i) no share options have been granted to controlling shareholders of the Company or their associates under the Magnus Energy ESOP during the financial year.

(ii) other than those as disclosed in (c)(i) above, participants who received 5.0% or more of the total number of options available under the Magnus Energy ESOP are as follows:

Name of participant	Aggregate share options granted since commencement of the scheme to 30.6.2010	Aggregate share options exercised since commencement of the scheme to 30.6.2010	Aggregate share options lapsed at 30.6.2010	Aggregate share options outstanding since commencement of the scheme as at 30.6.2010
Non-discounted share options				
Ong Eng Kee	1,040,000	–	–	1,040,000

(iii) no share options were granted at a discount during the financial year.

(iv) no share options have been granted in FY2009 and FY2010 and from 1 July 2010 to 21 July 2010.

(v) the directors do not have any indirect interests in the share options.

4 Directors' Interests in Shares and Debentures

The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

	Direct interest			Deemed interest		
	As at 1.7.2009 or date of appointment, if later	As at 30.6.2010	As at 21.7.2010	As at 1.7.2009 or date of appointment, if later	As at 30.6.2010	As at 21.7.2010
The Company						
Ordinary shares						
Goh Boon Kok	300,000	300,000	300,000	–	–	–

No other directors who held office at the end of the financial year had interests in shares or debentures of the Company or related corporations either at the beginning of the financial year or date of appointment if later or at the end of the financial year and on 21 July 2010.

5 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the financial statements.

6 Audit Committee

The Audit Committee comprises three non-executive directors who are also independent directors. The members of the Committee are:

Goh Boon Kok, Chairman
Idris Bin Abdullah @ Das Murthy, Member
Chin Kok Sang, Member

The Audit Committee carried out its functions in accordance with the Companies Act, Cap. 50 and the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist. In performing those functions, the Audit Committee inter alia reviewed:

(a) The effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

(b) The audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;

(c) The assistance provided by the Group's officers to the independent auditors;

(d) Interested party transactions for the financial year ended 30 June 2010 in accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;

6 Audit Committee (cont'd)

(e) The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2010 before their submission to the board of directors and the independent auditors' report on those financial statements;

(f) Recommended to the Board of Directors the independent auditors to be nominated approved the compensation of the auditors and reviewed the scope of the audit; and

(g) Undertake such other functions and duties as maybe required by statute.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Pursuant to Rule 1204(6)(b), the Audit Committee has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors.

There is no non-audit service provided by the auditors during the financial year.

The Audit Committee held three meetings during the financial year.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment.

8 Other information required by the Singapore Exchange Securities Trading Limited

No material contracts to which the Company or any subsidiary is a party and which involve controlling shareholders' and directors' interests and chief executive office (where applicable) subsisted at, or have been entered into since the end of the previous financial year.

9 Use of proceeds raised from additional issues of securities

Referring to Note 35(a), the Company has raised approximately S$3.6 million, less expenses relating to the issuance costs. The statement of account for the proceeds is as follows:

Use of Proceeds*	As at 30.09.2010 S$ million	Percentage of amount raised %
Amount raised	3.625	100.0
Less amounts disbursed:		
Investment in securities	(1.994)	55.0
Working Capital	(1.493)	41.2
Balance held in Bank	0.138	3.8

* The proceeds raised from the placement in FY2008 had been fully utilised for its intended purposes as announced in 13 November 2007.

On behalf of the Board of Directors,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore
7 October 2010

STATEMENT BY DIRECTORS

We, Lim Kuan Yew and Koh Teng Kiat, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

(i) as disclosed in Note 18, the directors are unable, at the date of this Report, to determine the recoverable amount of the Group's intangible asset, comprising the coal concession rights in Indonesia. Accordingly, the directors are unable to determine whether the carrying value of the intangible assets are recoverable at the amount stated in the statement of financial position of S$18.4 million after deducting a deferred tax liability of S$7.2 million.

(ii) except for the matter referred to in paragraph (i) above, the accompanying statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 30 to 99 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(iii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore
7 October 2010

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

1. We have audited the accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 30 to 99, which comprise the statement of financial position of the Company and of the Group as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes,.

2. Management's Responsibility for the Financial Statements

   Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

   (a) 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 profit and loss accounts and balance sheets and to maintain accountability of assets;

   (b) selecting and applying appropriate accounting policies; and

   (c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

6. As described in Note 18, the Group's investment in Coal Concession Rights has been included in the consolidated statement of financial position at cost less impairment losses, amounting to S$18.4 million (2009: S$19.4 million) after deducting a deferred tax liability of S$7.2 million (2009: S$7.9 million). As explained in Note 18, because of the impending legal proceedings in relation to the Group's ownership interest in PT Batubara Selaras Sapta ("PTBSS"), the directors have been unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights. Accordingly, we are unable to carry out auditing procedures necessary to obtain adequate assurance regarding the carrying amount of the Group's investment in Coal Concession Rights and related deferred tax liability appearing in the consolidated statement of financial position of the Group at S$25.6 million (2009: S$27.3 million) and S$7.2 million (2009: S$7.9 million) respectively. Any adjustment to these figures may have a significant consequential effect on the net assets of the Group as at 30 June 2010 and the results of the Group for the financial year then ended.

7. The Company's investment in APAC Coal Limited ("APAC"), a 56.87% subsidiary amounted to S$9.8 million (net of an amount due to APAC of S$2.5 million) as at 30 June 2010. APAC holds a 100% interest in PT Deefu Chemical Indonesia which in turns holds a 100% interest in PTBSS. PTBSS is the holder of the Coal Concession Rights referred to in paragraph 6 above. The ability of the Company to realise its investment in APAC is largely dependent on the successful outcome of the legal proceedings referred to in Note 18.

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

(cont'd)

Qualified Opinion

8. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying value of the Group's investment in Coal Concession Rights and the related deferred tax liability, the statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

Accounting and Other Records

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

Emphasis of Matter

10. Without further qualifying our audit opinion, we draw attention to note 35(b) to the financial statements, which states that the Group and the Company have received a writ of summons from certain plaintiffs. The Plaintiffs allege that the Group and the Company have made certain payments to Aventi Holdings Ltd and Overseas Alliance Finance Limited which were not permitted by the conditional sale and purchase agreement in relation to the acquisition of a 72% interest in PT Deefu Chemical Indonesia by Antig Investments Pte Ltd ("Antig"). The Plaintiffs are claiming approximately US$12.5 million or for damages to be assessed and 166,959,091 shares in the Company. The outcome of this legal action is not known at the date of this report. The Board of Directors of the Company and the management of Antig have evaluated and assessed, based on legal advice received and the information presently available, that there are grounds to resist the claims of the Plaintiffs. Accordingly, no provision or accrual, other than for legal costs, has been made in the financial statements for the year ended 30 June 2010.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore

7 October 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2010

	Note	2010 S$	2009 S$ Restated (Note 11)
Continuing Operations			
Revenue	3	74,692,913	96,606,129
Cost of sales		(63,953,022)	(78,849,353)
Gross profit		10,739,891	17,756,776
Other operating income	4	3,078,748	7,584,830
Other operating expenses	4	(3,139,122)	(35,919,863)
Distribution and selling expenses	5	(389,384)	(513,539)
Administrative expenses	6	(10,967,917)	(13,633,779)
Finance income	8	318,199	633,022
Finance costs	9	(525,284)	(579,354)
Share of results of associated companies	15	21,485	65,777
Loss before income tax		(863,384)	(24,606,130)
Income tax expense	10	(414,017)	(2,759,651)
Loss after income tax from continuing operations		(1,277,401)	(27,365,781)
Discontinued operations			
Loss after income tax from discontinued operations	11	(440,822)	(28,737,242)
Total Loss after income tax		(1,718,223)	(56,103,023)
Total Loss after income tax attributable to:			
Equity holders of the Company		(1,338,160)	(38,393,330)
Non-controlling interests		(380,063)	(17,709,693)
		(1,718,223)	(56,103,023)
Other comprehensive income:			
Exchange differences on translation of foreign operations		(2,055,657)	1,244,984
Fair value changes to available-for-sale financial assets		5,136,965	(1,638,054)
		3,081,308	(393,070)
Total comprehensive income/(loss) for the year		1,363,085	(56,496,093)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		2,453,857	(37,078,444)
Non-controlling interests		(1,090,772)	(19,417,649)
		1,363,085	(56,496,093)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2010

	Note	2010 S$	2009 S$ Restated (Note 11)
Loss per share for loss from continuing and discontinued operations attributable to the equity holders of the Company			
- Basic	12	(0.076)	(2.183)
- Diluted	12	(0.076)	(2.174)
Loss per share for loss from continuing operations attributable to the equity holders of the Company			
- Basic	12	(0.057)	(0.958)
- Diluted	12	(0.057)	(0.954)
Loss per share for loss from discontinued operations attributable to the equity holders of the Company			
- Basic	12	(0.019)	(1.226)
- Diluted	12	(0.019)	(1.221)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2010

	Note	Group 2010 S$	Group 2009 S$	Company 2010 S$	Company 2009 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	8,501,300	4,409,952	149,448	196,220
Investments in subsidiaries	14	–	–	26,286,936	27,366,213
Investments in associated companies	15	70,810	114,971	–	–
Investments in joint venture entities	16	–	–	–	–
Goodwill	17	1,569,703	1,569,703	–	–
Intangible assets	18	29,716,956	31,237,360	–	–
Available-for-sale financial assets	19	12,674,123	6,634,278	7,411,250	4,226,250
Deferred income tax assets	10	243,211	267,735	–	–
Total Non-Current Assets		52,776,103	44,233,999	33,847,634	31,788,683
Current Assets					
Inventories	20	16,916,433	23,208,063	–	–
Trade and other receivables	22	10,592,034	12,664,872	380,126	683,868
Related parties balances	23	695,699	901,942	741,856	3,245,010
Cash and cash equivalents	24	15,182,752	23,696,556	11,861	2,988
Total Current Assets		43,386,918	60,471,433	1,133,843	3,931,866
Assets of disposal group classified as held for sale	25	1,810,111	–	–	–
		45,197,029	60,471,433	1,133,843	3,931,866
Total Assets		97,973,132	104,705,432	34,981,477	35,720,549
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	26	9,635,760	11,897,595	1,228,955	286,152
Bank overdrafts	27	262,027	1,444,583	206,107	1,388,867
Related parties balances	23	2,728,976	8,538,284	3,310,033	2,848,750
Short-term borrowings	28	4,437,977	4,053,137	367,945	411,489
Finance lease obligations	29	54,959	48,127	20,692	19,464
Income tax liabilities		675,400	1,558,232	135,000	135,000
Total current liabilities		17,795,099	27,539,958	5,268,732	5,089,722
Liabilities directly associated with of disposal group classified as held for sale	25	2,420,406	–	–	–
		20,215,505	27,539,958	5,268,732	5,089,722
Non-Current Liabilities					
Long-term borrowings	28	1,241,062	–	–	–
Finance lease obligations	29	78,209	130,748	57,686	78,378
Deferred income tax liabilities	10	7,919,696	9,418,692	–	32,800
Total Non-Current Liabilities		9,238,967	9,549,440	57,686	111,178
Total Liabilities		29,454,472	37,089,398	5,326,418	5,200,900
Equity					
Share capital	30	116,501,816	116,501,816	116,501,816	116,501,816
Reserves	31	(74,470,479)	(77,601,337)	(86,846,757)	(85,982,167)
		42,031,337	38,900,479	29,655,059	30,519,649
Non-controlling interests		26,487,323	28,715,555	–	–
Total Equity		68,518,660	67,616,034	29,655,059	30,519,649
Total Liabilities and Equity		97,973,132	104,705,432	34,981,477	35,720,549

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2010

	Attributable to equity holders of the Company								
	Share Capital S$	Share–based Payment Reserve S$	Statutory Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
Group									
2010									
Balance at 1 July 2009	116,501,816	175,866	–	(66,964)	(3,447,510)	(74,262,729)	38,900,479	28,715,555	67,616,034
Effect after adopting FRS 27 [Note 2(a)]	–	–	–	–	(353,927)	1,047,359	693,432	(693,432)	–
Balance as at 1 July 2009	116,501,816	175,866	–	(66,964)	(3,801,437)	(73,215,370)	39,593,911	28,022,123	67,616,034
Total comprehensive income/(loss) for the year	–	–	–	5,049,507	(1,257,490)	(1,338,160)	2,453,857	(1,090,772)	1,363,085
Transferred to/(from) statutory reserve	–	–	13,761	–	–	(25,320)	(11,559)	11,559	–
Grant of equity share options	–	2,997	–	–	186	–	3,183	2,274	5,457
Reversal of equity share options	–	(8,055)	–	–	–	–	(8,055)	–	(8,055)
Dividends paid by a subsidiary to minority shareholders	–	–	–	–	–	–	–	(457,861)	(457,861)
Balance at 30 June 2010	116,501,816	170,808	13,761	4,982,543	(5,058,741)	(74,578,850)	42,031,337	26,487,323	68,518,660

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2010

	Attributable to equity holders of the Company							
	Share Capital S$	Share–based Payment Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
Group								
2009								
Balance at 1 July 2008	116,501,816	67,798	197,556	(5,026,916)	(35,869,399)	75,870,855	38,681,261	114,552,116
Total comprehensive (loss)/income for the year	–	–	(264,520)	1,579,406	(38,393,330)	(37,078,444)	(19,417,649)	(56,496,093)
Attributable to the acquisition of a minority share in a subsidiary	–	–	–	–	–	–	(8,213,189)	(8,213,189)
Issuance of additional shares by subsidiary to the minority shareholders pursuant to the restructuring exercise	–	–	–	–	–	–	18,597,783	18,597,783
Grant of equity share options	–	108,068	–	–	–	108,068	(16,898)	91,170
Dividends paid by a subsidiary to minority shareholders	–	–	–	–	–	–	(915,753)	(915,753)
Balance at 30 June 2009	116,501,816	175,866	(66,964)	(3,447,510)	(74,262,729)	38,900,479	28,715,555	67,616,034

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2010

	Note	2010 S$	2009 S$ (Restated)
Cash Flows from Operating Activities			
Loss before income tax			
Continuing operations		(863,384)	(24,606,130)
Discontinued operations		(440,822)	(28,737,242)
		(1,304,206)	(53,343,372)
Adjustments:			
Amortisation of intangible asset		–	482,312
Trade receivables written-off		46,457	95,173
Non-trade receivables written-off		–	2,189
Depreciation of property, plant and equipment		1,247,272	2,985,526
Property, plant and equipment written-off		48,473	34,915
Impairment loss of intangible assets		–	42,042,004
Impairment loss of property, plant and equipment		–	19,012,723
Impairment loss of available-for-sale financial assets		1,650,684	–
Impairment of inventories		16,460	–
Interest expense		289,678	328,031
Interest income		(318,199)	(633,022)
Gain on disposal of available-for-sale financial assets		(473,079)	(31,655)
Gain on disposal of property, plant and equipment		(184,419)	(737)
Grant of equity share options		(2,598)	91,170
Gain on restructuring of a subsidiary		–	(6,684,643)
Loss on closure of a subsidiary		46,418	–
Preliminary expenses written off		13,098	–
Foreign exchange loss/(gain) (unrealised)		565,452	(206,647)
Share of results of associated companies		(21,485)	(65,777)
Operating cash flow before working capital changes		1,620,006	4,108,190
Changes in operating assets and liabilities:			
Inventories		5,450,026	(2,553,593)
Trade and other receivables		(275,756)	6,579,139
Trade and other payables		(1,137,165)	(2,577,232)
Related parties balances (net)		(5,262,150)	(1,420,087)
Cash flows generated from operations		394,961	4,136,417
Interest income received		263,838	633,022
Interest paid		(262,829)	(328,031)
Income taxes paid		(1,447,302)	(1,987,220)
Net cash flows (used in)/generated from operating activities		(1,051,332)	2,454,188

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2010

(cont'd)

	Note	2010 S$	2009 S$
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		290,419	121,359
Purchase of property, plant and equipment	B	(5,418,949)	(1,050,030)
Net proceeds from sale of available-for-sale financial assets		4,050,851	1,141,250
Acquisition of available-for-sale financial assets		(6,157,669)	(1,625,880)
Payment of additional participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia		(1,759)	98,033
Payment of exploration and evaluation for the Kuaro coal formation in Indonesia		(312,740)	(334,996)
Net cash flow from closure of a subsidiary		–	(247)
Payment of dividends by a subsidiary company to non-controlling interests		(457,861)	(915,753)
Net cash flow used in investing activities		(8,007,708)	(2,566,264)
Cash Flows from Financing Activities			
Proceeds from borrowings		2,506,939	620,993
Increase in finance lease obligations		–	94,757
Repayment of finance lease obligations		(49,988)	(48,189)
Repayment of borrowings		(759,481)	(40,081)
Fixed deposits pledged to a bank		4,618,108	745,814
Net cash flows generated from financing activities		6,315,578	1,373,294
Net (decrease)/increase in cash and cash equivalents		(2,743,462)	1,261,218
Effects of exchange rate changes on cash and cash equivalents		(122,474)	(639,359)
Cash and cash equivalents at the beginning of the year		11,259,156	10,637,297
Cash and cash equivalents at the end of the year	A	8,393,220	11,259,156

A Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following statement of financial position amounts:

	Note	2010 S$	2009 S$
Continuing operations			
Cash and bank balances	24	7,779,076	7,533,739
Fixed deposits	24	788,909	5,170,000
Bank overdrafts, unsecured	27	(262,027)	(1,444,583)
		8,305,958	11,259,156
Discontinued operations			
Cash and bank balances		87,262	–
		8,393,220	11,259,156

B Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S$5,418,949 (2009: S$1,177,994) of which S$NIL (2009: S$127,964) was acquired by means of finance leases. Cash payments of S$5,418,949 (2009: S$1,050,030) were made to purchase property, plant and equipment.

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate Information

Magnus Energy Group Ltd. (the "Company") is a public listed company incorporated and domiciled in Singapore. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 10 Anson Road #33-13, International Plaza, Singapore 079903.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries, associated companies and joint venture entities are set out in Notes 14, 15, and 16, respectively.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements, which are expressed in Singapore Dollars, are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the provisions of the Singapore Companies Act, Cap. 50. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgment in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the managements' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgments and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 39 to the financial statements.

Adoption of New/Revised FRS

During the financial year, the Group has adopted the following new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS did not have any significant financial impact on these financial statements.

FRS 1 (Revised) Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. As this is a disclosure standard, it has no impact on the financial position or financial performance of the Group upon application. Where comparative information is restated or reclassified, a restated statement of financial position is required to be presented as at the beginning comparative period. There is no restatement of the statement of financial position as at 1 July 2009 in the current financial year.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

FRS 27 (Revised) Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with a non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured at fair value, and a gain or loss is recognised in profit or loss.

The Group has applied the revised standard prospectively, as an allowed exception, on transactions with non-controlling interests. The effects of adoption resulted to a decrease in accumulated losses by S$1,047,359 and an increase in translation reserve by S$353,927 as at 1 July 2009 as presented in the consolidated statement of changes in equity.

FRS 103 (Revised) Business Combination

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The Group has applied FRS 103 (revised) prospectively to all business combinations from 1 July 2009. The application of this standard does not have any impact on the financial position or financial performance of the Group.

FRS 107 (Amendment) Financial Instruments: Disclosure

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. As this is a disclosure standard, it does not have any impact on the financial position or financial performance of the Group upon application.

FRS 108 Operating Segments

This Standard requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. As this is a disclosure standard, it does not have any impact on the financial position or financial performance of the Group upon application.

Since the basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes, the adoption of this standard did not result in any changes to presentation.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following relevant new FRS and amendments to FRS that has been issued but is only effective for the Group's annual financial periods beginning on or after 1 July 2010:

FRS 24 (Revised) Related party disclosures

The revised FRS 24 simplifies the definition of a related party and provides partial exemption for government-related entities. The revised FRS 24 applies retrospectively for annual periods beginning on or after 1 July 2011 but earlier application is permitted.

The directors do not anticipate any significant financial impact on the Group's financial statements upon adoption of the above standard.

(b) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

All intra-group balances, transactions, revenue and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated on consolidation. Assets, liabilities and results of foreign subsidiaries are translated into Singapore Dollars on the basis outlined in Note 2(c) below. The results of subsidiaries acquired or disposed of during the year are included in or excluded from the consolidated statement of comprehensive income from the date of their acquisition or disposal.

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly, to the owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(ii) Associated Companies

An associated company is an entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Equity accounting involves recording investment in associated company (includes costs directly attributable to the acquisition) initially at cost, and recognising the Group's share of its associated company's post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses. Where the audited financial statements with financial year ends that are not co-terminous with those of the Group, the share of results is arrived at from the latest available audited financial statements and unaudited management financial statements to the end of the accounting period.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The goodwill arising on acquisition of associated companies is included within the carrying amount of the investment and is assessed for impairment as part of the investments.

(iii) Interest in Joint Ventures

A joint venture entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under a joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-Current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the joint venture entities.

2 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currency Translation

(i) *Functional and Presentation Currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which each of the entities within the Group operates (the "functional currency"). The consolidated financial statements of the Group are presented in Singapore Dollar, which is the functional and presentation currency of the Company.

(ii) *Transactions and Balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognised in profit or loss except for currency translation differences on net investment in foreign entities which are taken to equity. Currency translation differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) *Translation of Group Entities' Financial Statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised initially in other comprehensive income and accumulated in the currency translation reserve (attributed to non-controlling interests as appropriate).

(iv) *Consolidation Adjustments*

On consolidation, currency translation differences arising from the net investment in foreign operations, borrowings in foreign currencies, and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in profit or loss as part of the gain or loss on sale.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of taxes, rebates and discounts, and after eliminating sales within the Group.

Revenue is recognised as follows:

(i) Revenue from Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the customers which generally coincides with their delivery and acceptance, net of goods and services tax and sales returns.

(ii) Revenue from Contracts

Revenue from contracts is recognised in accordance with the accounting policy stated in Note 2(n) below.

(iii) Revenue from Maintenance Services

Revenue from maintenance services is recognised on a pro-rated basis over the period of the maintenance contract based on services performed.

(iv) Rental Income

Rental income is recognised on a straight-line basis over the lease term as set out in specific rental agreements.

(v) Service Fee Income

Service fee income is recognised when the related services are rendered, based on services provided as a proportion of the total services to be performed.

(vi) Dividend Income

Dividend income from quoted investments is recognised when the shareholders' right to receive payment has been established.

(vii) Interest Income

Interest income is recognised on a time apportioned basis using the effective interest method.

Group revenue excludes intercompany transactions.

2 Summary of Significant Accounting Policies (cont'd)

(e) Employee Benefits

(i) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(ii) Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(iii) Share-based Compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each statement of financial position date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital when new ordinary shares are issued.

(f) Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(i) Components of Costs

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

2 Summary of Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment (cont'd)

(ii) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold building	40 years
Leasehold buildings and improvements	5 – 15 years
Machinery, tools and equipment	3 – 10 years
Oil and gas properties	Over the remaining life of the oil concession rights
Motor vehicles	5 – 10 years
Computers	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	5 – 10 years
Renovations	6 years

No depreciation is charged for freehold land.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

(iii) Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repairs and maintenance expense in profit or loss during the financial year in which it is incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

(g) Investments in Subsidiaries, Associated Companies and Joint Venture Entities

Investments in subsidiaries, associated companies and joint venture entities are stated in the Company's statement of financial position at cost less any impairment losses. On disposal of investments in subsidiaries, associated companies and joint venture entities, the difference between the net disposal proceeds and the carrying amounts of the investments are taken to profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary or a jointly controlled entity over the fair value of the Group's share of their identifiable assets, liabilities and contingent liabilities, at the date of acquisition. Goodwill on acquisition of a subsidiary and jointly controlled entity is classified as goodwill on consolidation.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and value-in-use. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

Gains and losses on disposal of the subsidiaries and joint venture entities include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of an associated company is described under "Associated Companies" in Note 2(b)(ii).

Negative goodwill which represents the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in profit or loss on the date of acquisition.

(i) Intangible Assets

(i) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Capitalised exploration and development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

(ii) Coal Concession Rights

Coal concession rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the coal concession rights over the license period of 30 years, commencing from the date that mining operations commence.

(iii) Oil Concession Rights

Oil concession rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the oil concession rights over the remaining life of the concession rights of 9 years.

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", including "related parties balances" and "cash and cash equivalents" on the statement of financial position as disclosed under Note 2(o), Note 2(v) and Note 2(p), respectively.

(b) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose off the assets within 12 months after the statement of financial position date.

(i) Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to profit or loss. Any amount in the fair value reserve relating to that asset is also taken to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(ii) Initial Measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iii) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in fair value of the asset and other changes. The translation differences are recognised in profit or loss, and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

2 Summary of Significant Accounting Policies (cont'd)

(k) Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and Receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators or objective evidence that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in profit or loss.

(ii) Available-for-Sale Financial Assets

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of objective evidence that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in profit or loss. The cumulative loss recognised in profit or loss cannot be subsequently reversed. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(l) Impairment of Non-Financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition. It is determined on the following basis:

Finished goods

Tubular products	-	specific identification
Equipment and spares	-	weighted average
Actuators, valves, control systems and electrical products	-	first-in, first-out

Work in progress
Cost of direct materials (specific identification) and other attributable overheads.

Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

(n) Contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the proportion of contract value certified to date bear to the estimated total contract value, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract value certified that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is stated at the lower of cost plus attributable profit less anticipated loss and progress billings, and net realisable value. Cost comprises material costs, direct labour and relevant overheads. Provision for total anticipated loss on construction contracts is recognised in the financial statements when the loss is foreseeable.

At the statement of financial position date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on contracts within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables". Advances received are included within "trade and other payables".

(o) Trade and Other Receivables

Trade receivables are generally on 30-90 day terms. These trade and other receivables, including amounts due from subsidiaries, joint venture entities, associated companies and related parties, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(p) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, fixed deposits and bank overdrafts which are subject to an insignificant risk of changes in value. Bank overdrafts are shown in current liabilities on the statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, and fixed deposits with banks but exclude those amounts that were pledged to secure banking facilities and bank overdrafts.

(q) Trade and Other Payables

These trade and other payables are normally settled on 30-90 day terms. Trade and other payables including amount due to subsidiaries, associated companies, joint venture entities, and related parties are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

(r) Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the statement of financial position date are presented as current borrowings. Other borrowings due to be settled more than 12 months after the statement of financial position date are presented as non-current borrowings in the statement of financial position.

Borrowing costs are charged to profit or loss when incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(s) Provision for Liabilities and Charges

Provisions for asset dismantlement, removal or restoration, warranty, restructuring and legal claims are recognised when the Group has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(t) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in profit or loss and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

2 Summary of Significant Accounting Policies (cont'd)

(t) Leases (cont'd)

(ii) Operating Leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss in the financial year in which they are incurred.

(u) Income Taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint venture entities, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred income tax assets and liabilities are measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date; and

(ii) based on the tax consequence that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2 Summary of Significant Accounting Policies (cont'd)

(v) Related Parties

A related party is an entity or person that directly or indirectly through one or more intermediates controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family or any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint venture and post-employment benefit plan, if any.

(w) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

(x) Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

3 Revenue

	Group 2010 S$	Group 2009 S$
Revenue comprises the following:		
Revenue from sale of goods	72,941,397	92,741,904
Revenue from maintenance services	1,606,844	1,432,476
Revenue from rental of equipment	144,672	2,431,749
	74,692,913	96,606,129

4 Other Operating Income/(Expenses)

	Group 2010 S$	Group 2009 S$
The following key items have been included in arriving at other operating income/(expenses):		
Other Operating Income		
Foreign exchange gain (unrealised)	–	206,647
Foreign exchange gain (realised)	1,622,725	–
Gain on disposal of available-for-sale financial assets	473,079	31,655
Gain on disposal of property, plant and equipment	197,417	18,691
Gain on restructuring of a subsidiary	–	6,684,643
Service fee income	447,795	451,607
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets	144,688	–
Other Operating Expenses		
Fair value loss transferred from fair value reserve upon disposal of available-for-sale financial assets	(751,730)	(128,051)
Foreign exchange loss (unrealised)	(565,452)	–
Foreign exchange loss (realised)	–	(1,909,866)
Impairment loss of coal concession rights	–	(33,689,982)
Impairment loss of available-for-sale financial assets	(1,650,684)	–
Impairment loss of inventories	(16,460)	–
Property, plant and equipment written-off	(48,473)	(34,915)
Trade receivables written-off	(46,457)	(95,173)
Non-trade receivables written-off	–	(2,189)
Loss on closure of a subsidiary	(46,418)	–
Preliminary expenses written off	(13,447)	(359)

5 Distribution and Selling Expenses

	Group	
	2010	2009
	S$	S$
Entertainment expenses	129,472	151,313
Public relation expenses	58,137	41,190
Travelling expenses	201,775	321,036
	389,384	513,539

6 Administrative Expenses

	Group	
	2010	2009
	S$	S$
The following key items have been included in arriving at administrative expenses:		
Depreciation of property, plant and equipment (Note 13)	1,227,296	1,172,977
Directors' remuneration and fees (Note 7)	1,723,906	2,543,088
Office and operation supplies expenses	130,997	119,296
Operating lease expenses	555,284	518,989
Overseas exploration expenses/(income)	5,597	(271)
Professional fees	367,384	577,439
Staff costs (Note 7)	5,188,630	5,557,820

7 Personnel Expenses

	Group	
	2010	2009
	S$	S$
Staff costs:		
- wages, salaries and bonuses	4,866,579	5,200,539
- pension fund contributions	271,813	210,542
- other personnel expenses	50,238	146,739
Total staff costs (Note 6)	5,188,630	5,557,820
Directors' remuneration:		
- directors of the Company	573,197	553,504
- directors of subsidiaries	1,003,115	1,821,780
Directors' fees:		
- directors of the Company	147,594	167,804
Total directors' remuneration and fees (Note 6)	1,723,906	2,543,088
Total personnel expenses	6,912,536	8,100,908

8 Finance Income

	Group	
	2010	2009
	S$	S$
Interest income:		
- bank balances	184,174	330,859
- fixed deposits	134,014	302,163
- trust account	11	–
	318,199	633,022

9 Finance Costs

	Group	
	2010	2009
	S$	S$
Interest expense		
- bank overdrafts	53,711	143,012
- bills payable to banks	–	125,259
- finance leases	11,062	13,990
- short-term borrowings	53,772	1,048
	118,545	283,309
Bank charges	241,801	167,178
Late payment interest	164,938	128,867
	525,284	579,354

10 Income Tax Expense

	Group	
	2010	2009
	S$	S$
Current tax		
- current year	770,254	1,393,601
- (over)/under provision in respect of prior years	(199,892)	963,749
Deferred tax		
- current year	(156,231)	402,301
- over provision in respect of prior years	(114)	–
	414,017	2,759,651

10 Income Tax Expense (cont'd)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to loss before income tax for the year ended 30 June is as follows:

	Group	
	2010 S$	2009 S$ (Restated)
Loss before income tax - continuing operations	(863,384)	(24,606,130)
Tax at the applicable tax rate of 17%	(146,775)	(4,183,042)
Tax effect of non-deductible expenses	369,302	10,887,750
Tax effect of non-taxable income	(154,681)	(1,439,376)
(Over)/Under provision in respect of prior years	(200,006)	963,749
Utilisation of deferred tax benefits not recognised in previous years	(299,419)	(42,819)
Foreign separate sourced income	176,131	394,399
Effect of different tax rates in other countries	669,465	(3,821,010)
	414,017	2,759,651

The Group has unutilised tax losses of approximately S$10,344,309 as at 30 June 2010 (2009: S$12,105,599) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate and agreement with the tax authorities. The potential deferred income tax assets of S$1,758,533 (2009: S$2,057,952) arising from these unutilised tax losses have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2(u) to the financial statements.

Movements in deferred tax assets and liabilities during the year are as follows:

	At 1 July 2009 S$	Debited/ (Credited) to income statement S$	Credited to equity S$	At 30 June 2010 S$
2010				
Group				
Deferred income tax assets				
Provisions	(267,735)	24,524	–	(243,211)
Deferred income tax liabilities				
Property, plant and equipment	1,225,718	(1,173,810)	–	51,908
Available-for-sale financial assets	(380,141)	96,976	(170,087)	(453,252)
Unutilised benefits	–	(410,320)	(516,595)	(926,915)
Intangible assets	8,573,115	1,306,285	(631,445)	9,247,955
	9,418,692	(180,869)	(1,318,127)	7,919,696
	9,150,957	(156,345)	(1,318,127)	7,676,485

10 Income Tax Expense (cont'd)

	At 1 July 2009 S$	Debited/ (Credited) to income statement S$	Credited to equity S$	At 30 June 2010 S$
Company				
Deferred income tax liabilities				
Temporary differences	32,800	(32,800)	–	–
2009				
Group				
Deferred income tax assets				
Provisions	(197,516)	(70,219)	–	(267,735)
Deferred income tax liabilities				
Property, plant and equipment	1,262,373	(36,655)	–	1,225,718
Available-for-sale financial assets	816,668	–	(1,196,809)	(380,141)
Intangible assets	10,555,567	(190,118)	(1,792,334)	8,573,115
Others	(699,293)	699,293	–	–
	11,935,315	472,520	(2,989,143)	9,418,692
	11,737,799	402,301	(2,989,143)	9,150,957
Company				
Deferred income tax liabilities				
Temporary differences	32,800	–	–	32,800

11 Discontinued Operations

	Group 2010 S$	Group 2009 S$
Loss for the year from discontinued operations		
Revenue	4,993,087	6,794,405
Expenses	(5,433,909)	(35,531,647)
Loss after tax	(440,822)	(28,737,242)
Cash flows from discontinued operations		
Net cash outflows from operating activities	(34,459)	(16,824)
Net cash inflows/(outflows) from investing activities	23,744	(22,654)
Net cash (outflows)/inflows	(10,715)	(39,478)

The Group on 21 May 2010 signed a conditional sale and purchase agreement ("Agreement") to sell the crude oil production subsidiary Songyuan Yongda Oilfields Exploration & Technology Co., Ltd ("YD").

In accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the results of YD has been disclosed separately as discontinued operations and assets or liabilities held for sale in the consolidated statement of comprehensive income and statement of financial position respectively.

11 Discontinued Operations (cont'd)

The assets held for sale was S$1.8 million and liabilities directly associated with the assets held for sale was S$2.4 million, resulting in an approximate net liability of S$0.6 million. Losses from discontinued operations during the previous financial year ended 30 June 2009 was S$28.7 million, mainly due to an S$19.0 million write off of oilfield assets and S$8.4 million impairment loss on the oil concession rights during the previous financial year. Losses from discontinued operations during the current financial year ended 30 June 2010 was S$0.4 million.

The crude oil production business has been classified and accounted for as asset held for sale (Note 25) at 30 June 2010.

The cash inflows of S$23,744 from investing activities pertains to proceeds from sale of property, plant and equipment and cash outflows of S$22,654 in the last financial year pertains to purchase of property, plant and equipment. A finance cost of S$6,195 is included in operating activities.

12 Earnings per Share

	Group	
	2010	**2009**
	S$	**S$**
Loss attributable to equity holders of the Company	(1,338,160)	(38,393,330)
Loss from continuing operations attributable to the equity holders of the Company	(1,007,544)	(16,840,398)
Loss from discontinued operations attributable to the equity holders of the Company	(330,616)	(21,552,932)
Weighted average number of ordinary shares outstanding for basic earnings per ordinary share	1,758,678,060	1,758,678,060
Adjustment for assumed conversion of share options	5,277,000	7,150,000
Weighted average number of ordinary shares outstanding for diluted earnings per ordinary share	1,763,955,060	1,765,828,060

12 Earnings per Share (cont'd)

	Group	
	2010	2009
	S$	S$
Loss per ordinary share (cents)		
From continuing and discontinued operations attributable to the equity holders of the Company		
- Basic	(0.076)	(2.183)
- Diluted	(0.076)	(2.174)
From continuing operations attributable to the equity holders of the Company		
- Basic	(0.057)	(0.958)
- Diluted	(0.057)	(0.954)
From discontinued operations attributable to the equity holders of the Company		
- Basic	(0.019)	(1.226)
- Diluted	(0.019)	(1.221)

Basic loss per share is calculated by dividing the Group's loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating diluted loss per share, the loss attributable to equity holders of the Company and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

As at 30 June 2010 and 30 June 2009, there was no significant difference between diluted earnings per share and basic earnings per share.

13 Property, Plant and Equipment

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Oil and gas properties S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group											
2010											
Cost											
As at 1.7.2009	387,509	727,745	315,925	9,737,194	23,625,440	1,058,031	359,204	74,995	688,859	43,840	37,018,742
Additions	–	–	4,883,065	494,982	–	–	16,156	2,567	22,179	–	5,418,949
Transfer to asset held for sale	–	–	–	(728,801)	(23,625,440)	(97,315)	(13,358)	(2,539)	(14,536)	–	(24,481,989)
Disposals/write off	–	–	(38,789)	(380,094)	–	(155,211)	(4,494)	–	(39,834)	–	(618,422)
Translation differences	4,084	7,669	(10,545)	69,505	–	(2,725)	(7,619)	4,974	(2,336)	–	63,007
As at 30.6.2010	391,593	735,414	5,149,656	9,192,786	–	802,780	349,889	79,997	654,332	43,840	17,400,287
Accumulated depreciation and impairment											
As at 1.7.2009	–	53,664	310,370	7,275,404	23,625,440	539,402	285,191	41,014	471,061	7,244	32,608,790
Charge for the year	–	11,686	14,265	976,117	–	146,115	32,088	6,130	53,564	7,307	1,247,272
Transfer to asset held for sale	–	–	–	(728,801)	(23,625,440)	(48,478)	(12,877)	(937)	(7,279)	–	(24,423,812)
Disposals/write off	–	–	(38,789)	(316,848)	–	(69,997)	(2,900)	–	(35,415)	–	(463,949)
Translation differences	–	1,599	(10,447)	(50,355)	–	(279)	(5,622)	3,466	(7,676)	–	(69,314)
As at 30.6.2010	–	66,949	275,399	7,155,517	–	566,763	295,880	49,673	474,255	14,551	8,898,987
Net book value											
As at 30.6.2010	391,593	668,465	4,874,257	2,037,269	–	236,017	54,009	30,324	180,077	29,289	8,501,300

13 Property, Plant and Equipment (cont'd)

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Oil and gas properties S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group											
2009											
Cost											
As at 1.7.2008	410,761	771,411	297,127	9,580,526	21,648,772	941,323	728,238	58,383	629,385	31,435	35,097,361
Additions	–	–	–	769,637	–	203,418	33,179	23,938	103,358	44,464	1,177,994
Disposals/write off	–	–	–	(382,460)	–	(113,493)	(442,007)	(9,373)	(33,216)	(32,059)	(1,012,608)
Translation differences	(23,252)	(43,666)	18,798	(230,509)	1,976,668	26,783	39,794	2,047	(10,668)	–	1,755,995
As at 30.6.2009	387,509	727,745	315,925	9,737,194	23,625,440	1,058,031	359,204	74,995	688,859	43,840	37,018,742
Accumulated depreciation and impairment											
As at 1.7.2008	–	48,621	286,660	5,939,833	3,008,644	486,085	646,745	40,037	427,571	10,480	10,894,676
Charge for the year	–	10,620	5,648	978,648	1,733,221	148,631	43,582	5,915	51,519	7,742	2,985,526
Disposals/write off	–	–	–	(276,552)	–	(108,963)	(439,197)	(7,325)	(14,056)	(10,978)	(857,071)
Provision for impairment loss[1]	–	–	–	548,622	18,464,101	–	–	–	–	–	19,012,723
Translation differences	–	(5,577)	18,062	84,853	419,474	13,649	34,061	2,387	6,027	–	572,936
As at 30.6.2009	–	53,664	310,370	7,275,404	23,625,440	539,402	285,191	41,014	471,061	7,244	32,608,790
Net book value											
As at 30.6.2009	387,509	674,081	5,555	2,461,790	–	518,629	74,013	33,981	217,798	36,596	4,409,952

[1]An impairment loss of S$19,012,723 was made in relation to the property, plant and equipment of the subsidiary, Songyuan Yongda Oilfields Exploration and Technology Co., Ltd ("Yongda") in relation to those oil wells which were dry and those with very low production yields. The impairment loss was determined based on the value-in-use analysis prepared by management for the cash generating-unit to which the oil wells belong.

13 Property, Plant and Equipment (cont'd)

	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Company						
2010						
Cost						
As at 1.7.2009	188,644	36,882	17,702	33,665	43,841	320,734
Additions	–	3,338	–	–	–	3,338
As at 30.6.2010	188,644	40,220	17,702	33,665	43,841	324,072
Accumulated depreciation						
As at 1.7.2009	78,601	27,748	3,431	7,490	7,244	124,514
Charge for the year	31,441	5,343	2,653	3,366	7,307	50,110
As at 30.6.2010	110,042	33,091	6,084	10,856	14,551	174,624
Net book value						
As at 30.6.2010	78,602	7,129	11,618	22,809	29,290	149,448
2009						
Cost						
As at 1.7.2008	188,644	47,714	4,221	43,995	31,435	316,009
Additions	–	4,939	13,481	11,822	44,465	74,707
Disposals/write off	–	(15,771)	–	(22,152)	(32,059)	(69,982)
As at 30.6.2009	188,644	36,882	17,702	33,665	43,841	320,734
Accumulated depreciation						
As at 1.7.2008	47,161	30,736	840	8,681	10,478	97,896
Charge for the year	31,440	10,751	2,591	3,446	7,742	55,970
Disposals/write off	–	(13,739)	–	(4,637)	(10,976)	(29,352)
As at 30.6.2009	78,601	27,748	3,431	7,490	7,244	124,514
Net book value						
As at 30.6.2009	110,043	9,134	14,271	26,175	36,597	196,220

As at 30 June 2010, the Group had motor vehicles under finance leases with a net book value of approximately S$223,535 (2009: S$322,239).

	2010 S$	2009 S$
Movements in the accumulated depreciation comprises the following:		
- Depreciation included in administrative expenses	1,227,296	1,172,977
- Depreciation included in cost of sales	52,063	1,788,054
- Depreciation (reversed)/capitalised in inventories	(45,792)	7,897
- Depreciation expenses incurred in discontinued operation	13,705	16,598
	1,247,272	2,985,526

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprise:

	Company 2010 S$	Company 2009 S$
Unquoted equity shares, at cost:		
Balance at 1 July	50,348,950	50,858,950
Closure of subsidiaries	(50,000)	(510,000)
	50,298,950	50,348,950
Less: Impairment loss	(24,012,014)	(22,982,737)
Balance at 30 June	26,286,936	27,366,213

(b) Closure of subsidiaries

(i) Green Heritage Overseas Ltd, a wholly owned subsidiary of the Company was liquidated during the financial year and the currency translation reserve amounting to S$23,298 was recognised in the consolidated statement of comprehensive income as part of the gain arising from the closure of the subsidiary.

(ii) During the year ended 30 June 2009, Strike Development Pte Ltd was struck off without incurring any gain/loss in currency translation reserve.

(c) The Company and the Group had the following subsidiaries as at 30 June 2010:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2010 %	Effective equity interest held by the Group 2009 %
Held by the Company				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
Mid-Continent Equipment Group Pte Ltd	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	54.35	54.35
MEG Management Sdn Bhd [5]	Providing management services	Malaysia	100.00	100.00

14 Investments in Subsidiaries (cont'd)

(c) The Company and the Group had the following subsidiaries as at 30 June 2010 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2010 %	2009 %
Held by the Company (cont'd)				
Green Heritage Overseas Ltd [2]	Struck off	British Virgin Islands	–	100.00
Bridging Resources Ltd [1]	Investment holding	British Virgin Islands	100.00	100.00
APAC Coal Limited [7]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	56.87
Held by APAC Coal Limited				
PT Deefu Chemical Indonesia [8]	Trading in chemical materials	Indonesia	56.87	56.87
Held by PT Deefu Chemical Indonesia				
PT Batubara Selaras Sapta [8]	Coal mining and marketing of coal products	Indonesia	56.87	56.87
Held by Mid-Continent Equipment Group Pte Ltd				
Mid-Continent Equipment (Australia) Pty Ltd [3]	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC[1]	Holding of warehouse property	USA	54.35	54.35
Mid-Continent Equipment, Inc.[4]	Supply of Oilfield equipment	USA	54.35	54.35
Mid-Continent Environmental Project Pte Ltd	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35

14 Investments in Subsidiaries (cont'd)

(c) The Company and the Group had the following subsidiaries as at 30 June 2010 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2010 %	Effective equity interest held by the Group 2009 %
Held by Mid-Continent Environmental Project Pte Ltd				
Plant Tech Mid-Continent Industrial Services Pte Ltd [6]	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	27.18	27.18
Held by Mid-Continent Equipment (Australia) Pty Ltd				
Tubular Leasing Astralia Pty Ltd [3,6]	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited [3]	Supply of oilfield and mining equipment	New Zealand	54.35	54.35
Held by Bridging Resources Ltd				
Songyuan Yongda Oilfields Exploration & Technology Co., Ltd	Development of oilfields and production of crude oil	The People's Republic of China	75.00	75.00

The above subsidiaries are audited by Moore Stephens LLP, Singapore except for the following:

1 Not required to be audited under the laws of its country of incorporation and is considered not significant to the Group.
2 This subsidiary was struck off during the year.
3 Audited by Moore Stephens, Perth, Australia.
4 Reviewed by Hidalgo, Banfill, Zlotnik & Kermali, P.C. CPA., USA
5 Audited by Moore Stephens AC, Johor Bahru, Malaysia.
6 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
7 Audited by Deloitte & Touche, Perth, Australia.
8 Audited by Eddy Siddharta & Rekan Registered Public Accountants, Indonesia.

15 Investments in Associated Companies

(a) Investments in associated companies held by subsidiaries comprise:

	Group 2010 S$	Group 2009 S$
Unquoted equity shares, at cost	22,350	22,350
Share of post-acquisition profits:		
Balance at 1 July	92,621	68,181
Profit during the year	21,485	65,777
Dividends paid	(61,675)	(46,203)
Currency realignment	(3,971)	4,866
Balance at 30 June	48,460	92,621
	70,810	114,971
The summarised financial information of associated companies are as follows:		
- Assets	685,115	1,062,405
- Liabilities	412,365	674,639
- Revenues	442,505	1,800,428
- Net loss	(208,778)	(44,565)

(b) Details of the associated companies are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment 2010 S$	Cost of Investment 2009 S$	Effective equity interest held by the Group 2010 %	Effective equity interest held by the Group 2009 %
Held by Mid-Continent Equipment Group Pte Ltd					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company [1] United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	26.63	26.63
Held by Mid-Continent Environment Project Pte Ltd					
MEP Environmental Services Sdn Bhd [2] Malaysia	Provision of environmental and waste management services	22,000	22,000	27.18	27.18
		22,350	22,350		

1 Audited by Ernst & Young, United Arab Emirates.
2 Audited by P.S. Yap & Associates, Malaysia.

16 Investments in Joint Venture Entities

The joint venture entities are held by various subsidiaries of the Group. Details of the joint venture entities are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective equity interest held by the Group 2010 %	2009 %
Held by Mid-Continent Equipment Group Pte Ltd			
Mid-Continent Tubular Pte Ltd [1] Singapore	Trading in oilfield tubular products and the provision of related services	27.18	27.18
Mid-Continent GSO Pte Ltd [1]	To carry on the business of purchase, holding in stock and sale of Oilfield and industrial equipments and chemicals and provision of global supply outsourcing in relation to the aforesaid business activities	27.18	–
Held by Mid-Continent Environmental Project Pte Ltd			
Plant Tech Mid-Continent (India) Pvt. Ltd. [2] India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	27.18	27.18

1 Audited by Moore Stephens LLP, Singapore.
2 Audited by Nitin J. Shetty & Co, Chartered Accountant, India.

The subsidiary, Mid-Continent Equipment Group Pte Ltd, has a 50.0% equity interest in the above joint venture entities. The subsidiary's share of the joint venture entities, assets and liabilities which have been consolidated on a line-by-line basis are as follows:

The Group's share of the (loss)/profit of the joint venture entities are as follows:

	Group 2010 S$	Group 2009 S$
Current assets	19,048,093	24,394,740
Non-current assets	547,392	779,881
Current liabilities	(8,356,227)	(13,555,081)
Non-current liabilities	(10,484)	(119,971)
	11,228,774	11,499,569

	Group 2010 S$	Group 2009 S$
Revenue	14,537,960	30,280,576
(Loss)/Profit before income tax	(295,837)	2,172,556
Income tax expense	(346,568)	(613,667)
(Loss)/Profit after income tax	(642,405)	1,558,889

17 Goodwill

	Group	
	2010	2009
	S$	S$
Cost		
Balance at 1 July	1,569,703	9,541,486
Reduction in goodwill subsequent to the restructuring exercise	–	(7,971,783)
Balance at 30 June	1,569,703	1,569,703

The goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2010	2009
	S$	S$
Mid-Continent Equipment Group Pte Ltd (a)	1,569,703	1,569,703

(a) The recoverable amount of a CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and direct costs during the periods. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs.

Mid-Continent Equipment Group Pte Ltd prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated increase of 5% per annum (2009: decline 3.5%). The rate used to discount the forecast cash flows of the CGU was 2.44% (2009: 2.4%).

Sensitivity analysis

Management had considered the possibility of an increase or decrease in the estimated growth rate and the discount rate used. A 5% increase/decrease in the estimated growth rate and the discount rate used would not result in a recoverable amount lower than the carrying amount of goodwill.

18 Intangible Assets

	Group Cost and Carrying Value	
	2010	**2009**
	S$	**S$**
Petroleum Exploration License		
- 40% (2009: 40%) participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia	4,334,540	4,332,782
- Currency realignment	(176,019)	(354,813)
	4.158,521	3,977,969
Coal Concession Rights		
- Coal concession rights granted by the Government of Indonesia for a period of 30 years commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	26,420,450	26,420,450
- Currency realignment	(2,096,990)	–
	24,323,460	26,420,450
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	1,180,478	936,699
- Currency realignment	54,497	(97,758)
	1,234,975	838,941
Total coal concession rights	25,558,435	27,259,391
Total intangible assets	29,716,956	31,237,360

As at 30 June 2010, the Group has not commenced mining operations relating to the coal concession rights.

Movements in the account are as follows:

	Group	
	2010	**2009**
	S$	**S$**
Balance at 1 July	31,237,360	52,436,019
Additions/adjustments:		
Coal concession rights	–	18,187,619
Exploration and development expenditure	312,740	334,996
Petroleum exploration rights	1,759	(98,033)
Oil concession rights	–	(1,937,304)
Total	314,499	16,487,278
Impairment loss:		
Coal concession rights (Note 4)	–	(33,689,982)
Oil concession rights	–	(8,352,022)
Total	–	(42,042,004)
Amortisation of the oil concession rights	–	(482,312)
Currency alignment	(1,834,903)	4,838,379
Balance at 30 June	29,716,956	31,237,360

18 Intangible Assets (cont'd)

Coal Concession Rights

The coal concession rights, included in the statement of financial position of the Group at a carrying value of S$25.6 million, are held in the name of PT Batubara Selaras Sapta ("PT BSS"). The Indonesian Ministry of Justice had informed the Group that another party is also registered as the legal owners of PT BSS. The Group filed a case against the Ministry of Justice to confirm the Group's legal rights as to the ownership of PT BSS. In the latest hearing, held in November 2009 at the Supreme Court of Indonesia, the Supreme Court upheld an earlier judgement of the High Court, which was not to suspend the registration of the other party as the legal owner of PT BSS.

On the advice of Indonesian legal counsel, the Group in April 2010 submitted an application for a Judicial Review to the Chief Justice of the Supreme Court of Indonesia, seeking to overturn the earlier ruling of the High Court. At the date of this Report, the Judicial Review has not been completed. Notwithstanding the above, the Group has been advised by the Indonesian Ministry of Energy and Mines to suspend all activities at the coal mine for the foreseeable future.

The impairment loss of S$33,689,982 in financial year 2009 relates to the impairment of the coal concession rights in Kabupaten Pasir, East Kalimantan, Indonesia. This was derived based on the fair value estimated by an independent valuer, who issued an independent technical valuation report in August 2009, on the Joint Ore Reserves Committee ("JORC")-compliant resource estimate for the coal concession within an 8.9 km^2 investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222 km^2. The independent valuer applied the In-situ Method of valuing the mineral resources associated with the 8.9 km^2 investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222 km^2 to estimate the fair value of the coal concession rights as at 30 June 2009. The directors are of the view that the fair value has been conservatively estimated and the value of the coal concession rights in East Kalimantan may increase in future with further exploratory drilling of the remaining area.

The impairment loss of S$8,352,022 in financial year 2009 was made on the oil concession rights at the oilfields in section 20,35 and 46 of Songyuan City of Jilin Province due to unstable oil prices globally and unexpected higher rate of decline in production yields.

19 Available-for-Sale Financial Assets

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$	**S$**	**S$**	**S$**
Quoted Equity Shares, at Fair Value				
Balance at 1 July				
At cost	12,220,300	8,713,643	2,158,354	1,907,044
Fair value gain/(loss) recognised in equity	(5,586,022)	1,338,614	2,067,896	(465,169)
	6,634,278	10,052,257	4,226,250	1,441,875
Additions	6,157,669	1,625,880	–	652,500
Disposals	(3,577,772)	(1,273,663)	(185,312)	(401,190)
Reversal of fair value (gain)/loss on disposal	(607,042)	(128,051)	144,688	(153,690)
Fair value (loss)/gain transferred to equity	3,933,495	(2,706,811)	3,225,624	2,686,755
Currency realignment	133,495	(935,334)	–	–
Balance at 30 June	12,674,123	6,634,278	7,411,250	4,226,250

20 Inventories

	Group 2010 S$	Group 2009 S$
At cost:		
Finished goods	14,982,536	20,496,643
Goods-in-transit	1,047,071	1,478,013
	16,029,607	21,974,656
At net realisable value:		
Finished goods	754,003	1,157,537
Work-in-progress	132,823	75,870
	886,826	1,233,407
	16,916,433	23,208,063
Cost of inventories included in cost of sales amounted to:	62,219,353	77,016,435

21 Contracts

	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Costs	(10,574)	5,911,671	(10,574)	5,911,671
Attributable losses	–	(199,513)	–	(199,513)
Less: Progress billings	–	(5,722,732)	–	(5,722,732)
Less: Payment	10,574	–	10,574	–
	–	(10,574)	–	(10,574)

In the previous financial year 2009, the amount of S$10,574 was included in trade and other payables (Note 26).

22 Trade and Other Receivables

	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Trade receivables	8,484,262	10,666,848	–	21,603
Less: Impairment losses	(167,689)	(93,928)	–	–
	8,316,573	10,572,920	–	21,603
Other receivables	767,957	677,008	4,004	515
Cash held in trust[1]	824,000	–	–	–
Amount due from purchasers of disposed subsidiaries	–	81,181	–	81,181
Deposits	149,365	149,156	19,079	23,831
Prepayments	257,197	193,513	35,585	26,438
Interest receivable	54,065	94,982	–	–
Advances to staff	78,443	12,051	–	–
Tax recoverable	144,434	884,061	321,458	530,300
	10,592,034	12,664,872	380,126	683,868

[1] Cash held in trust pertains to cash of RMB4 million held in a jointly controlled bank account at Standard Chartered Bank in the name of a nominee of the Company, who is also a director of the Company, pending the completion of disposal of the Group's crude oil production segment (Note 25).

23 Related Parties Balances

The amounts due from/(to) related parties consist of:

	Group 2010 S$	Group 2009 S$	Company 2010 S$	Company 2009 S$
Due from:				
- Subsidiaries (non-trade)	–	–	741,856	3,245,010
- Associated companies				
- trade	77,607	55,002	–	–
- non-trade	–	57,956	–	–
	77,607	112,958	–	–
- Joint venture entities				
- trade	50,574	22,252	–	–
- non-trade	209,805	43,232	–	–
- loan	357,713	723,500	–	–
	618,092	788,984	–	–
	695,699	901,942	741,856	3,245,010

	Group 2010 S$	Group 2009 S$	Company 2010 S$	Company 2009 S$
Due to:				
- subsidiaries				
- non-trade	–	–	(3,310,033)	(2,848,750)
- Joint venture entities				
- trade	(1,128,558)	(3,523,679)	–	–
- non-trade	–	(220)	–	–
	(1,128,558)	(3,523,899)	–	–
- Other related parties *				
- trade	(1,600,418)	(5,014,385)	–	–
	(2,728,976)	(8,538,284)	(3,310,033)	(2,848,750)

* Refer to Note 36 for the definition of other related parties.

Trade amounts are due within normal trade credit terms. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

24 Cash and Cash Equivalents

	Group		Company	
	2010	2009	2010	2009
	S$	S$	S$	S$
Cash and bank balances	7,779,076	7,533,739	11,861	2,988
Fixed deposits	7,403,676	16,162,817	–	–
	15,182,752	23,696,556	11,861	2,988

Fixed deposits bear interest ranging from 0.00001% to 6.5% (2009: 2.9% to 7.7%) per annum.

A subsidiary's fixed deposits of S$6,614,809 (2009: S$10,992,817) are pledged as security to certain banks for credit facilities granted to various subsidiaries. The credit facilities of a subsidiary and a joint venture amounted to US$9,875,098 (2009: US$5,000,000). The unutilised portion of the credit facilities as at year end amounted to US$2,226,897 (2009: US$1,695,000).

In the financial year 2010, the remaining fixed deposits of the Group of S$788,867 (2009: S$5,170,000) are free from encumbrances.

Fixed deposits at the statement of financial position date have an average maturity of up to 12 months (2009: 12 months) from the end of the financial year.

25 Asset Held for Sale

	Group
	2010
	S$
Property, plant and equipment	58,177
Inventories	51,162
Trade and other receivables	1,613,510
Cash and bank balances	87,262
Asset classified as held for sale	1,810,111
Trade and other payables	(2,420,406)
Liabilities directly associated with assets classified as held for sale	(2,420,406)
Net liabilities of asset classified as held for sale	(610,295)

The Group is seeking to dispose of its crude oil production business and anticipates that the disposal will be completed by 30 November 2010.

26 Trade and Other Payables

	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Trade payables	7,449,430	10,310,915	–	1,601
Amount payable to minority shareholder	824,000	–	–	–
Other payables	977,872	830,088	837,549	64,331
Contracts (Note 21)	–	10,574	–	10,574
Accrued operating expenses	384,458	640,018	391,406	209,646
Revenue received in advance	–	106,000	–	–
	9,635,760	11,897,595	1,228,955	286,152

27 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts ranged from 3.56% to 13.66% (2009: 5.0% to 6.7%) per annum.

28 Borrowings

	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Bank borrowings – (i)	–	411,489	–	411,489
Bank borrowings – (ii)	367,945	–	367,945	–
Bank borrowings – (iii)	3,356,880	3,472,801	–	–
Bank borrowings – (iv)	72,451	168,847	–	–
Bank borrowings – (v)	640,701	–	–	–
	4,437,977	4,053,137	367,945	411,489

Long-term Borrowings	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Bank borrowings – (v)	1,241,062	–	–	–

(i) The line of credit provided is repayable on demand, with interest at 0.50% per annum over the bank's prime lending rate prevailing from time to time. The line of credit however if not demanded earlier, shall be repayable monthly.

(ii) The short-term bank loan of the Company that bears a fixed interest rate of 7.2% per annum and is repayable quarterly, being the last instalment at the end of January 2011. This loan is secured by way of pledging quoted investments to the bank.

(iii) The short-term bank loan of a joint venture entity is denominated in United States Dollar and bears interest ranging from 1.03% to 2.30% (2009: 1.0% to 5.7%) per annum. This loan is secured on a letter of guarantee from a corporate shareholder of a subsidiary and a first fixed charge on its receivables and first floating charge on all its undertaking, property, assets and rights of the joint venture entity.

28 Borrowings (cont'd)

(iv) The short-term loan of S$72,451 (2009: S$168,847) incurred by a joint venture entity is denominated in Indian Rupee, bears interest at 0.8% (2009: 0.8%) above the bank's prime lending rate, with a minimum of 12.8% (2009: 12.8%) per annum compounded monthly, repayable over 60 monthly instalments. The loan is secured by:

- a standby letter of credit from a bank in Singapore;
- a personal guarantee from the directors, guarantee from a corporate shareholder and a hypothecation of machinery of a joint venture entity in India; and
- a first floating charge on all its undertaking, other property, assets and rights of a joint venture entity in Singapore.

(v) The loan of a subsidiary was taken for the purchase a leasehold property. The loan is repayable over 36 monthly installments. The interest rates have been fixed at 3.88% for the first year, 4.28% for the second year and 0.62% for the third and final year. The loan is secured by a first right of the bank on the leasehold property.

29 Finance Lease Obligations

	Minimum payments S$	Interest S$	Present value of payments S$
Group			
2010			
Within 1 year	61,961	(7,002)	54,959
1 year to 5 years	80,609	(2,400)	78,209
	142,570	(9,402)	133,168
2009			
Within 1 year	58,923	(10,796)	48,127
1 year to 5 years	139,793	(9,045)	130,748
	198,716	(19,841)	178,875
Company			
2010			
Within 1 year	23,655	(2,963)	20,692
1 year to 5 years	59,138	(1,452)	57,686
	82,793	(4,415)	78,378
2009			
Within 1 year	23,655	(4,191)	19,464
1 year to 5 years	82,793	(4,415)	78,378
	106,448	(8,606)	97,842

The Group's effective interest rate of its finance lease obligations ranged from 3.50% to 8.03% (2009: 3.50% to 8.03%) per annum.

30 Share Capital

	Group and Company			
	2010		2009	
	Number of shares	S$	Number of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	1,758,678,060	116,501,816	1,758,678,060	116,501,816
Balance at 30 June	1,758,678,060	116,501,816	1,758,678,060	116,501,816

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

31 Reserves

	Group		Company	
	2010	2009	2010	2009
	S$	S$	S$	S$
Share-based payment reserve (a)	170,808	175,866	150,914	158,969
Fair value reserve (b)	4,982,543	(66,964)	5,438,208	2,067,896
Translation reserve (c)	(5,058,741)	(3,447,510)	–	–
Statutory reserve (d)	13,761	–	–	–
Accumulated losses	(74,578,850)	(74,262,729)	(92,435,879)	(88,209,032)
	(74,470,479)	(77,601,337)	(86,846,757)	(85,982,167)

Movements in reserves for the Group are set out in the consolidated statement of changes in equity.

(a) Share-based Payment Reserve

The share-based payment option reserve relates to the share options granted to employees. Details are set out in Note 40 to the financial statements.

(b) Fair Value Reserve

The fair value reserve records the cumulative fair value change of available-for-sale financial assets until they are derecognised or impaired.

(c) Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

31 Reserves (cont'd)

(d) Statutory Reserve

The statutory reserve requires an India incorporated company to transfer a certain portion of its profits to reserves, before declaring a dividend. The amount to be transferred to reserves shall be as follows;

(1) Not less than 2.5 % of the current profits, if the proposed dividend exceeds 10% but not 12.5% of the paid up capital.

(2) Not less than 5% of the current profits, if the proposed dividend exceeds 12.5 % but not 15% of the paid up capital.

(3) Not less than 7.5 % of the current profits, if the proposed dividend exceeds 15% but not 20% of the paid up capital.

(4) Not less than 10% of the current profits, if the proposed dividend exceeds 20% of the paid up capital.

32 Operating Lease Commitments

The Group leases certain properties under lease agreements that are non-cancellable within a year. These leases contain renewable options and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments with initial or remaining lease terms of one year or more are as follows:

	Group	
	2010	2009
	S$	S$
Within 1 year	96,003	530,037
After 1 year but not more than 5 years	132,468	81,939
	228,471	611,976

33 Contingent Liabilities (unsecured)

Contingent liabilities not provided for in the financial statements:

	Group		Company	
	2010	2009	2010	2009
	S$	S$	S$	S$
Product warranty	84,500	101,500	84,500	101,500
Performance bonds indemnity	–	1,477,568	–	1,477,568
Corporate guarantee	1,933,686	–	1,933,686	–
Bankers' guarantee	831,801	292,858	–	292,858
	2,849,987	1,871,926	2,018,186	1,871,926

The directors believe that the carrying values of the contingent liabilities are not materially different from their fair values.

34 Commitments

	Group 2010 S$	Group 2009 S$
Capital expenditure not provided for in the financial statements for commitments in respect of contracts placed	–	314,412

35 Subsequent Events

(a) Share Placement

The Company has on 8 July 2010 entered into four conditional subscription agreements ("Subscription Agreements") with four individuals ("Subscribers" and each "Subscriber") for the issuance and subscription (the "Subscription") of an aggregate of 290,000,000 new ordinary shares ("Subscription Shares" and each "Subscription Share") in the capital of the Company at S$0.0125 for each Subscription Share ("Subscription Price"). The Subscription Shares when issued and fully paid will rank *pari passu* in all respects with the existing ordinary shares ("Shares") in the capital of the Company.

The Subscription Price represents a discount of approximately 19.5% to the weighted average price of approximately S$0.0155 for trades done on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on 8 July 2010, being the market day on which the Subscription Agreement was entered into.

The number of Subscription Shares represent approximately 16.5% of the existing issued Share capital and 14.2% of the enlarged issued Share capital and were issued pursuant to the general mandate obtained at the annual general meeting of the Company held on 29 October 2009 ("2009 AGM").

The purpose of the Subscription is to allow the Company to raise net proceeds ("Net Proceeds") of approximately S$3.6 million after deducting estimated costs and expenses associated with the Subscription.

The issue of the Subscription Shares increased the issued and paid-up Share capital by approximately 3.1% or from S$116,501,816 to S$120,126,816. Total shares issued increased from 1,758,678,060 shares to 2,048,678,060.

(b) Writ of Summons

The Company and its wholly-owned subsidiary, Antig Investments Pte. Ltd. ("Antig"), have received an Amended Writ of Summons on 27 August 2010, naming the Company and Antig as defendants respectively in proceedings commenced by Tjong Very Sumito (the "1st Plaintiff"), Iman Haryanto and Herman Aries Tintowo (collectively referred to as the "Plaintiffs").

As previously announced by the Company on 23 November 2004, the Company, through Antig, had entered into a Conditional Sale and Purchase Agreement ("SPA") to purchase a 72% interest in PT Deefu Chemical Indonesia ("PT Deefu") from the Plaintiffs for the sum of US$18 million (the "Transaction"). The Company's purchase consideration was to be satisfied in part by US$12.25 million in cash plus an issue and allotment of shares in the Company amounting to US$5.75 million.

In accordance to the SPA (which was amended and/or varied by the 4 Supplemental Agreements), the Company was to pay certain portions of the total consideration to Aventi Holdings Limited ("Aventi") and Overseas Alliance Financial Limited ("OAFL"). The Company made a final payment of US$3,492,000 (the "Final Payment") to Aventi for a discount of 5.6% in November 2007 at Aventi's request for an early settlement of US$3.7 million due to Aventi. The Final Payment was also the subject of Suit No. 348 of 2008, which was stayed in favour of arbitration proceedings pursuant to a unanimous decision of the Singapore Court of Appeal on 2 February 2009.

35 Subsequent Events (cont'd)

(b) Writ of Summons (cont'd)

The Plaintiffs now allege that the Company was not entitled to make the above mentioned payments to OAFL and Aventi and is claiming for the following sums:

(i) the sum of US$6,721,227 and 166,959,091 shares in the Company or for damages to be assessed;

The 1st Plaintiff is also claiming against the Company and/or Antig the following sums in connection with the sale of his 28% interest in PT Deefu and 5% interest in PT Batubara Selaras Sapta to one Jake Pison Halawi and Advanced Assets Management Limited:

(ii) the sum of US$995,789.47, or AUD$2,000,000 less US$320,000 or for damages to be assessed;

(iii) the sum of US$5,320,000 or AUD$10,640,000 less US$1,680,000 or for damages to be assessed; and

(iv) the sum of US$471,227 and US$6,250,000 and 166,959,091 shares in the Company.

The Company and Antig have consulted its lawyers and will be contesting the Plaintiffs' frivolous claims vigorously.

The Company received the Registrar's notice on 2 October 2010 that the initial hearing be adjourned to 19 October 2010. The management does not foresee any major financial impact other than relevant legal costs pertaining to the litigation of this matter.

Save as the aforesaid, the Directors have no knowledge of any legal or arbitration proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any such proceedings which might have a material effect on the financial position or business of the Company or the Group.

(c) Investment in a Subsidiary

The Group via its 56.87% owned subsidiary APAC Coal Limited ("APAC") has entered into a conditional Sale and Purchase Agreement ("SPA") to acquire 51,000 shares representing an equity interest of 51% in Hudson Minerals Holdings Pte Ltd ("Hudson") for a total consideration of approximately S$7,299,487 (AUD6,092,044) (the "Proposed Acquisition").

Hudson will acquire an equity interest of 80% in PT Denichi Amina Selaras ('PT DAS"), which holds an iron ore mining concession in Padang, Indonesia. The initial estimate of the exploration potential of PT DAS will be provided later and be subsequently verified in the legal and financial due diligence. The consideration of approximately S$7,299,487 (AUD6,092,044) for this Proposed Acquisition shall be satisfied by cash, convertible notes and shares issue.

35 Subsequent Events (cont'd)

(c) Investment in a Subsidiary (cont'd)

Structure of Settlement of Purchase Price

The PT DAS Air Dingin mining concession has been estimated or valued at approximately S$17,890,899 (AUD 14,931,480). Hudson will own 80% of PT DAS and hence Hudson is valued at approximately S$14,312,719 (AUD 11,945,184) in line with PT DAS valuation. Based on the above valuation for Hudson, APAC proposes to purchase 51% of Hudson for a total consideration of approximately S$7,299,487 (AUD6,092,044), to be satisfied by the following:

Type of Security	Approximately S$	AUD	Issue size	Issue Price Per Unit S$
Cash	2,995,500	2,500,000	–	–
New APAC shares	2,899,054	2,419,508	60,478,701	0.0479 (AUD0.04)
Convertible notes (CN)[1]	1,404,933	1,172,536	–	–
Total	7,299,487	6,092,044		

[1] 3 Year Maturity, redeemable upon maturity at 100%, convertible at approximately S$0.0478 (AUD 0.04) per share in part or in whole anytime before maturity, coupon rate 5% per annum. The CN is fully transferrable and is a direct, unsubordinated, unconditional and unsecured obligation and will rank pari passu with the other unsecured debts. Upon full conversion, there will be up to 29,313,400 new APAC shares issued.

At the signing of the SPA, such confidential financial information of Hudson and PT DAS has yet been made available to the Company, as such the Company shall commission an independent legal and financial due diligence (inter-alia, technical and valuation) exercise in due course. The SPA is subject to satisfactory legal and financial due diligence (inter-alia, technical and valuation).

36 Related Party Transactions

The Company and the Group had the following significant related party transactions during the financial year and the effect of these transactions on the basis determined between the parties are reflected in the financial statements:

	Group	
	2010 S$	2009 S$
Associated companies:		
- Sales	8,543	66,155
- Other services received	–	43,986
Joint venture entities:		
- Sales	36,355	111,499
- Purchases	(6,627,151)	(15,794,417)
- Service fee received	447,791	451,590
Other related parties		
- Purchases	(2,890,359)	(12,748,465)

Other related parties refer to enterprises in which the directors and/or shareholders of the Company, its subsidiaries, associated companies and joint venture entities have significant influence over the financial and operating decisions of the enterprises.

36 Related Party Transactions (cont'd)

Outstanding balances with related parties at the statement of financial position date are disclosed in Note 23 to the financial statements.

Key Management Personnel Compensation

	Group		Company	
	2010 S$	2009 S$	2010 S$	2009 S$
Wages, salaries and bonuses	1,808,287	2,284,803	658,108	732,194
Pension fund contributions	38,139	31,061	19,034	16,855
Share-based payments	23,176	62,908	14,779	42,851
	1,869,602	2,378,772	691,921	791,900

37 Segment Information

The Group has adopted FRS 108 Operating Segments with effect from 1 January 2009 as explained in Note 2(a) to the financial statements. FRS 108 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. As this is a disclosure standard, it does not have any impact on the financial position or financial performance of the Group upon application. Since the basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes, the adoption of this standard did not result in any changes to presentation. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price. The identification of the Group's reportable segments is consistent with the prior year's presentation of business segment as below:

(a) *Business Segments*

The Group is organised on a worldwide basis into the following main operating segments, namely:

- Oilfield equipment supply and services
- Crude oil production

37 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

	(Continuing Operations) Oilfield equipment supply and services S$	(Discontinued Operation) Crude oil production S$	Total operations S$
2010			
Segment revenues & results			
External revenue	74,692,913	4,993,087	79,686,000
Loss from operations	(677,784)	(434,199)	(1,111,983)
Finance costs			(531,907)
Finance income			318,199
Share of results of associated companies			21,485
Income tax expense			(414,017)
Non-controlling interests			380,063
Loss attributable to shareholders			(1,338,160)
Segment assets and liabilities			
Assets	66,202,854	1,810,111	68,012,965
Intangible assets	4,158,520	–	4,158,520
Unallocated assets			
Intangible assets			25,558,436
Deferred tax assets			243,211
Consolidated assets			97,973,132
Liabilities	18,438,970	2,420,406	20,859,376
Unallocated liabilities			
Income tax liabilities			675,400
Deferred tax liabilities			7,919,696
Consolidated liabilities			29,454,472
Other segment information			
Capital expenditure	5,410,395	–	5,410,395
Unallocated capital expenditure			8,554
Total			5,418,949
Depreciation and amortisation	1,146,268	19,976	1,166,244
Unallocated depreciation and amortisation			81,028
Total			1,247,272
Other non-cash items	1,508,673	148,489	1,657,162
Unallocated other non-cash items			(545,674)
Total			1,111,488

37 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

	(Continuing Operations) Oilfield equipment supply and services S$	(Discontinued Operation) Crude oil production S$	Total operations S$
2009			
Segment revenues & results			
External revenue	96,606,129	6,794,405	103,400,534
Profit/(loss) from operations	6,959,830	(28,692,260)	(21,732,430)
Unallocated loss from operations			(31,685,405)
Finance costs			(624,336)
Finance income			633,022
Share of results of associated companies			65,777
Income tax expense			(2,759,651)
Non-controlling interests			17,709,693
Loss attributable to shareholders			(38,393,330)
Segment assets and liabilities			
Assets	71,310,277	1,890,060	73,200,337
Intangible assets	3,977,969	–	3,977,969
Unallocated assets			
Intangible assets			27,259,391
Deferred tax assets			267,735
Consolidated assets			104,705,432
Liabilities	24,008,639	2,103,835	26,112,474
Unallocated liabilities			
Income tax liabilities			1,558,232
Deferred tax liabilities			9,418,692
Consolidated liabilities			37,089,398
Other segment information			
Capital expenditure	930,213	22,654	952,867
Unallocated capital expenditure			225,127
Total			1,177,994
Depreciation and amortisation	1,096,873	2,294,860	3,391,733
Unallocated depreciation and amortisation			76,105
Total			3,467,838
Other non-cash items	(214,704)	27,909,733	27,695,029
Unallocated other non-cash items			26,916,175
Total			54,611,204

37 Segment Information (cont'd)

(b) *Geographical Segments*

	Singapore S$	Australia S$	Malaysia S$	Indonesia S$	China S$	Others S$	Total S$
2010							
Revenue	34,939,751	16,679,478	3,163,484	7,861,379	276,331	11,772,490	74,692,913
Non-current assets	19,993,980	31,102,889	20,959	1,334,060	–	324,215	52,776,103
2009							
Revenue	30,202,799	43,645,647	7,042,228	4,189,268	676,066	10,850,121	96,606,129
Non-current assets	8,044,673	34,108,416	83,745	1,196,603	118,108	682,454	44,233,999

Revenue is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

38 Financial Instruments

Financial risk factors

The Group's and the Company's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

(a) Market risk

(i) Currency risk

The currency risk of the Group and the Company arises mainly from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in the foreign subsidiaries.

Certain of the Group's and Company's transactions are denominated in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates.

The Group and the Company does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions as the Directors believe that the risks arising from fluctuations in foreign currency exchange rates are not significant, primarily with respect to the United States Dollar, Australian Dollar and Chinese Renminbi.

The Group and the Company monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at minimal level.

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on information provided to key management is as follows:

	United States Dollar S$	Chinese Renminbi S$	Australian Dollar S$	Others S$	Total S$
Group					
2010					
Financial assets:					
Available-for-sale financial assets	–	–	1,261,785	–	1,261,785
Trade and other receivables	7,927,401	824,000	541,377	261,971	9,554,749
Related parties balances	645,125	–	–	50,574	695,699
Cash and cash equivalents	1,230,037	–	1,643,137	474,967	3,348,141
	9,802,563	824,000	3,446,299	787,512	14,860,374
Financial liabilities:					
Trade and other payables	(6,223,123)	(824,000)	(254,066)	(285,726)	(7,586,915)
Related parties balances	(1,600,853)	–	(1,128,122)	–	(2,728,975)
Short-term borrowings	(3,356,880)	–	–	(72,451)	(3,429,331)
	(11,180,856)	(824,000)	(1,382,188)	(358,177)	(13,745,221)
Currency exposure on net financial (liabilities)/assets	(1,378,293)	–	2,064,111	429,335	1,115,153
2009					
Financial assets:					
Available-for-sale financial assets	–	–	1,717,397	–	1,717,397
Trade and other receivables	6,637,141	1,630,963	1,951,035	307,652	10,526,791
Related parties balances	879,690	–	–	22,252	901,942
Cash and cash equivalents	15,352,459	14,877	7,880,328	367,701	23,615,365
	22,869,290	1,645,840	11,548,760	697,605	36,761,495
Financial liabilities:					
Trade and other payables	(7,047,026)	(2,003,551)	(1,398,571)	(357,136)	(10,806,284)
Bank overdrafts	(51,882)	–	–	(3,833)	(55,715)
Related parties balances	(5,014,603)	–	(3,431,697)	(91,984)	(8,538,284)
Short-term borrowings	(3,884,290)	–	–	(168,847)	(4,053,137)
	(15,997,801)	(2,003,551)	(4,830,268)	(621,800)	(23,453,420)
Currency exposure on net financial assets/(liabilities)	6,871,489	(357,711)	6,718,492	75,805	13,308,075

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to management is as follows:

	United States Dollar S$	Australian Dollar S$	Others S$	Total S$
Company				
2010				
Financial assets:				
Related parties balances	985,062	(322,200)	–	662,862
Financial liabilities:				
Related parties balances	–	(2,574,442)	(117,918)	(2,692,360)
Currency exposure	985,062	(2,896,642)	(117,918)	(2,029,498)
2009				
Financial assets:				
Related parties balances	10,000	228,407	–	238,407
Currency exposure	10,000	228,407	–	238,407

If the United States Dollar, Chinese Renminbi and Australian Dollar strengthen/weaken against the Singapore Dollar by the following percentages:

	2010 %	2009 %
United States Dollar	4.00	3.0
Chinese Renminbi	3.00	3.0
Australian Dollar	5.00	5.0

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

with all other variables including tax rates being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

	2010		2009	
	(Increase)/Decrease			
	Loss after income tax S$	Equity S$	Loss after income tax S$	Equity S$
Group				
United States Dollar against Singapore Dollar				
- strengthened	(45,759)	–	171,100	–
- weakened	45,759	–	(171,100)	–
Chinese Renminbi against Singapore Dollar				
- strengthened	–	–	(11,000)	–
- weakened	–	–	11,000	–
Australian Dollar against Singapore Dollar				
- strengthened	33,296	63,089	207,545	86,000
- weakened	(33,296)	(63,089)	(207,545)	(86,000)
Company				
United States Dollar against Singapore Dollar				
- strengthened	32,704	–	300	–
- weakened	(32,704)	–	(300)	–
Australian Dollar against Singapore Dollar				
- strengthened	(120,211)	–	11,000	–
- weakened	120,211	–	(11,000)	–

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(ii) Price risk

The Group and the Company is exposed to equity securities market price risk from its investments which are classified in the consolidated statement of financial position as available-for-sale financial assets. Certain of the available-for-sale financial assets are quoted equity instruments in Singapore and Australia.

If prices for equity securities listed in the following countries increase/(decrease) by the following percentage:

	2010	**2009**
	%	**%**
Singapore	2.00*	58.0*
Australia	97.00*	35.0*

* *Based on actual price movements of the shares during the year*

with all other variables including tax rate being held constant, the profit after tax and equity will increase/(decrease) by:

	2010 Equity S$	**2009 Equity S$**
Group		
Listed in Singapore:		
- increased by	204,708	3,634,000
- decreased by	(204,708)	(3,634,000)
Listed in Australia:		
- increased by	405,607	537,000
- decreased by	(405,607)	(537,000)
Company		
Listed in Singapore:		
- increased by	118,580	2,438,000
- decreased by	(118,580)	(2,438,000)

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks

The Group and the Company has cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group. The Group and the Company manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group and the Company obtains additional financing through bank borrowings and leasing arrangements. Information relating to the Group's and the Company's interest rate exposure is also disclosed in the notes on the Group's and the Company's borrowings and leasing obligations.

The Group's borrowings at variable rates are denominated mainly in United States Dollar and Singapore Dollar respectively. If the United States Dollar's interest rates increase/decrease by 4% (2009: 3.0%) with all other variables including tax rate being held constant, the loss after tax will be lower/higher by S$122,553 (2009: S$136,893) as a result of higher/lower interest expense on these borrowings.

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Fixed Rates		Variable		
	Less than 1 year	1 to 5 years	Rates less than 1 year	Non-interest bearing	Total
	S$	S$	S$	S$	S$
Group					
2010					
Assets					
Available-for-sale financial assets	–	–	–	12,674,123	12,674,123
Trade and other receivables	–	–	–	10,190,403	10,190,403
Related parties balances	–	–	–	695,699	695,699
Cash and cash equivalents	7,403,676	–	–	7,779,076	15,182,752
Non-financial assets	–	–	–	59,230,155	59,230,155
Total assets	7,403,676	–	–	90,569,456	97,973,132
Liabilities					
Trade and other payables	–	–	–	(9,635,760)	(9,635,760)
Bank overdrafts	–	–	(262,027)	–	(262,027)
Related parties balances	–	–	–	(2,728,976)	(2,728,976)
Borrowings	(1,008,646)	(1,241,062)	(3,429,331)	–	(5,679,039)
Finance lease obligations	(54,959)	(78,209)	–	–	(133,168)
Non-financial liabilities	–	–	–	(11,015,502)	(11,015,502)
Total liabilities	(1,063,605)	(1,319,271)	(3,691,358)	(23,380,238)	(29,454,472)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2010

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates Less than 1 year S$	Fixed Rates 1 to 5 years S$	Variable Rates less than 1 year S$	Non-interest bearing S$	Total S$
Group					
2009					
Assets					
Available-for-sale financial assets	–	–	–	6,634,278	6,634,278
Trade and other receivables	–	–	–	11,587,298	11,587,298
Related parties balances	–	–	–	901,942	901,942
Cash and cash equivalents	16,162,817	–	–	7,533,739	23,696,556
Non-financial assets	–	–	–	61,885,358	61,885,358
Total assets	16,162,817	–	–	88,542,615	104,705,432
Liabilities					
Trade and other payables	–	–	–	(11,897,595)	(11,897,595)
Bank overdrafts	–	–	(1,444,583)	–	(1,444,583)
Related parties balances	–	–	–	(8,538,284)	(8,538,284)
Short-term borrowings	–	–	(4,053,137)	–	(4,053,137)
Finance lease obligations	(48,127)	(130,748)	–	–	(178,875)
Non-financial liabilities	–	–	–	(10,976,924)	(10,976,924)
Total liabilities	(48,127)	(130,748)	(5,497,720)	(31,412,803)	(37,089,398)
Company					
2010					
Assets					
Available-for-sale financial assets	–	–	–	7,411,250	7,411,250
Trade and other receivables	–	–	–	23,083	23,083
Related parties balances	–	–	–	741,856	741,856
Cash and cash equivalents	–	–	–	11,861	11,861
Non-financial assets	–	–	–	26,793,427	26,793,427
Total assets	–	–	–	34,981,477	34,981,477
Liabilities					
Trade and other payables	–	–	–	(1,228,955)	(1,228,955)
Related parties balances	(2,995,500)	–	–	(314,533)	(3,310,033)
Bank overdrafts	–	–	(206,107)	–	(206,107)
Short-term borrowings	(367,945)	–	–	–	(367,945)
Finance lease obligations	(20,692)	(57,686)	–	–	(78,378)
Non-financial liabilities	–	–	–	(135,000)	(135,000)
Total liabilities	(3,384,137)	(57,686)	(206,107)	(1,678,488)	(5,326,418)

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates Less than 1 year S$	Fixed Rates 1 to 5 years S$	Variable Rates less than 1 year S$	Non-interest bearing S$	Total S$
Company					
2009					
Assets					
Available-for-sale financial assets	–	–	–	4,226,250	4,226,250
Trade and other receivables	–	–	–	127,130	127,130
Related parties balances	–	–	–	3,245,010	3,245,010
Cash and cash equivalents	–	–	–	2,988	2,988
Non-financial assets	–	–	–	28,119,171	28,119,171
Total assets	–	–	–	35,720,549	35,720,549
Liabilities					
Trade and other payables	–	–	–	(286,152)	(286,152)
Related parties balances	–	–	–	(2,848,750)	(2,848,750)
Bank overdrafts	–	–	(1,388,867)	–	(1,388,867)
Short-term borrowings	–	–	(411,489)	–	(411,489)
Finance lease obligations	(19,464)	(78,378)	–	–	(97,842)
Non-financial liabilities	–	–	–	(167,800)	(167,800)
Total liabilities	(19,464)	(78,378)	(1,800,356)	(3,302,702)	(5,200,900)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

For trade receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit rating based on professional credit reports.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade receivables.

(i) Financial assets that are neither past due nor impaired

Cash and cash equivalents that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and amounts due from related parties.

As at 30 June 2010 and 2009, the Group and the Company did not establish allowance for doubtful accounts on the amount due from related parties since the Group's management believes that such receivables are collectible in full.

The table below is an analysis of trade receivables as at the statement of financial position date:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$	**S$**	**S$**	**S$**
Not past due and not impaired	5,760,920	4,488,272	–	21,603
Past due but not impaired [1]	2,555,653	6,084,648	–	–
	8,316,573	10,572,920	–	21,603
Impaired trade receivables				
- individually assessed [2],[3]	167,689	93,928	–	–
Less: Allowance for impairment	(167,689)	(93,928)	–	–
	–	–	–	–
Trade receivables, net (Note 22)	8,316,573	10,572,920	–	21,603
- Not more than 3 months	2,003,900	3,637,230	–	–
- 3-6 months	216,247	375,472	–	–
- Over 6 months	335,506	2,071,946	–	–
	2,555,653	6,084,648	–	–

Those past due but not impaired pertain to regular customers of the Group.

(1) Aging of trade receivables that are past due but not impaired

(2) These amounts are stated before any allowances for impairment.

(3) These receivables are not secured by any collateral or credit enhancement.

The movement in the allowance for impairment of trade receivables is as follows:

	Group	
	2010	**2009**
	S$	**S$**
Beginning of financial year	93,928	134,737
Currency translation differences	44,369	(40,809)
Allowances made	29,392	–
End of financial year	167,689	93,928

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and available-for-sale financial assets and having an adequate amount of committed credit facilities to enable them to meet their normal operating commitments.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than one year S$	Between one and five years S$
Group		
2010		
Trade and other payables	9,635,760	–
Bank overdrafts	262,027	–
Related parties balances	2,728,976	–
Short-term borrowings	4,500,105	–
Long-term borrowings	–	1,288,056
Finance lease obligations	61,961	80,609
	17,188,829	1,368,665
2009		
Trade and other payables	11,897,595	–
Bank overdrafts	1,444,583	–
Related parties balances	8,538,284	–
Short-term borrowings	4,053,137	–
Finance lease obligations	58,923	139,793
	25,992,522	139,793

	Less than one year S$	Between one and five years S$
Company		
2010		
Trade and other payables	1,228,955	–
Bank overdrafts	206,107	–
Related parties balances	3,310,033	–
Short-term borrowings	367,945	–
Finance lease obligations	23,655	59,138
	5,136,695	59,138
2009		
Trade and other payables	286,152	–
Bank overdrafts	1,388,867	–
Related parties balances	2,848,750	–
Short-term borrowings	411,489	–
Finance lease obligations	23,655	82,793
	4,958,913	82,793

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

As at the statement of financial position date, the Group had at its disposal cash and cash equivalents amounting to approximately S$15,182,572 (2009: S$23,696,556). In addition, the Group has available short-term facilities of approximately S$7,662,255 (2009: S$4,053,137).

(d) Capital risk

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern; and

(ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholder value, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The Group's overall strategy remains unchanged since 2009.

The Group monitors capital based on a net debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents. Total equity comprises all components of equity.

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	S$	**S$**	**S$**	**S$**
Net debt	14,271,720	13,392,842	5,314,557	5,197,912
Total equity	68,518,660	67,616,034	29,655,059	30,519,649
Net debt to equity	20.83%	19.81%	17.92%	17.03%

(e) Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments.

The fair values of financial assets and liabilities with a maturity of less than one year, which are primarily cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts, short-term borrowings and related parties balances approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

Management estimates that the fair values of long term loan is not materially different to its carrying amount.

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(e) Fair Value of Financial Instruments (cont'd)

The fair values of finance lease obligations are determined by discounting the relevant cash flow using the current interest rates for similar instruments at statement of financial position date. There are no material differences between the fair values and carrying values.

(i) Fair value measurements

Fair value measurements recognised in the statement of financial position

Effective 1 July 2009, the Company adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets measured at fair value at 30 June 2010.

	Level 1	**Level 2**	**Level 3**	**Total**
	S$	**S$**	**S$**	**S$**
At 30 June 2010				
Assets				
Available-for-sale financial assets:				
- Trading securities	12,061,821	–	–	12,061,821
- Unquoted securities	–	612,302	–	612,302
Total assets	12,061,821	612,302	–	12,674,123

The fair values of trading securities traded in active markets are based on quoted market prices at the statement of financial position date. The quoted market prices used for the trading securities held by the Group are the closing price as at the statement of financial position date. These financial assets are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for unquoted securities) are determined by using recent arm's length market transactions between knowledgeable, willing parties. These financial instruments are included in Level 2.

There was no transfer between Level 1 and 2 during the financial year ended.

39 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with FRS requires management to exercise judgment in the process of applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the amounts of assets within the next financial year are discussed below:

(a) Impairment of Property, Plant and Equipment and Investments in Subsidiaries

The Group assesses impairment of the above-mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. In making this judgment, the Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

Full impairment loss of S$19,012,723 was made in the last financial year on the property, plant and equipment in relation to those oil wells which were dry and those with very low production yields. An impairment of S$22,982,737 was made in the last financial year on the investment in subsidiaries which are loss making with a net liability position. The carrying amount of the Group's property, plant and equipment as at 30 June 2010 was S$8,501,300 (2009: S$4,409,952). The carrying amount of the Company's investments in subsidiaries as at 30 June 2010 was S$26,286,936 (2009: S$27,366,213).

(b) Impairment of Available-for-Sale Financial Assets

The Group follows the guidance of FRS 39 (revised) *Financial Instruments: Recognition and Measurement* in determining when an investment is other-than-temporary impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Impairment loss of the available-for-sale financial assets of S$1,650,684 (2009: NIL) has been recognised for the financial year ended 30 June 2010. The carrying amount of the Group's available-for-sale financial assets as at 30 June 2010 was S$12,674,123 (2009: S$6,634,278).

(c) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution to the 40% (2009: 40%) participating interest in the PEL101 granted under the Petroleum Act 2000 of South Australia. In determining the appropriateness of capitalisation of the intangible asset, the directors have considered the degree to which it can be associated with finding specific economically recoverable mineral resources. As at statement of financial position date, the directors considered the exploration activities are at their initial stages and have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources and that substantially more evaluative work will be required. Therefore, the directors do not consider the intangible asset to be impaired as at year end. The carrying amount of the Group's petroleum exploration rights as at 30 June 2010 was S$4,158,521 (2009: S$3,977,969).

39 Critical Accounting Estimates and Judgments (cont'd)

(d) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2010 was S$1,569,703 (2009: S$1,569,703). Details including sensitivity analysis are given in Note 17 to the financial statements.

(e) Income Taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 30 June 2010 was S$675,400 (2009: S$1,558,232).

(f) Investment in Coal Concession Rights

For the reasons set out in Note 18, in the opinion of the directors, it is not possible with any degree of reliability to assess the fair value of the Group's investment in the Coal Concession Rights amounting to S$24.6 million. Neither is it possible to determine the quantum, if any, of any potential impairment losses. Because of the uncertainty surrounding the ownership of PT BSS, it is not possible to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. Accordingly, the investment has been included in the statement of financial position at its carrying value brought forward from 1 July 2009.

40 Share Options

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan

Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (collectively referred to as the "Share Schemes") were approved by the shareholders at the Extraordinary General Meeting of the Company held on 19 November 2007.

The Remuneration Committee of the Company (the "RC") has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy, Chin Kok Sang and Goh Boon Kok.

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the RC:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

40 Share Options (cont'd)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan (cont'd)

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) per cent. of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2009. The accepted non-discounted share options will be exercisable within four years on or after the first, second and third anniversary of date of the grant in the proportion of 35.0%, 35.0% and 30.0% respectively.

(b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC") adopted APAC Coal Employee Share Option Plan ("APAC ESOP") in October 2007. In accordance with the provisions of the APAC ESOP, employees, directors and consultants may be granted options at the discretion of the directors.

The purpose of the APAC ESOP is to retain and attract skilled and experienced employees, directors and consultants and provide them with the motivation to make APAC more successful. Each APAC ESOP converts into one ordinary share of APAC on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5.0% of APAC's issued capital at any one time.

The exercise price is calculated with reference to a formula contained within the rules governing the APAC ESOP and which rewards employees against the extent of the Company's performance on the capital markets. Where appropriate the directors have established appropriate vesting conditions to incentive employees to remain in employment of APAC.

(c) Fair Value of Share Options

The fair value of the share options granted under Magnus Energy ESOP and APAC ESOP is estimated at the grant date using a Black Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The expected volatility is based on the movement of the underlying share price around its average share price over the expected term of the option. The directors of the Company and APAC have determined the expected period of exercise to be similar to the option life.

40 Share Options (cont'd)

(c) Fair Value of Share Options (cont'd)

The following tables list the inputs to the Black Scholes pricing model for the financial year ended 30 June 2010:

	Magnus Energy ESOP Lapse Date	
	3.12.2010	**3.12.2011**
Grant date share price (cents)	10	10
Expected volatility (%)	62.54	46.77
Exercise price (cents)	10.11	10.11
Option life (years)	2	3
Dividend yield	–	–
Risk-free interest rate (%)	2.35	2.35

	APAC ESOP Lapse Date	
	30.10.2010	**10.7.2011**
Grant date share price (cents)	5	20
Expected volatility (%)	25.00	25.00
Exercise price (cents)	50	50
Option life (years)	3	3
Dividend yield	–	–
Risk-free interest rate (%)	6.50	6.80

(d) Share options in existence during the year

Details of unissued ordinary shares of the Group and the Company under non-discounted share options granted to eligible persons of the Company and its subsidiaries, were as follows:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	Number of shares		**Number of shares**	
Balance at 1 July	13,628,635	13,628,635	7,150,000	7,150,000
Lapsed during the year	(3,873,000)	–	(1,873,000)	–
Balance at 30 June	9,755,635	13,628,635	5,277,000	7,150,00

During the financial year ended 30 June 2010, 3,873,000 (2009: 9,365,000) share options have lapsed due to the resignation of directors and key management of the Group.

The Group recognised a total income of S$2,598 (2009: Loss of S$91,170) arising from the lapse of share options and share options granted and accepted during the year. The Group did not recognise an expense arising from non-discounted share options granted and accepted during the year as opposed to an expense of S$108,068 recognised during prior financial year.

Since commencement till 21 July 2010, the Group and Company did not grant any share awards pursuant to the Magnus Energy PSP.

41 Comparatives

Comparative figures have been reclassified to conform with the current year's presentation for the reclassification of consolidated statement of comprehensive income as a result of the discontinued operation (Note 11).

Accordingly, the following financial statement line items for the year ended 30 June 2009 have been reclassified:

	Before Reclassification S$	After Reclassification S$	Effect S$
Consolidated Statement of Comprehensive Income			
Revenue	103,400,534	96,606,129	(6,794,405)
Cost of sales	(85,933,877)	(78,849,353)	7,084,524
Other operating (expenses)/income	(55,658,408)	(28,275,708)	27,382,700
Distribution and selling expenses	(664,300)	(513,539)	150,761
Administrative expenses	(14,561,784)	(13,693,104)	868,680
Finance income	633,022	633,022	–
Finance costs	(624,336)	(579,354)	44,982
Discontinued operations	–	(28,737,242)	(28,737,242)

Comparative figures of the Company statement of financial position as at 30 June 2009 have been reclassified as follows:

	Before Reclassification S$	After Reclassification S$	Effect S$
Company			
Statement of Financial Position			
Current Assets			
Related parties balances	396,260	3,245,010	2,848,750
Current Liabilities			
Related parties balances	–	2,848,750	(2,848,750)

The reclassification does not have any impact to the accumulated losses of the statement of financial position as at 1 July 2008.

Comparative figures of the consolidated statement of cash flows for financial year ended 30 June 2009 have been reclassified as follows:

	Before Reclassification S$	After Reclassification S$	Effect S$
Consolidated Statement of Cash Flows			
Net cash flows generated from operating activities	294,858	2,454,188	2,159,330
Net cash flows (used in)/generated from financing activities	(142,215)	1,373,294	1,515,509
Net foreign currency translation adjustment	3,035,480	–	(3,035,480)
Effects on exchange rate changes on cash and cash equivalents	–	(639,359)	(639,359)

42 Authorisation of Financial Statements

The financial statements for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

For the financial year ended 30 June 2010.

1. Auditors' remuneration

The following information relates to remuneration of the auditors during the financial year:

	Group	
	2010	**2009**
	S$	**S$**
Other fees paid/payable to		
- Other auditors*	8,000	57,309

*Include internal auditors, Messrs Horwath First Trust

2. Properties of the Group

Location	Description	Existing Use	Tenure	Unexpired term of lease
Singapore				
32,Loyang Crescent Singapore 508992	Office/ Warehouse	Commercial	Leasehold Apr'2010	30 October 2051
Australia				
130 Mills Street Welshpool Western Australia	Warehouse	Commercial	Freehold Aug'1993	–
9 Barfield Crescent Elizabeth West, Adelaide South Australia	A single storey industrial building	Commercial	Freehold Aug'2003	–
Unit 8, 47 Musgrove Road Coopers Plains Queensland 4108 Australia	Terrace unit with office and warehouse building	Commercial	Freehold Mar'2005	–
United States of America				
5234 Brittmoore-North Road Harris County Texas 77041 (KM 449C) USA	Office / Warehouse	Commercial	Freehold May'1999	–

SHAREHOLDERS' INFORMATION

as at 24 September 2010

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	2,048,678,060
Issued and fully paid-up capital	:	S$ 120,126,816
Class of shares	:	Ordinary shares
Voting rights	:	● On show of hands : One vote for each member ● On a poll : One vote for each ordinary share
Treasury Shares	:	Nil

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 24 SEPTEMBER 2010

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	999	12	0.12	3,887	0.00
1,000	-	10,000	2,219	21.70	14,211,165	0.69
10,001	-	1,000,000	7,864	76.89	816,736,438	39.87
1,000,001 and above			132	1.29	1,217,726,570	59.44
Total			**10,227**	**100.00**	**2,048,678,060**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Md Wira Dani Bin Abdul Daim*	–	–	338,000,000	16.498

* Deemed Interest is held under various brokerage companies

SHAREHOLDERS' INFORMATION

as at 24 September 2010

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte) Ltd	198,181,982	9.67
2.	Chuan Mei Pheng	94,400,000	4.61
3.	Ronald Menon R K Menon	90,000,000	4.39
4.	Norani @ Siti Rohani Binti Osman	80,490,000	3.93
5.	DBS Vickers Securities (S) Pte Ltd	63,608,000	3.10
6.	OCBC Securities Private Ltd	61,522,000	3.00
7.	Chng Gim Huat	50,000,000	2.44
8.	Peter Chen Hing Woon	45,000,000	2.20
9.	United Overseas Bank Nominees Pte Ltd	37,846,400	1.85
10.	Chiew Kim Lee	30,000,000	1.46
11.	DBS Nominees Pte Ltd	29,987,000	1.46
12.	Rosley Bin Abdul Rahman	20,000,000	0.98
13.	Kim Eng Securities Pte. Ltd.	18,493,000	0.90
14.	Citibank Nominees Singapore Pte Ltd	17,188,000	0.84
15.	Hong Leong Finance Nominees Pte Ltd	16,824,000	0.82
16.	Citibank Consumer Nominees Pte Ltd	16,645,000	0.81
17.	UOB Kay Hian Pte Ltd	15,316,000	0.75
18.	Phillip Securities Pte Ltd	14,819,040	0.72
19.	Low Keng Boon @ Lau Boon Sen	14,180,000	0.69
20.	OCBC Nominees Singapore Pte Ltd	13,802,310	0.67
	Total	**928,302,732**	**45.29**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at 24 September 2010, approximately 83.49% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. ("the Company") will be held at Level 2, The Island Suite, 2 Keppel Bay Vista, Marina at Keppel Bay, Singapore 098382 on Thursday, 28 October 2010 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Datuk Idris Bin Abdullah @ Das Murthy, who retires by rotation pursuant to Article 96(2) of the Articles of Association of the Company. **(Resolution 2)**

   Datuk Idris Bin Abdullah @ Das Murthy will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Datuk Idris will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. To approve the payment of Directors' fees of S$87,374 for the year ended 30 June 2010 (2009: S$96,761). **(Resolution 3)**

4. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Ordinary Resolution: Authority to allot and issue shares (the "Share Issue Mandate")**

   That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**"), and Rule 806 of the Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to issue:

   (a) shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; or

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalization issues; or

   (d) shares arising from the conversion of the securities in (b) and (c) above,

   at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, approving the mandate after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)]

(Resolution 5)

7. **Ordinary Resolution: Authority to issue and allot placement shares (other than on a pro-rata basis) pursuant to the aforesaid Share Issue Mandate at a discount of up to twenty per centum (20%) of the weighted average price for trades done on the SGX-ST (the "Placement Shares at Discount")**

That subject to and pursuant to the Share Issue Mandate in Resolution 5 above being obtained, authority be and is hereby given to the Directors of the Company to issue new Shares other than on a pro-rata basis to shareholders of the Company, at a discount to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), not exceeding twenty per centum (20%), at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their discretion deem fit, provided that:-

(a) in exercising the authority conferred by this Resolution 6, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act; and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 6)**

8. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Magnus Energy Employee Share Option Plan ("the Magnus ESOP") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 7)**

9. **Ordinary Resolution: Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies' Act, Cap. 50, authority be and is hereby given to the directors of the Company to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**On-Market Purchase**") on the Catalist (a market regulated by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), formerly known as the SGX-ST Dealing and Automated Quotation System) ("**Catalist**"), through the SGX-ST's Central Limit Order Book trading system transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-Market equal access share purchases (each an "**Off-Market Equal Access Share Purchase**") effected otherwise than on the Catalist in accordance with any equal access scheme as may be determined or formulated by the directors of the Company as they consider fit, such scheme shall satisfy all the conditions prescribed by the Companies' Act, Cap. 50 and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

and unless varied or revoked by an ordinary resolution of shareholders of the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the Share Purchases are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied,

That in this Resolution,

"**Prescribed Limit**" means five per centum (5%) of the issued ordinary Shares of the Company as at the date of the last annual general meeting or as at the date of the passing of this Resolution (whichever is the higher); and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding 105% of the Average Closing Price of the Shares (both On-Market Purchase and Off-Market Equal Access Share Purchase).

where:

"**Average Closing Price**" is the average of the closing market prices of a Share over the last five market days on Catalist, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five day market period;

"**Average Market Price**" is the average of the closing market prices of a Share over the last five market days on Catalist, on which transactions in the Shares were recorded, preceding the day of the making of the offer pursuant to the Off-Market Equal Access Share Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Purchase; and the directors of the Company, be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

The Directors of the Company be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Purchase Mandate in any manner as they deem fit which is permissible under the Companies Act; and

The Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they consider expedient or necessary to give effect to the transactions contemplated by this Resolution.
[See Explanatory Note (iv)] **(Resolution 8)**

10. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards pursuant to the Magnus Energy Performance Share Plan (the "Magnus Energy PSP") and to allot and issue and/or transfer from time to time such number of Shares as may be required to be issued pursuant to the vesting of awards under the Magnus Energy PSP, provided that the aggregate number of Shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (v)] **(Resolution 9)**

By Order of the Board

Luke Ho Khee Yong
Company Secretary
Singapore, 13 October 2010

Explanatory Notes:

(i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will authorise and empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 6 proposed in item 7 above is pursuant to one of the measures introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, on 20 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010. Under the measures, issuers will be allowed to undertake placements of new shares on a non pro-rata basis at discounts of up to 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and Magnus Energy PSP up to a number not exceeding in aggregate (for the entire duration of the Magnus Energy ESOP) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

(iv) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 30 June 2010 are set out in greater detail in the Appendix.

(v) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Magnus Energy PSP granted or to be granted under the Magnus Energy ESOP and the Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

(a) A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint no more than two proxies to attend and vote in his/her stead. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.

(b) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(c) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #33-13 International Plaza Singapore 079903 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

*This notice has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“**Sponsor**”), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**Exchange**”). The Company’s Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.*

This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms Foo Quee Yin
Telephone number: 6221 0271

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"Act"	:	The Companies Act, Chapter 50 of Singapore.
"Articles"	:	The Articles of Association of the Company.
"AGM"	:	Annual general meeting of the Company.
"2010 AGM"	:	Annual general meeting of the Company to be held on 28 October 2010.
"CDP"	:	The Central Depository (Pte) Limited.
"2008 Circular"	:	The Circular to Shareholders dated 13 October 2008.
"2009 Circular"		The Circular to Shareholders dated 14 October 2009.
"Directors"	:	The Directors of the Company for the time being.
"2008 EGM"	:	The extraordinary general meeting of the Company held on 29 October 2008.
"EPS"	:	Earnings per Share.
"FY2010"	:	Financial year ended 30 June 2010.
"Group"	:	The Company and its subsidiaries.
"Latest Practicable Date" or **"LPD"**	:	06 October 2010, being the latest practicable date prior to the printing of this Appendix.
"Listing Manual"	:	The Listing Manual of the SGX, as may be amended or modified from time to time, or the Rules of Catalist as may be amended or modified from time to time.
"Market Day"	:	A day on which the SGX is open for trading in securities.
"Magnus" or the **"Company"**	:	Magnus Energy Group Ltd.
"Magnus Group" or the **"Group"**	:	The Company and its subsidiaries.
"NTA"	:	Consolidated net tangible assets of the Company.
"NTA per Share"	:	Consolidated net tangible assets of the Company divided by the number of issued Shares.
"Securities Accounts"	:	Securities accounts maintained by Depositors with CDP but not including securities sub-accounts maintained with a Depository Agent.
"SGX"	:	Singapore Exchange Securities Trading Limited or Catalist (upon the Company being sponsored Catalist company).
"Share Purchase Mandate"	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares.
"Shares"	:	Ordinary shares in the capital of the Company.
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares.
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers.
"S$", "$" and **"cents"**	:	Singapore dollars and cents, respectively.
"%" or **"per cent."**	:	Per centum or percentage.

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

The terms "**Depositor**'', "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

1.1 At 2008 EGM, Shareholders had approved a mandate (the "**2008 Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire its issued Shares as permitted under and in accordance with the provisions of the Act.

1.2 The 2008 Share Purchase Mandate was expressed to take effect on the date of the passing of the Ordinary Resolution at the 2008 EGM and will expire on the date of the forthcoming AGM to be held or required by law to be held.

1.3 The 2008 Share Purchase Mandate was renewed in 2009 AGM (the "**2009 Share Purchase Mandate**"). The 2009 Share Purchase Mandate would be expiring on 29 October 2010, being the date of 2010 AGM. The Directors propose that the Share Purchase Mandate be renewed at the 2010 AGM.

1.4 The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate.

1.5 The SGX assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Appendix. Shareholders, who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

1.6 This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this Appendix including the correctness of any of the figures used, statements or opinions made.

This Appendix has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this Appendix including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms. Foo Quee Yin
Telephone number: 6221 0271

2. RATIONALE FOR THE SHARE PURCHASE MANDATE

2.1 The proposed renewal of the Share Purchase Mandate will continue to give the Company the flexibility to undertake purchases or acquisitions of its Shares up to the 5% limit described in paragraph 2.4.1 below at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force.

2.2 The rationale for the Company to undertake the purchase or acquisition of its issued Shares, as previously stated in the 2008 Circular and 2009 Circular, is as follows:

(a) Share purchases or acquisitions provide the Company with a mechanism to facilitate the return of surplus cash (if any) over and above the financial and possible investment needs in an expedient and cost efficient manner, and the opportunity to purchase or acquire Shares when such Shares are undervalued.

(b) Share purchases may also help mitigate against short term volatility of Share price and offset the effects of short term speculation.

(c) Purchases or acquisitions of its Shares will also allow the Directors the greater flexibility over the Company's share capital structure with a view to enhancing the earnings per Share.

2.3 Share purchases or acquisitions will only be undertaken if it can benefit the Company and/or the Shareholders. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and the Group and/or affect the listing status of the Company on the SGX.

2.4 **Authority and Limits on the Share Purchase Mandate.** The authority and limitations placed on the buy back of Shares by the Company (the "**Share Purchases**"), if renewed at the 2010 AGM, are substantially the same as previously approved by Shareholders at the 2008 EGM. The authority and limits on the Share Purchase Mandate are as follows:

2.4.1 Maximum Number of Shares

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than five per cent. of the total number of issued Shares of the Company as at the date of the 2010 AGM at which the renewal of the Share Purchase Mandate is approved. Any Shares which are held as treasury shares will be disregarded for purposes of computing the five per cent. limit.

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and assuming no further Shares are issued, and no Shares are held by the Company as treasury shares, on or prior to the 2010 AGM, the purchase by the Company of up to the maximum limit of five per cent. of its issued Shares of 2,048,678,060 will result in the purchase or acquisition of 102,433,903 Shares.

2.4.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2010 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the Share Purchases are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied,

whichever is the earlier.

The Share Purchase Mandate may be renewed at each annual general meeting or other general meeting of the Company.

2.4.3 Manner of Share Purchases

A Share Purchase may be made by way of:

(a) an on-market Share Purchase ("**On-Market Share Purchase**"), transacted on the SGX's Central Limit Order Book trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) an off-market Share Purchase ("**Off-Market Equal Access Share Purchase**") effected pursuant to an equal access scheme as defined in Section 76C of the Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Equal Access Share Buy Back must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements (2) differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Equal Access Share Purchase, it will issue an offer document containing at least the following information:

(I) the terms and conditions of the offer;

(II) the period and procedures for acceptances; and

(III) the information required under Rule 868(2) of the Listing Manual on reasons for the proposed Share Purchase, Rule 868(3) of the Listing Manual on the consequences, if any, of Share Purchases that will arise under the Take-over Code or other applicable takeover rules, Rule 868(4) of the Listing Manual on whether the Share Purchase, if made, could affect the Company's equity securities on the SGX and Rule 868(5) of the Listing Manual on details of any Share Purchases made by the Company in the previous 12 months.

2.4.4 Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Purchases. The purchase price to be paid for the Shares pursuant to Share Purchases (both On-Market Share Purchases and Off-Market Equal Access Share Purchases) must not exceed 105 per cent. of the Average Closing Price of the Shares, excluding related expenses of the Share Purchase (the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX immediately preceding the date of the On-Market Share Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Purchase.

2.5 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

2.6 **Treasury Shares. Under the Act,** Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Act, are summarised below:

2.6.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.6.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.7 **Source of Funds.** Previously, any payment made by the Company in consideration of the purchase or acquisition of its own Shares may only be made out of the Company's distributable profits. The Act now permits the Company to pay for the consideration for the purchase or acquisition of its Shares out of capital and/or profits provided the Company is solvent.

The Company will be acquiring or purchasing its Shares under the Share Purchase Mandate out of its capital and not out of its profits.

The Company will use internal sources of funds or external borrowings or a combination of both to fund Share Purchases. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially affect the working capital requirements, financial flexibility or investment ability of the Group.

2.8 **Financial Effects.** The financial effects of a Share Purchase on the Group and the Company will depend on, inter alia, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial accounts of the Group and the Company for the financial year ended 30 June 2010 are based on the assumptions set out below:

2.8.1 Purchase or Acquisition out of Profits and/or Capital

Under the Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the Share Purchase is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

2.8.2 Number of Shares Acquired or Purchased

Based on the number of issued Shares as at the Latest Practicable Date and assuming no further Shares are issued, and no Shares are held by the Company as treasury shares, on or prior to the 2010 AGM, the purchase by the Company of up to the maximum limit of five per cent. of its issued Shares will result in the purchase or acquisition of 102,433,903 Shares.

2.8.3 Maximum Price Paid for Shares Acquired or Purchased

Assuming that the Company purchases or acquires the 102,433,903 Shares at the Maximum Price of S$0.020 for one Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX immediately preceding the Latest Practicable Date), the maximum amount of funds required for such Share Purchase is approximately S$2,043,556.

The maximum amount of funds required for such Share Purchase is the same regardless of whether the Company effects an On-Market Share Purchase or an Off-Market Equal Access Share Purchase.

For illustrative purposes only, assuming:

(a) the Share Purchase Mandate had been effective on 1 July 2009;

(b) the Company had on 1 July 2009 purchased 102,433,903 Shares (representing five per cent. of its issued Shares as at the Latest Practicable Date) at S$0.020 for each Share (being 105% of the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX immediately preceding the Latest Practicable Date);

(c) the purchase or acquisition of 102,433,903 Shares was made out of capital and cancelled or held in treasury; and

(d) the maximum amount of funds required for the proposed Share Purchase Mandate, being approximately S$2,043,556 will be satisfied by the Company's cash and cash equivalents of S$11,861 and by borrowings of S$2,031,695.

The financial effects of the Share Purchase on the audited financial accounts of the Group and the Company for the financial year ended 30 June 2010 would have been as follows:

Scenario 1

Share Purchase of up to a maximum of 5% made out of capital and cancelled

	Group		Company	
	Per audited accounts as at 30 June 2010 S$	**Proforma after Share Purchase S$**	**Per audited accounts as at 30 June 2010 S$**	**Proforma after Share Purchase S$**
Number of Shares	1,758,678,060	1,656,244,157	1,758,678,060	1,656,244,157
Issued and paid-up share capital	116,501,816	114,458,260	116,501,816	114,458,260
Revenue Reserves	(74,578,850)	(74,578,850)	(92,435,879)	(92,435,879)
NTA	23,666,396	21,622,839	29,655,059	27,611,503
NTA per Share (cents)	1.346	1.306	1.686	1.667
Loss after taxation and minority interests	(1,338,160)	(1,338,160)	(4,226,848)	(4,226,848)
Weighted average number of issued Shares	1,758,678,060	1,656,244,157	1,758,678,060	1,656,244,157
Basic EPS (cents)	(0.076)	(0.081)	(0.240)	(0.255)
Cash and cash equivalents	15,182,752	15,170,891	11,861	–
Current assets	45,197,029	45,185,168	1,133,843	1,121,982
Current liabilities	20,215,505	22,247,200	5,268,732	7,300,427
Total borrowings	6,074,234	8,105,929	652,430	2,684,125
Shareholders' funds	42,031,337	39,987,781	29,655,059	27,611,503
Gearing (times)	0.145	0.203	0.022	0.097
Current Ratio (times)	2.236	2.031	0.215	0.154

Notes:

(1) "**Number of Shares**" issued as at LPD is 2,048,678,060. 5% of issued Shares are 102,433,903. For purpose of calculation and presentation, this number of shares is used. The number of total issued shares as at 30 June 2010 remains at 1,758,678,060.

(2) "**Total borrowings**" means the aggregate borrowings of the Group from banks and financial institutions;

(3) "**Gearing**" means the ratio of total borrowings to shareholders' funds;

(4) "**Shareholders' funds**" means the aggregate amount of issued and paid-up share capital, capital reserve, translation reserve and revenue reserves of the Group; and

(5) "**Equity**" is defined as average Shareholders' funds.

Scenario 2

Share Purchase of up to a maximum of 5% made out of capital and held in treasury

	Group		Company	
	Per audited accounts as at 30 June 2010 S$	**Proforma after Share Purchase S$**	**Per audited accounts as at 30 June 2010 S$**	**Proforma after Share Purchase S$**
Number of Shares	1,758,678,060	1,656,244,157	1,758,678,060	1,656,244,157
Number of treasury shares	–	102,433,903	–	102,433,903
Issued and paid-up share capital	116,501,816	116,501,816	116,501,816	116,501,816
Treasury share capital	–	(2,043,556)	–	(2,043,556)
Revenue Reserves	(74,578,850)	(74,578,850)	(92,435,879)	(92,435,879)
NTA	23,666,396	21,622,839	29,655,059	27,611,503
NTA per Share (cents)	1.346	1.306	1.686	1.667
Loss after taxation and minority interests	(1,338,160)	(1,338,160)	(4,226,848)	(4,226,848)
Weighted average number of issued Shares	1,758,678,060	1,656,244,157	1,758,678,060	1,656,244,157
Basic EPS (cents)	(0.076)	(0.081)	(0.240)	(0.255)
Cash and cash equivalents	15,182,752	15,170,891	11,861	–
Current assets	45,197,029	45,185,168	1,133,843	1,121,982
Current liabilities	20,215,505	22,247,200	5,268,732	7,300,427
Total borrowings	6,074,234	8,105,929	652,430	2,684,125
Shareholders' funds	42,031,337	39,987,781	29,655,059	27,611,503
Gearing (times)	0.145	0.203	0.022	0.097
Current Ratio (times)	2.236	2.031	0.215	0.154

Notes:

(1) "**Number of Shares**" issued as at LPD is 2,048,678,060. 5% of issued Shares are 102,433,903. For purpose of calculation and presentation, this number of shares is used. The number of total issued shares as at 30 June 2010 remains at 1,758,678,060.

(2) "**Total borrowings**" means the aggregate borrowings of the Group from banks and financial institutions;

(3) "**Gearing**" means the ratio of total borrowings to shareholders' funds;

(4) "**Shareholders' funds**" means the aggregate amount of issued and paid-up share capital, capital reserve, translation reserve and revenue reserves of the Group; and

(5) "**Equity**" is defined as average Shareholders' funds.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS ILLUSTRATED ABOVE ARE FOR ILLUSTRATION PURPOSES ONLY (BASED ON THE AFOREMENTIONED ASSUMPTIONS). IN PARTICULAR, IT IS IMPORTANT TO NOTE THAT THE ABOVE ANALYSIS IS BASED ON THE AUDITED NUMBERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010, AND ARE NOT NECESSARILY REPRESENTATIVE OF FUTURE FINANCIAL PERFORMANCE.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to five per cent. of the Company's issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire five per cent. of its issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased as treasury shares. **IN PARTICULAR, THE DIRECTORS DO NOT INTEND TO EXERCISE THE SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT AND TO SUCH AN EXTENT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE GROUP.**

2.9 Requirements under the Companies Act and the Listing Rules

Within thirty (30) days of the passing of a Shareholders' resolution to approve the Share Purchase Mandate, the Company shall lodge a copy of such resolution with the ACRA.

Within thirty (30) days of a Share purchase or acquisition on the Catalist or otherwise, the Company shall lodge with the ACRA a notification of the Share purchase or acquisition in the prescribed form. Such notification shall include, inter alia, the date of the purchase, the number of Shares purchased, the number of Shares cancelled and/or the number of Shares held as treasury Shares, the Company's issued share capital before and after the Share purchase, the amount of consideration paid by the Company for the purchase and whether the Shares were purchased out of the profits or capital of the Company.

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its Shares to the SGX not later than 9.00 a.m. (a) in the case of a On-Market Share Purchase, on the Market Day following the day of purchase or acquisition of any of its Shares and (b) in the case of an Off-Market Equal Access Share Purchase, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form prescribed by the Listing Manual) must include, inter alia, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase and shall be in the form of Appendix 8D of the Listing Manual.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, the Company, in line with the best practices guide on securities dealings set out in the Listing Manual, would not purchase or acquire any Shares through On-Market Share Purchases during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results. The Company's decision to purchase or acquire Shares would only be made with an arrangement that could reasonably be expected to ensure that information that is not generally available would not be communicated or informed to the person within the Company who makes the decision to transact.

In the event that the Company appoints a broker, the broker will be given a discretionary mandate to conduct the Share purchase.

In line with the best practices guide on securities dealings set out in the Listing Manual, the broker shall not purchase or acquire any Shares during the period of one month immediately preceding the announcement of the Company's full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results. The broker will not be advised of or receive any price sensitive information prior to the purchase of any Shares.

The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public Shareholders. As of Latest Practical Date, approximately 83.49% of the issued Shares are held by public Shareholders, out of 2,048,678,060 total issued shares. Accordingly, the Company is of the view that there is a sufficient number of the issued Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its issued Shares through On-Market Share Purchases up to the full five percent. limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the SGX, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.10 **Take-over Implications arising from Share Purchases.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 Obligation to make a Take-over Offer

If, as a result of any Share Purchases by the Company, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.10.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, inter alia, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

- (i) a company;
- (ii) the parent company of (i);
- (iii) the subsidiaries of (i);
- (iv) the fellow subsidiaries of (i);
- (v) the associated companies of any of (i), (ii), (iii) or (iv);
- (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
- (vii) any person who has provided financial assistance(other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.10.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the renewal of the Share Purchase Mandate.

Based on substantial shareholder notifications received by the Company under Division 4, Part IV of the Companies Act as at the Latest Practicable Date as set out in paragraph 3.2 below and based on the Company's belief that none of its Directors and substantial Shareholders are acting in concert with each other, the substantial Shareholders of the Company would not become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of five per cent. of its issued Shares as at the Latest Practicable Date.

INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholdings maintained pursuant to Section 164 and Section 88 of the Act, as at 30 June 2010, are as follows:-

	Before Share Purchase			After Share Purchase		
	Direct Interests	Deemed Interests	%[3]	Deemed Interest	Deemed Interests	%[4]
Md Wira Dani Bin Abdul Daim [1]	–	338,000,000	16.50	–	338,000,000	17.36
Goh Boon Kok [2]	300,000	–	0.02	300,000	–	0.02

Note :

(1) Deemed Interest is held under various brokerage companies

(2) Goh Boon Kok is Independent Director of the Company

(3) Based on issued share capital of 2,048,678,060 Shares as at the Latest Practicable Date

(4) Based on issued share capital of 1,946,244,157 after the purchase or acquisition of 102,433,903 Shares was made out of capital and cancelled or held in treasury

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any Share Purchase by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code, Shareholders are advised to consult their professional advisors and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

2.11 **Details of Share Purchase in the last 12 months.** There was no purchase of the Company's Shares in the 12 months immediately preceding the Latest Practicable Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 **Directors' Interests in Shares.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
Directors	**Number of Shares**	**% of Issued Capital[1]**	**Number of Shares**	**% of Issued Capital[1]**
Idris Bin Abdullah @ Das Murthy	–	–	–	–
Lim Kuan Yew	–	–	–	–
Koh Teng Kiat	–	–	–	–
Goh Boon Kok	300,000	0.02	–	–
Chin Kok Sang	–	–	–	–

Notes:

(1) Based on the issued share capital of 2,048,678,060 Shares as at the Latest Practicable Date.

(2) Held under various brokerage firms.

3.2 **Substantial Shareholders' Interests in Shares.** The interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
Substantial Shareholders	**Number of Shares ('000)**	**% of Issued Capital[1]**	**Number of Shares ('000)**	**% of Issued Capital[1]**
Md Wira Dani Bin Abdul Daim	–	–	338,000,000[2]	16.50

Notes:

(1) Based on the issued share capital of 2,048,678,060 Shares as at the Latest Practicable Date.

(2) Held under various brokerage firms.

4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2010 AGM.

5. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 10 Anson Road #33-13 International Plaza Singapore 079903 during normal business hours from the date of this Appendix up to the date of 2010 AGM:

(a) the Annual Report of the Company for the financial year ended 30 June 2010; and

(b) the Memorandum and Articles of Association.

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

Yours faithfully
For and on behalf of the Board of Directors of
Magnus Energy Group Ltd.

LIM KUAN YEW
Managing Director

MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Magnus Energy Group Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

being a member/members of MAGNUS ENERGY GROUP LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Level 2, The Island Suite, 2 Keppel Bay Vista, Marina at Keppel Bay, Singapore 098382 on Thursday, 28 October 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Report and Audited Financial Statements for the year ended 30 June 2010		
2.	Re-election of Datuk Idris Bin Abdullah @ Das Murthy as a Director		
3.	Approval of Directors' fees amounting to S$87,374		
4.	Re-appointment of Moore Stephens LLP as Auditors		
5.	Authority to allot and issue shares		
6.	Authority to issue shares up to discount of 20%		
7.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
8.	Renewal of Share Purchase Mandate		
9.	Authority to issue shares under the Magnus Energy Performance Share Plan		

Dated this ________ day of ________________ 2010

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

***Delete where inapplicable**

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #33-13 International Plaza Singapore 079903 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

MAGNUS ENERGY GROUP LTD.
10 Anson Road
#33-13, International Plaza
Singapore 079903