

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

PROPOSED DISPOSAL OF SOUTH-EAST ASIAN BUSINESS (the "PROPOSED DISPOSAL")

1. Introduction

The board of directors (the "**Board**" or the "**Directors**") of Magnus Energy Group Ltd (the "**Company**", together with its subsidiaries, collectively "**Group**") wishes to announce that its 55.89% owned subsidiary Mid-continent Equipment Group Ltd ("**Mid-Continent**" or the "**Vendor**") has on 7 August 2018 entered into a conditional sale and purchase agreement (the "**Agreement**") with Mid-Continent Distribution Pte Ltd (the "**Purchaser**") to dispose its business of supplying and distributing oilfield equipment and spares in South-East Asia ("**SEA Business**") and the assets in relation thereto for an aggregate consideration of US\$1 million (the "**Proposed Disposal**").

Mid-continent shall continue to operate the business of supplying and distributing oilfield equipment and spares in all other territories worldwide, except South-East Asia, following completion of the Proposed Disposal. For the avoidance of doubt, no other assets nor subsidiaries of the Group shall be disposed in the Proposed Disposal. There is no change in the risk profile of the Company or the Group as a result of the Proposed Disposal.

2. Information on the Purchaser

- 2.1 The Purchaser is a wholly-owned subsidiary of MTQ Corporation Limited (Co. Registration No. 196900057Z), a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the principle activities of the Purchaser are general whole trade (including general importers and exporters).
- 2.2 The Purchaser is not related to the Company, the Group, its directors, management or substantial shareholders.

3. Rationale for the Proposed Disposal

The Proposed Disposal represents a good opportunity for the Company to dispose of the SEA Business to free up resources for working capital needs and to also gain a strong trading partner that has a bigger outfit in the same industry for the SEA Business. The exit from the SEA Business will enable Mid-Continent to operate with a leaner cost structure and frees up resources to allow Mid-Continent to focus on re-deploying such resources to the rest of its equipment and spares businesses worldwide.

The net proceeds from the Proposed Disposal would be retained in Mid-Continent for its operational and business requirements.

4. Book Value and Gain on Proposed Disposal

Based on the management accounts of Mid-Continent as at 30 June 2018, the book value of the assets being disposed of was about S\$0.5 million and the gain on the Proposed Disposal is S\$0.8 million.

5. Salient Terms of the Proposed Disposal

The salient terms of the Proposed Disposal are set out in this section.

5.1 Consideration

The aggregate consideration of the Proposed Disposal is US\$1 million (the "**Consideration**") that will be satisfied in cash in the manner set out: - .

- (a) the first tranche of US\$100,000 was paid upon the signing of the SPA;
- (b) the second tranche of US\$600,000 shall to be paid upon the completion of the Proposed Disposal ("**Completion**"); and

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(c) a sum of US\$300,000 to be paid (subject to agreed adjustments based on the difference between the agreed inventory value and the inventory valuation to be completed) pursuant to the SPA within thirty (30) days from the date the inventory valuation of the Vendor is completed.

5.2 The Consideration was arrived at on a willing buyer, willing seller basis taking into consideration the existing goodwill of the SEA Business (US\$600,000) and the existing inventory of the SEA Business (approximately valued at US\$400,000). No valuation has been conducted on the existing goodwill and the existing inventory of the SEA Business.

5.3 Conditions Precedent

Completion is conditional upon the following conditions precedent ("**Conditions Precedent**"):-

(a) all warranties (from the Purchaser and Vendor) being true, accurate and not misleading as at Completion;

(b) the Vendor having preformed or complied with the pre-completion obligations including but not limited to, carrying on the SEA Business in the ordinary course consistent with past practices, not to commence or carry out any type of business not ancillary or incidental or an extension of the scope of the SEA Business and manage the same properly and efficiently in good faith, in accordance with sound commercial principles and all applicable laws, preserve and maintain all the assets of the SEA Business in good working order and condition (ordinary wear and tear excepted), not to take or omit any action that would cause a breach of the Agreement, change the terms and conditions of employment of any employees without prior written consent of the Purchaser, create or grant any encumbrance over the assets of the SEA Business, or enter into any contract or assume any liability outside the ordinary course of business; and

(c) all parties agree that all requests and enquiries from any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government ("**Governmental Authority**") in connection with the SEA Business shall be dealt with by the parties in consultation with each other and the parties shall cooperate and provide all necessary information and assistance as may be required by any Governmental Authority.

5.4 Long Stop Date

Long Stop Date means the date following three (3) months from the date of the Agreement or such other period as the parties may agree in writing.

5.5 Non Competition

Following Completion, the Vendor agrees that it shall not for a period of three (3) years be engaged in any business within Singapore or in South-East Asia that is in competition ((whether directly or indirectly) with SEA Business, whether individually or in partnership, or assist with technical advice in relation to the SEA Business, or solicit in competition with the Purchaser or any of its subsidiaries, the custom of any person, firm or company who is or was a customer of the Purchaser in the Purchaser's business, carry on individually or in partnership with others, in any business that the SEA Business, or use any information obtained as the Vendor in any manner that may cause loss or injury to the Purchaser or disclose to any other party any confidential information or trade secrets relevant to the SEA Business until such information is in the public domain or induce any directors or employees of the Purchaser and/or its subsidiaries to terminate his directorship or employment with the Purchaser and/or its subsidiaries.

5.6 Indemnification

Both parties undertake to keep the other party fully and effectively indemnified against any and all losses, claims, damages, costs and liabilities of any nature whatsoever, that the party reasonably incurs or reasonably suffers in connection with or arising from any breach of any of the warranties given under the Agreement and/or failure to perform any material obligations under the terms of the Agreement, provided that any such claim is made by the relevant party no later than one (1) year from

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Completion and any claim shall not be less than US\$10,000 and the aggregate claims shall not be more than US\$1,000,000.

5.7 Completion

- (a) Completion shall take place the later of the date falling seven (7) calendar days after the satisfaction or waiver of the final Condition Precedent, or such other date as may be mutually agreed to by the Purchaser and Vendor in writing.
- (b) At Completion, the Vendor shall deliver to or make available for collection by the Purchaser (or its nominee):
 - (i) the inventory of the SEA Business;
 - (ii) the third party consents necessary for the assignment of the distributorship and agency contracts to the Purchaser (and/or its nominee) ("**Counterparty Consents**") and executed originals of the contracts;
 - (iii) new service contracts executed by the employees of the SEA Business (as a term under the SPA;
 - (iv) copies of duly signed distribution agreements signed by each key supplier of the Vendor granting distribution rights to the Purchaser (on terms and conditions acceptable to the Purchaser's sole and absolute discretion);
 - (v) the transfer or assignment of the ownership, interest and benefit of all intellectual property consisting of trade names, trademarks and copyright materials comprising the words "Mid-Continent", "Midcontinent", "中大陆", internet domain and internet sub-domain names and the websites hosted on aforesaid domain names (collectively the "**Internet Domains**"), the DreamApps ERP software customised for the Vendor and the SEA Business (including without limitation all source codes, licenses and servers necessary for it to operate on a standalone basis) (the "**Software**"); and
 - (vi) a certified true copy of shareholders' resolution and Directors' resolution of the Vendor approving the sale and transfer of its SEA Business to the Purchaser.

The Purchaser shall:

- (i) procure the remittance of the second tranche of the Consideration to the bank account of the Vendor; and
- (ii) deliver to the Vendor a certified true copy of the board of directors' resolution of the Purchaser approving the purchase of the SEA Business.

6. Pro Forma Financial Effects of the Proposed Disposal

6.1 The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after Completion. The pro forma financial effects of the Proposed Disposal set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 30 June 2017 ("**FY2017**").

6.2 Net tangible assets ("NTA")

The effect of the Proposed Disposal on the audited consolidated NTA per share of the Group as at 30 June 2017, assuming that the Proposed Disposal had been effected on 30 June 2017, are summarised below:

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	Before the Proposed Disposal	After the Proposed Disposal
Consolidated NTA ⁽¹⁾ (S\$'000)	30,755,100	31,573,500
Number of shares ('000)	8,105,619,899	8,105,619,899
Consolidated NTA per share (cents)	0.38	0.39

Notes:

(1) NTA is computed based on total assets less total liabilities and intangible assets.

6.3 Loss per Share ("LPS")

The effects of the Proposed Disposal on the audited consolidated LPS of the Group for FY2017, assuming that the Proposed Disposal had been effected on 1 July 2016, are summarised below:

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to equity holders of the Company (S\$'000)	(7,707,628)	(6,889,228)
Weighted average number of Shares ('000)	7,626,164,096	7,626,164,096
Basic LPS (cents)	(0.10)	(0.09)

7. Relative Figures under Rule 1006

7.1 The relative figures in relation to the Proposed Disposal computed on the applicable bases set out in Rule 1006 of Section B: Rules of Catalyst of the Listing Manual of the SGX-ST (the "**Catalist Rules**"), with the Group 55.89% interest in Mid-Continent, based on the latest announced consolidated financial statements of the Group for the third quarter and nine months ended 31 March 2018 (the "**3Q2018 Results**"), are as follows:

Rule 1006(a)	Net asset value of the Assets, compared with the Group's net asset value ⁽¹⁾	0.9%
Rule 1006(b)	Net loss attributable to the Assets compared with the Group's net loss ⁽²⁾	23.8%
Rule 1006(c)	The aggregate value of the Consideration received for the Proposed Disposal compared with the Company's market capitalisation ⁽³⁾ based on the total number of issued shares excluding treasury shares	3.6%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable, as this is a disposal of assets.
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) The net asset value attributable to the SEA Business of approximately S\$0.5 million is the carrying value of the Assets based on the 3Q2018 Results. The Group's net asset value based on the 3Q2018 Results is approximately S\$32.4 million.
- (2) Net loss is defined as loss before income tax. The net loss attributable to the Business and Assets based on the 3Q2018 Results is approximately S\$0.6 million. The Group's net loss based on the 3Q2018 Results is approximately S\$1.5 million.
- (3) Based on the Company's market capitalization of S\$12,632,507 computed on the bases that (i) the total number of issued shares of the Company is 12,632,507,107; and (ii) the weighted average price of the Company's shares on 3 August 2018 is S\$0.001, being the market day immediately preceding the date of this announcement.

7.2 As the relative figures computed under Rule 1006(b) of the Catalist Rules exceed 5%, the Proposed

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Disposal is considered a discloseable transaction under Chapter 10 of the Catalist Rules.

8. Documents Available for Inspection

A copy of the Agreement is available for inspection at the Company's registered office at 76 Playfair Road, #02-02 LHK2 Building Singapore 367996 during normal business hours for a period of 3 months from the date of this announcement.

9. Interest of Directors and Controlling Shareholders

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Disposal.

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. Directors' Responsibility Statement

The Directors have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

11. Cautionary Statement

Shareholders and potential investors should exercise caution when trading in the shares of the Company. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
10 August 2018

About Magnus Energy Group Ltd. (www.magnusenergy.com.sg)

Listed since 04 August 1999

Incorporated in 1983, SGX Catalist Board-listed Magnus Energy Group Ltd. ("**Magnus**") is an investment holding company with a diversified portfolio comprising oil, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

Magnus aims to maximise shareholder value through strategic investments in profitable projects and acquisitions globally with the goal of broadening the Group's earnings base and shareholder value.

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

The announcement has not been examined or approved by the SGX-ST and the SGX-ST 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 announcement.

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