

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

INDEPENDENT AUDITOR'S QUALIFIED OPINION ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Pursuant to Rule 704(4) of the Listing Manual: Section B Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board of Directors (“**Directors**”) of Magnus Energy Group Ltd. (the “**Company**”) wishes to announce that the Company’s independent auditor (the “**Independent Auditor**”), Moore Stephens LLP, has issued their report on the financial statements of the Company and its subsidiaries (the “**Group**”) for the financial year ended 30 June 2016, highlighting *inter alia*:

Extract of Independent Auditor’s Report

The basis of qualified opinion and the qualified opinion are as follows:

Basis for Qualified Opinion

6. Our auditors’ report dated 30 September 2015 on the financial statements for the previous financial year ended 30 June 2015 contained a modified opinion on the matters as set out below. An update of the matters is as follows:
 7. (i) We were not able to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group’s investment in the Coal Concession Rights of approximately S\$21.8 million and the related deferred tax liability of approximately S\$6.3 million as at 30 June 2015 because the outcome of the ongoing legal proceedings relating to the Group’s ownership interest in PT Batubara Selaras Sapta (“PT BSS”), which holds the Coal Concession Rights, was uncertain.
 - (ii) We were not able to satisfy ourselves as to the recoverability of the Company’s investment in, and the amount due from APAC Coal Limited (“APAC”), the holding company of PT BSS, of approximately S\$492,000 and S\$1,054,000, respectively as at 30 June 2015 as the ability of the Company to realise its investment in, and the amount due from APAC, is largely dependent on the successful outcome of the legal proceedings as referred to in paragraph (i) above.
 - (iii) As at 30 June 2016, the Group’s investment in the Coal Concession Rights, and the Company’s investment in, and the amount due from APAC, have been classified as assets held for sale, for the reasons as explained in Note 20 to the financial statements. Consequently, an impairment loss of approximately S\$15.0 million was recognised for the Group’s investment in the Coal Concession Rights in the Group’s profit or loss for the current year. The impairment loss is net of the related deferred tax credit of approximately S\$6.1 million.
8. In view of the previous year’s qualifications on the matters as described in paragraph 7 above, any adjustments to the opening balances of the Group’s investment in the Coal Concession Rights and the related tax liability would have consequential effects on the impairment loss of approximately S\$15.0 million recognised for the Group’s investment in the Coal Concession Rights in the Group’s profit or loss for the current year. Our opinion on the current year’s financial statements is also modified because of the possible effects of these matters on the comparability of the current year’s figures and the corresponding figures.

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Qualified Opinion

9. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs 6 to 8, the consolidated financial statements of the Group and the statement of financial position of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Reports on Other Legal and Regulatory Requirements

10. 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.

By Order of the Board
Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
10 October 2016

**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.

*The contact person for the Sponsor is Mr Bernard Lui.
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

20 Assets/Liabilities Directly Related to Disposal Group Classified as Held for Sale

(a) Assets/Liabilities directly related to disposal group classified as held for sale

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Assets classified as held for sale	<u>1</u>	<u>–</u>	<u>1,796,760¹</u>	<u>–</u>
Liabilities classified as held for sale	<u>–</u>	<u>–</u>	<u>1,758,574²</u>	<u>–</u>

¹ Comprised investments in APAC Group of S\$491,660 (Note 14(a)) and amount due from APAC of S\$1,305,100.

² Comprised amount due to APAC of S\$1,758,574.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

20 Assets/Liabilities Directly Related to Disposal Group Classified as Held for Sale (Continued)**(a) Assets/Liabilities directly related to disposal group classified as held for sale** (Continued)

On 30 June 2016, APAC entered into a Share Purchase Agreement to acquire 100% of the shares in Goyes Agri-Food Investment Limited ("GAF") from Sharp Year Ventures Limited (the "Proposed Acquisition"). The consideration for the acquisition will be A\$136 million, funded by the issue of 272 million fully paid ordinary shares by APAC at A\$0.50 per share (after share consolidation on a ratio of 100:1). On 2 August 2016, the Share Purchase Agreement for the Proposed Acquisition was amended to acquire 100% of the shares in Sharp Year Ventures Limited ("SYV"). The only asset owned by SYV is 100% of the shares in GAF. Therefore, there is no change to the substance of the Proposed Acquisition.

The directors of the Company expect the Proposed Acquisition to be completed in the next 12 months, and consequently, Magnus Energy Group Ltd shall cease to be the majority and controlling shareholder of APAC upon the completion of the Proposed Acquisition.

As part of the Proposed Acquisition, restructuring of APAC and its subsidiaries (collectively the "APAC Group") was required including disposing of APAC's interest in PT Deefu Chemical Indonesia ("PT Deefu"). The only asset owned by PT Deefu is 100% of the shares in PT Batubara Selaras Sapta ("PT BSS"), whose core asset is the Coal Concession Rights (Note 18). APAC will be disposing PT Deefu to its Indonesia director for a nominal value of US\$2, thereby discontinuing the coal mining business segment of the Group. Except for the above, other non-significant assets and liabilities of the APAC Group have been fully written off to the loss from discontinued operations in profit and loss as at 30 June 2016. The comparative consolidated statement of comprehensive income has been re-presented as if the APAC Group had been discontinued from the beginning of the comparative year.

(b) Discontinued operations

	Group	
	2016	2015
	S\$	S\$
Loss for the year from discontinued operations		
Revenue	-	-
Other operating income	26,290	142,055
Other operating expenses*	(21,105,513)	-
Distribution and selling expenses	(34,859)	(9,007)
Administrative expenses	(243,991)	(294,773)
Finance income	53	19
Finance costs	(1,721)	-
Loss before tax	(21,359,741)	(161,706)
Income tax (Note 11(b))	6,077,820	-
Loss for the year from discontinued operations	(15,281,921)	(161,706)
Cash flows from discontinued operations		
Net cash (outflow)/inflow from operating activities	(25,494)	50,163

* included the impairment loss of Coal Concession Rights amounted to S\$21,113,676 (Note 18(b)).