

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

CORRIGENDUM TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Board of Directors ("**Board**") of Magnus Energy Group Ltd (the "**Company**" and, together with its subsidiaries, the "**Group**") refers to the Company's annual report for the financial year ended 30 June 2020 (the "**AR2020**") as announced on SGXNet on 15 June 2020, in relation to, amongst others, the risk management and internal controls section in the corporate governance report of the AR2020.

The Board refers to the disclosure of certain material weaknesses identified by the Board and Audit Committee with regards to the Company's internal controls in compliance with the requirements under Rule 1204(10) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist . The information under section 9 of the corporate governance report titled "Risk Management and Internal Controls", which is located on pages 45 to 54 of the AR2020, in respect of the high-risk issues highlighted by Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**") during the annual internal audit review should be read as shown herein instead of as printed in the AR2020:

*"The annual internal audit review was commissioned to assess the operating and internal control protocols of the Group. The aforementioned review was conducted by Nexia TS. Nexia TS has highlighted four (4) high risks issues and nine (9) moderate risks issues for the Group. The Company will review the internal auditor's ("**IA**") recommendations and targets to address all issues highlighted in the report by implementing new policies or standard operating procedures or taking the recommended action to rectify the issues the soonest. Having taken into consideration the findings of the annual internal audit review, the Board and Audit Committee have identified the following material weaknesses and the steps taken by the Company to address them are as follows:*

- 1. Executive duties were inappropriately assigned to previous Independent and Non-Executive Directors, which might result in situations of conflict of interests which would then make it difficult for them to discharge their duties as Directors effectively. Management has clarified that this was an exceptional circumstance and confirmed that it does not expect nor involve Independent Non-Executive Directors ("**INEDs**") in executive tasks including the tasks as stated alongside going forward. In that regard, Management has accepted the recommendation that Independent and Non-Executive Directors are not assigned executive duties which may lead to independence issues and potentially rendering checks and balances ineffective.*
- 2. Investigations were not performed for the impersonation of an employee of a subsidiary by an unknown party using fraudulent email. Without identifying the root cause or conducting investigations for fraudulent impersonation of company employees, this may result in further occurrences of "man-in-the-middle" attacks and possible leak of confidential information (such as product information, price lists, sales margin computations, etc.) which may cause financial and adverse reputational damage to the Group. Management has noted the recommendation of updating the Sponsor and will review and assess the need to update its information technology ("**IT**") policy to include a cyber security protocol to ensure that in such incidences, an investigation is initiated and remedial actions, if required, are carried out.*
- 3. A reimbursement by the Company to an interested person relating to legal services was not disclosed or updated in the Company's Interested Person Transaction ("**IPT**") register. The non-disclosure of an IPT and the lack of sufficient checks and balances on payments may lead to ineffective internal*

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controls and inappropriate payments. As this reimbursement was made when there was no court order assigning costs, the right to claim costs may not have been conclusive. In addition, there were control gaps in the approval of this payment.

- 4. Management takes note of the special circumstances which gave rise to this situation and will ensure that the Company or an entity of the Group is the party which enters into any agreement of provision of goods and services to the Group. Management has sought legal advice and have assessed that this was a reimbursement and not an IPT and as such, decided that no announcement was required. The Independent Directors have considered the matter of the reimbursement as well as the view of the Company's lawyers and are of the view that it should not be deemed as an IPT. The Independent Directors have also considered that the expenses incurred for the said legal services are below the materiality point. However, in consideration of the IA's findings and recommendations, the Independent Directors are of the view that the recommendations of the IA should be complied with. However, there will not be restitution of the payment as the interested person is of the view that it was a reimbursement.*
- 5. Control gaps in cash and bank management were noted and these include lack of bank mandate documents which could result in ineffective monitoring of bank signatories and internet banking functions, insufficient monitoring of bank mandates that could result in untimely updates of authorised signatories and internet banking user rights, inadequate segregation of duties relating to internet banking that could result in unauthorised payments that are not detected on a timely basis and delays in updating the bank signatories and internet banking user access rights which could result in unauthorised payments being made.*
- 6. Management is trying to update all the bank accounts to ensure that there is segregation of duties for online banking transactions and resigned bank signatories are being removed and going forward, updated bank mandates will be retained for all bank accounts."*

Save as disclosed above, all other information in the AR2020 remains unchanged.

BY ORDER OF THE BOARD

Charles Madhavan
Executive Director and Chief Executive Officer
22 October 2020

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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This 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 Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.