

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

GENERAL UPDATE

The Board of Directors (“**Board**”) of Magnus Energy Group Ltd (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the announcements dated 6 August 2018, 12 October 2018, 12 November 2018, 6 March 2019, 4 April 2019, 28 June 2019, 23 August 2019, 30 September 2019, 31 December 2019, 31 March 2020 and 30 June 2020 (the “**Previous Announcements**”) and wishes to provide a general update on the ongoing affairs of the Group.

Save as otherwise defined, all capitalised terms shall have the same meaning as the Previous Announcements.

GENERAL UPDATE (JUNE – SEPTEMBER 2020)

RESUMPTION OF TRADING PROPOSAL

The Company had announced on 28 July 2020, that the Company had been requested to submit a proposal through its Sponsor to the SGX-ST with a view of resuming trading in the Company’s shares (the “**Resumption Proposal**”) by 15 October 2020 (the “**Submission Deadline**”).

The Company is working with the relevant parties on the Resumption Proposal in order to meet the Submission Deadline and will keep the shareholders of the Company (“**Shareholders**”) updated on any further material developments in relation to the Resumption Proposal.

POTENTIAL BUSINESS VENTURES

(1) HEADS OF AGREEMENT WITH AREA ENERGY INC

The Company had entered into a non-binding Heads of Agreement dated 10 June 2020 with AREA Energy Inc (“**AEI**”) in relation to a possible collaboration between the Company, Oriental EPC Private Limited (“**Oriental EPC**”) or a designated subsidiary / entity of Oriental as a joint venture partner of the Company, and AEI for their respective resources to jointly pursue the Australasian region for engineering, procurement, installation and commissioning type projects (the “**Proposed Collaboration**”). More details can be found in the announcement made by the Company on 11 June 2020 on SGXNET.

AEI and the Company are in the midst of negotiating the terms for a shareholders’ agreement.

The Company will keep the shareholders of the Company (“**Shareholders**”) updated on any further material developments on the Proposed Collaboration and/or the Heads Of Agreement in compliance with the relevant provisions of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst (“**Catalist Rules**”).

(2) LETTER OF OFFER FOR REFURBISHMENT AND REACTIVATION OF CHEMICAL PLANT

On 15 July 2020 and 22 July 2020, it was announced that the Company, together with our partner, Oriental EPC, had received and accepted a letter of offer on 9 July 2020 and 13 July 2020 respectively from an Indonesian chemical plant operator (the “**Client**”) for the refurbishment and reactivation of the Client’s chemical plant.

The Company is in negotiations with the Client on some technical details before the Company and the Client start the drafting of a formal contract agreement via our respective legal advisors. The Company will continue to keep Shareholders updated about any further material developments in respect of the above matter.

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(3) LETTER OF OFFER FOR REFURBISHMENT AND REACTIVATION OF CHEMICAL PLANT

On 20 and 22 July 2020, the Company together with Oriental EPC had, through a third-party agent appointed by Oriental EPC, received a letter of offer from a state-owned enterprise in Indonesia (“**state-owned Client**”) on 2 July 2020 to assist with the construction of liquefied petroleum gas (“**LPG**”) terminals in various parts of Indonesia. The Company and Oriental EPC had accepted the letter of offer via the Company’s Indonesia agent on 16 July 2020.

On 15 September 2020, the Company, through its newly incorporated wholly-owned subsidiary, Oriental Magnus EPC (S) Pte. Ltd. (“**Oriental Magnus**”), had signed a Heads of Agreement with the state-owned Client via the Company’s Indonesia agent (“**Agent**”).

The details set out in the Heads of Agreement, which include the works agreed to be performed by Oriental Magnus are as follows:

- A. Completion of LPG Tank Terminal capacity 2 x 500MT;
- B. EPC work for Spherical Tank in several locations; and
- C. Potential and future EPC projects identified by all Parties.

In addition, the Company had incorporated a new subsidiary in Indonesia, PT Oriental Magnus Engineering Indonesia (“**OMEI**”). The Company has appointed legal advisers in Indonesia to assist with the drafting of a formal contract between the Agent, the state-owned Client and OMEI. The Company will continue to keep Shareholders updated about any further material developments in respect of the above matter.

INCORPORATION OF SUBSIDIARIES

(1) Oriental Magnus

The Company had incorporated the following wholly-owned subsidiary, Oriental Magnus, in Singapore on 17 July 2020:

Name of Subsidiary	Issued and paid-up share capital	Place of Incorporation	Principal activity
Oriental Magnus	S\$1,000 comprising 1,000 ordinary shares	Singapore	<ol style="list-style-type: none">1. Manufacture and repair of engines and turbines except aircraft, vehicle, cycle and marine engines.2. Installation of industrial machinery and equipment, mechanical engineering works.

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(2) Magnus Energy (SEA) Pte Ltd

The Company had incorporated the following wholly-owned subsidiary, Magnus Energy (SEA) Pte Ltd (“**Magnus SEA**”) in Singapore on 24 July 2020:

Name of Subsidiary	Issued and paid-up share capital	Place of Incorporation	Principal activity
Magnus SEA	S\$1,000 comprising 1,000 ordinary shares	Singapore	<ol style="list-style-type: none"> 1. Manufacture and repair of engines and turbines except aircraft, vehicle, cycle and marine engines. 2. Installation of industrial machinery and equipment, mechanical engineering works.

(3) OMEI

Oriental Magnus had incorporated the following 95%-owned subsidiary, OMEI, in Indonesia on 19 September 2020:

Name of Subsidiary	Issued and paid-up share capital	Place of Incorporation	Principal activity
OMEI	<p>Issued capital: IDR10,000,000,000 comprising 10,000 ordinary shares</p> <p>Paid-up capital: IDR2,500,000,000</p>	Indonesia	Engineering and construction work

The remaining 5% shareholding interest of OMEI is held by Mr. Benny Benyamin Damar, who is the Indonesian personnel employed by the Company to assist with the set up and incorporation of OMEI. This is to comply with the Indonesia law restriction that foreign investment in companies under the same business category as that of OMEI be limited to a maximum of 95%.

Through Oriental Magnus, OMEI will represent the Company and Oriental EPC to engage in projects together in Indonesia.

The incorporation of the aforementioned subsidiaries was funded by the Group’s internal resources and is not expected to have any material impact on the earnings per share and the net tangible assets per share of the Group for the financial year ending 30 June 2021.

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EXTRAORDINARY GENERAL MEETING (“EGM”)

As the Company envisions that there may be further developments or progress in relation to the potential business ventures set out above, and given that they represent new businesses areas that the Company is venturing into, the Company intends to convene an EGM to seek Shareholders’ approval for the proposed business diversification (the “**Business Diversification**”) into the businesses of providing (a) engineering, procurement, construction and commissioning (“**EPCC**”) services, and related services, including management of EPCC projects, consultancy services, and maintenance and repair services for equipment, facilities and infrastructure (collectively, the “**EPCC Business**”) and (b) drilling and consultancy services, including onshore drilling projects for conventional and unconventional oil and gas resources, mineral mines and coal mines, water resources exploration and production drilling, and geothermal exploratory and production drilling (the “**Drilling Business**”).

The Business Diversification, if approved, shall enable the Company to proceed to finalise the abovementioned projects and subsequently enter into transactions and/or projects in relation to the EPCC Business and Drilling Business, subject to compliance with the relevant Catalist Rules. Further details on the Business Diversification will be disclosed in a circular to be released by the Company in due course, along with the relevant details of the EGM.

ASSET DISPOSALS

(1) MEG Management Sdn Bhd (“MMSB”)

Mr. Reudavey, the director of MMSB, had received quotations from a few companies as part of the tender bid for the assets to be disposed. On 17 August 2020, a letter of award was signed between MMSB and the chosen company, West Coast Technology Sdn. Bhd. (“**WCT**”), for the disposal of the assets for MYR200,000. The process includes WCT dismantling the gantry cranes, removal of the plastic tanks, the removal of the ground works and restoring the land back to its original state before the Company returns the land to the landowner.

WCT has started the work on 20 August 2020 and it is estimated to be completed in six (6) weeks by 1 October 2020. The amount of MYR200,000 had been deposited into MMSB’s account and will be used to pay outstanding utilities bills and any remaining rental fees prior to the winding up of MMSB. The Company will continue to keep Shareholders updated about any further material developments in respect of the above matter.

(2) Properties in Queensland (Australia) and Loyang (Singapore)

As per the Company’s announcement on 21 August 2020, Mid-Continent Equipment Group Pte. Ltd. (“**MCEG**”), a 55.89% owned subsidiary of the Group, had on 21 August 2020, granted an option to purchase (the “**Option**”) to Allmaster Pte. Ltd. (the “**Purchaser**”), for the sale of MCEG’s entire interest in the property located at 32 Loyang Crescent Singapore 508992 (the “**Loyang Property**”) for an aggregate consideration of S\$6,328,888 on the terms and subject to the conditions of the Option.

The Option has been exercised by the Purchaser on 22 September 2020. The Company will make further announcements in relation to the sale of the Loyang Property as and when there are material developments.

As of the date of this announcement, the property in Queensland remains on the market available for purchase.

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LEGAL DISPUTES ON INDONESIAN CONTRACTOR, PT HANJUNGIN

There are no material updates to this matter. Due to the travel restrictions imposed because of the Covid-19 virus, Mr. Rudy Santoso is still unable to make a trip to Kupang at of the date of this announcement. Mr. Rudy Santoso will update the Board and commence the trip when the Covid-19 situation eases up sufficiently for him to travel.

THAMES CAPITAL

The Company had entered into a block sale agreement, which was entered into by its former CEO, Luke Ho Khee Yong, with a “Thames Capital Partners LLC” for the sale of 9 million shares in GCM Resources plc (“**GCM**”) on 22 February 2017.

Through the Company’s lawyers, the Company was informed that there is no company known as “Thames Capital Partners LLC” registered with the UK Registrar of Companies.

The Company had on 3 March 2020, filed a writ of summons against certain of its former directors and the former CEO in respect of, among others, the block sale agreement for the sale of the shares of GCM. The Company will provide updates to shareholders on this matter when there is any material development.

ACCOUNTABILITY AND LEGAL PROCESSES

(1) Writ of Summons

As disclosed in the preceding paragraph, there are no material updates on this matter and the Company will keep Shareholders updated on any material developments.

(2) Letter of Demand

On 29 February 2020, the Board received a letter of demand from a Mr. Thong Soon Seng regarding a loan allegedly entered into by former CEO Mr. Luke Ho Khee Yong. As announced by the Company on 30 June 2020, a police report was lodged by the Company against the former CEO. There have been no updates from the police.

Currently, there are no new material updates in respect of the letter of demand. The Company has not received any further correspondence from the other party on this matter. Thus, the Company has not yet made any provisions for the disputed amount.

To the best of the Directors’ knowledge, no legal proceedings have been commenced against the Company at this stage.

CORPORATE GOVERNANCE

(1) Internal Audit

The Company has engaged Nexia TS Risk Advisory Pte Ltd for the conduct of an internal audit review to, among others, make revisions/updates to the existing operational and financial policies, priorities, and procedures, which includes addressing the issues raised in the Provenance Report.

The Company is in the process of putting in place a robust set of operational and financial policy and practices with strengthened internal controls and risk management. This includes the delineation of role,

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responsibilities and coordination of Board and management, and the delegation of authority, management control and override, investment processing, approval and supervision/monitoring.

(2) Appointment of Directors

Mr. Michael Pixley (“**Mr. Pixley**”) was appointed as Independent Director of the Company effective 6 August 2020. Following Mr. Pixley’s appointment, he was appointed to be the Chairman of the Board and Remuneration Committee (“**RC**”) and a member of the Audit Committee (“**AC**”) and Nominating Committee (“**NC**”). Details of his appointment can be found in his appointment announcement dated 6 August 2020.

Mr. Winston Milner (“**Mr. Milner**”) was appointed as Independent Director of the Company effective 6 August 2020 together with Mr. Pixley. Following Mr. Milner’s appointment, he was appointed to be the Chairman of the NC and a member of the AC and RC. Details of his appointment can be found in his appointment announcement dated 6 August 2020.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Charles Madhavan
Executive Director and
Chief Executive Officer
30 September 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 Catalyst.*

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.
