

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

APPLICATION TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) FOR EXTENSION OF TIME TO SUBMIT PROPOSAL FOR RESUMPTION OF TRADING – RECEIPT OF NO OBJECTION LETTER FROM THE SGX-ST

The Board of Directors of Magnus Energy Group Ltd (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the announcement dated 8 July 2022 (the “**Announcement**”) in relation to the application to SGX-ST for the extension of time to submit the New Resumption Proposal (the “**Extension**”).

Unless otherwise specified, all capitalised terms shall have the same meaning ascribed to them in the Announcement.

1. GRANT OF EXTENSION OF TIME

Further to the Announcement, the Board wishes to announce that the SGX-ST had, on 15 August 2022, informed the Company through its Sponsor that the SGX-ST has no objection to granting the Extension of Time to submit the New Resumption Proposal by **30 September 2022**, subject to the following:

- (a) the Company announcing the Extension granted, the reasons for seeking the Extension, the conditions as required under Rule 106 of the Catalist Rules and if the Extension Conditions (as defined herein) have been satisfied. If the Extension conditions have not been met on the date of this announcement, the Company must make an update announcement when the conditions have all been met; and
- (b) the Company being required to make regular and detailed monthly updates to the SGX-ST and shareholders via SGXNet on the Company’s progress in its submission of the New Resumption Proposal to the SGX-ST.

(collectively, the “**Extension Conditions**”)

The Extension of Time will not be effective if any of the Extension Conditions have not been fulfilled. To this end, the Company also confirms that it is not in contravention of any laws and regulations governing the Company and the constitution of the Company arising from the Extension of Time.

Accordingly, the Company confirms that the Extension Condition under paragraph 1(a) have been fulfilled as at the date of this announcement, while the Extension Condition under paragraph 1(b) will be met via the monthly updates to the SGX-ST and shareholders via SGXNet by the Company.

2. REASONS FOR SEEKING THE EXTENSION

As set out in the Announcement, the Company had on 8 July 2022 sought the Extension for the following reasons as at the date of the Second Application:

- 2.1 Following the Company’s announcement on 5 January 2022 relating to the proposed disposal of the Loyang property (the “**Proposed Disposal**”) by the Company’s subsidiary, Mid-Continent Equipment Group Pte Ltd, (“**Midcon**”), it had on 22 March 2022 completed the Proposed Disposal

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and received sales proceeds therefrom of about S\$6.71 million. The Company’s share of the aforesaid sales proceeds is approximately S\$3.75 million based on its shareholding interest of 55.89% in Midcon (“**Sales Proceeds**”). As at the date of the Second Application, the Company has received approximately S\$0.87 million via a share capital reduction exercise by Midcon, as well as approximately S\$1.67 million in dividends which was paid by Midcon on 10 May 2022 subsequent to its extraordinary general meeting (collectively, the “**First Tranche Proceeds**”). The remainder of the Sales Proceeds amounting to approximately S\$1.21 million is expected to be received pursuant to the winding down of Midcon by way of a member’s voluntary liquidation exercise, which is expected to take between six (6) to nine (9) months to complete.

- 2.2 Having at least received the First Tranche Proceeds as at the date of the Second Application, the Company is of the view that it is now in a stronger financial position to negotiate, fund and execute potential new projects, contracts, and business ventures (collectively, “**Potential Projects**”) with the Company’s prospective business partners, details of which are elaborated below. Accordingly, the Sale Proceeds are deemed to be essential in providing the Company with the necessary financial resources to secure and support the Potential Projects and also to demonstrate its commercial viability and sustainability to SGX-ST for the purposes of the New Resumption Proposal.

The Sales Proceeds have been / will be deployed as working capital to support the Company’s business activities, including those required in executing the Potential Projects in Indonesia.

- 2.3 As at the date of the Second Application, Midcon is not engaged in any business activities. Accordingly, the Proposed Disposal and the intended winding-up of Midcon will not impact the Group’s oil and gas distribution business in the US carried out by the Company’s 80%-owned subsidiary, Mid-Continent Equipment, Inc. (“**MEI**”) (the “**Existing O&G Business**”). Based on the Group’s unaudited consolidated interim financial results for the three months ended 31 March 2022 and the audited consolidated financial statements for the 18-month financial period ended 31 December 2021, the Existing O&G Business in the US carried out by MEI, was the sole contributor to the Group’s revenue amounting to approximately S\$3.1 million and S\$16.6 million respectively. This has been the main driver of the Group’s revenue generation for the past few years, and more so in the last financial year. The Company intends to shift its focus to developing the new businesses in Indonesia by securing the Potential Projects going forward, which will serve to complement the revenue already generated by MEI. In view of the economic recovery from the global Covid-19 pandemic and the significant rise in commodity prices as a consequence of the Russia-Ukraine conflict, the management of the Company (“**Management**”) remains cautiously positive on the outlook for the Group in respect of its Existing O&G Business and new businesses in Indonesia.
- 2.4 In connection with the latest development mentioned above, Management has commenced discussions with its business partners and prospective clients in respect of the Potential Projects. The Management is in various stages of discussions, negotiations, and submissions of bids in respect of certain of these Potential Projects. At present, such Potential Projects relate to the provision of the extraction and supply of mineral ore from mining sites located at Kolaka, Sulawesi

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(nickel mining) (“**Kolaka Nickel Project**”) and Kupang, East Nusa Tenggara (manganese mining) as well as oilfield-related services in Siak, Sumatra.

- 2.5 Discussions have been progressing well between the Company and the prospective business partners and at this date of the Second Application, the most advanced project that will come first is the Kolaka Nickel Project and followed by the other two projects.

Kolaka Nickel Project

- 2.6 In relation to the Kolaka Nickel Project, Management has visited and evaluated the nickel mine site in Kolaka, Sulawesi over several times as well as conducted many face-to-face meetings with the mine owner in both Kolaka as well as Jakarta, and has evaluated the logistics, pricing, funding and risks factors. Several agreements have been signed in June 2022 (the “**Kolaka Agreements**”) to cover extraction and supply of nickel ore from a mine concession in Kolaka to a leading smelter company (the “**Smelter Company**”). Please refer to the Company’s announcement dated 30 June 2022 (the “**30 June Announcement**”) for more details.
- 2.7 The Kolaka Agreements do not stipulate a fixed term while the contractual selling arrangement with the Smelter Company is until middle of January 2023. Notwithstanding, the Kolaka Agreements can be extended further, subject to negotiations. Management is also in on-going discussions with other third-party smelters in the area to expand the PT MEG Harta Indonesia (“**MHI**”)’s list of potential buyers / customers. Management is confident that the Kolaka Nickel Project, through its Indonesian subsidiary, MHI, would be able to begin generating revenues from the delivery of up to seven (7) shipments of nickel ore (each shipment of about 7,500 metric tons) to the Smelter Company between July 2022 to the submission of the New Resumption Proposal (Extension of Time), and is projecting on a conservative basis to achieve about 15 shipments by end of 2022. Barring unforeseen circumstances, the Kolaka Nickel Project is expected to contribute positively to the Group’s cash flows but is not expected to have a material impact on the consolidated net tangible assets and earnings per share of the Group for the financial year ending 31 December 2022.
- 2.8 As of the date of the Second Application, MHI has set up a site office in Kolaka as well as enhanced its office infrastructure and increased headcount at its Indonesia head office in Jakarta. MHI has already commenced extracting of the nickel ore at the mining pits and trucking the ore to MHI’s stockpile located near to the jetty where the barge will be awaiting loading of the ore. The first shipment is scheduled to depart to the Smelter Company by mid July 2022.
- 2.9 The indicative timeline in respect of the Kolaka Nickel Project leading up to the submission of the New Resumption Proposal is as follows:

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No.	Event	Target Date (Indicative only)
1	Secure binding contracts for Kolak Nickel Project and documents related to this project	13 and 14 June 2022 (achieved)
2	Commence work in pit	15 June 2022 (achieved)
3	Cycle of revenue expected from 1 st shipment	By end July 2022
4	Cycle of revenue expected from 2 nd to 4 th shipments	By end August 2022
5	Cycle of revenue expected from 5 th to 7 th shipments	By end September 2022
6	Submission of New Resumption Proposal	30 September 2022

Remaining Potential Projects

- 2.10 With regards to the other two (2) Potential Projects relating to manganese mining and oilfield-related services mentioned above in paragraph 2.4, the Company envisages that its Indonesian subsidiaries would require some time to meaningfully conduct due diligence, closely review the proposals and mitigate any risk factors prior to securing or signing definitive agreements. The Company will make the necessary announcements only when (A) the due diligence findings are satisfactory and meet the Company’s expectations, (B) the requisite funding for the remaining Potential Projects is in place and (C) the definitive agreements have been signed and delivered.
- 2.11 Further details on the financial projections of, among others, the Kolaka Nickel Project as well as that of the other two (2) Potential Projects being pursued by the Company will be included in the cashflow forecast to be prepared by the Company and submitted together with the New Resumption Proposal.
- 2.12 Following the recent relaxation of Covid-19 measures which had eased travelling to Indonesia, Management also has in place an active marketing program for visits to Indonesia, not only to enhance existing business relationships but also to identify and follow up on new business leads. The marketing program that the Company is pursuing is headed by Mr. Charles Madhavan (“**Mr. Madhavan**”), the Company’s Executive Director and Chief Executive Officer, who has 45 years of experience along with two (2) recently hired Indonesian professionals who are experienced in the mineral business such as nickel and manganese ore, and have a wide network of contacts with mining concession holders, smelters and regulatory & licensing government bodies. Additionally, PT MHI already has two (2) existing senior Indonesian professionals, a trained engineer and an experienced oil & gas marketing professional, supported by various technical personnel on the ground and at site. With Mr. Madhavan’s and the professionals’ relevant experience and networks, the marketing program can potentially expand the Company’s businesses network in the field of mining, oil and gas in Indonesia.

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- 2.13 Management is cognisant of the period of about 12 weeks between the submission of the Second Application and the New Resumption Proposal, i.e. by 30 September 2022, whereby the Company is expected to showcase to SGX-ST and its shareholders an improvement in its financial performance (in terms of revenues and cashflow generation) as well as sustainability of its performance.
- 2.14 Based on the foregoing reasons, the Board is of the view that it would be prudent to seek the Extension of Time and that the extension deadline should provide sufficient time for Management to make meaningful progress in respect of the Potential Projects so as to, amongst others, adequately address any perceived issues pertaining to the business viability and going concern of the Group which would form an essential part of the New Resumption Proposal to be submitted to the SGX-ST.

3. FURTHER ANNOUNCEMENT(S)

The Company will make further announcements to update shareholders as and when there are material updates to the matters set out above as may be necessary or appropriate, including the fulfilment of the Extension Condition under paragraph 1(c).

BY ORDER OF THE BOARD

Charles Madhavan
Executive Director and Chief Executive Officer
17 August 2022

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.

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 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.