MAGNUS ENERGY GROUP LTD.
(Registration No. 198301375M)

QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SECOND QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2017

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) A consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Financial statements on consolidated results for the second quarter ended 31 December 2017.

		Group			Group		
		Second Quarter			Six Months		
	Note	Oct 2017 - Dec 2017 S$'000	Oct 2016 - Dec 2016 S$'000	Inc/ (Dec) %	Jul 2017 - Dec 2017 S$'000	Jul 2016 - Dec 2016 S$'000	Inc/ (Dec) %
Revenue		4,072	4,368	(6.8)	7,886	7,684	2.6
Cost of sales		(3,462)	(3,427)	1.0	(6,484)	(6,101)	6.3
Gross profit		610	941	(35.2)	1,402	1,583	(11.4)
Other operating income		(213)	(95)	>100	588	50	>100
Other operating expenses		(7)	(1,155)	(99.4)	(8)	(1,195)	(99.3)
Distribution and selling expenses		(52)	(52)	0.0	(95)	(112)	(15.2)
Administrative expenses		(1,285)	(1,851)	(30.6)	(2,564)	(3,584)	(28.5)
Finance income		241	142	69.7	409	338	21.0
Finance costs		(21)	(149)	(85.9)	(47)	(231)	(79.7)
Share of results of joint ventures		(161)	512	N.M	-	652	(100.0)
Loss before income tax	1	(888)	(1,707)	(48.0)	(315)	(2,499)	(87.4)
Income tax		(22)	(11)	100.0	10	14	(28.6)
Net loss for the period		(910)	(1,718)	(47.0)	(305)	(2,485)	(87.7)
Discontinued operations							
Loss from discontinued operations		(77)	(67)	14.9	(322)	(611)	(47.3)
Loss for the period		(987)	(1,785)	(44.7)	(627)	(3,096)	(79.7)
Other comprehensive (loss)/income		(2,463)	4,793	N.M	(1,213)	6,043	N.M
Total comprehensive (loss)/income		(3,450)	3,008	N.M	(1,840)	2,947	N.M
Net loss attributable to:							
Equity holders of the Company		(907)	(1,350)	(32.8)	(576)	(2,243)	(74.3)
Non-controlling interests		(80)	(435)	(81.6)	(51)	(853)	(94.0)
		(987)	(1,785)	(44.7)	(627)	(3,096)	(79.7)
Total comprehensive (loss)/income attributable to:							
Equity holders of the Company		(3,269)	2,562	N.M	(1,533)	2,593	N.M
Non-controlling interests		(181)	446	N.M	(307)	354	N.M
		(3,450)	3,008	N.M	(1,840)	2,947	N.M

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Notes:

1) Loss before tax is arrived at after (charging)/crediting the following:-

	Group			Group		
	Second Quarter			Six Months		
	Oct 2017 - Dec 2017 S$'000	Oct 2016 - Dec 2016 S$'000	Inc/ (Dec) %	Jul 2017 - Dec 2017 S$'000	Jul 2016 - Dec 2016 S$'000	Inc/ (Dec) %
Provision of doubtful debts	(7)	(90)	(92.2)	(7)	(117)	(94.0)
Depreciation of property, plant and equipment	(70)	(80)	(12.5)	(142)	(157)	(9.6)
Realised exchange gain/(loss) (net)	3	(25)	N.M	5	(38)	N.M
Unrealised exchange (loss)/gain (net)	(250)	(1,021)	(75.5)	453	(891)	N.M
Interest expense on borrowings	(14)	(161)	(91.3)	(30)	(231)	(87.0)
Interest income	241	142	69.7	409	338	21.0
(Loss)/gain on disposal of plant and equipment	-	(5)	(100.0)	15	-	N.M
Loss on disposal of a subsidiary	-	(148)	(100.0)	-	(148)	(100.0)
Adjustment for over provision of tax in respect of prior years	-	-	N.M	-	(37)	(100.0)

1(a)(ii) Other comprehensive (loss)/income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	Second Quarter			Six Months		
	Oct 2017 - Dec 2017 S$'000	Oct 2016 - Dec 2016 S$'000	Inc/ (Dec) %	Jul 2017 - Dec 2017 S$'000	Jul 2016 - Dec 2016 S$'000	Inc/ (Dec) %
Other comprehensive (loss)/income						
Exchange difference on translation of foreign operations	(2,450)	1,491	N.M	(1,211)	2,730	N.M
Fair value (loss)/gain recognised in equity on revaluation of available-for-sale financial assets during the period	(16)	3,301	N.M	(3)	3,314	N.M
Deferred tax on fair value changes to available-for-sale financial assets	3	1	>100	1	(1)	N.M
Other comprehensive (loss)/income	**(2,463)**	**4,793**	**N.M**	**(1,213)**	**6,043**	**N.M**

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QUARTERLY FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SECOND QUARTER AND SIX MONTHS ENDED 31 DECEMBER 2017

1(b)(i) A consolidated statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group		Company	
		31-Dec-17 S$'000	30-Jun-17 S$'000	31-Dec-17 S$'000	30-Jun-17 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	1	17,694	17,184	282	312
Investment in subsidiaries		-	-	13,441	13,441
Investment in joint venture entities		611	628	-	-
Other intangible assets	2	53	-	-	-
Other financial assets	3	38	38	-	-
Other receivables	4	7,527	-	7,527	-
Deferred tax assets	11	237	241	-	-
Total Non-Current Assets		**26,160**	**18,091**	**21,250**	**13,753**
Current Assets					
Inventories	5	2,893	3,124	-	-
Trade and other receivables	4	4,653	13,059	172	5,391
Related parties balances	6	316	282	13,150	14,415
Cash and bank deposits		5,903	5,410	292	214
Fixed deposits		3,796	4,529	304	304
Total Current Assets		**17,561**	**26,404**	**13,918**	**20,324**
Assets classified as held for sale	10	-	-	735	730
Total Current Assets		**17,561**	**26,404**	**14,653**	**21,054**
Total Assets		**43,721**	**44,495**	**35,903**	**34,807**
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	7	2,972	3,749	956	589
Finance lease obligations	8	9	9	-	-
Income tax liabilities		-	90	-	-
Borrowings	9	550	1,450	-	1,450
Total Current Liabilities		**3,531**	**5,298**	**956**	**2,039**
Liabilities directly associated with assets classified as held for sale		-	-	218	218
Total Current Liabilities		**3,531**	**5,298**	**1,174**	**2,257**
Non-Current Liabilities					
Other payables	7	347	351	-	-
Finance lease obligations	8	-	5	-	-
Total Non-Current Liabilities		**347**	**356**	**-**	**-**
Total Liabilities		**3,878**	**5,654**	**1,174**	**2,257**
EQUITY					
Share capital		147,611	144,769	147,611	144,769
Reserves		(115,547)	(114,014)	(112,882)	(112,219)
		32,064	30,755	34,729	32,550
Non-controlling interests		7,779	8,086	-	-
Total Equity		**39,843**	**38,841**	**34,729**	**32,550**
Total Liabilities and Equity		**43,721**	**44,495**	**35,903**	**34,807**

Notes to the consolidated statement of financial position

1) Property, plant and equipment

Property, plant and equipment increased from net book value of S$17.2 million as at 30 June 2017 to S$17.7 million as at 31 December 2017. Additions during the period were S$1.3 million. Depreciation was S$0.1 million and translation loss was approximately S$0.7 million. The additions mainly pertain to the construction of the microalgae oil cultivation facility.

2) Other Intangible assets

	Dec-17	Jun-17
	S$'000	S$'000
20% (2017: 20%) participating interest for the exploration of an area covered by the Petroleum Retention Licence 173 and 174 granted under the Petroleum Act 2000 of South Australia	5,166	5,166
Impairment of intangible assets	(5,166)	(5,166)
Addition during the period	53	-
	53	-

3) Other financial assets - non current

	Dec-17	Jun-17
	S$'000	S$'000
Quoted investment	38	38

4) Trade and other receivables

The amount of trade receivables have decreased from S$1.6 million as at 30 June 2017 to S$0.8 million as at 31 December 2017 as a result of decrease in revenue. The decrease in other receivables, deposits and prepayments is mainly due to reclassification of S$7.5 million loan to non-current receivables.

	Dec-17	Jun-17
	S$'000	S$'000
Trade receivables	807	1,637
Other receivables, deposits and prepayments	3,846	11,422
	4,653	13,059
Other receivables - non current	7,527	-
Total trade and other receivables	12,180	13,059

5) Inventories

	Dec-17	Jun-17
	S$'000	S$'000
Finished goods	2,105	2,154
Work-in-progress	70	87
Goods-in-transit	718	883
	2,893	3,124

Refer to Item 8 on Page 12 for more details on sales performance.

Notes to the consolidated statement of financial position

6) Related parties balances (net)

The related party balances mainly relate to trade balances between subsidiary and its joint venture entities.

	Dec-17	Jun-17
	S$'000	S$'000
Amount due from related parties	316	282

7) Trade and other payables

Trade and other payables have decreased from S$4.1 million as at 30 June 2017 to S$3.3 million as at 31 December 2017. The decrease was mainly due to payment to other payables.

	Dec-17	Jun-17
	S$'000	S$'000
Trade payables	1,631	1,630
Other creditors, payables and accruals	1,341	2,119
	2,972	3,749
Other payables (non-current)	347	351
Total trade and other payables	3,319	4,100

8) Finance lease obligations

The decrease in finance lease was due to repayment during the period.

	Dec-17	Jun-17
	S$'000	S$'000
Current	9	9
Non-current	-	5
	9	14

9) Borrowings

	Dec-17	Jun-17
	S$'000	S$'000
Current liabilities		
Unsecured convertible notes[(1)]	-	800
Loan from director and CEO[(2)]	550	650
	550	1,450

1) On 3 September 2014, the Company entered into a subscription agreement with Premier Equity Fund (the "Subscriber"), a company incorporated in the Cayman Islands and Value Capital Asset Management Private Limited (the investment manager for the Subscriber) pursuant to which the Company shall issue up to S$35 million in aggregate principal amount of unsecured redeemable convertible notes due 2017 (the "Notes Issue") and the Notes Issue has matured on 6 November 2017.

2) The Company obtained unsecured loan from a director and the chief executive officer ("CEO") on April 2017 to fund for the microalgae oil cultivation facility project. The loan is repayable within 1 year and the effective interest of the loan is 10%.

10) Assets held for sale

The coal concession rights and exploration asset has been reclassified to assets held for sale and the coal mining segment had been classified as discontinued operations since the financial year ended 30 June 2016.

11) Deferred tax assets

The deferred tax for unutilised benefits mainly comprises the deductible temporary differences arising from the provision for unutilised leave, long service leave and other employee benefits.

	Dec-17	Jun-17
	S$'000	S$'000
Property, plant and equipment	37	37
Available-for-sale financial assets	185	189
Provisions	15	15
	237	241

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31-Dec-2017	
Secured	**Unsecured**
S$'000	**S$'000**
9	550

As at 30-Jun-2017	
Secured	**Unsecured**
S$'000	**S$'000**
9	1,450

Amount repayable after one year

As at 31-Dec-2017	
Secured	**Unsecured**
S$'000	**S$'000**
-	-

As at 30-Jun-2017	
Secured	**Unsecured**
S$'000	**S$'000**
5	-

Details of group's borrowings, debt securities and any collateral

The secured borrowings as at 31 December 2017 and 30 June 2017 relates to finance lease. The unsecured borrowings are from a director and the CEO.

1(c) A consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Six Months Ended	
	Dec-17 S$'000	Dec-16 S$'000
Cash flows from operating activities		
Loss before income tax	(637)	(3,110)
Adjustments of non-cash items	(698)	829
Operating cash flows before working capital changes	**(1,335)**	**(2,281)**
- Working capital changes	776	2,322
Cash flows (used in)/from operations	**(559)**	**41**
Interest income received	(30)	(211)
Interest paid	338	164
Net cash used in operating activities	**(251)**	**(6)**
Cash flows from investing activities		
Net cash inflow on disposal of a subsidiary net of cash acquired	-	81
Proceeds from sale of plant and equipment	15	8
Purchase of plant and equipment	(1,274)	(7,243)
Net proceeds from redemption of other financial assets	-	4,000
Redemption of fixed income investment	-	200
Payment of petroleum exploration expenditure	(53)	(190)
Fixed deposits pledged to banks	27	(72)
Net cash flows used in investing activities	**(1,285)**	**(3,216)**
Cash flows from financing activities		
Repayment of finance lease obligations	(4)	(5)
Share issue expense	(64)	(70)
Repayment of borrowings	(100)	-
Proceeds from issue of shares	2,000	1,500
Net cash flows generated from financing activities	**1,832**	**1,425**
Net increase/(decrease) in cash and cash equivalents	**296**	**(1,797)**
Cash and cash equivalents at beginning of the period	**7,400**	**11,321**
Effects of exchange rate changes on cash and cash equivalents	**(510)**	**1,638**
Cash and cash equivalents at the end of the period	**7,186**	**11,162**
Represented by:		
Cash and bank balances	5,903	5,377
Fixed deposits	1,283	5,785
	7,186	11,162
Cash and cash equivalents		
Cash and bank balances	5,903	5,377
Fixed deposits	3,796	11,105
Cash and cash equivalents	**9,699**	**16,482**
Less: Fixed deposits (restricted)	(2,513)	(5,320)
Cash and cash equivalents at the end of the period	**7,186**	**11,162**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to shareholders					Non-Controlling Interests	Total Equity
	Share Capital	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 July 2017	144,769	-	(7,186)	(106,828)	30,755	8,086	38,841
Total comprehensive loss for the period	-	-	(957)	(576)	(1,533)	(307)	(1,840)
Issuance of shares	2,906	-	-	-	2,906	-	2,906
Share issuance expenses	(64)	-	-	-	(64)	-	(64)
Balance at 31 December 2017	147,611	-	(8,143)	(107,404)	32,064	7,779	39,843

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Group	Attributable to shareholders						
	Share Capital	Fair Value Reserve	Translation Reserve	Accumulated Losses	Total	Non-Controlling Interests	Total Equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 July 2016	140,957	-	(8,254)	(99,121)	33,582	14,406	47,988
					-		
Total comprehensive income/(loss) for the period	-	3,309	1,527	(2,243)	2,593	354	2,947
Issuance of shares	1,950	-	-	-	1,950	-	1,950
Share issuance expenses	(70)	-	-	-	(70)	-	(70)
Balance at 31 December 2016	142,837	3,309	(6,727)	(101,364)	38,055	14,760	52,815

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Company	Share Capital	Accumulated Losses	Total
	S$'000	S$'000	S$'000
Balance at 1 July 2017	144,769	(112,219)	32,550
Issuance of new shares	2,906	-	2,906
Share issuance expense	(64)	-	(64)
Total comprehensive loss for 2Q2018	-	(663)	(663)
Balance at 31 December 2017	147,611	(112,882)	34,729
Balance at 1 July 2016	140,957	(111,551)	29,406
Issuance of new shares	1,950	-	1,950
Share issuance expense	(70)	-	(70)
Total comprehensive loss for 2Q2017	-	(244)	(244)
Balance at 31 December 2016	142,837	(111,795)	31,042

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Date	Description	No of shares	Paid-up Capital (S$'000)
31-Dec-17	Issued and paid-up capital	11,322,507,107	147,611
30-Jun-17	Issued and paid-up capital	8,105,619,899	144,769

There is no outstanding convertible and no share option or award granted under the Magnus Energy Employee Share Option Plan. The increase in the Company's share capital during the current financial period was due to the issue of 3,216,887,208 shares converted pursuant to the Notes Issue.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31-Dec-17	30-Jun-17
No. of ordinary shares issued and fully paid	11,322,507,107	8,105,619,899

There is no treasury share as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited annual financial statements as at 30 June 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable. Refer to Note 4 above.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per share of the Group after deducting any provision for preference dividends for the period ended 31 December 2017:

	Group		Group	
	Second Quarter		Six Months	
	Oct 2017 - Dec 2017	Oct 2016 - Dec 2016	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
Loss for the period (S$'000)	(907)	(1,350)	(576)	(2,243)
- Based on weighted average number of ordinary shares in issue (cents) - basic and diluted [1]	(0.01)	(0.04)	(0.01)	(0.07)
- Weighted average number of ordinary shares ('000)	10,574,051	3,082,418	10,574,051	3,082,418

(1) Diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 31-Dec-17	As at 30-Jun-17	As at 31-Dec-17	As at 30-Jun-17
Net asset value per ordinary share (cents)	0.28	0.38	0.31	0.40
On a fully diluted basis (cents)	0.28	0.35	0.31	0.37

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Turnover, costs, and earnings of the Group for six months ended 31 December 2017 ("6 months FY2018") and 31 December 2016 ("6 months FY2017")

The Group's revenue increased by 2.6% from S$7.7 million for 6 months FY2017 to S$7.9 million for 6 months FY2018. Consequently, cost of sales increased by 6.3% from S$6.1 million for 6 months FY2017 to S$6.5 million for 6 months FY2018. Gross profit has decreased by 11.4% from S$1.6 million for 6 months FY2017 to S$1.4 million for 6 months FY2018. Gross profit margin decreased from 20.6% to 17.8% mainly due to absent of revenue from waste water segment which contributed higher profit margin in 6 months FY2017. Refer to item 10 on page 14 for more information on the Group's sales performance.

Quarter-to-quarter, three months ended 31 December 2017 ("2Q2018") and 31 December 2016 ("2Q2017")

The Group's revenue decreased by 6.8% from S$4.4 million in 2Q2017 to S$4.1 million in 2Q2018. Gross profit margin decreased from 21.5% in 2Q17 to 15% in 2Q2018. The lower margin recorded in the 2Q2018 was mainly due to absent of revenue from waste water segment which contributed higher profit margin in 2Q2017.

Other operating income

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
	S$'000	S$'000
Services income from environmental projects	-	20
Gain on disposal of property, plant and equipment	15	-
Rental income	11	-
Unrealised foreign exchange gain	453	-
Realised foreign exchange gain	5	
Other income	104	30
	588	50

Expenses

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
	S$'000	S$'000
Distribution & selling expenses	95	112
Administrative expenses	2,564	3,584
Other operating expenses	8	1,195
	2,667	4,891

Expenses have decreased by S$2.2 million from S$4.9 million for 6 months FY2017 to S$2.7 million for 6 months FY2018 resulting from lower administrative and other operating expenses. Administrative expenses which includes remuneration-related expenses, rental and professional fees were lower by S$0.6 million, S$0.1 million and S$0.2 million respectively. Other operating expenses for 6 months FY2017 mainly due to unrealised exchange loss of S$0.9 million. Please refer to Note 1 on Page 2 for further details.

Finance income/(costs)

Finance income is mainly due to interest income from redeemable convertible loan. Decrease in finance expenses mainly due to the maturation of the secured convertible notes.

	Jul 2017 - Dec 2017	Jul 2016 - Dec 2016
	S$'000	S$'000
Finance income	409	338
Finance costs	(47)	(231)
	362	107

Net loss after tax

Net loss after tax was S$0.3 million for 6 months FY2018 and S$2.5 million for 6 months FY2017.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group recorded net cash used in operating activities of S$0.3 million for 6 months FY2018 and S$0.01 million for 6 months FY2017. Cash inflow from working capital was S$0.8 million for 6 months FY2018 as compared to cash inflow of S$2.3 million for 6 months FY2017.

Net cash flow used in investing activities was S$1.3 million for 6 months FY2018 was mainly due to the Group's investment in the microalgae cultivation facility. Net cash flow used in investing activities was S$3.2 million for 6 months FY2017, mainly due to the acquisition of plant and equipment of S$7.2 million off-set by redemption of other financial assets of S$4.0 million.

Net cash inflow from financing activities was S$1.8 million for 6 months FY2018 million as compared to an inflow of S$1.4 million for 6 months FY2017, mainly due to the proceeds from convertible notes in 6 months FY2017.

Comparatively, the Group's cash and cash equivalents decreased by approximately S$4.0 million, after adjusting for effects of foreign currencies exchanges, from S$11.2 million as at 31 December 2016 to S$7.2 million as at 31 December 2017. Refer to item 1(c) on page 7 for the details of the cash flow statement.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's oilfield equipment supplies and services segment, Mid-Continent Equipment Group Pte Ltd and its subsidiaries (the "Mid-Con Group") currently forms the Group's main core business. The overall performance of the Mid-Con Group remains weak for 2Q2018 and the Group is looking forward to the first revenue of microalgae cultivation project to be recorded in the financial year ending 30 June 2018.

The Company's wholly-owned subsidiary, MEG Management Sdn Bhd ("MMSB") is pushing ahead to complete the microalgae cultivation plant and also has plans to build our own oil crushing facility. As this is the very first commercialisation of microalgae cultivation production in Malaysia, MMSB has carried out weekly discussions and plant inspections to bring the said plant into production. Weather condition has been a critical factor for the delays, as construction work has to stop during rainy days for the safety of the workers. The project is expected to have a positive effect on the net tangible assets per share and earnings per share of the Group once full production has started. The Group will continue to keep our shareholders informed on the development of the said project.

The Group has taken an active approach to review and realise our investments. Our listed subsidiary APAC Coal Limited ("APAC") has received the necessary approvals to proceed with the reverse takeover exercise as announced on 21 December 2017. We look forward to a successful completion of the APAC reverse takeover exercise that will allow the resources of the Group to be realigned and focused on its microalgae business. In view of the lack lustre performance of the oil and gas industry, the Group is also reviewing our investments in Mid-con Group.

The Group is actively pursuing collaborative and funding opportunities globally as part of its diversification efforts to minimise its reliance on its core business in the oil and gas segment. The Group is exposed to movements in US Dollar and Australian Dollar as a result of operations in USA and Australia. The strengthening or weakening of these currencies may have a significant impact on the Group's future results.

11 Dividend

(a) Current Financial Period Reported On - Not applicable
(b) Corresponding Period of the Immediately Preceding Financial Year - Not applicable
(c) Tax exempt dividend - Not applicable
(d) Date payable - Not applicable
(e) Book closure date - Not applicable

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the period ended 31 December 2017.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT general mandate has been obtained by the Group from the shareholders. There was no interested person transaction for the year under review.

14 Confirmation by the Board pursuant to Rule 705(5)

We, Kushairi Bin Zaidel and Ong Chin Chuan, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the period ended 31 December 2017 to be false or misleading in any material aspect. A signed confirmation copy is kept in record.

On behalf of the Board of Directors

Kushairi Bin Zaidel	Ong Chin Chuan
Non-executive Independent Director	Non-executive Independent Director

15 Disclosure of person occupying a managerial position in the issuer of any of its principal subsidiaries who is a relative or a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there is no such person, the issuer must make an appropriate negative statement.

There is no person occupying managerial positions in the Company or its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company or its principal subsidiaries.

16 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company hereby confirms that it has procured signed undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Listing Manual") in accordance with Rule 720(1) of the Catalist Listing Manual.

17 Use of Proceeds from Notes Issue

Notes Issue	S$'000
Convertible Notes	35,000
Unissed and expired Notes	(9,000)
Arranger fees	(520)
Proceed from Notes	25,480

Utilisation of Proceeds as at 7 February 2018	S$'000
Investments and general corporate purposes	
Increase in stake in Midcon[1]	393
Amount disbursed in relation to the Redeemable Convertible Loan of up to S$5,000,000[2]	5,000
Physical trading of renewable energy and natural resource[3]	2,407
Deposit paid for investment in quoted equities[4]	1,408
Investment in infrastructure development[5]	1,900
Acquisition of subsidiary[6]	1,000
Investment in dam project in West Java Indonesia[7]	1,000
Deed of assignment[8]	1,009
Microalgae oil cultivation facility in Malaysia[9]	5,343
Fixed income investment	200
General working capital	
Repayment of convertible loan	798
General working capital	5,022
	25,480

(1) Please refer to the announcement "Completion of Acquisition in Mid-Continent Equipment Group Pte. Ltd." dated 26 January 2015 for further information.
(2) Please refer to the announcement "Redeemable Convertible Loan of up to S$5,000,000" dated 22 May 2015 for further information.
(3) This include trading of crude palm oil, coal and raw materials for construction of infrastructure.
(4) Please refer to the announcement "Joint Investment with Yangtze Investment Partners Limited" dated 20 August 2015, 9 November 2015, 19 February 2016 and 14 June 2016 for further information.
(5) Please refer to the announcement "Road Project in Central Java Indonesia" dated 16 November 2015 and "Road Project in West and Central Java Indonesia" dated 1 February 2016 for further information.
(6) Please refer to the announcement "Completion of subscription of 2,700,000 shares in Flagship Ecosystems Pte. Ltd." dated 1 December 2015 for further information.
(7) Please refer to the announcement "Dam Project in West Java Indonesia" dated 23 March 2016 and 21 September 2016 for further information.
(8) Please refer to the announcement "MEG Global Ventures Pte Ltd entering into a Deed of Assignment with Revenue Anchor Sdn Bhd" dated 28 April 2016.
(9) Please refer to the announcement "Microalgae oil cultivation facility in Malaysia" dated 22 June 2016.

BY ORDER OF THE BOARD

Luke Ho Khee Yong
Chief Executive Officer
6 February 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.

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

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