
CHAIRMAN'S LETTER

The Board of Directors (the "**Board**") of Magnus Energy Group Ltd. ("**Magnus**" or the "**Company**") and its subsidiaries (collectively, the "**Group**"), wishes to provide some business updates on the progress of the Group as well as some general updates on the Group.

1. Business Update

As announced on 26 January 2015, the Company has increased its stake in Mid-Continent Equipment Group Pte Ltd ("**Midcon**") by 1.54% to 55.89%. For the past three years, the Company has received a total dividend pay out from Midcon of S\$2.9 million. Whilst Midcon, our current sole contributor of revenue, expects to report lower profits in the current climate of downturn of oil prices and impending lifting of sanctions against Iran, it nevertheless remains profitable. The oil and gas equipment distribution sector continue to face the negative impact of the weakness in oil prices. Hence, exploration activities in PEL101 has been deferred to the second quarter of FY2016. Midcon has also embarked on restructuring and rationalising its loss-making subsidiaries. With a cash position of approximately S\$20 million, we expect Midcon to continue to perform positively.

As announced on 22 May 2015, the Company's wholly-owned subsidiary MEG Global Resources Limited ("**MGR**") entered into a 9.0% redeemable convertible loan agreement to provide a redeemable convertible loan of up to S\$5.0 million (the "**RCL**") to PT Hanjungin. The RCL is secured by way of a pledge over a land in Kupang City, East Nusa Tenggara, Indonesia, with the size of 150,000 square metres which shall be developed into 656 units of houses of various sizes as well as 2 commercial buildings. An independent valuation report by KJPP Hendra Gunawam dan Rekan, an associate of Colliers International, is of the opinion that the market value of the property for existing use with vacant possession in May 2015 is in the order of Rupiah 54,100,000,000 (approximately S\$5.5 million, based on the exchange rate of Rupiah 9,682:S\$1.00). PT Hanjungin has since used the initial disbursements of the funds for land clearing and has made headway for the commencement of the development of the residential and commercial properties. We look forward to the completion of the development in 15 months.

In addition, MGR has embarked on the physical trading of renewable energy and natural resources and marked its first shipment in June 2015. MGR is constantly searching for new opportunities to grow and expand its trading business.

2. Sustainability Reporting

The recent focus group discussion as organised by the Singapore Business Federation and the Singapore Securities Exchange Trading Limited has been educational and helpful for companies with small market capitalisation such as Magnus.

The Board has gained an insight and understanding of the inherent value creation of Sustainability Reporting through the process of reviewing the sustainability of our manpower, governance, business continuity, operations, partners and growth strategies.

Whilst the Company currently does not have sufficient capability and resources for full sustainability reporting, it shall nonetheless do its best to report its sustainability process in the upcoming annual report in October 2015.

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

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3. Internal Audit

Our newly-appointed Audit Committee Chairman Mr. Ong Chin Chuan has recently proposed that we appoint a new Internal Auditor to assist the Group in its risk management and corporate governance.

As announced on 24 July 2015, Deloitte & Touche Enterprise Risk Services Pte Ltd ("**D&T ERS**") has been appointed as the internal auditor for the Group in place of HLS Risk Advisory Services Pte Ltd with effect from 22 July 2015.

The Board and the Audit Committee believe that D&T ERS would enhance the effectiveness of risk management and the corporate governance processes of the Group.

4. Use of Proceeds from the Notes Issue

Further to the announcement on 13 July 2015, we would like to provide further details on how the Group has utilised the proceeds from the Notes Issue in chronological order in the table below.

Period	Corporate Action	Use of Proceeds
<i>Investments and general corporate purposes</i>		
Jan 15	Increase in stake in Midcon	S\$0.4 million
May 15 to Jul 15	Amount disbursed in relation to the RCL	S\$2.5 million
Jun 15	Physical trading of renewable energy and natural resource	S\$0.5 million
<i>Working Capital Purposes</i>		
Jan 15 to Mar 15	Cash repayment of Convertible Loan from Philip Securities	S\$0.8 million
Jan 15 to Jul 15	General working capital	S\$1.8 million

5. Conclusion

The Company has successfully realigned its resources and strategic direction in the areas of growth in the past twelve months and the Board and management look forward to positive years ahead.

6. Cautionary and Responsibility Statement

Shareholders are advised to exercise caution when dealing with the shares of the Company in relation to this announcement.

The Board has taken all reasonable care to ensure that the facts contained in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board
Magnus Energy Group Ltd.

Kushairi Bin Zaidel
Chairman
24 July 2015

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About Magnus Energy Group Ltd. (www.magnusenergy.com.sg)

Listed since 04 August 1999

Magnus Energy Group Ltd. is listed on the Catalist Board of the Singapore Securities Exchange Trading Limited. While started its businesses as the integrated mechanical and engineering specialist, the Group swiftly added the property development, construction and related businesses into its diversified portfolio. The acquisition of a controlling stake in Mid-Continent Equipment Group Pte Ltd in April 2004 has enabled the Group to establish new business opportunities in the oil and gas as well as alternative energies industries.

The Group seeks to achieve a diversified portfolio and will selectively invest in profitable projects. This will be an ongoing process for the Group as it looks to broaden its earnings base and at the same time re-engineer itself to explore new acquisition and investment opportunities across the Asia Pacific region.

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.

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