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**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD**

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*Capitalised terms used herein shall have the definitions ascribed to them in the announcement dated 3 September 2015 in respect of the Proposed Acquisition (the “**Previous Announcement**”), unless otherwise stated or the context otherwise requires.*

**1. INTRODUCTION**

Further to the Previous Announcement, the Board of Directors (the “**Directors**” or the “**Board**”) of Magnus Energy Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a subscription agreement dated 22 September 2015 with Flagship (the “**Subscription Agreement**”), pursuant to which the Company shall subscribe for 2,700,000 new ordinary shares (the “**Subscription Shares**”) in the capital of Flagship (the “**Proposed Subscription**”). The Subscription Shares shall be issued at an issue price of S\$0.37037037 per share, making for an aggregate cash consideration of S\$1,000,000 (the “**Consideration**”).

As at the date of this announcement, Flagship has an issued and paid-up share capital of S\$1,800,000 comprising 1,800,000 ordinary shares. Upon completion of the Proposed Subscription (the “**Completion**”), the Company will hold 60% of the enlarged issued and paid-up share capital of Flagship.

**2. ABOUT FLAGSHIP**

Flagship was incorporated in Singapore on 21 April 2005 and currently owns businesses in oilfield services and waste water treatment. The oilfield services business comprises the leasing out of mobile water treatment units to handle the waste generated by the rigs during drilling operations (e.g. drilling mud, cuttings and waste water). The water treatment business comprises the sale of proprietary water treatment systems to handle produced water in the oil and gas industry, effluent treatment plants for textile factories and other industries, as well as build-own-operate/build-operate-transfer (BOO/BOT) waste-water treatment plants for industrial effluent.

**3. RATIONALE**

The Proposed Subscription will enable the Company to, through Flagship, diversify into the water treatment business and participate in water treatment business opportunities in the Asia-Pacific region, thus, allowing the Group to tap into new revenue streams and diversify its current business, presenting potential new streams of income through a stable operating model to boost the revenue and profits of the Group.

**4. DETAILS OF THE PROPOSED SUBSCRIPTION**

**A. SUBSCRIPTION**

- A.1 Subject to the fulfilment or waiver of the conditions set out in Paragraph 4(C) below, the Company shall subscribe for the Subscription Shares for the Consideration.
- A.2 The Subscription Shares will be allotted and issued free and clear of any encumbrances, and shall, when fully paid, rank *pari passu* in all respects with the ordinary shares in the capital of Flagship in issue as at the date of allotment and issuance.

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**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD**

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**B. CONSIDERATION**

- B.1 The Consideration was agreed after arm's length negotiations, on a willing-buyer-willing-seller basis, and takes into consideration, among other things, the net asset value of Flagship, the strength of Flagship's management and the attractive level of entry into the water treatment business. Based on the unaudited accounts of Flagship as at 31 August 2015, the net book value and the net tangible asset value of the Subscription Shares is S\$0.52 million. No independent valuation was conducted on Flagship.
- B.2 The Company paid a refundable deposit of S\$100,000 (the "**Deposit**") to Flagship on 3 September 2015 in accordance with the terms of the MOU. The balance of the Consideration of S\$900,000 shall be paid by the Company to Flagship on completion of the Proposed Subscription.
- B.3 The Deposit is refundable without interest by Flagship to the Company in the event that Completion does not occur on or before the Completion Date (as defined below) for any reason whatsoever, upon the termination of the Subscription Agreement, or otherwise in accordance with the terms of the Subscription Agreement.
- B.4 The Proposed Subscription and the Consideration will be financed from the proceeds of the Company's issue of redeemable convertible notes in 2014.

**C. CONDITIONS PRECEDENT**

- C.1 The obligation of the Company to subscribe and pay for the Subscription Shares and to undertake its obligations set out in the Subscription Agreement, and the obligation of the Company to allot and issue the Subscription Shares, are subject to the following conditions precedent being fulfilled (unless waived by the Company in its sole discretion in writing) on or before 31 December 2015 (the "**Long-Stop Date**"):
- C.1.1 the Company being satisfied in its sole and absolute discretion with the results of the due diligence exercise to be carried out by it and/or its advisors in respect of Flagship (whether legal, financial, contractual, tax or otherwise), including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Flagship (as are applicable);
- C.1.2 the approval from the Board of the Company being obtained for the Proposed Subscription;
- C.1.3 the receipt by the Company of such waivers or consents as may be necessary to enable the Company to be registered as the holder of any and all of the Subscription Shares;

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**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD**

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- C.1.4 all other consents and approvals required under any and all applicable laws for the Proposed Subscription and/or to give effect to the transactions contemplated hereunder (including without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which Flagship or the Company is a party or by which the Company, Flagship or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion;
- C.1.5 the representations and warranties contained in the Subscription Agreement being true, complete and accurate in all respects as at the Completion Date;
- C.1.6 there is no material breach by either the Company or Flagship of the representations, warranties, covenants and indemnities contained in the Subscription Agreement;
- C.1.7 the Company being satisfied, in its sole and absolute discretion, that there has been no change, or events, acts or omissions likely to lead to such a change, in the business, assets, prospects, performance, financial position or results of operations of Flagship from the date of this Subscription Agreement; and
- C.1.8 any other additional terms and conditions that the Company deems necessary and expedient to comply with their continuing listing status on the Catalist board of the Singapore Exchange Securities Limited (the “**SGX-ST**”), including but not limited to, the approval of its shareholders (if necessary).

**D. SHAREHOLDERS AGREEMENT**

- D.1 At Completion, Flagship shall procure that the Company, Flagship and the other ordinary shareholders of Flagship enter a shareholders agreement to govern their relationship as shareholders of Flagship, and to set out their respective rights and obligations.

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**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD**

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**5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE SGX-ST'S LISTING MANUAL SECTION B: RULES OF CATALIST (THE "CATALIST RULES")**

Under Chapter 10 of the Catalist Rules, if the Proposed Subscription is one where any of the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 5% but do not exceed 75%, the transaction is classified as a discloseable transaction and the issuer must immediately make an announcement in accordance with Rule 1010 of the Catalist Rules.

As stated above, the figures presented for the Chapter 10 ratios herein, is based on the Consideration of **S\$1,000,000**, given for the Proposed Subscription.

The relative figures for the Proposed Subscription computed based on the Group's latest announced consolidated financial results for the full year ended 30 June 2015 in accordance with Rule 1006 of the Catalist Rules are as follows:

<b>Proposed Subscription</b>		<b>%</b>
(a)	The net asset value of the assets to be disposed of compared with the group's net asset value	<b>N.A.</b>
(b)	The net loss attributable to the assets acquired, compared with the group's net loss	<b>9.30<sup>1</sup></b>
(c)	Aggregate value of the consideration paid, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	<b>32.38<sup>2</sup></b>
(d)	The number of equity securities issued by the issuer as consideration, compared with the number of equity securities previously in issue	<b>N.A.</b>
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a Proposed Subscription of mineral, oil or gas assets by a mineral, oil and gas company, but not to an Subscription of such assets	<b>N.A.</b>

## Notes:

- (1) The Groups net loss before tax for the financial year ended 30 June 2015 was S\$1.871 million. Flagship's net loss before tax as at 31 August 2015 was S\$0.174 million.
- (2) Market capitalisation is computed based on 355,008,116 shares in issue at S\$0.0087, being the weighted average price of immediate preceding trading day to the Subscription Agreement.

Separately, having considered the extent to which the Proposed Subscription will result in an expansion of the Group's business to a new business sector and change the risk profile of the Group, the Board, with the recommendation of the Audit Committee, will be seeking the approval of shareholders of the Company at an extraordinary general meeting to be held in due course for the Proposed Subscription.

**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD****6. FINANCIAL EFFECTS**

The pro forma financial effects are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the Completion of the Proposed Subscription. These illustrative pro forma financial effects have been computed based on the Group's latest announced consolidated financial results for the full year ended 30 June 2015.

Assuming that the Proposed Subscription had been completed on 30 June 2015, the effect of the Proposed Subscription on the Group's net tangible assets ("**NTA**") per share as at 30 June 2015 will be as follows:

	<u><b>Before Subscription</b></u>	<u><b>After Subscription</b></u>
Consolidated NTA attributable to Shareholders (S\$'000)	37,681	37,605
Number of Shares	355,008,116	355,008,116
Consolidated NTA per Share (cents)	10.61	10.59

Notes:

- (1) Assuming that the Proposed Subscription was completed as at 30 June 2015.
- (2) No change in the number of Shares issued.
- (3) Consolidated NTA per Share is based on the NTA attributable to shareholders and the number of shares issued as described above. In the event that the transaction had been effected as at 30 June 2015, consolidated NTA attributed to Shareholders will not change.

Assuming that the Proposed Subscription had been completed on 1 July 2014, the effect of the Proposed Subscription on the Group's earnings per share ("**EPS**") for the financial year ended 30 June 2015 will be as follows:

	<u><b>Before Subscription</b></u>	<u><b>After Subscription</b></u>
Loss after tax attributable to Shareholders (S\$'000)	(2,662)	(2,767)
Number of Shares	355,008,116	355,008,116
Earnings per Share (cents)	(0.75)	(0.78)

Notes:

- (1) Assuming that the Proposed Subscription was completed on 1 July 2014 and that there was no dividend return generated from the assets to be acquired, the loss after tax attributable to Shareholders will be as above.
- (2) No change in the number of Shares issued.
- (3) EPS is based on the profit after taxation attributable to shareholders and the number of shares issued as described above.

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**SUBSCRIPTION OF 2,700,000 SHARES IN FLAGSHIP ECOSYSTEMS PTE LTD**

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**7. DIRECTORS' OPINION**

The Directors, having considered and reviewed, *inter-alia*, the terms of the Proposed Subscription, the rationale for and the financial effects of the Proposed Subscription, are of the opinion that the Proposed Subscription is in the interest of the Company and its Shareholders.

**8. DIRECTORS AND CONTROLLING SHAREHOLDER' INTERESTS**

None of the Directors or Controlling Shareholders (as defined in the Catalist Rules) or their respective Associates (as defined in the Catalist Rules) of the Company has any interest, direct or indirect, in the Proposed Subscription, save for their respective shareholdings in the Company.

**9. DETAILS OF ANY SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Subscription.

**10. DOCUMENTS FOR INSPECTION**

A copy of the Subscription Agreement is available for inspection during normal business hours at the registered office of the Company at 400 Orchard Road, #19-06, Orchard Towers, Singapore 238875 for a period of three (3) months commencing from the date of this announcement.

**11. FURTHER ANNOUNCEMENTS**

The Company will update shareholders on material developments relating to the Proposed Subscription, if any.

**12. RESPONSIBILITY STATEMENT FOR DIRECTORS**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Subscription, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

**BY ORDER OF THE BOARD**

Magnus Energy Group Ltd.

Luke Ho Khee Yong  
Chief Executive Officer  
22 September 2015

**MAGNUS ENERGY GROUP LTD.**

(Incorporated in Singapore)

(Registration No. 198301375M)

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**About Magnus Energy Group Ltd. ([www.magnusenergy.com.sg](http://www.magnusenergy.com.sg))**

**Listed Since 04 August 1999**

The Company Energy Group Ltd is listed on the Catalist Board of the SGX-ST. While the Group started its businesses as an integrated mechanical and engineering specialist, the Group swiftly added the property development, construction and related businesses into its diversified portfolio. The subscription 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 subscription and investment opportunities across the Asia-Pacific region.

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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. (the "**Sponsor**"), for compliance with the relevant rules of 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.*

*The contact person for the Sponsor is Mr Bernard Lui.*

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