

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

CONVERTIBLE NOTE AGREEMENT

1. INTRODUCTION

The Board of Directors (the “**Board**” or each, a “**Director**”) of Magnus Energy Group Ltd. (“the **Company**” or “**Borrower**”), together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 5 April 2016 entered into a Convertible Note Agreement (“**Agreement**”) with Financial Frontiers Pte Ltd (the “**Lender**”) whereby the Lender has agreed to issue one single tranche of S\$3.5 million in principal amount of 8% redeemable convertible notes due 180 days from the date of the Agreement (“**CN**”) on the terms and conditions set out in the Agreement.

The CN will not be listed and quoted on the Catalist board of the SGX-ST or any other exchange. The Company will make the necessary announcements once the listing and quotation notice in respect of Conversion Shares has been obtained from the SGX-ST.

2. INFORMATION ON THE LENDER

Financial Frontiers Pte Ltd is a Singapore-based, boutique private equity firm with proven track records in identifying and investing in companies with high growth potential in diverse industries. Further information about the Lender can be found on <http://www.frontiersgroup.com.sg>.

The Lender has no business dealings with the Company other than the CN. The Lender does not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the “**Catalist Rules**”) to whom the Company is prohibited from issuing the convertible notes.

3. THE CONVERTIBLE NOTE AGREEMENT

The face value of the CN is S\$3,500,000 (the “**Loan Amount**”) and carries an interest rate of 8% per annum (“**Advanced Interest**”). The term of the CN is 180 days from the date of drawdown. Repayment is to be made by way of cash unless mutually agreed by the Company and the Lender for the Loan Amount to be converted into ordinary shares of the Company as described below. As of the date of this announcement, the Company has received the Loan Amount. An arranger fee equal to 3% of the Loan Amount is also payable by the Company to the Lender (the “**Arranger Fee**”).

On mutual agreement of the Company and the Lender, the CN may be convertible into new ordinary shares of the Company (“**Conversion Shares**”). If conversion is mutually agreed in lieu of payment by cash, the issue price of the Conversion Shares will be 90% of the fifteen market days volume weighted average price for each share of the Company traded on the SGX-ST, for the period immediately before the date of conversion.

If conversion is mutually agreed to by the Company and the Lender, the Company will make an announcement to shareholders to update them of the exact conversion price and whether shareholders' approval will be required.

On the basis of mutual agreement, an application may be made through the Company's sponsor to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of and quotation of the new ordinary shares in the capital of the Company, to be allotted and issued upon conversion of the CN (the “**Conversion Shares**”). The Conversion Shares will be listed on the Catalist board of the SGX-ST. A definitive agreement in relation to the agreement to convert the CN into ordinary shares of the Company may be entered into upon the said mutual agreement.

As security for the Loan Amount, the Company has provided to the Lender a fixed and floating charge over its assets, limited to the Loan Amount and all interest and other payments agreed under the CN to be paid to the Lender pursuant to the Agreement.

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4. RATIONALE AND USE OF PROCEEDS

The Company decided to enter into the Agreement so as to strengthen its balance sheet and cash flow. The net proceeds from the CN shall be applied towards making investments and for general working capital of the Group. The net proceeds from the CN, after deducting the Advanced Interest, Arranger's Fee, and legal expenses of S\$257,500, is S\$3,242,500 (the "**Net Proceeds**"). The Company intends to use the Net Proceeds in the following manner:

Use of Net Proceeds	Percentage Allocation (%)
General working capital	Approximately up to 10-20%
Investments and general corporate purposes	Approximately up to 80-90%

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks or financial institutions, invested in short-term money market instruments or marketable securities, and/or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

The Company will make periodic announcements on the use of the Net Proceeds as and when they are materially disbursed. The Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in such announcements.

The Directors are of the opinion that, after taking into consideration the present bank facilities and Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interests, direct or indirect, in the CN, other than their respective interests in the shares of the Company.

Shareholders and potential investors should exercise caution when trading in shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

6. DOCUMENTS AVAILABLE FOR INSPECTION

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

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7. RESPONSIBILITY STATEMENT

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 CN, 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
6 April 2016

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.

*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.

The contact person for the Sponsor is Mr Bernard Lui.

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