

CIRCULAR DATED 14 OCTOBER 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Magnus Energy Group Ltd. (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s continuing 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 Circular, including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements or opinions made or reports contained in this Circular. The contact person for the Sponsor is Mr. Bernard Lui, at telephone no. (65) 6389 3000; email address bernard.lui@stamfordlaw.com.sg.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements or opinions made or reports contained in this Circular.



MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198301375M)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED SUBSCRIPTION OF 2,700,000 NEW ORDINARY SHARES IN THE CAPITAL OF FLAGSHIP ECOSYSTEMS PTE. LTD.; AND**
- (2) THE PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS TO INCLUDE: (A) PROPERTY AND INFRASTRUCTURE ASSET DEVELOPMENT, OPERATION AND MANAGEMENT; AND (B) INVESTING AND PARTICIPATING IN THE MINERALS AND NATURAL RESOURCES SECTORS.**

Important Dates and Times:

Last date and time for lodgement of Proxy Form : 27 October 2015 at 11.30 a.m.

Date and time of Extraordinary General Meeting : 29 October 2015 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place)

Place of Extraordinary General Meeting : Carlton Hall, Level 2
York Hotel Singapore
21 Mount Elizabeth
Singapore 228516

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DEFINITIONS

The following definitions apply throughout in this Circular except where the context otherwise requires:

<i>“Articles”</i>	:	The articles of association of the Company, as amended, modified or supplemented from time to time
<i>“Board”</i>	:	The board of Directors of the Company
<i>“Bursa Malayisa”</i>	:	Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange)
<i>“Catalist”</i>	:	The SGX-ST Sponsor-Supervised Listing Platform, which took effect from 17 December 2007 and replaces the former SGX-ST Dealing and Automated Quotation System
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Consideration”</i>	:	The aggregate cash consideration of S\$1,000,000 in relation to the Subscription Shares which shall be issued at an issue price of approximately S\$0.37037037 per Subscription Share
<i>“Circular”</i>	:	This circular to Shareholders dated 14 October 2015
<i>“Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Company”</i>	:	Magnus Energy Group Ltd.
<i>“Director(s)”</i>	:	The director(s) of the Company
<i>“EGM”</i>	:	The extraordinary general meeting of the Company to be convened and held at 11.30 a.m. on 29 October 2015 at Carlton Hall, Level 2 York Hotel Singapore, 21 Mount Elizabeth Singapore 228516 (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place), the notice of which is set out on page N-1 of this Circular
<i>“Entitled Depositors”</i>	:	Shareholders with Shares entered against their names in the Depository Register, maintained by CDP
<i>“Environmental Business”</i>	:	The new business of the provision of various environmental products and services, including but not limited to the provision of waste water and effluent treatment, and other waste management, infrastructure, products and services, for both industrial and municipal applications
<i>“EPS”</i>	:	Earnings per share
<i>“Flagship”</i>	:	Flagship Ecosystems Pte. Ltd. (Company Registration No. 200505336E), a company incorporated in Singapore having its registered address at 31 Kaki Bukit Road 3, #06-13 Techlink, Singapore 417818
<i>“Flagship Group”</i>	:	Flagship and its subsidiary, PT ESI
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Listing Manual”</i>	:	SGX-ST Listing Manual Section B: Rules of Catalist, as from time to time amended, modified or supplemented

DEFINITIONS

<i>“Market Day”</i>	:	A day on which Catalist is open for trading in securities
<i>“Minerals and Natural Resources Business”</i>	:	The new business of investing and participating in the minerals and natural resources sectors, as more particularly described in section 3 of this Circular
<i>“New Businesses”</i>	:	The Property Business and the Minerals and Natural Resources Business
<i>“Notes Issue”</i>	:	The issue by the Company of S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two (2) initial tranches of principal amount S\$10,000,000 each and a final tranche of principal amount S\$15,000,000
<i>“Notice of EGM”</i>	:	The notice of the EGM which is set out on page N-1 of this Circular
<i>“NTA”</i>	:	Net tangible assets
<i>“Ordinary Resolutions”</i>	:	The ordinary resolutions set out in this Circular and in the Notice of EGM
<i>“Property Business”</i>	:	The new business of property and infrastructure asset development, operation and management, as more particularly described in section 3 of this Circular
<i>“Proposed Diversification”</i>	:	The proposed diversification of the Group’s business to include the New Businesses as part of its core business
<i>“Proposed Subscription”</i>	:	The proposed subscription by the Company of the Subscription Shares at an issue price of approximately S\$0.37037037 per Subscription Share
<i>“PT ESI”</i>	:	PT Ecosystems International (Company Registration No. W29-00407HT.01.01-TH.2006), a company incorporated in Indonesia having its registered address at Wisma Aria 2 nd Floor Suite 202, Jl. HOS Cokroaminoto No.81 Jakarta Pusat 10310
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	Persons who are registered as holders of the Shares in the Register of Members of the Company and Depositors, who have Shares entered against their names in the Depository Register, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company
<i>“Sponsor”</i>	:	Stamford Corporate Services Pte. Ltd., the sponsor of the Company
<i>“Subscription Shares”</i>	:	The 2,700,000 new ordinary shares in the capital of Flagship which the Company is proposing to subscribe for
<i>“S\$” and “cents”</i>	:	Dollars and cents respectively of the currency of Singapore
<i>“%” or “per cent.”</i>	:	Per centum or percentage

DEFINITIONS

The terms “*Depositor*”, “*Depository Agent*” and “*Depository Register*” shall have the meanings ascribed to them, respectively, in section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act (the “**SFA**”) or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the SFA or the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day shall be a reference to Singapore time unless otherwise stated.

Any discrepancy in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198301375M)

Directors:

Mr. Kushairi Bin Zaidel (Chairman / Independent Non-Executive Director)
Ms. Seet Chor Hoon (Independent Non-Executive Director)
Mr. Ong Chin Chuan (Independent Non-Executive Director)

Registered Office:

400 Orchard Road
#19-06 Orchard Towers
Singapore 238875

Date: 14 October 2015

To: The Shareholders of the Company

- (1) **THE PROPOSED SUBSCRIPTION OF 2,700,000 NEW ORDINARY SHARES IN THE CAPITAL OF FLAGSHIP ECOSYSTEMS PTE. LTD.; AND**
- (2) **THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE: (A) PROPERTY AND INFRASTRUCTURE ASSET DEVELOPMENT, OPERATION AND MANAGEMENT; AND (B) INVESTING AND PARTICIPATING IN THE MINERALS AND NATURAL RESOURCES SECTORS; AND**

1. INTRODUCTION

1.1 On 22 September 2015, the Company announced:

- (a) the proposed subscription by the Company of 2,700,000 new ordinary shares in the capital of Flagship (the **"Proposed Subscription"**); and
- (b) the proposed diversification of the Group's business (the **"Proposed Diversification"**) to include: (i) property and infrastructure asset development, operation and management (the **"Property Business"**); and (ii) investing and participating in the minerals and natural resources sector (the **"Minerals and Natural Resources Business"**), and together with the Property Business, the **"New Businesses"**).

1.2 The Directors are convening the EGM to be held on 29 October 2015 at 11.30 a.m. at Carlton Hall, Level 2 York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) to seek Shareholders' approval for the Proposed Subscription and the Proposed Diversification.

1.3 This Circular has been prepared to provide Shareholders with information relating to, and the rationale for, the Proposed Subscription and the Proposed Diversification, and to seek Shareholders' approval for these resolutions at the EGM. The notice of the EGM is set out on page N-1 of this Circular.

2. THE PROPOSED SUBSCRIPTION

On 3 September 2015, the Company announced its entry into a non-binding memorandum of understanding (the **"MOU"**) for an investment of S\$1,000,000 in Flagship (the **"Previous Announcement"**). Further to the Previous Announcement, on 22 September 2015, the Company announced its entry into a subscription agreement with Flagship (the **"Subscription Agreement"**), pursuant to which the Company shall subscribe for the Subscription Shares. The Subscription Shares shall be issued at an issue price of approximately S\$0.37037037 per share, making for an aggregate cash consideration of S\$1,000,000 (the **"Consideration"**).

LETTER TO SHAREHOLDERS

2.1 Information on Flagship

2.1.1 The Flagship Group

The Flagship Group was established in 2005 to develop and commercialise innovative eco-friendly technologies for the oil & gas industry and industrial application. Flagship Group's oilfield services business leases out mobile water treatment units to treat waste, such as drilling mud, cuttings and waste water, generated by rigs during drilling operations. The water treatment business engages in the sale of proprietary water treatment systems to treat industrial waste water and effluent generated in the oil & gas industry, effluent treatment plants for textile factories and other industrial facilities, as well as Build-Own-Operate ("**BOO**") and Build-Own-Transfer ("**BOT**") waste water treatment plants for industrial effluent.

The Flagship Group's key clients are primarily involved in the textile and oil & gas industries. The Flagship Group has also worked with clients in other industries, such as the food & beverage, paper mills, and automotive industries.

Flagship is the majority shareholder of its Indonesian subsidiary, PT ESI. The Flagship Group operates across Asia, with business interests in countries such as Singapore, Bangladesh, Indonesia, India and South Korea. Its three business segments are set out in the table below:

Business	Description	Countries
Fixed unit Electro-Contaminant Removal System (" ECR ") <i>Fixed Unit Sales</i>	<ul style="list-style-type: none"> ● ECR was developed in-house, with over 80 systems of various capacities manufactured ● Technology well-proven in oil & gas and textile applications 	<ul style="list-style-type: none"> ● Units sold in Singapore, Bangladesh, Indonesia, India and South Korea
Mobile Electro-Contaminant Removal System (" Mobile ECR ") <i>Mobile Unit – Service Contracts</i>	<ul style="list-style-type: none"> ● Mobile ECR units serving the oil & gas industry ● Units are extremely versatile and can be modified to cater to the requirements of the clients, providing a mobile total solution 	<ul style="list-style-type: none"> ● Indonesia
Central Effluent Treatment Plant (" CETP ") <i>BOO / BOT</i>	<ul style="list-style-type: none"> ● Possess the expertise to design, build and operate large volume effluent treatment plants ● Employs a process design called Stage Contaminant Removal that combines various technologies ● Very powerful process solutions capable of handling a wide spectrum of industrial effluent, right up to the recycling and production of potable water 	<ul style="list-style-type: none"> ● Dhaka, Bangladesh ● Dhaka CETP, a 43,000m³/day plant operational since 2012

LETTER TO SHAREHOLDERS

As at the date hereof, the issued and paid-up share capital of Flagship is as follows:

Shareholder	Nationality	Flagship Shares	%
Vernon Khoo Tiam Hock	Singaporean	195,000	10.83
Theron Madhavan	Singaporean	150,000	8.33
Lim Chiao Hak Clement	Singaporean	30,000	1.67
Wang Sheren Carolina	Indonesian	630,000	35.00
Abd Gani Bin Yusof	Malaysian	60,000	3.33
Flagship Corporation Far East Pte Ltd	Singapore	735,000	40.84
ISSUED SHARE CAPITAL		1,800,000	100

Upon completion of the Proposed Subscription ("**Completion**"), the issued and paid-up share capital of Flagship will be as follows:

Shareholder	Nationality	Flagship Shares	%
Vernon Khoo Tiam Hock	Singaporean	195,000	4.33
Theron Madhavan	Singaporean	150,000	3.33
Lim Chiao Hak Clement	Singaporean	30,000	0.67
Wang Sheren Carolina	Indonesian	630,000	14.00
Abd Gani Bin Yusof	Malaysian	60,000	1.33
Flagship Corporation Far East Pte Ltd	Singapore	735,000	16.34
Magnus Energy Group Ltd.	Singapore	2,700,000	60.00
ISSUED SHARE CAPITAL		4,500,000	100

2.1.2 Key Management of Flagship

The key management team of Flagship comprises Vernon Khoo Tiam Hock (Executive Chairman), Theron Madhavan (Chief Executive Officer) and Lim Chiao Hak Clement (Chief Financial Officer) (the "**Key Management Team**"). The working and business experience of the Key Management Team are as follows:

(a) Vernon Khoo Tiam Hock (Executive Chairman)

Mr. Khoo is the Executive Chairman and founder of Flagship and plays a key role in setting the direction and pace of development of Flagship. He is a Singaporean businessman. He was formerly a commodity trader with Kuok (Singapore) Limited and established Sinamax Trading in 1985. Sinamax Trading was awarded the Approved International Trader Status on 8 September 1992. Among his various business ventures, notably, he was a co-founder and the controlling shareholder of Kuantan Flour Mills Berhad ("**KFM**"), one of the largest flour mills in Malaysia, which is listed on the Bursa Malaysia. Mr. Khoo divested of his interest in KFM in 2002.

LETTER TO SHAREHOLDERS

(b) Theron Madhavan (Chief Executive Officer)

Mr. Madhavan, a Singaporean, is one of the founding members and Chief Executive Officer of Flagship. He currently heads Flagship and was instrumental in developing the its business. He is an engineer by profession and has a broad range of experience in many fields, including environmental engineering. He headed several large industrial projects including the construction of an oil recovery facility in Indonesia and the largest central effluent treatment plant in Bangladesh. He also headed the development of innovative products such as Flagship's ECR technology.

He has over 15 years of working experience in Indonesia in the oil & gas industry in the areas of construction and environmental services.

(c) Lim Chiao Hak Clement (Chief Financial Officer)

Mr. Lim is a graduate from the University of Hull and holds a Bachelor of Science (Economics). He subsequently articulated in London where he qualified as a Chartered Accountant in 1983. He then worked with PriceWaterhouse Coopers LLP in Singapore for a few years before spending more than a decade in the hospitality industry in several countries.

He has since been working with Flagship Corporation Far East Pte Ltd, a local multinational corporation and one of the projects he was involved in was to turn around KFM, which was then re-listed on the Bursa Malaysia.

2.2 DETAILS OF THE PROPOSED SUBSCRIPTION

2.2.1 Subscription

- (a) Subject to the fulfilment or waiver of the conditions set out in section 2.2.3 below, the Company shall subscribe for the Subscription Shares for the Consideration.
- (b) 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.

2.2.2 Consideration

- (a) 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 and assuming the completion of the Proposed Subscription, the post-money net book value and the net tangible asset value of the Subscription Shares will be S\$0.52 million. No independent valuation was conducted on Flagship.
- (b) 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.
- (c) The Deposit is refundable without interest by Flagship to the Company in the event that Completion does not occur on or before 1 November 2015 (the "**Completion Date**"), for any reason whatsoever, upon the termination of the Subscription Agreement, or otherwise in accordance with the terms of the Subscription Agreement.
- (d) The Proposed Subscription and the Consideration will be financed from the proceeds of the Notes Issue.

LETTER TO SHAREHOLDERS

2.2.3 Conditions Precedent

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**”):

- (a) 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);
- (b) the approval from the Board of the Company being obtained for the Proposed Subscription;
- (c) 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;
- (d) 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;
- (e) the representations and warranties contained in the Subscription Agreement being true, complete and accurate in all respects as at the Completion Date;
- (f) there is no material breach by either the Company or Flagship of the representations, warranties, covenants and indemnities contained in the Subscription Agreement;
- (g) 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
- (h) any other additional terms and conditions that the Company deems necessary and expedient to comply with their continuing listing status on the Catalist, including but not limited to, the approval of its Shareholders.

2.2.4 Shareholders Agreement

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

2.3 Funding for the Proposed Subscription

The Company intends to fund the Proposed Subscription with the net proceeds from the Notes Issue approved by Shareholders on 29 October 2014.

LETTER TO SHAREHOLDERS

2.4 Financial Effects of the Proposed Subscription

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:

NTA per Share

	Before the Proposed Subscription	After the Proposed Subscription
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:

EPS

	Before the Proposed Subscription	After the Proposed Subscription
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 loss after taxation attributable to Shareholders and the number of shares issued as described above.

LETTER TO SHAREHOLDERS

2.5 Listing Manual Computations (Relative Figures Under Rule 1006)

The relative figures for the Proposed Subscription computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are as follows:

Bases under Rule 1006	Relative Figure (%)
(a) Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
(b) Net profits attributable to the assets acquired, compared with the Group's net losses ⁽¹⁾ .	9.30 ⁽¹⁾
(c) Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares ⁽²⁾ .	32.38 ⁽²⁾
(d) The number of equity securities issued by the Company as consideration for the Proposed Subscription compared with the number of equity securities previously in issue.	Not applicable.
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets.	Not applicable.

Notes:

- (1) The Group's 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 the immediate preceding trading day to the Subscription Agreement.

As the relative figure under Rule 1006(b) and 1006(c) exceeds 5% but does not exceed 75%, the Proposed Subscription constitutes a "Discloseable Transaction" under Chapter 10 of the Listing Manual. However, as the Proposed Subscription will result in an expansion of the Group's business to new business sector(s) and geographical market(s), the Board is of the view that the Proposed Subscription may change the Group's risk profile. Accordingly, the Board is convening the EGM to seek Shareholders' approval for the Proposed Subscription, in compliance with Practice Note 10A of the Listing Manual.

2.6 Rationale and Benefits for the Proposed Subscription

The Proposed Subscription will allow the Group to obtain a majority interest in the Flagship Group, an established business with innovative technologies and a strong existing management team. This will allow the Group to diversify into the business of providing various environmental products and services, including but not limited to the provision of waste water and effluent treatment, and other waste management, infrastructure, products and services, for both industrial and municipal applications (the "**Environmental Business**") as a going concern and immediately tap into the same as a new stream of income. Additionally, the Flagship Group presently services industries which the Group is presently involved in; the Proposed Subscription will allow the Group to tap on the Flagship Group's valuable assets and resources, in particular, its innovative technologies, and also cross-sell the same within the Group.

The Proposed Subscription represents a diversification of the Group's business to include the Environmental Business. The Company believes that the aforementioned diversification will provide the Group with a new engine for growth that is complimentary to its existing energy business and strategy for growth therein.

LETTER TO SHAREHOLDERS

The Company believes that the Proposed Subscription is in the best interest of the Group as it allows 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.

2.7 Requirements under the Listing Manual

Pursuant to Practice Note 10A of the Listing Manual, Shareholders' approval is not required if a transaction will result in an expansion of an issuer's existing core business, unless such transaction changes the issuer's risk profile.

As the Proposed Subscription will result in an expansion of the Group's business to new business sector(s) and geographical market(s), it is envisaged that the Proposed Subscription may change the Group's risk profile. Accordingly, the Board is convening the EGM to seek Shareholders' approval for the Proposed Subscription.

Upon approval by the Shareholders of the Proposed Subscription, the Group may, in the ordinary course of business, enter into transactions relating to the Environmental Business that will not change the Group's risk profile. For the avoidance of doubt, the Group will continue to comply with the Listing Manual, particularly the provisions of Chapter 10, in the event it undertakes any acquisition, joint venture, investment or other transaction within this sector.

2.8 Risk Factors

The Board believes that the Proposed Subscription and the expansion of the Group's business activities may change the risk profile of the Company. The risk factors described in section 3.9 in relation to the Proposed Diversification apply equally to the Company's entry into the Environmental Business.

Any of the risks described below in section 3.9 could materially and adversely affect the Company's ability to comply with its obligations, including those under the Listing Manual, and have a material adverse effect on the Group's business, financial condition, results of operations, cash flow and/or prospects. In that event, the market price of the Shares could decline, and Shareholders may lose all or part of their investments in the Shares.

3. THE PROPOSED DIVERSIFICATION

3.1 Background and Existing Business of the Group

The Company was incorporated in 1983 under the name "Strike Engineering Ltd.". The Company was then a mechanical and engineering company.

In 2004, the Company changed its name to "Magnus Energy Group Ltd.", and went on to acquire Mid-Continent Equipment Group Pte Ltd. ("**MCEG**") and its subsidiaries in its first venture into the oil & gas sector. The Company then ventured into the coal mining sector and successfully listed its coal operations on the Australian Securities Exchange Limited under APAC Coal Limited ("**APAC**"). In 2013, the Company took a further step into coal mining by acquiring a minority stake in GCM Resources plc ("**GCM**"), a company listed on the London Stock Exchange's Alternative Investment Market.

The Group has since further diversified its business to include: (i) investing and participating in the energy sector; and (ii) investing in quoted securities, which was approved by Shareholders in an extraordinary general meeting held on 29 October 2014. However, the continuing fall of oil prices in 2014 and 2015 has led to a contraction in the energy sector.

The Group believes that, in order to enhance value for its Shareholders, it needs to continue seizing attractive investment opportunities as and when they arise in order to stay competitive, while managing its exposure to risk effectively. As such, the Group now intends to diversify its business to include the New Businesses.

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3.2 The New Businesses

The Group intends to diversify its business to include:

3.2.1 The Property Business

The Directors believe that diversification into the Property Business would enable the Group to extend its revenue base to reduce reliance on the energy sector for its revenue. The energy sector has been volatile in 2015 and the prices of energy resources are affected by, *inter alia*, supply, demand and other general economic factors. Low prices of resources tend to affect the economic viability of resource ownership, extraction, processing and the provision of services to energy companies. Accordingly, while the Company believes that the energy sector is and will continue to be an attractive and robust business sector globally, it recognises the risks inherent in investing in the energy sector and hopes to manage its exposure thereto by creating a source of revenue from a different business sector.

The diversification into the Property Business would also allow the Group to take advantage of attractive investment opportunities as and when they arise, particularly in emerging markets where the Group may have a first-mover advantage. Such projects have potential for growth as its value rises with the increased affluence of the country in which it is located. Depending on market conditions and demand, the Group intends to seek opportunities involving the development and management of property (residential, commercial and industrial) and infrastructure assets which will give sustainable returns, whether it involves a fresh project or urban renewal and rejuvenation of existing projects.

By leveraging on its experience and expertise in construction and engineering, the Group believes that it is well positioned to expand its operations to take advantage of property and infrastructure asset development opportunities, as well as supplement its revenue with recurring cash flow generated from property management and/or infrastructure asset operation.

The Company intends to venture into and participate in the Property Business by:

- (a) acquiring, developing, operating and/or holding property (residential, commercial and industrial) and infrastructure assets, with a view to benefitting from rental income and/or capital appreciation;
- (b) property management;
- (c) operation of infrastructure assets;
- (d) trading in property and infrastructure assets with reasonable yield and/or capital growth potential; and
- (e) investing, acquiring or disposing of, or trading from time to time in shares and/or interests in any entity that is engaged in the above.

The Directors believe that the Proposed Diversification would reduce reliance on the Group's energy business, diversify its revenue streams, and improve the Group's prospects.

3.3 The Minerals and Natural Resources Business

Given the Company's exposure to the oil & gas services industry through MCEG and the mining industry through investments in APAC and GCM, the Directors believe that diversification into the Minerals and Natural Resources Business is a natural expansion of the Group's business. The diversification into the Minerals and Natural Resources Business would enable the Group to extend its revenue base by leveraging on its relevant competencies, expertise, experience and current business.

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The Company believes that its track record in the energy sector will put the Group in good stead to engage in the Minerals and Natural Resources Business, and the experience, knowledge and network of the Company's management will assist in the identification of appropriate and profitable projects. The Company's management expects to leverage on the Group's experience in the minerals and energy business to properly assess the costs, risks and prospects of potential projects in the Minerals and Natural Resources Business.

The expansion into the Minerals and Natural Resources Business can also support the growth of the proposed Property Business, as the Group participates in the production (through investment, joint ventures or partnerships) and trading of minerals and natural resources used for building materials.

The Company intends to venture into and participate in the Minerals and Natural Resources Business by:

- (a) investing in businesses, entering joint ventures or partnerships with parties with expertise or assets in the sector, and/or providing services to businesses in the sector; and
- (b) trading in minerals and natural resources sourced from third parties or the businesses or joint ventures the Group participates in.

3.4 Prospects

The Company is of the view that the long term outlook and prospects for the New Businesses is positive, as increasing population, urbanisation and consumption globally results in an increasing demand for property, infrastructure assets, minerals and natural resources.

While the Group does not intend to limit the geographical scope of the New Businesses, it currently plans to focus on opportunities in the region and emerging markets. When undertaking any possible investments or business opportunities, the Board will consider factors such as the cash flow requirements of the Group, the projected returns on the business opportunities or investments, the required resources and associated costs involved, and prevailing market conditions. Where necessary, the Board will also seek the advice of reputable consultants and/or other experts. The Group will only undertake projects approved by the Board, and the Group will continue to comply with the Listing Manual, particularly the provisions of Chapter 10 in the event it undertakes any acquisition, joint venture, investment or other transaction within this sector.

3.5 Management

The Company does not see an immediate need to engage personnel with direct expertise or experience in the property and infrastructure assets sector and/or the minerals and natural resources sectors, as the Directors are of the view that the relevant experience and expertise can be acquired and developed by the Group over time as it progresses in the same. Additionally, the Directors also have relevant knowledge, experience and networks.

The Company will take steps to engage qualified management personnel and employees with relevant experience and expertise if the need arises. Where necessary, the Board will also seek the advice of reputable consultants and/or other experts to assist with making informed decisions.

The Group may also foster partnerships with third parties to assist it in undertaking the New Businesses (taking the form of acquisitions, joint ventures, investments and/or strategic alliances). In the event that the Group elects to foster partnerships with third parties, this will be done on a case by case basis or on a term basis. The decision whether a project should be undertaken by the Group on its own or in collaboration with third parties will be made by the Group after taking into consideration various factors such as the nature and scale of the project, amount of investment and nature of expertise required, and the period of time within which the project must be completed. Where necessary, work may be outsourced to third parties who have expertise in

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the relevant area in relation to the projects concerned. In selecting its partners, the Group will take into account the specific expertise and competencies required for the project in question and the experience, historical track record and financial standing of the party concerned.

3.6 Funding for the Proposed Diversification

The Company intends to fund the New Businesses through internal resources and borrowings. The net proceeds from the Notes Issue approved by Shareholders on 29 October 2014 may also be deployed for expansion in the New Businesses. The Directors will determine the optimal mix of internal funding and borrowings, taking into account the cash flow requirements of the Group and the prevailing bank financing costs.

In addition, the Company may tap the equity market as and when more funds are needed to fuel growth and expansion of the New Businesses, including but not limited to private placement or the issuance of convertible securities.

3.7 Rationale for the Proposed Diversification

The Group believes that, in order to enhance value for its Shareholders, it needs to continue seizing attractive investment opportunities as and when they arise in order to stay competitive, while managing its exposure to risk effectively.

The Company believes that diversification into the New Businesses would enable the Group to extend its revenue base so that it is not dependent entirely on the energy sector for its revenue. The energy sector has been volatile and the prices of resources are affected by, *inter alia*, supply, demand and other general economic factors. Low prices of resources tend to affect the economic viability of resource ownership, extraction, processing and the provision of services to energy companies.

The Company however believes this to be a result of a temporary contraction of the oil & gas sector, and that the energy sector is and will continue to be an attractive and robust business sector in the long term. Accordingly, the Company hopes to balance its exposure to the energy sector by diversifying its business activities to include the New Businesses.

The Company believes that undertaking the New Businesses is in the best interest of the Group as it allows 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.

3.8 Requirements under the Listing Manual

Pursuant to Practice Note 10A of the Listing Manual, Shareholders' approval is not required if a transaction will result in an expansion of an issuer's existing core business, unless such transaction changes the issuer's risk profile.

As the Proposed Diversification will result in an expansion of the Group's business to new business sector(s) and may also result in an expansion to new geographical market(s), it is envisaged that the Proposed Diversification may change the Group's risk profile. Accordingly, the Board is convening the EGM to seek Shareholders' approval for the Proposed Diversification.

Upon approval by the Shareholders of the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the New Businesses that will not change the Group's risk profile.

For the avoidance of doubt, the Group will continue to comply with the Listing Manual, particularly the provisions of Chapter 10, in the event it undertakes any acquisition, joint venture, investment or other transaction within this sector.

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3.9 Risk Factors

The Board believes that the Proposed Diversification and the expansion of the Group's business activities may change the risk profile of the Company.

Any of the risks described below could materially and adversely affect the Company's ability to comply with its obligations, including those under the Listing Manual, and have a material adverse effect on the Group's business, financial condition, results of operations, cash flow and/or prospects. In that event, the market price of the Shares could decline, and Shareholders may lose all or part of their investments in the Shares. The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face. The Group could be affected by a number of risks which relate to the industries and countries in which the Group intends to operate as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deems immaterial may also impair the Company's or the Group's business, financial position, results of operations, cash flow and/or prospects. As such, the following should not be construed as a comprehensive list of all risk factors relating to the New Businesses. If any of the following considerations, risks or uncertainties develops into actual events, the business, financial position, results of operations, cash flow and/or prospects of the Group may be materially and/or adversely affected. The risks discussed below also include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements.

Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

(a) Dependence on economic situation and market forces

The performance of the Group's New Businesses will be largely dependent on, *inter alia*, economic situation and market forces. Should the economy, the property market, the resources industry or the energy sector experience a downturn, due to reasons such as government regulations or global economic conditions, the performance of the Group's New Businesses may be adversely affected.

Additionally, property prices and resources are subject to market forces of demand and supply, the state of the economy and other economic, political or social factors. The revenue and profit from a project may not be achieved due to fluctuations in property and resource prices and the lack of demand. This will directly and adversely affect the profitability of the Group's New Businesses.

The above are factors beyond the control of the Group. As a result, the timing, nature and degree of changes in industry conditions are unpredictable. In addition, there can be no assurance that the Group will be able to obtain the financing necessary in time to develop relevant opportunities for the New Businesses that may arise.

(b) Requirement of substantial capital and fluctuations in interest rates and refinancing risks

Property, infrastructure assets, minerals and natural resources projects are capital intensive and typically require substantial capital outlay during the acquisition and development phases. Such projects also typically take one or more years before positive cash flows may be generated from the same (whether while still under development or completed). Depending on the size and complexity of the project, it usually takes more than one year to complete a project.

The ability of the Group to arrange financing and the cost of such financing are dependent on global economic conditions, capital and debt market conditions, lending policies of the government and banks, and other factors. The Group's business may not be able to generate sufficient cash flows to fund investment and/or expansion opportunities. Unless the Group can do so through internal sources, it will be required to finance the cash needs

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through public or private equity offerings, bank loans and/or other debt financing. There can be no assurance that international or domestic financing for the New Businesses will be available on terms favourable to the Group or at all. The Group may have to delay, adjust, reduce or abandon its planned growth strategies. In such an event, its business performance may be adversely affected.

The Group's ability to borrow from banks or the capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors for example, the United States sub-prime mortgage crisis and the sovereign debt crisis in Europe and the United States, have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies.

Interest rate fluctuations are of particular concern to capital-intensive industries such as that of the New Businesses. The Group faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities and long-term financings. The Group's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

(c) Changes in laws and regulations and risks of non-compliance

Given the global nature of the New Businesses, the Company foresees that it may invest and participate in projects located in various countries around the world. Notwithstanding the adoption of any measures that are put in place by the Group, there is no assurance that the Group will be able to meet all the regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected. Additionally, any changes in the applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group. There is no assurance that any changes in the applicable laws and regulations will not have an adverse effect on the financial performance of the Group.

There can also be no assurance that an unfavourable interpretation or application of the laws will not adversely affect the Group's contracts, joint operations, licenses, license applications or other legal arrangements. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be less certain and more susceptible to revision or cancellation, and legal redress may be uncertain or delayed. If the existing body of laws and regulations in the countries in which the Group operates are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder the Group's long-term planning efforts and may create uncertainties in the Group's operating environment.

(d) Lack of proven track record

As the Group does not have a proven track record in the New Businesses, there is no assurance that the New Businesses will be commercially viable or successful. If the Group fails to manage costs effectively, the overall financial position and profitability of the Group may be adversely affected. There is no assurance that the New Businesses will not fall short of expectations.

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(e) Insufficient resources, experience and necessary expertise

As the New Businesses will be new areas of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior track record in. These risks, uncertainties and problems include, among other things, inability to find the right joint venture, strategic or other business partnerships, inability to manage expanding operations and costs, failure to attract and retain customers, difficulty in establishing a database of suppliers, failure to provide the results, level of revenue and margins the Group is expecting and failure to identify, attract, retain and motivate qualified personnel.

The Group's ability to successfully diversify into the New Businesses is dependent upon its ability to adapt its existing knowledge and expertise and to understand and navigate through the New Businesses. There is no assurance that the Group's existing experience and expertise will be sufficient or relevant for the New Businesses. In the event the Group is unable to adapt its existing skills to successfully implement its plans, the Group's business and financial condition may be adversely affected.

(f) Inability to dispose of property, infrastructure assets, minerals and/or natural resources

The Group intends to acquire, develop and/or dispose of property and infrastructure assets pursuant to the Property Business, and to trade in minerals and natural resources pursuant to the Minerals and Natural Resources Business. There can be no assurance that the Group will be able to successfully dispose of property, infrastructure assets, minerals and natural resources. Accordingly, this may prevent the Group from improving its balance sheet and result in an adverse impact on the Group's ability to recycle capital by reducing the amount of cash generated and profits realised, thereby affecting its ability to reduce or refinance its existing financial obligations. Consequently, the Group may also face difficulties in its future fund-raising efforts. The Group's financial condition may thus be adversely and materially affected.

(g) Certain construction and management risks may arise within the Group's property.

A segment of the Group's New Businesses is project-based, and good project management, cost-effective procurement of materials and allocation of resources are important factors for the successful completion of projects. The Group may not be able to fully pass on the costs of such materials and resources to its customers and any increase in the same could have a material adverse effect on the Group's financial condition and results of operations.

The construction and development of projects also entail significant risks, including shortages of materials or skilled labour, unforeseen engineering or environmental problems, work stoppages, and cost increases, any of which could give rise to delayed completion or cost overruns. These may materially and adversely affect the Group's business, results of operations and financial condition.

(h) Competition

The Group may face competition from existing as well as other new entrants to the New Businesses. Some of these competitors may have greater financial and other resources, operating histories or may be better entrenched in the markets they operate in. There is no assurance that the Group will be able to compete successfully with these competitors and new entrants.

Additionally, the competitive process of tenders to secure projects means that there is neither consistency nor assurance that projects of a certain value and volume will be secured and undertaken continuously. Accordingly, the Group's revenue may fluctuate significantly depending on the number and value of projects successfully secured. Also, there may be periods of time between the completion of projects and the commencement of subsequent projects thus adversely affecting the Group's earnings and financial performance during such periods.

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In the event the Group is unable to compete effectively or respond with appropriate measures, the Group's business, financial performance, financial condition and cash flow may be adversely affected.

(i) Future acquisitions, joint ventures or other arrangements may expose the Group to increased business and operating risks

The Group may, as a matter of business strategy, invest in or acquire other entities engaged in the New Businesses, or enter into joint ventures or other investment structures in connection with the New Businesses. Acquisitions that the Group may make, along with potential joint ventures and other investments, may expose the Group to additional business and operating risks and uncertainties, including:

- direct and indirect costs in connection with the New Businesses;
- the inability to effectively integrate and manage acquired business;
- the inability or unwillingness of joint venture partners to fulfil their obligations under the relevant joint venture agreements;
- the inability of the Group to exert control over strategic decisions made by these companies;
- time and resources expended to coordinate internal systems, controls, procedures and policies;
- disruption in ongoing business and the diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Group's future earnings; and
- exposure to unknown liabilities.

If the Group is unable to successfully implement the Group's acquisition or expansion strategy or address the risks associated with acquisitions or expansions, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired, the Group may fail to achieve acquisition synergies and the Group may be required to focus resources on integration of operations rather than on the Group's primary business.

Should these risks materialise, the Group's business, financial performance, financial condition and operating cash flow may be adversely affected.

(j) Dilutive effect on the Company's Shares

The Group may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may have a dilutive effect on the Company's Shares.

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(k) Reliance on sub-contractors and claims for delays and defective works

The Group may rely on third party sub-contractors for aspects of its New Businesses. Accordingly, it is subject to risks such as the failure of sub-contractors to carry out their contractual obligations, failure of sub-contractors to bear cost overruns, and any other unforeseen circumstances which may have an adverse impact on its financial performance.

The Group may also face claims relating to delays and defective works. As such, the Group's business and financial position will be affected if the Group has to pay significant amounts of compensation or spend significant amounts of resources in legal costs in the event of legal proceedings. The Group's reputation may also be affected as a result of such proceedings.

(l) Inadequate insurance coverage to cover all liabilities

The Group's involvement in the New Businesses may result in the Group becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although the Group intends to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Group. The occurrence of a significant event that the Group is not fully insured against, or the insolvency of the insurer, could have a material adverse effect on the Group's financial position, results of operations or prospects.

(m) Health, safety, operational and environmental hazards

The New Businesses carry an inherent risk of liability related to workplace health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Environmental legislation may also provide for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with property, infrastructure assets, minerals and natural resources projects. Legislation may also require that property, infrastructure assets, minerals and natural resources sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Furthermore, environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Group to incur costs to remedy such discharge.

Compliance with health, safety and environmental laws (and any future changes of such laws) and the requirements of licenses, permits and other approvals will remain material to the New Businesses. The Group will incur significant capital and operating expenditures to comply with health, safety and environmental laws, regulations and guidelines and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. In addition, the Group may be subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters.

The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the Group's business and operations.

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- (n) Disruptions to business caused by disasters and human fault etc.

The Group's property, infrastructure assets, minerals and natural resources projects may be damaged by flooding, drought, debris flow, landslide, earthquake, other natural disasters, human error, fault or negligence or the operations may have to be suspended during repair of the same or when there is a drought. Additionally, they may be ordered to shut down by regulatory authorities during emergencies. Such unpredictable disasters may seriously disrupt the Group's operations and may materially and adversely affect its results of operations.

4. DIRECTORS' SERVICE AGREEMENTS

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

5. DIRECTORS' RECOMMENDATIONS

Having reviewed, *inter alia*, the rationale for the Proposed Subscription and the Proposed Diversification, the Directors are unanimously of the view that the Proposed Subscription and the Proposed Diversification are in the best interests of the Company, and they recommend that Shareholders vote in favour of the Proposed Subscription and the Proposed Diversification at the EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held at 11.30 a.m. on 29 October 2015 at Carlton Hall, Level 2 York Hotel Singapore, 21 Mount Elizabeth Singapore 228516 (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modification the Ordinary Resolutions set out in the Notice of EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company's registered office at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875, not less than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless Shares are entered against his name on the Depository Register at least 48 hours before the time fixed for the EGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Subscription, the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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Where information in the Circular 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 Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of the Company;
- (b) the Annual Report of the Company for the financial year ended 30 June 2015;
- (c) the MOU; and
- (d) the Subscription Agreement.

Yours faithfully

For and on behalf of the Board of Directors of
MAGNUS ENERGY GROUP LTD.
Ong Sing Huat
Company Secretary

NOTICE OF EXTRAORDINARY GENERAL MEETING

MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198301375M)

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the circular dated 14 October 2015 issued by the Company (the “Circular”).

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Magnus Energy Group Ltd. (the “**Company**”) will be held on 29 October 2015 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) at Carlton Hall, Level 2 York Hotel Singapore, 21 Mount Elizabeth Singapore 228516 for the purposes of considering and, if thought fit, passing (with or without modifications) the following ordinary resolutions:

ORDINARY RESOLUTION 1: THE PROPOSED SUBSCRIPTION

That:

- (a) approval be and is hereby given for the Company to carry out and implement the Proposed Subscription, as well as any other transactions contemplated thereunder;
- (b) approval be and is hereby given for the Company to undertake the Environmental Business, and for the entry by the Company into any contracts, agreements, arrangements and undertakings as the Directors may deem desirable, necessary or expedient to undertake the Environmental Business; and
- (c) the Directors and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group.

ORDINARY RESOLUTION 2: THE PROPOSED DIVERSIFICATION

That:

- (a) approval be and is hereby given for the Company to undertake the New Businesses, and for the entry by the Company into any contracts, agreements, arrangements and undertakings as the Directors may deem desirable, necessary or expedient to undertake the New Businesses; and
- (b) the Directors and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Group.

BY ORDER OF THE BOARD
MAGNUS ENERGY GROUP LTD.

Ong Sing Huat
Company Secretary
14 October 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
3. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.
5. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's business address at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 not less than 48 hours before the time appointed for holding the meeting and at any adjournment thereof.
6. For depositors holding their shares through The Central Depository (Pte) Limited in Singapore, the Directors have determined that it is more practicable for the depositor proxy form to be delivered to, collected, collated, reviewed and checked at the Company's business office at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 and as such will be counted as valid in regards to this meeting pursuant to the Company's Articles of Association. The depositor proxy form, duly completed, must be deposited by the depositor(s) at the abovementioned office of the Company's Share Registrar in Singapore not less than 48 hours before the commencement of the EGM.
7. By attending the EGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This Notice has been prepared by the Company and its contents have been reviewed by the Company's continuing 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 Notice, including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements or opinions made or reports contained in this Notice. The contact person for the Sponsor is Mr. Bernard Lui, at telephone no. (65) 6389 3000; email address bernard.lui@stamfordlaw.com.sg.

PROXY FORM

MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198301375M)

EXTRAORDINARY GENERAL MEETING PROXY FORM

IMPORTANT:

1. For investors who have used their CPF money to buy Shares in Magnus Energy Group Ltd., this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We _____

of (Address) _____

being a *member/members of **MAGNUS ENERGY GROUP LTD.** (the “Company”) hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of Shareholding	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of Shareholding	
			No. of Shares	%

or failing which, the Chairman of the extraordinary general meeting (the “EGM”), as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the EGM to be convened on 29 October 2015 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day and at the same place) at Carlton Hall, Level 2 York Hotel Singapore, 21 Mount Elizabeth Singapore 228516 and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the ordinary resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM.

		No. of votes for ⁽¹⁾	No. of votes against ⁽¹⁾
No.	Ordinary Resolutions		
1.	To approve the Proposed Subscription		
2.	To approve the Proposed Diversification		

Notes:

- (1) If you wish to exercise all your votes “For” or “Against”, please indicate with a “X” within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2015.

Total Number of Shares held:	
CDP Register	
Register of Members	

Signature(s) of Member(s)/Common Seal

*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



PROXY FORM

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A proxy need not be a member of the Company.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's business office at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 not less than 48 hours before the time set for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours (being two (2) Business Days) before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.