

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

ACQUISITION OF ADDITIONAL INTEREST IN FLAGSHIP ECOSYSTEMS PTE. LTD.

The board of directors (the “**Directors**”) of Magnus Energy Group Ltd. (the “**Company**”), together with its subsidiaries (the “**Group**”) wishes to announce that it has on 16 May 2017 increased its investment in its 60%-owned subsidiary, Flagship Ecosystems Pte. Ltd. (“**Flagship**”) to 81.33%. The Company has acquired 21.33% or 960,000 shares of Flagship from the following parties at a consideration of S\$1 (the “**Acquisition**”):

Name	Number of shares
Vernon Khoo Tiam Hock (“ Vernon ”)	195,000
Flagship Corporation Far East Pte Ltd	735,000
Lim Chiao Hak Clement	30,000
Total	960,000

The consideration was fully satisfied in cash and the acquisition was completed. The acquisition shall enable the Company to strengthen its ownership in Flagship and the consideration was arrived at on a willing buyer and willing seller basis for the above mentioned parties.

The Acquisition is not expected to have any material impact on the earning per share or the net tangible assets per share of the Company for the financial year ending 30 June 2017.

The Acquisition is a non-disclosable transaction as the relative figures computed under Rule 1006 are less than 5%.

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Acquisition.

Board’s rationale for the proposed acquisition to increase their stake in Flagship from 60% to 81.33%

The general weakness in the global economy and the lack of enforcement and accompanying penalties on companies to treat the waste water from their operations in industrialized countries have negatively impacted our sales in the FY2016.

Since the acquisition of Flagship and its subsidiary (“**Flagship Group**”) on 1 December 2015, it has achieved equipment sales of approximately S\$0.5million. However, the initial target sales pipeline of approximately US\$5.8 million did not materialize due to the scale back in oilfield activities in Indonesia which affected our treatment services revenue and left the waste water treatment equipment of Flagship Group in Indonesia to idle. The scale back at Indonesian oilfields in end January 2016 was due to low oil prices which resulted in a decrease in demand for Flagship Group’s services. Since then, work at the oilfields in Indonesia has not restarted, and thus full impairment was made on the financials, on a prudent basis.

Flagship incurred manpower cost of approximately S\$0.8 million in FY2016. Including other fixed overheads such as lease rental, our initial investment of S\$1.0 million has been depleted without the realization of the expected sales pipeline. The non-executive directors and Chairman of Flagship has not drawn any fees or salaries since FY2016.

Flagship owes a sum of S\$0.13 million to the founder of Flagship, Vernon, who is also an ex-director of Flagship. Hence, it is beneficial for the Group to reduce the liability by 50%, or a quantum of S\$0.065 million through the Acquisition as the ex-director is willing to take a 50% haircut on the aforesaid owing, and in addition, relinquish his shares in Flagship for S\$1. As at 31 March 2017, Flagship has losses of S\$0.74 million and net liabilities of S\$0.21 million. This Acquisition will reduce the Group’s net asset value by S\$0.04 million.

Flagship has the support of IE Singapore and Spring Singapore and the contacts and support provided by IE Singapore and Spring Singapore may result in future sales. Flagship is also in an ongoing discussion with a foreign entity which may be interested to partner Flagship to provide waste management service in Singapore. The Company will keep shareholders of the Company updated if there are any material updates in relation thereto.

Moving forward, the Board, together with management of Flagship have taken steps to contain and cut overheads in light of the economic outlook and prospects in the business, but a skeletal sales team is still needed to maintain the equipment sales and to follow-up and work on any potential new sales.

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The Board is of the opinion that the Acquisition of the shares at nil cost allows the Company to better manage the corporate affairs of Flagship with a super majority control.

Board's strategic direction and business plans for the next 2 years

The existing core business of the Company is in oil and gas equipment trading, which is largely the business of our major subsidiary, Mid-Continent Equipment Group Pte. Ltd ("**Midcon Group**").

Since the acquisition of Flagship, the Group has added a new business in the environmental segment which consists of the provision of various environmental products and services, which includes but is 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. Potential strategic alliances, such as the one mentioned above, may materialise in future.

As announced on 8 May 2017, the Company is currently in the midst of completing our microalgae cultivation plant. The Group has thus far provided approximately 70% of the project budget and expects delays in the completion of the project due to delays in fund raising. Nevertheless, the Group is seeking to raise sufficient and timely funds via the existing redeemable convertible notes program, realise some liquid assets and plausible loans to complete the said project. The completion timeline remains to be sometime during the fourth quarter of the Group's current financial year. The microalgae project is expected to have a positive effect on the net tangible assets per share and earnings per share of the Group once full production has started.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
18 May 2017

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.

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