
ROAD PROJECTS IN WEST AND CENTRAL JAVA INDONESIA

1. Introduction

The Board of Directors (the “**Board**” or each, a “**Director**”) of Magnus Energy Group Ltd. (“the **Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary MEG Global Resources Limited (the “**Participant**”) (collectively, the “**Group**”) has entered into a Participation Agreement II (the “**PA II**”) with PT Hanjungin (the “**Contractor**”) (collectively, the “**Parties**”) on 1 February 2016 to jointly manage an infrastructure construction project in Cimanggis, West Java and Solo, Central Java, Indonesia (the “**Road Project II**”), subject to the terms and conditions set out in PA II.

This shall be the third collaboration that the Group has embarked on with the Contractor. The first collaboration is the ongoing property development project in Kupang, Indonesia, as announced on 22 May 2015. The second collaboration is the ongoing Road Project in Central Java, Indonesia, as announced on 16 November 2015.

2. Information on the Contractor

The Contractor is a company incorporated in the Republic of Indonesia, and is principally engaged in property and infrastructure development in the Republic of Indonesia. The Contractor has obtained two contracts to construct the foundation of a portion of the toll roads in Cimanggis, West Java and Solo, Central Java, Indonesia, which are expected to be completed within six months from the date of this announcement.

The Contractor is not related to any of the Directors or controlling shareholders of the Company.

3. RATIONALE

The Group expects a swift turnaround for the Road Project II. Thereafter, the Group is able to participate in the management and net profits of the Road Project II.

The Directors are of the opinion that, after taking into consideration the present financing facilities, the working capital available to the Group is sufficient to meet its obligations under the Road Project II.

Note that the full recovery of the actual working capital provided by the Participant, which is the actual investment amount remitted to the Contractor (the “**Actual Working Capital**”), depends on the success of the Road Project II. The Participant shall provide the Actual Working Capital in tranches (up to the Investment Amount as stated below) depending on the strength of its cash flow and progress of the Road Project II.

The entry into the PA II is expected to have a positive effect on the net tangible assets per share and earnings per share of the Group for the financial year ending 30 June 2016.

4. PARTICIPATION AGREEMENT

The salient terms and conditions of the PA II, inter alia, are as follows;

- (A) The Contractor has been awarded a contract for the infrastructure construction in Cimanggis, West Java and Solo, Central Java, Indonesia.
- (B) The Participant agrees to participate by providing general management consultancy services and partial working capital for the Road Project II.

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- (C) In addition, the Participant shall provide up to S\$2,000,000 (the "**Investment Amount**") as working capital, to jointly manage the Road Project II with the Contractor for a period of up to SIX months commencing from the date of this agreement.
- (D) The profits accruing out from the Road Project II shall be paid in accordance with the terms and conditions of the PA II.
- (E) The Participant shall provide general and financial management consultancy expertise while the Contractor shall provide the technical, construction and local expertise for the entire duration of the Road Project II.
- (F) In addition to the full recovery of the Investment Amount, the Participant shall be entitled a profit sharing of twenty percent (20%) on the net profit of the Road Project II ("**Net Profit**"). The computation shall be as follows:

$$\frac{\text{Actual Working Capital provided by the Participant}}{\text{Investment Amount}} \times 20\% \times \text{Net Profit}$$

- (G) For avoidance of doubt, the Net Profit shall be computed by deducting all expenses directly related to the Road Project II from the total revenue derived from the Road Project II.

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 Road Project II, other than their respective interests in the shares of the Company. None of the Directors or controlling shareholders of the Company or their respective associates have any connection (including business relationships) with the Contractor.

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 PA II 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.

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 Road Project II, 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.

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BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong

Chief Executive Officer

1 February 2016

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

Listed since 04 August 1999

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

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

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

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

The contact person for the Sponsor is Mr Bernard Lui.

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