

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

PROPOSED ISSUE OF UP TO S\$35,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE CONVERTIBLE NOTES

1. INTRODUCTION

The board of directors (the “**Directors**”) of Magnus Energy Group Ltd. (the “**Company**”) wishes to announce that the Company has on 3 September 2014 entered into a subscription agreement (the “**Subscription Agreement**”) with Premier Equity Fund (the “**Subscriber**”) and Value Capital Asset Management Private Limited (“**VCAM**”) pursuant to which the Company proposes to issue up to S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10,000,000 each and a final tranche of a principal amount of S\$15,000,000 (collectively, the convertible notes shall be referred to as the “**Notes**” and individually, the two initial tranches of the Notes shall be referred to as “**Tranche 1 Notes**” and “**Tranche 2 Notes**” respectively, while the final tranche of the Notes shall be referred to as “**Tranche 3 Notes**”) on the terms and subject to the conditions of the Subscription Agreement (the “**Notes Issue**”).

An application will be made through the Company’s sponsor to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of and quotation of the new ordinary shares in the capital of the Company, to be allotted and issued upon conversion of the Notes (the “**Conversion Shares**”). The Conversion Shares will be listed on the Catalist.

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

2. INFORMATION ON THE SUBSCRIBER AND VCAM

VCAM is a fund management company incorporated in Singapore and registered with the Monetary Authority of Singapore (“**MAS**”). VCAM has been appointed and acts as the investment manager for the Subscriber, a company incorporated in the Cayman Islands. The Subscriber was identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid to such persons.

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

3. THE PROPOSED ISSUE OF REDEEMABLE EQUITY LINKED NOTES

3.1 Principal Terms of the Notes

The Notes shall be issued in registered form in denominations of S\$50,000 each. The Notes are convertible into Conversion Shares, which when issued, shall rank *pari passu* in all respects with all other ordinary shares in the capital of the Company existing then (the “**Shares**”). The issue price of the Notes is 100% of the principal amount (“**Note Issue Price**”). The subscription and conversion of the Notes shall be in accordance with the terms of the Subscription Agreement and subject to the terms and conditions of the Notes (“**Terms and Conditions**”).

The Notes are comprised of three separate tranches, being the Tranche 1 Notes, Tranche 2 Notes and Tranche 3 Notes, which shall be issued in sub-tranches of S\$500,000 each in the manner described in paragraphs 3.2.2 and 3.2.3 below.

A summary of the key terms of the Notes is set out below:

Principal Amount : Up to S\$35,000,000 in principal amount of the Notes.

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- Issue Price : 100.0 per cent. of the aggregate principal amount of the Notes.
- Maturity Date : 36 months after the closing date for the first sub-tranche of the Tranche 1 Notes.
- Interest Rate : The Notes will bear interest at a rate of 2.0% per annum.
- Status of Notes : The Notes constitute direct, general, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Alteration to Terms : No material alteration to the terms of the Notes after the issue thereof to the advantage of the Subscriber shall be made, unless the alterations are made pursuant to the Terms and Conditions or the prior approval of the Shareholders in general meeting has been sought.
- Transfer : The holder of the Notes (the “**Noteholder**”) shall, subject as provided hereinafter, be entitled at any time and from time to time to transfer the Note(s) registered in its name in whole but not in part to any third party and the Company irrevocably consents to such transfer by the Noteholder unless the third party is a person that falls within the categories of persons set out in Rule 812 of the Catalist Rules.
- Redemption : The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company at 100% of their principal amount on the Maturity Date. The Company shall at least one (1) month prior to the Maturity Date, issue an announcement notifying Shareholders of the same and shall dispatch to all Noteholders, a notice of the Maturity Date.

In the event a Noteholder exercises its right to convert the Notes (the “**Conversion Right**”) and the Conversion Price applicable to such exercise is less than or equal to 65% of the average closing price per Share for the 30 consecutive Trading Days immediately preceding the closing date for any Note(s) (the “**Redeemable Conversion Note(s)**”) which is the subject of such Conversion Right, the Company may elect, by giving a notice via facsimile by 5.30 pm (Singapore time) on the business day following the relevant Conversion Date (which notice shall be irrevocable) (the “**Redemption Notice**”), to redeem such Redeemable Conversion Notes(s) instead. The Company shall redeem the Redeemable Conversion Note(s) on the business day following the date of the Redemption Notice at the following amount in respect of each Redeemable Conversion Note (the “**Redemption Amount**”):

$$\text{Redemption Amount} = P + \left(8\% \times P \times \frac{D}{365} \right) + I$$

where:-

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"P" = the aggregate principal amount of that Redeemable Conversion Note.

"D" = the amount of days that has elapsed since the closing date for that Redeemable Conversion Note.

"I" = all unpaid interest accrued on that Redeemable Conversion Note.

Conversion Price : The Conversion Shares shall be issued, at the option of the relevant Noteholder, at either:

(a) 140% of the average of the traded volume weighted average prices per Share for the 30 market days on which the Shares were traded on the SGX-ST (the "**Trading Days**"), immediately preceding:

(i) in respect of Tranche 1 Notes, the date of the Subscription Agreement;

(ii) in respect of Tranche 2 Notes, the closing date of the first sub-tranche of Tranche 2 Notes; and

(iii) in respect of Tranche 3 Notes, the closing date of the first sub-tranche of Tranche 3 Notes;

subject to adjustment in the manner provided in the Terms and Conditions; or

(b) 90% of the average of the traded volume weighted average prices per Share for any three (3) consecutive Trading Days as selected by the relevant registered Noteholder during the 30 Trading Days immediately preceding the relevant conversion date on which Shares were traded on the SGX-ST.

Listing Status : The Notes will not be listed and quoted.

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- Event of default : If any Event of Default (as defined in the Terms & Conditions) has occurred, including:
- (a) there is default by the Company in the payment of the principal or interest in respect of the Notes or any of them when and as the same ought to be paid and such default is not remedied by the Company within five days;
 - (b) there is default by the Company in the performance or observance of any covenant, condition, provision or obligation contained in the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of 14 days next following the service by any Noteholder on the Company of notice requiring the same to be remedied;
 - (c) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
 - (d) borrowings to net worth ratio exceeds 150% at any time;
 - (e) the Company's net worth is less than S\$9 million at any time;
 - (f) the delisting of the Shares on the Catalist of the SGX-ST or a suspension of trading other than pursuant to a very substantial acquisition or reverse takeover under Rule 1015 of the Catalist Rules, of such shares on the SGX-ST for a period of five consecutive Market Days or more;
 - (g) for so long as there are any Notes outstanding, if the Company engages in any transaction with any hedge fund operating or originating from any part of the world; or
 - (h) any credit facilities granted to the Company or any of its subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group,

any Note may be declared immediately due and payable whereupon it shall become immediately due and payable at 110% of its principal amount together with accrued interest without further formality.

Further details of the Terms and Conditions will be set out in the circular to be issued by the Company and to be despatched to Shareholders in due course for the purpose of obtaining the approval of Shareholders in respect of the Notes Issue at an extraordinary general meeting of the Company to be convened.

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3.2 Principal Terms of the Subscription Agreement

3.2.1 Conditions Precedent

The obligation of the Subscriber to subscribe and pay for the Notes is conditional on, amongst others, the following conditions:

- (a) a list of the Company's substantial shareholders as at the date of the Subscription Agreement being delivered to the Subscriber;
- (b) the representations and warranties given by the Company under the Subscription Agreement being true and accurate in all respects; and
- (c) shareholders' approval for the issue of the Notes and the Conversion Shares, and the listing and quotation notice of the SGX-ST for the listing of the Conversion Shares on Catalist, being obtained and not being withdrawn or revoked,

being fulfilled or otherwise waived by the Subscriber.

3.2.2 Issue and subscription of Tranche 1 Notes

The Company shall issue the Tranche 1 Notes at the Note Issue Price in the following manner:

- (a) in respect of the first sub-tranche of Tranche 1 Notes, on the date falling two (2) business days immediately after the last of the conditions precedent are fulfilled or such other date as the Parties may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes; and
- (b) in respect of each subsequent sub-tranche of Tranche 1 Notes:
 - (i) on the fifth (5th) business day after the last sub-tranche of Tranche 1 Notes issued are fully converted (the date of each conversion, a "**Tranche 1 Conversion Date**"); or
 - (ii) on such other date as the Subscriber may, in its sole and absolute discretion, decide.

3.2.3 Issue and subscription of Tranche 2 Notes and Tranche 3 Notes

- (a) The Subscriber has granted to the Company an option in respect of the Tranche 2 Notes and Tranche 3 Notes (collectively the "**Options**" and each, an "**Option**"), pursuant to which the Company may require the Subscriber to subscribe for these Notes during the relevant Option Period (as defined below).

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- (b) Upon receipt of the exercise notice (the “**Exercise Notice**”) from the Company in respect of Tranche 2 Notes, the Subscriber shall be obliged to subscribe for the Tranche 2 Notes in the following manner:
- (i) the first sub-tranche of Tranche 2 Notes, no later than the fifth (5th) business day following the date of the Exercise Notice; and
 - (ii) in respect of each subsequent sub-tranche of Tranche 2 Notes:
 - (A) on the fifth (5th) business day after the last sub-tranche of Tranche 2 Notes are fully converted (the date of each conversion, a “**Tranche 2 Conversion Date**”); or
 - (B) on such other date as the Subscriber may, in its sole and absolute discretion, decide.
- (c) Upon receipt of the Exercise Notice from the Company in respect of Tranche 3 Notes, the Subscriber shall be obliged to subscribe for the Tranche 3 Notes in the following manner:
- (i) the first sub-tranche of Tranche 3 Notes, no later than the fifth (5th) business day following the date of the Exercise Notice; and
 - (ii) in respect of each subsequent sub-tranche of Tranche 3 Notes:
 - (A) on the fifth (5th) business day after the last sub-tranche of Tranche 3 Notes are fully converted; or
 - (B) on such other date as the Subscriber may, in its sole discretion, decide.

“**Option Period**” means, in respect of:

- (i) Tranche 2 Notes, the period commencing from and including the Tranche 1 Conversion Date of the last of the Notes comprised in the last sub-tranche of Tranche 1 Notes to and including the tenth (10th) business day thereafter; and
- (ii) Tranche 3 Notes, the period commencing from and including the Tranche 2 Conversion Date of the last of the Notes comprised in the last sub-tranche of Tranche 2 Notes to and including the tenth (10th) business day thereafter.

3.2.4 Termination

- (a) The Subscriber may, by notice to the Company, terminate the Subscription Agreement at any time before the time on the relevant closing date when payment would otherwise be due under the Subscription Agreement, in any of the following circumstances:
- (i) if there shall have come to the notice of the Subscriber:
 - (A) any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement; or

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- (B) any failure to perform any of the Company's undertakings or obligations contained in the Subscription Agreement; or
- (ii) if:
 - (A) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or in or affecting the properties, of the Company or any of its subsidiaries and which materially and adversely affects the Company or the Company and its subsidiaries, taken as a whole; or
 - (B) there shall have been an imposition of a new legal or regulatory restriction not in effect on the date hereof, or any change in the interpretation of existing legal or regulatory restrictions, that materially and adversely affects the Company or the Company and its subsidiaries, taken as a whole, or the offering, sale or delivery of the Notes or the Conversion Shares; or
 - (C) an event of default shall have occurred in respect of any notes (including the Notes), debentures, bonds or other similar securities of the Company or any subsidiary issued and outstanding; or
 - (D) there shall have been a suspension, designation, or material limitation of, trading of any shares of the Company by the SGX-ST for five (5) consecutive market days; or
 - (E) an event of default as defined in Schedule 3 to the Subscription Agreement has occurred.
- (b) Upon notice being given by the Subscriber in accordance with paragraph 3.2.4(a) above:
 - (i) all outstanding Notes shall immediately become due and payable at 110% of their principal amount together with accrued interest;
 - (ii) the Company shall be liable to pay to the Subscriber a termination fee of 17% of the principal amount of the remaining unissued and unsubscribed Notes of the relevant tranche at the time of such notice; and
 - (iii) the Subscription Agreement shall terminate and be of no further effect.

3.2.5 Arranger's fee

In respect of each sub-tranche of the Notes which is subscribed for and issued, the Company will pay an arranger's fee of 2.0% of the aggregate principal amount of the Notes for such sub-tranche to VCAM on the closing date of such sub-tranche ("**Arranger's Fee**"). The Company agrees that to facilitate this payment, the Arranger's Fee payable shall be deducted by the Subscriber directly from the subscription moneys payable to the Company for the subscription of such sub-tranche.

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4. RATIONALE AND USE OF PROCEEDS

The Company decided to enter into the Subscription Agreement so as to strengthen its balance sheet as well as to broaden its shareholder base. The net proceeds from the Notes Issue shall be applied towards making investments and for general working capital of the Company and its subsidiaries.

Assuming full subscription, the estimated net proceeds from the Notes Issue, after deducting estimated fees, including the Arranger's Fee, and expenses of approximately S\$0.9 million, is approximately S\$34.1 million (the "Net Proceeds"). The Company intends to use the Net Proceeds in the following manner:

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

The Company will make periodic announcements on the use of the Net Proceeds as and when they are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's annual report. The Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in such announcements and annual reports.

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

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

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

5. APPROVAL

The Notes Issue is subject to, amongst other things, receipt of all requisite approvals, including:

- (a) the listing and quotation notice of the SGX-ST (the "LQN") being obtained for the listing of the Conversion Shares on Catalist; and
- (b) Shareholders' approval for the issue of the Notes.

The Company will make an application through its sponsor to the SGX-ST for the listing of and quotation for the Conversion Shares on Catalist, and will make the necessary announcement upon receipt of the LQN from the SGX-ST.

An extraordinary general meeting will be convened to seek the Shareholders' approval for the Notes Issue. A circular containing, amongst other things, the notice of the EGM and the details of the Notes Issue will be despatched to Shareholders in due course.

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6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Notes Issue, other than their respective interests in the Shares. None of the Directors or controlling shareholders of the Company or their respective associates have any connection (including business relationship) with the Subscriber or VCAM.

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.

7. DOCUMENTS AVAILABLE FOR INSPECTION

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

8. RESPONSIBILITY STATEMENT

The Directors of the Company (including any Director who may have delegated detailed supervision of the preparation of this announcement) 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 Notes Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board
Magnus Energy Group Ltd.

Luke Ho Khee Yong
Company Secretary
3 September 2014

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.

This 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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