

RESPONSE TO SGX-ST QUERIES – CLARIFICATION OF ISSUES IN RELATION TO THE COMPANY’S UPCOMING PROJECTS AS ANNOUNCED ON 15 AND 20 JULY 2020

Unless otherwise specified, all capitalised terms shall have the same meaning ascribed to them in the Previous Announcements (as defined below).

The Board of Directors of Magnus Energy Group Ltd (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the announcements dated 15 July 2020, and 20 July 2020 (“**Previous Announcements**”).

The Company wishes to inform its shareholders that further to the Previous Announcements, it has received the following queries dated 21 July 2020 from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on clarification issues in relation to the Company’s Upcoming Projects as announced on 15 and 20 July 2020:

No.	SGX Queries	Responses
<u>Clarification of Issues in relation to the Company’s Upcoming Projects as announced on 15 and 20 July 2020</u>		
	We refer to the following announcements made by Magnus: - Announcement on 15 Jul 2020, that together with Oriental EPC Private Limited (“Oriental EPC”), received the LOO from an Indonesian Chemical Plant Operator (“Client”) on 9 Jul 2020 and accepted the LOO on 13 Jul 2020 for the refurbishment and reactivation of the Client’s chemical plant in Jakarta, Indonesia - Announcement on 20 Jul 2020, that together with Oriental EPC had <u>through a third party agent</u> appointed by Oriental EPC, received the LOO from a state-owned enterprise in Indonesia (“Client”) on 2 Jul 2020 and accepted the LOO <u>via the agent</u> on 16 Jul 2020, to assist with the construction of liquefied petroleum gas (“LPG”) terminals in various parts of Indonesia Please find our queries below:	
	<u>LOO for refurbishment and reactivation of Client’s chemical plant in Jakarta:</u>	
1	How did the Company get introduced to Oriental EPC?	The Company was introduced to Oriental EPC by Mr. Charles Madhavan, the Executive Director and CEO of the Company.
2	How did the Company get introduced to the Indonesian Chemical Plant Operator?	The Company’s Executive Director and CEO, Mr. Charles Madhavan, was introduced to Indonesian Chemical Plant Operator through his contacts in Indonesia.
3	Who is the Indonesian Chemical Plant Operator / Client?	The Company is unable to disclose the Client’s name and details at this point of time due to concerns over potential competition in the event the Client’s identity is revealed before a formal contract is made. Other potential competitors could possibly approach the Client with

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		competing bids, which may result in the Client withdrawing its offer to the Company and Oriental EPC in respect of the Project. The Company is in the midst of appointing a legal representative to conduct its due diligence as well as negotiating and drafting of the formal EPC contract agreement. As stated in the announcement on 15 July 2020, further details on the Project and the Client will be provided in due course upon the execution of the formal EPC contract agreement with all parties.
4	What type of chemical plant does the Client operate?	The Client is looking to refurbish, start up and commercially operate a Hydrogen Peroxide plant, which is the subject of the Project offered to the Company and Oriental EPC. The Client is also involved in the domestic and international distribution and commercial trade of Hydrogen Peroxide and its related chemicals or other chemical substances.
5	What is the state of the Chemical Plant? Is it currently in operation? Why does the plant need refurbishment and reactivation?	The Chemical Plant has been shut down for years and it needs to be refurbished and reactivated before they can start commercial operations again. That is why the Client is appointing an EPC company to do the work.
6	What are the roles of the Company and Oriental EPC?	Oriental EPC and the Company will be jointly involved in the Project. It is envisioned that the majority of the resources and manpower required for the Project will be provided by Oriental EPC, while Mr. Charles Madhavan, the Executive Director and CEO of the Company, will oversee the entire process and provide guidance in respect of the work required for the Project.

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		As the parties are still in the midst of negotiating and finalizing details of the engagement under the formal EPC contract agreement, further details in relation to the Project, including but not limited to the scope of work and any salient terms and conditions will be provided to shareholders in due course.
7	It is announced that Oriental EPC and its subsidiaries are one of the top EPC companies in India. Is it familiar with the Indonesian market? What did the Company consider in deciding to work on the Indonesian Chemical Plant project together with Oriental EPC?	Oriental EPC is looking to expand their markets beyond India and into other countries. It is not familiar with the Indonesia market and has relied on the Company to introduce it to new clients and procure contracts in overseas countries. The Company, through Mr. Charles Madhavan's business network and contacts in the region, has connections to potential clients and projects. While the Company is keen to venture into such projects in order to develop the Group's business, it lacks the resources to do so on its own in view of the Group's current financial condition. In this regard, Oriental EPC has been willing to collaborate with the Company to provide their resources and funding in exchange for procuring overseas contracts alongside the Company. Embarking on such joint ventures with an established business partner such as Oriental EPC would enable the Company to be in a better position to bid for contracts and secure new business. It would mitigate the Group's exposure to any potential operational risk and financial burden associated with such business expansion.
8	Who owns and manages Oriental EPC?	A search on the website of India's Ministry of Corporate Affairs ("MCA India") shows that Oriental EPC is privately owned, and its

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		shareholders are not publicly disclosed. The directors of Oriental EPC can also be found through the same search conducted via MCA India. None of the directors nor substantial shareholders of the Company have any interest, direct or indirect, in Oriental EPC.
9	Does the Company have the requisite mandate, experience and expertise in refurbishing and reactivating chemical plants? Please elaborate on whom in the Company with the relevant expertise will be leading these projects.	Mr. Charles Madhavan, the Executive Director and CEO of the Company, has many years of relevant and direct experience in EPC projects in Indonesia, and he will provide his expertise and work closely on the projects with Oriental EPC. As part the due diligence to be conducted prior to entering into the formal EPC contract agreement, the Company will seek legal advice from the relevant Indonesian law firm on the necessary permits and licenses (if any) that it will need to apply for in order to undertake the Project. After commencement of the Project, the Company will assess if there is a need to hire additional suitable and qualified personnel(s) to assist Mr. Charles Madhavan to execute the Project. The Company also intends to tap on the resources and manpower to be provided by Oriental EPC for the Project, as well as leverage on Oriental EPC’s expertise and know-how in refurbishing and reactivating chemical plants.
10	What due diligence will the Company be conducting prior to entering into the agreements and contracts?	The Company intends to engage a suitably qualified Indonesian law firm (“Legal Adviser”) to conduct all necessary due diligence, and to negotiate the terms of and draft the formal EPC contract agreement.

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		The Legal Adviser will be doing the due diligence on the legalities of the formal EPC contract agreement before the Company enters into it with the rest of the parties. It should be noted that the Company and Oriental EPC are paid contractors to perform an agreed-upon scope of work in respect of the Project. If the Client is unable to provide the initial deposit or make milestone payments (as per typical contractual terms for such projects), Oriental EPC and the Company will stop working on the Project. The Board has and will be kept informed on the progress of the Project in a timely manner.
	<u>LOO for construction of LPG terminals in various parts of Indonesia:</u>	
11	Who is the ‘third party agent’ in the announcement of 20 Jul 2020 and what is the role of the agent?	The third-party agent (“Agent”) is appointed by Oriental EPC as a consultant based in Indonesia to assist and facilitate the communications between the Client and Oriental in respect of the LPG Project. The Company is not a party to the agreement between Oriental EPC and the Agent, and does not have permission from Oriental EPC to disclose the identity of its third-party agent which is confidential. It is time consuming and not easy to obtain an EPC license in Indonesia. The Agent holds an EPC license and therefore, it is necessary for Oriental EPC to engage the Agent. The Agent will facilitate the processes with the state-owned enterprise, which typically has more procedures and complexities as compared to that of private companies.

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		Until the Company and Oriental EPC manages to set up an EPC licensed company in Indonesia or obtain an EPC license for the Company’s existing Indonesia subsidiary, PT MEG Harta, the Agent will be required.
12	How did the Company get introduced to Oriental EPC and the “third party agent”?	Please refer to the responses to question 1 above for the background of how the Company was introduced to Oriental EPC The Company was introduced to the Agent by Oriental EPC after the Agent had been formally appointed by Oriental EPC.
13	Please identify the state-owned enterprise in Indonesia which awarded the LOO.	The Company is unable to disclose the state-owned enterprise’s (“SOE”) name and details at this point of time due to concerns over potential competition in the event the SOE’s identity is revealed before a formal contract is made. Other potential competitors could possibly approach the SOE with competing bids, which may result in the SOE withdrawing its offer to the Company and Oriental EPC in respect of the LPG Project. The Company is in the midst of appointing its legal advisers to conduct due diligence as well as negotiating and drafting of the formal EPC contract agreement. As stated in the announcement on 20 July 2020, further details on the LPG Project and the SOE will be provided in due course upon the execution of the formal EPC contract agreement with all parties.
14	What are the roles of the Company and Oriental EPC?	Oriental EPC and the Company will be jointly involved in the LPG Project. It is envisioned that the majority of the resources and manpower required for the LPG Project will be provided by Oriental

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		EPC, while Mr. Charles Madhavan, the Executive Director and CEO of the Company, will oversee the entire process and provide guidance in respect of the work required for the LPG Project. As the parties are still in the midst of negotiating and finalizing details of the engagement under the formal EPC contract agreement, further details in relation to the LPG Project, including but not limited to the scope of work and any salient terms and conditions will be provided to shareholders in due course.
15	It is announced that Oriental EPC and its subsidiaries are one of the top EPC companies in India. Is it familiar with the Indonesian market? What did the Company consider in deciding to work on the Indonesian LPG Terminals project together with Oriental EPC?	Please refer to the responses to question 7 above.
16	Who owns and manages Oriental EPC?	Please refer to the responses to question 8 above.
17	Please explain if the Company has the requisite mandate, experience and expertise to conduct the abovementioned business activities. Please elaborate on whom in the Company with the relevant expertise will be leading these projects.	Mr. Charles Madhavan, the Executive Director and CEO of the Company, has many years of relevant and direct experience in EPC projects in Indonesia, and he will provide his expertise and work closely on the projects with Oriental EPC. As part the due diligence to be conducted prior to entering into the formal EPC contract agreement, the Company will seek legal advice from the relevant Indonesian law firm on the necessary permits and licenses (if any) that it will need to apply for in order to undertake the LPG Project. After commencement of the Project, the Company will assess if there is a need to hire additional suitable and qualified personnel(s)

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		to assist Mr. Charles Madhavan to execute the Project. The Company also intends to tap on the resources and manpower to be provided by Oriental EPC for the Project, as well as leverage on Oriental EPC’s expertise and know-how in the construction of LPG terminals.
18	What due diligence will the Company be conducting prior to entering into the agreements and contracts?	The Company intends to engage a Legal Adviser to conduct all necessary due diligence, and to negotiate the terms of and draft the formal EPC contract agreement. The Legal Adviser will be doing the due diligence on the legalities of the formal EPC contract agreement before the Company enters into it with the rest of the parties. It should be noted that the Company and Oriental EPC are paid contractors to perform an agreed-upon scope of work in respect of the LPG Project. The Board has and will be kept informed on the progress of the LPG Project in a timely manner.

Shareholders are advised to exercise caution when dealing with the Company’s securities. Shareholders should seek advice from their stockbrokers, bankers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Charles Madhavan
Executive Director and Chief Executive Officer
22 July 2020

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

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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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