

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

REDEEMABLE CONVERTIBLE LOAN OF UP TO S\$5,000,000

1. Introduction

The Board of Directors (the “**Board**”) of Magnus Energy Group Ltd. (“the **Company**”) wishes to refer to our announcement made on 5 May 2015. The Board would like to announce that its wholly-owned subsidiary MEG Global Resources Limited (the “**Lender**”) (collectively, the “**Group**”) has entered into a 9.0% Redeemable Convertible Loan Agreement (“**RCL**”) with PT Hanjungin (the “**Borrower**”) (together with the Group, the “**Parties**”) for an aggregate amount of up to S\$5,000,000 (the “**Principal Amount**”), subject to the terms and conditions set out in the RCL.

2. Information on the Borrower

The Borrower is a company incorporated in the Republic of Indonesia, and is principally engaged in property and infrastructure development in the Republic of Indonesia. The Borrower currently owns a land in Kupang City with the size of 150,000 square metres (the “**Collateral Land**”), which shall be developed into 656 units of houses of various sizes as well as 2 commercial buildings. The expected completion of this development is approximately 18 months from the commencement of construction.

In addition, the Borrower owns a piece of land adjacent to the Collateral Land in Kupang City with the size of 200,000 square metres (“**Adjacent Land**”). The Borrower intends to develop the Adjacent Land into a manganese mine, subject to the relevant mining and mineral license approvals. The Group expects a period of at least 12 months for the approval of the relevant licenses for the possible manganese mining project in the Adjacent Land to be obtained. Should the Borrower be unable to obtain the relevant mining and mineral license approvals by 24 months, the Adjacent Land will be developed into residential and/or commercial properties instead.

Kupang City is the biggest city and port on the island of Timor, and is the capital of the Indonesian province of East Nusa Tenggara.

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

3. Rationale

Investing in the Borrower presents an attractive, low-risk and low-cost investment opportunity, as it is secured with the Collateral Land. The Adjacent Land does not form part of the collateral.

The cost and speed of property development in Kupang City allows for the development project to be completed within 18 months from the commencement of construction. After which, the properties will be sold or leased.

In addition, the RCL presents a realistic opportunity for the Group to simultaneously invest in the property development of the Collateral Land as it allows for the conversion into shares of the Borrower (Please refer to paragraph 6.1(c) below). During the process of developing the Collateral Land, the Borrower will proceed to apply for the relevant mineral and mining licenses in relation to the Adjacent Land concurrently. The Adjacent Land may provide future collaboration and investment opportunities for us.

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

The entry into the RCL is not expected to have any material effect on the net tangible assets per share and earnings per share of the Group for the financial year ending 30 June 2015.

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4. Legal Due Diligence

Our Indonesian legal advisor A. Setiadi Attorneys-At-Law has conducted legal due diligence on the ownership of the Collateral Land and has advised the Board with regard to the enforceability of the RCL and the Land Collateral Agreement. The Board is satisfied with the legal representations made by our Indonesian legal advisor.

5. Independent Valuation Report

The Group has commissioned KJPP Hendra Gunawan dan Rekan, an associate of Colliers international (collectively, “**Colliers**”), to perform a land valuation on the Collateral Land (the “**Land Valuation Report**”). On the assumption that there are no onerous restrictions, covenants or unusual outgoings of which Colliers has no knowledge of and subject to the basis of valuation specified in the Land Valuation Report, Colliers are of the opinion that the current market value of the property for existing use with vacant possession is in the order of Rupiah 54,100,000,000 (approximately S\$5.5 million, based on the exchange rate of Rupiah 9,862:S\$1.00).

6. RCL/Land Collateral Agreement

The RCL and the Land Collateral Agreement are governed by the laws of Singapore and the salient terms and conditions of the RCL and the Land Collateral Agreement, *inter alia*, are as follows:

6.1 Principal Terms of the RCL

(a) The Loan and Draw Down

The Lender agrees to lend and the Borrower agrees to borrow up to an aggregate amount of up to S\$5,000,000 subject to the terms and conditions as set out in the RCL. The RCL shall be drawn down in 50 tranches in the denomination of S\$100,000 each (each a “**Drawdown Amount**” and collectively, the “**Drawdown Amounts**”) and shall be convertible into fully-paid ordinary shares in the share capital of the Borrower (“**Shares**”) subject to the terms and conditions set out in the RCL.

(b) Interest

The interest in relation to the RCL is at a rate of 9.0 per cent. (9%) per annum calculated by reference to the Principal Amount on a monthly rest basis and shall be payable half-yearly.

For the avoidance of doubt, no interest shall be due and payable on the Principal Amount until 30 days after 31 December 2015, 30 June 2016, 31 December 2016, 30 June 2017 and 31 December 2017 (each an “**Interest Due Date**”). The Lender shall issue a written notice no later than five (5) business days to the Borrower prior to any Interest Due Date and before such interest is payable by the Borrower.

In the event that any Drawdown Amount is redeemed after the first business day of the month, a full month of interest will be calculated into the interest payable.

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(c) Conversion

Separately, at any time after the relevant drawdown date and up to the close of business on the maturity date, any or all of the Drawdown Amount(s) may be converted into Shares, subject to the mutual agreement by both parties of the terms and conditions in relation to the conversion set out in the RCL.

Subject to the agreement of the Borrower, the Lender shall be issue a written notice to the Borrower indicating the Drawdown Amount(s) to be converted, the intended date of conversion (the “**Conversion Date**”) and the conversion price which shall be based on the net asset value of the Borrower as at the Conversion Date.

(d) Events of Default

An event of default (“**Event of Default**”) occurs if:

- 1) there is default by the Borrower in the payment of any amounts due and owing in respect of the Principal Amount subject to the terms and conditions of the RCL or any of them when and as the same ought to be paid and such default is not remedied by the Borrower within 10 business days;
- 2) any interest payable is not paid within 30 days when due;
- 3) the Principal Amount is not paid within 30 days from 31 December 2017 or is not paid within 60 days from demand;
- 4) any interest (legal, beneficial or otherwise) in the Land is sold, disposed, pledged or transferred to any party without the prior written approval from the Lender;
- 5) any interest (legal, beneficial or otherwise) of the Land is subject to any government action including but not limited to compulsory land acquisition;
- 6) the issue of additional Shares or capital to any party without the prior written approval of the Lender;
- 7) a resolution is passed or an order of a court of competent jurisdiction is made that the Borrower be wound up or dissolved otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation or which is approved by the shareholders of the Borrower, and upon which the continuing corporation effectively assumes the entire obligations of the Borrower, as the case may be, under this Agreement;
- 8) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Borrower;
- 9) (a) the Borrower without any lawful cause stops payment (within the meaning of any applicable bankruptcy law), is insolvent or is unable to pay its debts as and when they fall due or (b) the Borrower ceases or through an official action of the board of directors of the Borrower, as the case may be, threatens to cease to carry on business;
- 10) proceedings shall have been initiated against the Borrower under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of 30 days;

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- 11) the Borrower shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors;
- 12) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Borrower, which is material in its effect upon the operations of either the Borrower, as the case may be, and is not discharged within 30 days thereof;
- 13) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Borrower and is not discharged within 30 days;
- 14) the Borrower does not perform or comply with one or more of its other obligations under this Agreement which default is incapable of remedy or is capable of remedy and is not remedied within 21 days after prior written notice of such default shall have been given to the Borrower by the Lender;
- 15) it is or will become unlawful for the Borrower to perform or comply with any one or more of its obligations under this Agreement or any consent or approval required to make the Borrower's obligations under the this Agreement legally binding and enforceable is not obtained;
- 16) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Borrower which is material to the Borrower as a whole; or
- 17) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in the Events of Default as stated above.

6.2 Principal Terms of the Land Collateral Agreement

(a) Collateral

In relation to the RCL, the Borrower as the legal and beneficial owner of the Land, shall grant the Lender a power of sale and/or transfer over the Collateral Land to sell, transfer and/or dispose of the Collateral Land to any third party purchaser as a collateral to secure all obligations of the Borrower under the RCL including all payment obligations.

(b) Proceeds from the Sale

Following the sale, transfer and/or disposal of the Collateral Land, all moneys recovered shall be applied in the following manner: (i) to repay the Principal Amount and interest; (ii) to pay for any fees incurred in the sale, transfer and/or disposal of the Collateral Land, including but not limited to, marketing and agent's fees, legal fees, stamp duties (if applicable), professional fees and any administrative charges, levies, disbursements and governmental penalties incurred ("**Fees and Charges**"); and (iii) any sums remaining after the repayment of the Principal Amount, interest, Fees and Charges shall be returned to the Borrower or its appointed nominees.

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7. 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 RCL, 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 relationship) with the Borrower.

8. Documents Available for Inspection

A copy of the following documents are 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:

- a. RCL;
- b. Land Collateral Agreement;
- c. Collateral Land Title Deed;
- d. Colliers International Valuation Report; and
- e. Legal opinion by A. Setiadi Attorneys-At-Law on the legal due diligence conducted.

9. 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 RCL and accompanying Land Collateral Agreement, 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.

10. Cautionary Statement

The Shareholders of the Company and potential investors should exercise caution in dealing with the securities of the Company, and where in doubt as to the action they should take, they should consult their stock brokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong
Company Secretary
22 May 2015

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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. 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.

Tel: 6389 3000 Email: bernard.lui@stamfordlaw.com.sg