
TRANSACTION UNDER CHAPTER 10 OF LISTING MANUAL SECTION B: RULES OF CATALIST ("CATALIST RULES") OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") – DISPOSAL OF PERTH PROPERTY

1. INTRODUCTION

- 1.1 The Board of Directors of Magnus Energy Group Ltd (the "**Company**") and, together with its subsidiaries, the "**Group**") refers to its announcements dated 6 November 2019 and 31 December 2019 in relation to the proposed disposal by Mid-Continent Equipment (Australia) Pty Ltd ("**MEA**" or the "**Seller**") of all of its interests in the property at 130 Mills Street, Perth, Australia (the "**Property**" and the "**Proposed Disposal**"), and the payment of a deposit by a potential purchaser for the acquisition of the Property. The deposit had been paid by the potential purchaser pursuant to a "contract for sale of land or strata title by offer and acceptance (commercial)" entered into on 10 December 2019 (the "**Contract Date**") (the "**Option**").
- 1.2 The Seller, MEA, is a wholly owned subsidiary of Mid-Continent Equipment Group Pte Ltd ("**Midcon**"), a 55.89% subsidiary of the Group.
- 1.3 The Company wishes to announce that further to the satisfaction of the Finance Approval condition (as defined in paragraph 3.2 below), settlement of the Proposed Disposal has occurred on 3 March 2020, for a cash consideration of AUD 1,020,000 (approximately equivalent to S\$931,260) (the "**Sale Price**") to be paid by the Purchaser.
- 1.4 Unless otherwise stated, all currency translations of Singapore dollar ("**S\$**") and Australian dollars ("**AUD**") used in this announcement are based on an exchange rate of AUD1.00:S\$0.913 based on the foreign currency exchange rate of March 2020.

2. BACKGROUND TO THE PROPOSED DISPOSAL

2.1 Information on the Purchaser

The Purchaser is Murchison Relines Pty Ltd (Company Registration Number 154 343 478).

The Purchaser is an independent third party and is not related to the Company, the Group, its directors, management or substantial shareholders.

2.2 Information on The Property

The Property is on freehold land, covering an area of approximately 2,521 square metres with its registered address at 130 Mills Street, Welshpool, Western Australia, Australia. The Property was purchased by Midcon in 1993 for its use as office and warehouse for operations in Australia.

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2.3 Valuation of The Property in relation to the Proposed Disposal

The Company had not carried out a formal valuation of the Property when the Option was entered into. Subsequently, a formal valuation was carried out by desk research by an independent valuer registered with the Royal Institution of Chartered Surveyors before the deadline of 14 February 2020, being the earliest date that the Purchaser could have elected for settlement of the Proposed Disposal.

Based on the valuation report dated 10 February 2020 (the “**Valuation Report**”), the market value of the Property is AUD1,100,000.

2.4 Rationale for the Proposed Disposal

The Board is of the view that the Proposed Disposal will be in the best interests of the Group for the following reasons:

- a) The sale of the property was initiated by the Company in mid-2019 following the closure of the MEA’s business in Australia. The remaining assets –in Perth, Queensland and Singapore – were put up for sale. The Property was in the market for a year and half before the current Option was secured. To-date, the Queensland property has failed to attract any interest. The office cum warehouse in Singapore was placed with an agent and also failed to attract any interest. Arrangements are being made with another industrial property agent to market this property.

With the sale of Midcon’s Southeast Asia business as announced on 10 August 2018, the assets once held by MidCon are no longer needed. Meanwhile, the Company incurs maintenance expenses including insurance for these non-productive assets. At the same time, the former Board and Management left little cash flow for the current Board to manage day-to-day operations. The successful sale of the properties would provide timely funding for the Company to perform its business and operations more effectively.

- b) The offer for the Perth property at AUD1,020,000 is close to the valuation by the Company’s independent valuer at AUD1,100,000. The Board considers the Sale Price is reasonable and fair value for the Property, and the Proposed Disposal is not prejudicial to the Company and its Shareholders.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Sale Price

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The Sale Price for the Property is AUD1,020,000 (equivalent to approximately S\$931,260) (excluding any taxes as applicable) to be satisfied fully in cash upon completion of the Proposed Disposal. The Sale Price was arrived at pursuant to arm’s length negotiations between Seller and the Purchaser on a willing buyer willing seller basis, after taking into account prevailing market conditions (including the availability of ready Purchasers), and the rationale for the Proposed Disposal as disclosed in paragraph 2.4 above.

The Sale Price is paid by the Purchaser to the Seller in the following manner:

- a) an initial deposit of AUD10,000 (equivalent to approximately S\$9,130) (the “**Deposit**”), equivalent to around 1% of the Sale Price, which had been paid by the Purchaser to Seller on 10 December 2019 upon the grant of the Option by Seller to the Purchaser.
- b) the balance of the Sale Price paid by the Purchaser to Seller on 3 March 2020.

3.2 Other salient terms of the Proposed Disposal

Pursuant to the Option, the other salient terms of the Proposed Disposal are, *inter alia*, as follows:

3.2.1 Purchaser’s Obligation to apply for finance and give notice to seller

- (a) The Purchaser must:
 - (i) Immediately after the Contract Date make a Finance Application to the Lender using, if required by the Lender, the Property as security; and
 - (ii) Use all best endeavors in good faith to obtain Finance Approval.
- (b) If the Purchaser does not comply with Clause 3.2.1(a) or Clause 3.2.1(c), then the Contract will not come to an end under Clause 3.2.2 and the Purchaser may not terminate the Contract under Clause 3.2.3. The rights of the Seller under this Clause 3.2.1 will not be affected if the Purchaser does not comply with 3.2.1.
- (c) The Purchaser must immediately give to the Seller or Seller Agent:
 - (i) An Approval Notice if the Purchaser obtains Finance Approval; or
 - (ii) A Non-approval Notice if the Finance Application is rejected;At any time while the Contract is in force and effect.

3.2.2 No Finance Approval by the Latest Time: Non-Approval Notice Given

This Contract will come to an end without further action by either Party if on or before the Latest Time:

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- (a) Written Finance Approval has not been obtained or the Finance Application has been rejected; and
- (b) The Purchaser gives a Non-Approval Notice to the Seller or Seller Agent.

3.2.3 No Finance Approval by the latest Time: No Notice Given

If by the Latest Time:

- (a) The Purchaser has not given an Approval Notice to the Seller or Seller Agent; and
 - (b) The Purchaser has not given a Non-Approval Notice to the Seller or Seller Agent;
- Then this Contract will be in full force and effect unless and until either the Seller gives written Notice of termination to the Purchaser or the Purchaser terminates this Contract by giving a Non-Approval Notice to the Seller or Seller Agent.

3.2.4 Financial Approval: Approval Notice Given

If by the Latest Time, or if Clause 3.2.5 applies, before the Contract is terminated:

- (a) Finance Approval has been obtained; and
 - (b) The Purchaser has given an Approval Notice to the Seller or Seller Agent;
- Then this clause is satisfied and this Contract is in full force and effect.

3.2.5 Notice Not Given by the Latest Time: Seller's Right to Terminate

If by the Latest Time the Purchaser has not given an Approval Notice or a Non-Approval Notice to the Seller or Seller Agent then at any time until an Approval Notice or a Non-Approval Notice is given, the Seller may terminate this contract by written Notice to the Purchaser.

3.2.6 Right to Terminate

If a Party has the right to terminate under this Clause 3.2, then:

- (a) Termination must be effected by written Notice to the other Party;
- (b) Clauses 23 and 24 of the 2018 general conditions do not apply to the right to terminate;
- (c) Upon termination to the Deposit and any other monies paid by the Purchaser must be repaid to the Purchaser;
- (d) Upon termination neither the Party will have any action or claim against the other for breach of this Contract, except for a breach of Clause 3.2.1 by the Purchaser.

3.2.7 Definitions

Approval Notice means a Notice in writing given by the Purchaser or the Lender to lend any monies payable under the Contract.

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Finance Application means an application made by or on behalf of the Buyer to the Lender to lend any monies payable under the Contract

Finance Approval means

- (a) a written approval by the Lender of the Financial Application or a written offer to lend or a written notification of an intention to offer to lend made by the Lender; and
 - (b) for the Amount of Loan; and
 - (c) which is unconditional or subjected to terms and conditions.
 - (1) which are the Lender's usual terms and conditions for finance of a nature similar to that applied for by the Purchaser; or
 - (2) which the Purchaser has accepted by written communication to the Lender, but a condition accepted for the purposes of this definition; or
 - (3) which, if the condition is other than referred to in paragraphs (1) and (2) above includes:
 - (i) an acceptable valuation of any property;
 - (ii) attaining a particular loan to value ratio;
 - (iii) the sale of another property; or
 - (iv) the obtaining of mortgage insurance;
- and has in fact been satisfied.

Latest Time means:

- (a) the time and date referred to in the Schedule: or
- (b) if no date is nominated in the Schedule, then 4pm on the day falling 15 Business Days after the Contract Date

Lender means

- (a) the lender nominated in the Schedule; or
- (b) if no Lender is nominated in the Schedule, any bank, building society, credit union or other institution which makes loans and in each case carries on business in Australia

Non-Approval Notice means a Notice in writing given by the Purchaser or the Lender to the Seller or Seller Agent to the effect that the Finance Application has been rejected or Finance Approval has not been obtained.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

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Based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 September 2019, the relative figures of the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalist rules are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset/liabilities value of the assets to be disposed of, compared with the Group's net asset/liability value.	2.98 ⁽¹⁾
(b)	The net profits/losses attributable to the assets acquired or disposed of, compared with the Group's net profits/losses.	0.47 ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	7.37 ^{(3),(4)}
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	N.A.

Notes:

- (1) Based on the net assets value of the Perth Property of S\$288,628 as of 30 September 2019 and net assets value of the Company of S\$9.675 million, as of 30 September 2019.
- (2) Based on the net losses attributable to the Perth Property of S\$2,295.18 for the three months period ended 30 September 2019 and net losses of the Group of S\$487,000 for the three months period ended 30 September 2019.
- (3) The market capitalisation of the Company of S\$12,632,507 is determined by multiplying 12,632,507,107 ordinary shares in issue by the volume weighted average price of the shares of approximately S\$0.001 per share on 16 August 2019, being the last traded full market day immediately preceding the Contract Date, due to the trading halt on 19 August 2019 and thereafter, suspension.
- (4) Based on the aggregate value of the consideration for the Property of AUD 1,020,000 (approximately S\$931,260)

Having regard to the above, as the relative figures computed on the bases as set out under Rule 1006 (a) to (c) in respect of the Proposal Disposal (a) involve negative figures; (b) exceed 5% but do not exceed 50%; and (c) involve the disposal of a loss-making asset by an issuer (whether profitable or loss-making), the Disposal falls under paragraph 4.4(e) of Practice Note 10A and constitutes a discloseable transaction within the meaning of Chapter 10 of the

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Catalist Rules. As such, no approval from shareholders of the Company will be required for the Proposal Disposal.

5. USE OF PROCEEDS

The Group expects to receive gross proceeds of AUD 1,020,000 (S\$931,260) from the Proposed Disposal (before estimated transactional expenses of approximately AUD25,259 (S\$23,061) to be incurred in connection with the Proposed Disposal). The proceeds from the Proposed Disposal shall be applied towards the general working capital of the Group.

6. FINANCIAL INFORMATION

6.1 Book value of the Property and excess of Sale Price over book value

The open market value of the Property was AUD1,100,000 based on the Valuation Report dated 10 February 2020 (as set out in Paragraph 2.3 above). The NAV value of the Property is approximately AUD309,354 (S\$288,628) as at 30 September 2020. After deducting estimated expenses of AUD25,259 (S\$23,061) in connection with the Proposed Disposal, the Group will record a net gain on the Proposed Disposal of approximately AUD685,387 (S\$625,758).

6.2 Financial effects of the Proposed Disposal

The *pro forma* financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Disposal. In accordance with Rule 1010(8) and 1010(9) of the Catalist Rules, the *pro forma* financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 (“FY2019”), and on the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible assets (“NTA”) per Share is computed based on the assumption that the Proposed Disposal was completed on 3 March 2020;
- (b) the financial effect on the consolidated loss per share (“LPS”) is computed based on assumption that the Proposed Disposal was completed on 3 March 2020; and
- (c) the expenses incurred in connection with the Proposed Disposal, including lodgment fees and commission to be paid to the property agent, are estimated to be approximately AUD25,259 (S\$23,061).

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(i) NTA per Share

The financial effect of the Proposed Disposal on the NTA per share as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	7,431	8,057
Number of shares ('000)	12,632,507	12,632,507
NTA per share (cents)	0.06	0.06

(ii) LPS

The financial effects of the Proposed Disposal on the LPS is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net loss attributable to shareholders of the Company (S\$'000)	(17,465)	(16,839)
Weighted average number of Shares (excluding treasury Shares) ('000)	12,632,507	12,632,507
LPS (cents)	(0.14)	(0.13)

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, save for their respective shareholdings in the Company (if any).

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Option and the Valuation Report is available for inspection during normal business hours at the Company's registered office for three (3) months from the date of this announcement.

9. UPDATES

The Company will provide further updates where necessary.

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Shareholders and potential investors should exercise caution when trading in the 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.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Charles Madhavan
Chief Executive Officer
5 March 2020

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 and gas equipment distribution, renewable energy and property and infrastructure development.

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 reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (the “**Sponsor**”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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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