

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

PROPOSED CONSOLIDATION OF EVERY FIFTY (50) EXISTING ISSUED ORDINARY SHARES INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY

1. Introduction

The Board of Directors (the “**Board**”) of Magnus Energy Group Ltd. (“the **Company**”) wishes to announce a proposed fifty (50) to one (1) share consolidation, details of which are set out below (the “**Proposed Share Consolidation**”).

2. Details of the Proposed Share Consolidation

The Proposed Share Consolidation involves the consolidation of every fifty (50) existing shares in the capital of the Company (“**Shares**”) held by shareholders of the Company (“**Shareholders**”) as at a books closure date to be determined by the Board (the “**Books Closure Date**”, and the existing Shares held as at the Books Closure Date, the “**Existing Shares**”) into one (1) Share (the “**Consolidated Share**”).

The number of Consolidated Shares which Shareholders will be entitled to, based on their holdings of Existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of Consolidated Shares arising from the Proposed Share Consolidation will be disregarded. Each Consolidated Share will rank *pari passu* with each other. Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The Consolidated Shares will be traded in board lots of 1,000 Consolidated Shares (subject to the change announced by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) where shares will be traded in board lots of 100 shares from 19 January 2015).

As at the date of this announcement, the Company has an issued and paid-up share capital of S\$122,327,408 divided into 2,285,947,282 Shares. Following the Proposed Share Consolidation, the Company will have an issued share capital of S\$122,327,408 divided into 45,718,946 Consolidated Shares.

The Proposed Share Consolidation will **not**:

- have an impact on the issued and paid-up share capital of the Company;
- diminish any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company;
- result in any return of capital to Shareholders;
- have an effect on the shareholders’ funds of the Company and its subsidiaries;
- require any payment from Shareholders; or
- dilute the holdings of Shareholders, other than minor changes due to rounding.

For illustration, the closing market price of the Shares as at 18 December 2014 was S\$0.005. Upon completion of the Proposed Share Consolidation, the theoretical share price of each Consolidated Share will be S\$0.25.

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3. Rationale for the Proposed Share Consolidation

The Company believes that the Proposed Share Consolidation will generally be beneficial to the Company and its Shareholders for the following reasons:

(a) Reduction of the Magnitude of Volatility of the Share Price

For the past six (6) calendar months prior to December 2014, the absolute price of the Shares had traded in a range of between S\$0.008 and S\$0.023. The highest and lowest closing market prices for each month and the transacted volume of the Shares traded on Catalist for each month, for the period from 1 June 2014 to 30 November 2014, are as follow:

Month/Year	Highest Price (S\$)	Lowest Price (S\$)	Volume of traded Shares
June 2014	0.023	0.013	149,827,000
July 2014	0.021	0.016	81,721,000
August 2014	0.018	0.014	83,791,000
September 2014	0.015	0.010	56,463,000
October 2014	0.012	0.008	36,746,000
November 2014	0.013	0.008	116,166,000

Source: Bloomberg Finance LP.

As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), low traded Share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of Shares. In addition, the low traded Share price may encourage speculation in the Shares, which may result in excessive Share price volatility.

The Company therefore believes that the Proposed Share Consolidation may serve to reduce the fluctuation in magnitude of the Company's market capitalisation, reduce the percentage transaction cost for trading in each board lot of Shares and reduce the bid/ask price spreads of Shares currently being observed between 6% to 13% to approximately 1%. Eventually, this will help to enhance trading liquidity of the Company's Shares.

(b) Increase in the Market Interest and Attractiveness of the Company and its Shares

The Proposed Share Consolidation will rationalise the share capital of the Company by reducing the number of Shares outstanding resulting in a corresponding increase in the calculation of theoretical trading price per Consolidated Share and net tangible assets per Consolidated Share. The Proposed Share Consolidation may also increase the profile of the Company amongst the institutional investors and the coverage of the Company amongst research houses and fund managers.

However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such desired results is sustainable in the longer term.

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4. Adjustment to Convertible Securities

As announced on 3 September 2014, the Company has agreed to issue up to S\$35,000,000 in principal amount of redeemable convertible notes (the “**Notes**”) to Premier Equity Fund. The terms of the Notes require certain adjustments be made to take into account the effects of the Proposed Share Consolidation. Details of these adjustments will be announced in due course following the Proposed Share Consolidation.

5. Approvals and Conditions

The Proposed Share Consolidation is subject to, inter alia, the following:

- (a) the approval of Shareholders by ordinary resolution at the extraordinary general meeting (“**EGM**”) to be convened; and
- (b) the approval of the SGX-ST for the Proposed Share Consolidation and the listing and quotation of the Consolidated Shares on Catalist.

An application will be made by the Company to obtain the SGX-ST’s approval for the dealing in, listing of and quotation for the Consolidated Shares. An appropriate announcement on the outcome of the application will be made in due course.

Subject to the receipt of the approval in-principle from the SGX-ST, a circular containing further information on the Proposed Share Consolidation will be despatched to Shareholders in due course.

6. Caution in trading

Shareholders are advised to exercise caution in trading their Existing Shares and should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

7. Responsibility Statement

The Board of the Company have taken all reasonable care to ensure that the facts contained in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

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BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong

Company Secretary

19 December 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.

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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