MAGNUS ENERGY GROUP LTD.
(Incorporated in Singapore)
(Registration No. 198301375M)

MICROALGAE OIL CULTIVATION FACILITY IN MALAYSIA

1. Introduction

The Board of Directors (the "**Board**" or each, a "**Director**") of Magnus Energy Group Ltd. ("the **Company**", together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary MEG Management Sdn Bhd (the "**Owner**" or "**Employer**") (collectively, the "**Group**") has entered into an engineering, procurement and construction contract (the "**EPC Contract**") and an operation and maintenance agreement ("**O&M Agreement**") with Algae Farm Engineering Sdn Bhd (the "**Contractor**" or "**AFE**") (collectively, the "**Parties**" and each, a "**Party**") on 22 June 2016 to build and manage a mircoalgae oil cultivation facility (the "**Plant**") in Selangor, Malaysia (the "**Project**"), subject to the terms and conditions set out in the EPC Contract and O&M Agreement. The Owner, in conjunction with the EPC Contract and O&M Agreement, has separately entered into a Patent License Agreement ("**PLA**") on 22 June 2016 with Mr Kim Jae Hoon ("**Mr Kim**"), the founder and director of AFE, for the use of patents on both the cultivation of microalgae and the harvesting machine in the Plant.

2. Information on the Contractor & Mr Kim

The Contractor is a company incorporated in the Malaysia, and is principally engaged microalgae oil cultivation and processing. The Contractor has obtained the legal rights for the use of the patents as stated below from Mr Kim, who is also the majority shareholder of the Contractor. The Contractor has successfully grown microalgae in the conditions set up in Malaysia and has successfully processed the microalgae into bio-oil and proven that the said oil runs on a generator. AFE currently has 4 employees.

Mr Kim, a Korean national, is an entrepreneur who has founded several companies, including AFE. He graduated from George Mason University majoring in Chemistry. He has more than 20 years of experience in renewable energy research and development, infrastructure construction, production, processing and trading.

The Contractor shall act as the project manager and engineering consultant during the construction phase and shall act as the facility manager for the cultivation and production of microalgae oil.

The Contractor also owns a bio-oil processing plant, with a capacity of 200 metric ton ("**MT**") of bio-oil per day, which will provide services to the Owner for oil extraction and processing services (the "**AFE Processing Plant**"). The Contractor further undertakes to secure offtake agreements with buyers, who shall enter into such offtake agreements directly with the Owner.

The Contractor has performed substantial research and development on the process and technology of microalgae oil cultivation and has obtained the following rights to the patents below:

a. Cultivation Patent

   Patent for microalgae cultivation tank utilizing aeration to deliver carbon dioxide and circulation of microalgae Registration no. 10-2014-0005028 and published on 14 January 2014 at the Korean Intellectual Property Office ("**KIPO**").

   The same patent was filed on 22 September 2014 in Malaysia with the Intellectual Property Corporation of Malaysia under number PI 2014002704 and is currently awaiting the grant of the patent.

b. Harvesting Machine Patent

   Patent for harvesting machine Registration no. 10-1294655 and published on 9 August 2013 at KIPO.

The abovementioned patents are enforceable for 20 years from the date of patent registration.

The Contractor and Mr Kim are not related to any of the Directors or controlling shareholders of the Company.

3. THE PROJECT

The Employer shall build a Plant consisting of 1,500 cultivation tanks with an automated harvesting process at the costs stated below ("**Budgeted Cost**" or "**Contract Price**"). The Budgeted Cost does not cover Facility Management Fees (as defined below) as contemplated under the O&M Agreement. This Plant shall sit on a site of approximately 1.4 hectares in Selangor, Malaysia, and is expected to have the capacity to cultivate and harvest 30 MT of microalgae (dry basis) per day which shall be processed into 15 MT of bio-oil per day and 15 MT of biomass per day (the "**Products**"). The annual bio-oil production available for sale is expected to be approximately 5,000 MT per annum.

The Plant is expected to start operations latest by December 2016. MEG will be directly in touch with the customers, essentially from Korea and Germany, and shall endeavour to enter into each sale contract with the customers directly. MEG will have its operation staff on site to record the daily productions and deliveries. MEG expects the investment to generate stable returns from commencement of the Plant.

MEG shall bear 100% of the profit and loss of the cultivation plant and will be expecting to generate a profit of approximately US$3 million annually from this Project, which is sufficient for to cover the payments to the Contractor (including interest payments) should the Owner utilise Contractor Financing (as defined below).

The royalties and terms of payment shall be as follows:

1. 30% upon signing of the Agreement or approximately US$3.8 million;
2. Remaining amounts shall be paid accordingly to the schedule of payment (*see **Annex I** below*) in the EPC Contract ("**Remaining Amounts**"); and
3. a royalty fee of 5% on all revenue from the mircoalgae bio-oil and biomass sales shall be paid to the Contractor for as long as the Contractor is engaged under the O&M Agreement.

The Budgeted Cost shall be as follows:

Budgeted Items	**US$**	**30%**	**Balance**
Fixed Assets	6,940,000	2,082,000	4,858,000
Civil & Plumbing	1,260,000	378,000	882,000
Professional Fees	1,500,000	450,000	1,050,000
Initial Working Capital	3,050,000	915,000	2,135,000
	12,750,000	**3,825,000**	**8,925,000**

The Employer may also utilise the option of having the contractor finance the Remaining Amounts ("**Contractor Financing**") and the profits derived from the sale of the Products being able to be used to repay the Contractor for the amount financed. Further details on Contractor Financing, including the interest rate that is payable by the Owner, can be found on paragraph 5(G) of this announcement.

The Owner expects the first production to start by December 2016.

4. RATIONALE & PROJECT FUNDING

As part of the Group's effort to diversify into renewable energy, the Project presents an excellent opportunity for the Group to cultivate its very own source of oil which is highly in demand by the renewable source power producers, pharmaceutical industry and food industry. The by-product from the algae oil processing shall be sold to animal feed industry which shall add to the income of the Project.

There are many uses for microalgae oil or bio-oil, such as in food supplements, pharmaceuticals, as a stabilizing agent, as fertilizer, as animal feed, for waste water treatment and as a fuel source. Our production is targeted at the renewable source power generation industry whereby renewable source power producers generate electricity for the local power grid.

Algae oil is a substitute for similar renewable biofuels, such as soybean oil. Currently, the demand for bio-oil far outweighs the supply of bio-oil. Our algae oil is priced at a discount to similar substitutable bio-oils such as soybean oil, thus making it more attractive for renewable source power producers and potential customers. As such, The Owner, the Contractor and Mr Kim are planning to progressively increase production capacity of the Plant by more than 10 times over the next five years.

The Company expects and has internally assessed that, *inter alia*:

a. the Project may yield an EBITA (Earnings before interest, taxes and amortization) of approximately US$3.8 million per annum (with a 10% variation);
b. the Project would break even in three to four years; and
c. AFE has the financial capability to provide Contractor Financing, if required.

The Directors are of the opinion that, after taking into consideration the present financing facilities from the Notes Issues, the availability of Contractor Financing, receivables from existing investments and the working capital available to the Group is sufficient to meet its obligations under the Project.

The entry into the Project is expected to have a positive effect on the net tangible assets per share and earnings per share of the Group for the financial year ending 30 June 2017.

5. EPC CONTRACT

The salient terms and conditions of the EPC Contract, *inter alia*, are as follows;

(A) The Budgeted Cost shall be payable as follows: (i) 30% of the Budgeted Cost amounting to approximately US$3.8 million shall be payable upon the signing of the EPC Contract; and (ii) the remainder in accordance to the schedule of payment (*see **Annex I** below*) as set out in the EPC Contract.

(B) The commencement date of the Project shall be on the date one (1) month from the date of the EPC Contract.

(C) The EPC Contract shall be governed by the laws of Singapore.

(D) In the event that the scope of work contemplated under the EPC Contract (the "**EPC Works**") are delayed, the aggregate liability of the Contractor for liquidated damages shall not exceed an amount equal to 10% of the Budgeted Cost and the Employer may grant the Contractor an extension of up to 100 days to complete the relevant portion of the EPC Works.

(E) Complete failure to complete the EPC Works after an extension granted by the Employer shall entitle the Employer to liquidated damages equivalent to the Budgeted Cost. The EPC Works consists of the design, engineering, procurement, construction, commissioning, testing and delivery of the Plant, including any temporary work and/or any variation in relation to it.

(F) Completion shall be deemed to have occurred when: (i) all EPC Works have been commissioned and certified by the report of an independent inspector who has conducted a performance test during which the Plant has met the minimum required capacity measured over a continuous period of seven (7) days.

(G) The Contractor, subject to the request and consent of the Employer, shall provide financing for up to 70% of the Contract Price ("**Loan Sum**") at the interest rate of 12% per annum, up to a maximum period of 18 months from the date of the drawdown of the Loan Sum ("**Loan Period**") and the Employer may elect to repay the Loan Sum, partially or in full, at the full discretion of the Employer and the entire Loan Sum must be fully repaid within the Loan Period.

(H) If the Contractor abandons the EPC Works, the Employer may give notice to the Contractor stating the default; and if the Contractor has not taken all practicable steps to remedy the default within 14 days after the Contractor's receipt of the Employer's notice in writing, the Employer may by a second notice in writing give a further 21 days, after which the Employer may terminate the EPC Contract.

(I) If the Employer terminates the EPC Contract, (i) the Employer shall be entitled to be paid any sums which the Employer is entitled; (ii) the Contractor shall, if so requested by the Employer, demobilise and withdraw from the site, remove such materials, equipment, tools and instruments used and any debris or waste materials generated by the Contractor in the performance of the EPC Works as the Employer may direct, and the Contractor shall promptly deliver or leave behind at the site (as the case may be) to the Employer all designs, drawings, and other documents related to the Project and the Contractor's equipment which the Employer instructs in the notice is to be used until completion of the EPC Works; and (iii) the Contractor shall be entitled to be paid (1) such sums to which the Contractor is entitled; and (2) for the EPC Works executed before termination. The Employer shall have the right to assert a claim for monetary damages up to the full Contract Price caused by the default of the Contractor, subject to the limitations set out in the EPC Contract.

(J) If the Employer fails to pay in accordance with the EPC Contract or if the Contractor is for any reason prevented or unable to, not due solely to the Contractor's own default, undertake, continue or otherwise complete the EPC Works, the Contractor may give notice stating the default; and if the default is not remedied within seven (7) days after the Employer's receipt of this notice in writing, the Contractor may suspend the execution of all or parts of the EPC Works; and if the default is not remedied within 28 days after the Employer's receipt of the Contractor's notice, the Contractor may by a second notice in writing give a further 21 days, after which the Employer may terminate the EPC Contract.

(K) If the Contractor terminates the EPC Contract, (i) the Contractor shall be entitled to be paid any sums which the Contractor is entitled; (ii) the Contractor shall demobilise and withdraw from the site and remove all assets, materials and Contractor's equipment and further be entitled to the costs of its suspension and demobilisation, including but not limited to any termination charges imposed by sub-contractors (if any); and (iii) the Contractor shall be entitled to be paid the full Contract Price, including such sums to which the Contractor is entitled.

6. O&M AGREEMENT

The salient terms and conditions of the O&M Agreement, *inter alia*, are as follows;

(A) The facility management fee for each year shall comprise and cover the costs of the full scope of work of the Contractor (the "**Facility Management Fee**"). The scope of work contemplated under the O&M Agreement (the "**O&M Works**") are:

- (i) the cultivation and harvest of algae and its transportation from the Plant to the AFE Processing Plant and, if necessary, to the nearest port;
- (ii) regular maintenance of the mechanical and electrical components of the Plant, including minor repairs;
- (iii) processing of algae produce into algae oil and cake at the AFE Processing Plant;
- (iv) day-to-day running of the operations and overall management of the Plant and the supply chain, including human resources, marketing, and procurement in relation to the Plant;
- (v) supply of the entire labour requirements of the Plant; and
- (vi) the general upkeep of the Plant.

(B) The Facility Management Fee for each contract year shall be payable on an annual basis. The Owner shall, within 10 days from its receipt of an invoice from the Contractor, pay the Contractor the Facility Management Fee.

(C) Late payments by the Owner to the Contractor of amounts due under any provision of the O&M Agreement will accrue interest at the rate of eight percent (8%) per annum from the due date thereof to the actual date of payment. Interest will accrue on disputed amounts resolved in the Contractor's favour at the rate of eight percent (8%) per annum per annum from the original due date of the amount invoiced to the date of actual payment.

(D) In the event a defect or damage arises within the Plant, which is caused directly by the actions or inactions of the Contractor, the Contractor shall be liable for the cost of rectifying such defect. However, for defects or damages where the repair or replacement costs may be recoverable from the Plant's insurance, the Owner shall cooperate with the Contractor to secure recovery of such repair or replacement costs and any such compensation received from insurance proceeds shall be applied towards reimbursing the Contractor for the repair or replacement costs.

(E) The Contractor shall secure offtake agreement(s) with parties on the following terms for the following products: (i) Algae oil - no less than 10% discount to spot prices under the Malaysia Palm Oil Board index, or such prices to be acceptable to the Owner; and (ii) Algae cake - on best efforts basis at prices acceptable to the Owner.

(F) A "**Contractor Event of Default**" shall include the event whereby the Contractor defaults in the performance of any of its material obligations under the O&M Agreement (as reasonably determined by the Owner), and such default is not remediable, or if remediable, continues to remain not remedied to the reasonable satisfaction of the Owner for a period of 30 days from the Contractor's receipt of written notice of such default from the Owner; *provided*, that where the Contractor shall have defaulted on some (but not all) of its obligations under the O&M Agreement, the Owner may (but shall not be obligated to) amend the scope of O&M Works by deleting the obligations of which the Contractor is guilty of default and reducing the Facility Management Fee accordingly.

(G) An "**Owner Event of Default**" shall include the event whereby the Owner defaults on any payments due to the Contractor under the O&M Agreement; or the Owner defaults in the performance of any of its material obligations under the O&M Agreement (as reasonably determined by the Contractor), other than the Owner's payment obligations, and such default is not remediable, or if remediable, continues to remain not remedied to the reasonable satisfaction of the Contractor for a period of 30 days from the Owner's receipt of written notice of such default from the Contractor.

(H) Upon the occurrence of a Contractor Event of Default or an Owner Event of Default, the other Party (the "**Affected Party**") may, at its option, give the other Party at least 30 days' notice thereof, during which time, the representatives from both Parties shall endeavour to resolve the matter. If the matter shall not have been resolved within such 30-day period, the Affected Party may, at its option, either terminate or suspend the O&M Agreement by giving the other Party written notice of termination or suspension, specifying the effective date (the Termination Date) provided that the date shall be no earlier than the date that notice has been given. The suspension or termination shall not affect any rights that may have accrued up prior to the Termination Date.

(I) Upon suspension or termination of the Agreement, the Owner may take such steps to ensure the continual operation of the Plant, including but not limited to, engaging another Contractor to perform any ad hoc work or services. Should the suspension or termination be a result of a Contractor Event of Default, any additional costs incurred as a result shall be charged to the Contractor. Further, the Contractor shall undertake to provide compensation to the Owner for the amount of 100% of the Contract Price as stipulated in the EPC Contract less the amount of Contractor Financing that is provided.

(J) The Contractor shall indemnity, defend, hold harmless and keep the Owner and its directors, officers, agents and employees fully and effectively indemnified on demand against any and all losses, claims, damages, costs charges, expenses, liabilities, demands, proceedings and actions which the Owner, its directors, officers, agents and employees may sustain or incur or which may be brought or established against it by any person and which in any case arise out of or in relation to or by reason of the fraud, gross negligence or wilful misconduct of the Contractor, its directors, officer, agents and employees, or from breach by the Contractor, its directors, officer, agents and employees of any of its duties or obligations under the O&M Agreement.

(K) The Owner shall indemnify, defend, hold harmless and keep each of the Contractor and its directors, officers, agents and employees fully and effectively indemnified on demand against any and all losses, claims, damages, costs, charges, expenses, liabilities, demands, proceedings and actions which the Contractor, its directors, officers, agents and employees may sustain or incur or which may be brought or established against it by any person and which in any case arise out of or in

relation to or by reason of the fraud, gross negligence or wilful misconduct of the Owner, its directors, officers, agents and employees, or from breach of the Owner, its directors, officers, agents and employees, of any of its duties or obligations under the O&M Agreement.

(L) Neither Party shall be liable to the other Party for indirect or consequential damages or losses; the Contractor shall not be liable for any damage to the Plant except as otherwise specifically provided in the O&M Agreement; and the Contractor's total liability to the Owner under or in connection with the O&M Agreement within any contract year shall not exceed the Facility Management Fee for such Contract Year; *provided* that nothing in this Section shall limit the Contractor's liability for fraud.

(M) The Contractor shall in no event be liable for any damages or losses suffered by the Plant except as otherwise specifically provided under the "Responsibilities and Obligations of the Contractor" section of the O&M Agreement*.*

7. PATENT LICENSE AGREEMENT

The salient terms and conditions of the PLA, *inter alia*, are as follows;

(A) The scope of the PLA shall include the Cultivation Patent and the Harvesting Machine Patent, and all other patents and patent applications relating to the Cultivation Patent and the Harvesting Machine Patent that are owned by Mr Kim.

(B) Mr Kim, the owner of the Licensed Patents, shall grant to the Employer a license to use the Licensed Patents (the "**License**").

(C) The License shall be a non-exclusive, non-transferable, personal and direct license to cultivate, use and sell microalgae and its derivatives (the "**Produce**") anywhere in Malaysia and to export the Produce from Malaysia to anywhere outside of Malaysia, subject to the provisions contained in the EPC Contract and the O&M Agreement. The PLA shall not grant any license rights to any other undertaking(s) controlled by the Employer and/or the Company.

(D) Apart from the terms contained in the O&M Agreement, there shall be no royalties or payments for the use of the Licensed Patents under the PLA.

(E) Mr Kim shall only guarantee the existence of the Licensed Patents, and in the event that during the term of the PLA, the existence of any Licensed Patent is threatened for any reason, Mr Kim may, in his discretion and at his expense, use reasonable commercial efforts to preserve such existence and will keep the Employer informed of such actions and procedures when required in writing by the Employer. The Employer will cooperate with Mr Kim, at Mr Kim's expense, by providing any information and assistance reasonably requested by Mr Kim and that are necessary to initiate and bring the above referred actions and procedures to a satisfactory conclusion. Except for the aforesaid, Mr Kim shall disclaim all warranties, express or implied, including any warranty of non-infringement, warranty of merchantability and fitness for a particular purpose, arising out of the PLA, and the rights provided thereunder.

(F) The PLA and the rights granted to the Employer thereunder shall expire on the date on which the Licensed Patents expire, unless the PLA is terminated earlier pursuant to the terms thereunder. For the avoidance of doubt, the PLA and the rights granted thereunder to the Employer shall survive as long as the Plant (as referred to in the O&M Agreement) shall remain in operation.

(G) Apart from the provisions contained in clause 14 ("*Force Majeure*") and clause 15 ("*Events of Default*") of the O&M Agreement, and clause 12 ("*Default*") and clause 13.2 ("*Force Majeure*") of the EPC Contract, and subject to the provisions of the PLA, Mr Kim shall NOT terminate the PLA and revoke the rights of the Employer to use the Licensed Patents in any circumstance.

(H) The Employer shall not be allowed to sublicense or subcontract, in whole or in part, the rights granted to it under the PLA, except as expressly agreed upon under the PLA.

(I) The Employer shall not have the right to assign the PLA or any of the Employer's rights and obligations under the PLA to any person, firm or corporation, including in the case of acquisition, merger, and consolidation of the Employer with or transfer of assets to another corporation, without the prior written consent of Mr Kim (where relevant).

(J) The PLA shall be binding upon and inure to the benefit of any assignee of Mr Kim to which the PLA relates, and Mr Kim shall have the right to assign the PLA to any corporation of which Mr Kim has majority ownership or control (whether directly or indirectly).

(K) Neither party to the PLA shall be liable under the PLA for any indirect, special or consequential damages including, but not limited to, lost profits or demands against the other party by any person, or other commercial loss. Mr Kim shall have no obligation to maintain or enforce any of the Licensed Patents, and shall have the sole discretion to start, continue or abandon the maintenance or prosecution of his or their own patent rights.

(L) The PLA shall be governed by the laws of the Republic of Singapore, and any dispute, controversy or claim arising out of or relating to the PLA, or the breach, termination or invalidity thereof shall, unless settled amicably, be settled by arbitration in Singapore in accordance with the UNCITRAL Arbitration Rules for the time being in force.

8. RISK FACTORS

A. <u>Operational and Competitive Risks</u>

AFE has setup the AFE Processing Plant about 2km from the plot of land of the Plant. The AFE Processing Plant is capable of processing 200 MT of bio-oil per day. MEG is employing AFE to be the operations and maintenance contractor and shall deliver its production of microalgae to the AFE Processing Plant for processing. It must be recognised that both the Company and AFE shall benefit from the synergies between the Plant and the AFE Processing Plant. As such, AFE has a vested interest in the successful completion and operation of the Plant. However, MEG is dependent on the continued expertise of AFE for the continual operation of the Plant and the AFE Processing Plant for the processing of the Products. Should AFE's expertise no longer be available to the Project, or the AFE Processing Plant is closed down or moved away to a further location, the financial and operational prospects of the Project would be adversely affected.

B. <u>Risk of Competition</u>

The Company has not obtained or entered into any non-compete agreements with any directors of AFE, including Mr Kim. Although there are no legal impediments for the directors of AFE to enter into commercial activities that may be in competition with the Company, the EPC Contract has included undertakings by AFE to compensate the full Contract Price in the event of any breach by the Contractor to guard against this potential risk.

C. <u>Risk of Patent Expiry or Termination and/or the Termination and Expiry of the PLA</u>

The Cultivation Patent, as stated in item 2 (a) above, that has been granted shall be valid till about year 2033. There is no assurance that the patent can be renewed for an additional period. Upon the expiry of the patent, competitors may take advantage of the relevant technology and information to compete against us.

In addition, Mr Kim is the registered owner of the Licensed Patents. Should the PLA be terminated or expire, and it is not renewed due to reasons such as the expiration and non-renewal of the patent, there would be an adverse and serious impact on the operations and production of the Plant.

D. Risk of Commercial Viability

Producing biodiesel from microalgae is still a fairly new technology despite research on this alternative fuel for the past 30 years. Although the technology exists to harvest and convert algae into a usable source of biofuel, there is a lack of large scale implementation to support current energy needs. More funding and implementation will still be required to refine and improve the technology and commercial processes before such biofuels can be a viable and competitive alternative fuel source.

E. Risk of Over-reliance on Mr Kim and the AFE Team

The success and viability of the Project will be dependent on the experience and expertise of Mr Kim, the founder and leader of AFE, as well as his team. The loss or exit of Mr Kim and his team from AFE would adversely impact the construction and operations of the Plant and if the Company is unable to locate another suitable expert with relevant experience in microalgae oil cultivation, the construction of the Plant and subsequent operations will be delayed. There is no assurance that the Company would be able to engage another suitable expert to construct and operate the Plant.

The growth of microalgae is dependent on the formulation of nutrients that Mr Kim has and is a trade secret held by Mr Kim. In the event that Mr Kim leaves AFE or in the event that the O&M Agreement and the PLA are terminated, there is a risk that the growth of the microalgae and the resultant production target of the Plant may be adversely affected.

F. Risk of Loss of the Lease of the Land

The current lease of the land where the Plant will be situated is for a period of 3 years, with the option to extend for another 3 years, and the further option to renew for another 2 years. Should the lease be terminated or not renewed, the production will be required to be relocated. There is no assurance that the option to renew will be agreed between the Owner, AFE and the landlord. In addition, there is a risk that the rent for the land may be increased upon renewal and this would have an impact on the profitability of the Project.

G. Risk of Inadequacy or Weaknesses of Internal Controls & Reporting of Production

The Owner understands that there is a need to set out robust internal controls and a reporting regime for each stage of the EPC Contract and O&M Agreement. Control points shall be established for the harvesting of, delivery to and receipt of microalgae at the Plant, and all production records of bio-oil and biomass extracted from the microalgae shall be collated and tabulated. All relevant documentation relating to all deliveries and receipts of each sale shall be duly obtained. Duly signed daily reports shall be submitted to the finance department of the Owner for matching to each sale/invoice to minimize any revenue leakage and it is anticipated that there would be minimal or no cash transactions to guard against any pilferage or similar risks. The Owner and the Contractor are currently engaged in studying and putting in place these internal controls and reporting requirements of the Plant. There is no assurance that the internal controls and reporting requirements that are adopted would be adequate or would fully cover any operational and/or financial risks arising from the Project.

H. Other Business Risks

There is no assurance that the cultivation and sale of the Products will be successful and/or be commercially viable. Nor are there any assurances there would be sufficient that offtake agreements between AFE and its customers (if any at all) to ensure that the profitability of the Project. The Project is also subject to the usual production risks, payment risks and operational risks that all production business are subjected to. It is also exposed to foreign exchange risks depending on currency fluctuations as it is anticipated that sales would be denoted in US dollars and Euro while production costs would be in Malaysian Ringgit.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interests, direct or indirect, in the Project, 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 relationships) with the Contractor.

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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal business hours at the Company's registered address at 76 Playfair Road, #02-02 LHK 2 Building, Singapore 367996 for a period of three (3) months from the date of this announcement:

a. The EPC Contract;
b. The O&M Agreement; and
c. The Patent License Agreement.

11. 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 Project, 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.

12. 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 and other professional advisors.

BY ORDER OF THE BOARD
Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
22 June 2016

Annex I

Activity/Weeks	1	2	3	4	5	6	7	11	16	30	Total
	Payment Schedule by Work Weeks (in '000 US Dollars)										
Project Management	150	-	-	-	-	300	-	300	300	450	**1,500**
Culture Tanks	900	-	-	900	-	-	900	-	-	-	**2,700**
Plumbing works	-	-	330	-	330	-	-	-	-	-	**660**
Electrical Works	30	-	-	-	-	70	-	-	-	-	**100**
Harvesting Machine	400	600	-	600	-	2,400	-	-	-	-	**4,000**
Belt Press Machine	30	-	-	30	-	-	-	-	-	-	**60**
Civil Works	150	-	-	150	-	-	200	-	-	-	**500**
Generator Works	15	-	-	-	-	-	35	-	-	-	**50**
3-5 Tonne Truck	-	-	50	-	-	-	-	-	-	-	**50**
Facility office	-	-	35	-	-	-	-	-	-	-	**35**
Algae Seed	900	-	-	900	-	-	1,200	-	-	-	**3,000**
CO2 System	40	-	40	-	-	-	-	-	-	-	**80**
Tools/Parts	-	-	-	15	-	-	-	-	-	-	**15**
Total Project Costs	**2,615**	**600**	**455**	**2,595**	**330**	**2,770**	**2,335**	**300**	**300**	**450**	**12,750**

FA	1,385	600	90	1,530	-	2,400	935	-	-	-	**6,940**
Civil	180	-	330	150	330	70	200	-	-	-	**1,260**
Prof fees	150	-	-	-	-	300	-	300	300	450	**1,500**
Initial WC	900	-	35	915	-	-	1,200	-	-	-	**3,050**
Reclassified Project Costs	**2,615**	**600**	**455**	**2,595**	**330**	**2,770**	**2,335**	**300**	**300**	**450**	**12,750**

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(Registration No. 198301375M)

MICROALGAE OIL CULTIVATION FACILITY IN MALAYSIA

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, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

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.

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*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.

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