

MAGNUS ENERGY GROUP LTD.

(Company Registration No. 198301375M)

(Incorporated in Singapore)

PROPOSED ISSUE OF NEW SHARES IN SETTLEMENT OF PROFESSIONAL FEES

*Capitalised terms used herein shall have the definitions ascribed to them in the Company's announcements dated 1st July 2016 and 23 February 2017 (the "**Previous Announcements**"), unless otherwise stated or the context otherwise requires.*

1. Introduction

The Board of Directors ("**Board**") of Magnus Energy Group Ltd. (the "**Company**") wishes to announce that the Company has entered into a Deed of Settlement on 12 September 2017 with RUNG Capital International Limited ("**RUNG**") (the "**Deed of Settlement**") where the Company shall settle outstanding fees amounting to S\$105,776.10 (AUD\$99,000 at the exchange rate of SGD1.00 to AUD0.935939 as at July 2017) owed by the Company to RUNG by way of an issue and allotment of 105,776,100 new shares ("**New Shares**") at an issue price of S\$0.001 for each New Share (the "**Proposed Issue**").

2. Background

The outstanding fees represents the sum advanced by RUNG to the Company's subsidiary, APAC Coal Limited ("**APAC**") for the payment of professional fees and disbursements incurred by APAC (the "**Professional Fees**"), in relation to the proposed acquisition of Goyes Agri-Food Investment Limited ("**Goyes Acquisition**").

RUNG had acted as consultant to APAC for the Goyes Acquisition and advanced the sum of AUD\$99,000 for the payment of the Professional Fees. The Professional Fees were to be paid to RUNG in APAC shares upon the successful completion of the Goyes Acquisition. There is no interest component to the sum advanced by RUNG to APAC. Thus, apart from the sum of S\$105,776.10 owed, there are no other fees or interest payable to RUNG.

On 23 February 2017, APAC announced that it would not be proceeding with the Goyes Acquisition. As the Company has provided an undertaking to assume APAC's obligations, the repayment of the sum advanced by RUNG to APAC for the payment of Professional Fees is to be borne by the Company.

Further details on the termination of the Goyes Acquisition can be found in the copy of the announcement released by the Company on 23 February 2017, which is attached as Appendix I.

3. Information on RUNG

RUNG Capital International Limited is a private company incorporated in the British Virgin Islands and is active in corporate consultancy, structuring and providing fund raising consultancy to numerous ASX-listed companies. Mr Chan Sing En ("**Mr Chan**") is the sole director and the legal and beneficial owner of the entire issued and paid-up share capital of RUNG.

Neither RUNG or Mr Chan has any connection with the Company, its directors or its substantial shareholders.

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The Company confirms that neither RUNG nor Mr Chan falls under Rule 812 of the Catalist Rules and neither RUNG nor Mr Chan is a substantial shareholder, related company, associated company, or sister company of the Company's substantial shareholder, or a corporation in whose shares the Company's directors and substantial shareholders have an aggregate interest of at least 10%.

RUNG has also undertaken that it will not transfer the New Shares to any person or entity falling under Rule 812 of the Catalist Rules.

4. Rationale for the Proposed Issue

As disclosed in the announcement released by the Company on 17 July 2017, the Company has entered into an engineering, procurement and construction contract and an operation and maintenance agreement with Algae Farm Engineering Sdn Bhd to build and manage a microalgae oil cultivation facility in Selangor, Malaysia (the "**Project**") and is seeking to raise funds via the existing Notes issue program and through other means to complete the construction of the Project.

The Board is of the opinion that after taking into consideration the present bank facilities and cash reserves, the working capital available to the Company is sufficient to meet its present requirements. Notwithstanding the aforementioned, the Board considers the repayment of the Professional Fees in the form of equity to be advantageous to the Group as this would enable the Company's cash resources to be applied towards the Project. The Proposed Issue to RUNG would satisfy the Company's payment obligations, while conserving the cash resources of the group and avoiding the dilution of the control of APAC.

5. Proposed Issue under the 2016 Share Mandate

The Board proposes to capitalise the Professional Fees by the issue and allotment of the New Shares in the issued and paid-up share capital of the Company pursuant to the general share issue mandate approved by the shareholders at the Annual General Meeting of the Company on 31 October 2016 (the "**2016 Share Issue Mandate**").

As at the date of this announcement, the Company has not utilised the 2016 Share Issue Mandate.

Pursuant to the 2016 Share Issue Mandate, the Directors may allot and issue up to 2,787,155,573 new shares in the capital of the Company. (i.e. 50% of 5,574,311,146 shares, being the total number of issued shares (excluding treasury shares) as at 31 October 2016). The Proposed Issue of the New Shares is well within the limits of the 2016 Share Issue Mandate.

For the avoidance of doubt, the issued share capital of the Company (in terms of the number of shares) as at the date of the Announcement is 8,661,175,454 as it includes 3,773,809,515 conversion shares and 975,753,200 share awards which were issued after the Date of AGM 2016.

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6. Material Terms of the Deed of Settlement

The material terms of the Deed of Settlement are extracted as follows:-

- "A. APAC Coal Limited ("APAC") Coal, a subsidiary of the Company, had entered into a share purchase agreement on 29 June 2016 to acquire 100% of the shares in Goyes Agri-Food Investment Limited on ("Goyes Acquisition").*
- B. In furtherance of the Goyes Acquisition, Rung Capital International Limited ("the Lender") advanced funds to APAC for the payment of professional fees for the Goyes Acquisition incurred by APAC to the aggregate sum of AUD\$99,000 (the "Professional Fees"). The Professional Fees were to be paid to the Lender in APAC Shares upon the successful completion of the Goyes Acquisition.*
- C. On 23 February 2017, APAC announced that it would not be proceeding with the Goyes Acquisition. As the Company has provided an undertaking to assume the obligations of APAC, repayment of the sum advanced by RUNG to APAC for the payment of Professional Fees is to be borne by the Company.*
- D. The Company and the Lender are desirous of settling all claims, issues and disputes in, arising from, or having any connection with the Professional Fees fully and finally on the terms and conditions set forth in this Deed.*

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- 2. In full and final settlement of all claims that the Lender has or may have against the Company arising from the Professional Fees, the Company agrees to issue and allot new shares, in the issued and paid-up capital of the Company ("New Shares"), to the equivalent of \$AUD99,000 (or S\$105,776.10 based on the exchange rate of SGD1.00 to AUD0.935939 as at July 2017 as agreed between the Parties) to the Lender.*
- 3. As soon as practicable, the Company shall submit an Additional Listing Application ("ALA") for the New Shares to the Company's Sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor").*
- 4. Subject to Sponsor's approval, and any other conditions set by the Sponsor and/or the Singapore Exchange Securities Trading Limited ("SGX-ST") under the SGX-ST rules that are applicable to the Company, the New Shares shall be issued and allotted to the Lender upon receipt of the listing and quotation notice ("LQN") from the SGX-ST. The New Shares shall be listed and quoted on the Catalist Board of the SGX-ST ("Catalist"). The issue price ("Issue Price") for each Share shall be the volume weighted average price of all Shares traded on Catalist on the date that the Deed of Settlement is signed.*
- 5. Upon receipt of the LQN and subject to compliance with applicable SGX-ST's listing requirements, the New Shares shall be listed on Catalist, in full and final satisfaction to the Lender of the Professional Fees.*
- 6. Subject to clause (5) above, each of the Parties hereby releases and forever discharges all other Parties in respect of all claims, issues and disputes in, arising from or having any connection with the Professional Fees.*
- 7. This Deed is made without any admission of liability by the Parties, whatsoever.*
- 8. The Parties hereby irrevocably and unconditionally agree to a full and final settlement of all claims, demands or matters against one another of whatsoever kind or nature, howsoever and whensoever arising in respect of and in relation to the Professional Fee, subject to the right of each Party to enforce the terms of this Deed and/or to enforce such rights as may have arisen in law or in equity arising from any breaches of this Deed.*

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20. *The Parties shall bear their own professional fees, disbursements and expenses incurred in relation to the preparation, negotiation, execution and performance of this Deed and any other related legal documents.*

21. *This Deed shall be governed by and construed in accordance with the laws of Singapore and the Parties agree to subject themselves to the exclusive jurisdiction of the Singapore courts."*

7. The New Shares under the Proposed Issue

The number of New Shares proposed to be issued at the Issue Price is 105,776,100. The Issue Price is the volume weighted average price ("**VWAP**") for all shares of the company traded on the Catalist Board ("**Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the date that the Deed of Settlement is signed.

The New Shares are not proposed to be issued at any discount to the VWAP. The New Shares will be allotted and issued to RUNG as follows:-

Loan Amount	Number of New Shares
S\$105,776.10	105,776,100

The allotment and issue of the New Shares will increase the issued and paid-up ordinary share capital of the Company as at the date of this announcement from 8,661,175,454 to 8,766,951,554.

The New Shares represents approximately 1.22% of the existing total number of shares of the Company in issue and approximately 1.21% of the enlarged share capital of the Company, and will be issued free from encumbrances and will rank pari passu with existing shares.

The Company will be making an application for the listing and quotation of the New Shares on the SGX-ST through the submission of an application to the Company's Sponsor, Stamford Corporate Services Pte. Ltd. ("**Sponsor**") shortly for the listing and quotation of the New Shares on Catalist and will update Shareholders of the outcome thereof in due course by announcements. The Proposed Issue is subject to the receipt of the listing and quotation notice from the SGX-ST, and any other conditions which may be set by the Sponsor and/or the SGX-ST that are applicable to the Company.

The issue of this Announcement has been approved by the Board of Directors (including those who may have been delegated detailed supervision of the preparation of this Announcement) who have taken all reasonable steps to ensure that the facts stated and the opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement. The Board of Directors jointly and severally accepts responsibility accordingly.

Where information contained in this Announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Board of Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

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PROPOSED ISSUE OF NEW SHARES IN SETTLEMENT OF PROFESSIONAL FEES**8. Financial Effects of the Proposed Issue**

For illustrative purposes only and based on the unaudited consolidated financial statements of the Company for the financial year ended 30 June 2017 ("**FY2017**"), the financial effects of the Proposed Issue on the Company is set out below. The financial effects of the Proposed Issue have been prepared based on the assumptions that:-

- (i) for the purpose of computing the effect of the Proposed Issue on the net tangible assets ("**NTA**") per Share, it is assumed that the Proposed Issue was completed on 30 June 2017; and
- (ii) for the purpose of computing the effect of the Proposed Issue on the Loss per Share ("**LPS**"), it is assumed that the Proposed Issue was completed on 1 July 2016.

	Before the Proposed Issue	After the Proposed Issue
NTA (S\$'000)	30,755	30,861
Number of shares	8,661,175,454	8,766,951,554
NTA per share (Singapore cents)	0.38	0.36
Net loss attributable to shareholders after tax from continuing operations (S\$'000)	7,708	7,708
Number of weighted average shares	7,626,164,096	7,731,940,196
LPS (Singapore cents)	(0.10)	(0.10)

The proforma analysis above has been prepared solely for illustrative purpose only and does not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company immediately after the completion of the Proposed Issue.

9. Interest of Directors and Substantial Shareholders

None of the Directors or substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Issue, other than in their capacity as a Director or shareholder of the Company.

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10. Documents Available for Inspection

A copy of the Deed of Settlement is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 76 Playfair Road, #02-02 LHK2 Building, Singapore 367996 for three (3) months from the date of this announcement.

11. Directors' 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 Proposed Issue, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this 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 this announcement in its proper form and context.

12. Trading Caution

Shareholders are advised to exercise caution in trading their Shares. The Proposed Issue will be subject to conditions and is no certainty or assurance as at the date of this announcement that the Proposed Issue will be completed or that no changes will be made to the terms thereof.

The Company will make the necessary announcements when there are further developments. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
12 September 2017

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.

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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 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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