MAGNUS ENERGY GROUP LTD.

2012 ANNUAL REPORT

Contents

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this annual report including the correctness of any of the figures used, statements or opinions made.

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The contact person for the Sponsor is Mr Liau H. K.
Telephone number: 6221 0271

Corporate Profile

Incorporated in 1983, Magnus Energy Group Ltd. ("Magnus" or the "Company") was established as a sub-contractor undertaking electrical installations, with a track record of 20 years as a provider of quality and reliable mechanical and electrical engineering ("M&E") services.

Following the challenging operating conditions & cyclical nature of the construction business, a strategic decision was made in year 2003 to shift its business focus. Since then, Magnus has taken significant strides in its transformation from an M&E Company to an energy-related company with businesses involving oil and gas equipment distribution in the Asia Pacific, and coal mining activities in Indonesia.

Magnus is positioning itself to be a leading regional producer of energy in addition to oil and gas equipment distribution in the Asia Pacific region. The Company continually and concurrently looks to diversify its energy business activities to broaden its earnings base and re-engineering itself to explore new opportunities globally.

The acquisition of Mid-Continent Equipment Group Pte Ltd. in 2004 marked Magnus' maiden venture into the oil and gas supply industry.

In July 2008, Magnus successfully listed its coal operations under APAC Coal Limited ("APAC"), on the Australian Stock Exchange. A subsidiary of Magnus, APAC is a coal exploration company and has 30 years concession rights to explore coal over 23,124ha of land in East Kalimantan, Indonesia.

Magnus aims to expand its existing capabilities and to remain primarily involved in energy-related projects and services.

Chairman's Statement

"... we are confident our strong networks in the markets we operate in will provide resilience during this period of weak demand and sentiment. "

Idris Bin Abdullah @ Das Murthy
Chairman

Dear Shareholders,

Business for Magnus Energy has been bracing over the past financial year. In our inter-connected globalised world, the economic volatility in the developed European and US economies and the continued weakness in Japan has now fully spread to Asia where we conduct the bulk of our operations. Ensuing demand has weakened, reducing the revenue achieved in our core oilfield equipment supply and services business. Meanwhile, our initiative into coal mining operations is continuing with progress made on the legal case to determine title of ownership of the shares of Indonesian coal mining company PT Batubara Selaras Sapta ("PT BSS"). In contrast, our iron ore mining project in Indonesia has arrived at a roadblock. The mining contractor initially contracted to develop the site has been suspended. Nonetheless, we have received partial repayments for the delay.

Financial Highlights

With these developments, Group revenue for Financial Year 2012 ("FY2012") decreased 12.7% to S$48.3 million, as compared with S$55.3 million in FY2011. Likewise, cost of sales decreased 14.1% to S$38.7 million in FY2012 from S$45.0 million in FY2011. Resulting Group gross profit moderated 6.5% from S$10.3 million in FY2011 to S$9.6 million in the year in review. However, gross profit margin increased from 18.6% to 20.0% due to a change in product mix to higher margin product sales used in upstream oil and gas production, as compared with the previous corresponding period's high value, low margin projects.

Other operating income for continuing operations witnessed a 70.2% decrease from S$5.3 million to S$1.6 million mainly due to the previous financial year's one-off divestment gain of S$2.4 million for the disposal of the crude oil production subsidiary in China, Songyuan Yongda Oilfields Exploration and Technology Co., Ltd. In Financial Year 2012, other operating income was mainly contributed by fair value gain on disposal of quoted equities amounting to S$0.4 million, services income generated from environmental projects amounting to S$0.5 million, other income of S$0.5 million including investment income of S$0.3 million and S$0.1 million of doubtful debts written back.

Other operating expenses increased by S$1.2 million, mainly contributed by unrealised foreign exchange loss of S$1.5 million. This was offset with a general decrease in other expense items. The unrealised exchange differences for the full year were mainly due to the strengthening of the US Dollar against the Australian and Singapore Dollars. Administrative expenses fell by S$1.1 million from S$10.8 million in FY2011 to S$9.7 million in FY2012 mostly due to reduced staff cost, rental expenses and other administrative expenses.

With lower revenue, unrealised foreign exchange loss and decrease in other operating income, the Group booked a net loss after tax from continuing operations of S$0.3 million for the year in review. This compares against a net profit of S$3.3 million for FY2011.

On a per share basis, fully diluted earnings for FY2012 amounted to a loss of 0.033 cents, compared with net profits of 0.074 cents per share in FY2011. Net asset value per ordinary share, fully diluted, as at financial year-end 30 June 2012, was 3.79 cents compared with 2.95 cents a year before.

Chairman's Statement

Operational Highlights

Oilfield Equipment Supply and Services

In FY2012, revenue from our business segment of Oilfield Equipment Supply and Services was S$48.3 million, a decrease from S$55.3 million in FY2011. This was brought about mainly by less demand for our tubular products, decrease in shipyard project demand, and stiff competition by Chinese suppliers in an already tepid market. The current softening demand for oil and gas is associated with the bleak outlook for Europe and the US. Nonetheless, we are confident our strong networks in the markets we operate in will provide resilience during this period of weak demand and sentiment.

Mining

In the area of coal mining, we have made progress on the legal dispute regarding the title of ownership of the shares of PT BSS. A new civil suit was filed in district court in April 2012 by our newly-appointed lawyers Purnomo Sumitro & Partners. The mediation process was convened on 4 September 2012. With no conclusion resulting from the mediation, the litigation process shall progress to a trial.

As for our foray into iron ore mining, our subsidiary APAC Coal had invested a total of about A$2.5 million and A$0.35 million in the form of a convertible loan and a short-term investment, respectively, with Hudson Minerals Holdings Pte Ltd ("Hudson"). This was to develop an iron ore mining concession in Aie Dingin, Padang, Indonesia. The short-term investment returns shall be A$0.22 million, thus totaling A$0.57 million.

On 21 February 2012, APAC received a notification from Hudson that there has been a delay in commencement works and that the mining contractor has been suspended. Despite this delay, we have recovered A$0.25 million of our investment in Hudson and we expect to receive the final repayment of A$0.32 million due on 30 September 2012, thus completing the entire collection of A$0.57 million. As at the date of this report, Hudson though reverted with cashflow difficulties, nevertheless, has committed to make payment within the coming weeks. In view of the delay in the commencement of production, the convertible loan remained not drawn down. We will keep shareholders updated on developments in our iron ore and coal mining projects.

On another note, the Board was recently informed of a misappropriation of inventory by a former employee of an associate company in 2007, placing the goods in a third party warehouse. If it was not returned in full, the effective financial impact to the Group would be about US$55,121, a small percentage of the Group's latest audited net tangible assets. The upshot was that the full amount was returned to the associate company on 23 May 2012. Nonetheless, we are concerned about this lapse in internal controls and have taken further actions to strengthen controls within the Group. No system of corporate governance can be fail-safe but we have a fiduciary duty to enhance the safety of our physical assets and maintain a high level of corporate governance.

In Conclusion

As we look ahead, we see a cloudy business horizon hampered by the persistent weakness in the developed economies of the US, Europe and Japan. With recent economic news pointing south, businesses are worried about a spreading recession. Nonetheless, the fundamentals in our industry are essentially sound. Long-term demand for energy, especially oil and gas, will grow with the continued expansion of large, emergent economies such as China, India, Indonesia, Brazil and Russia. In addition, oil prices remain relatively high, underpinned by geopolitical concerns and strong demand. As such, while current global economics do not augur well, the long-term prospects for our established business and services in oil and gas equipment distribution continue to be positive.

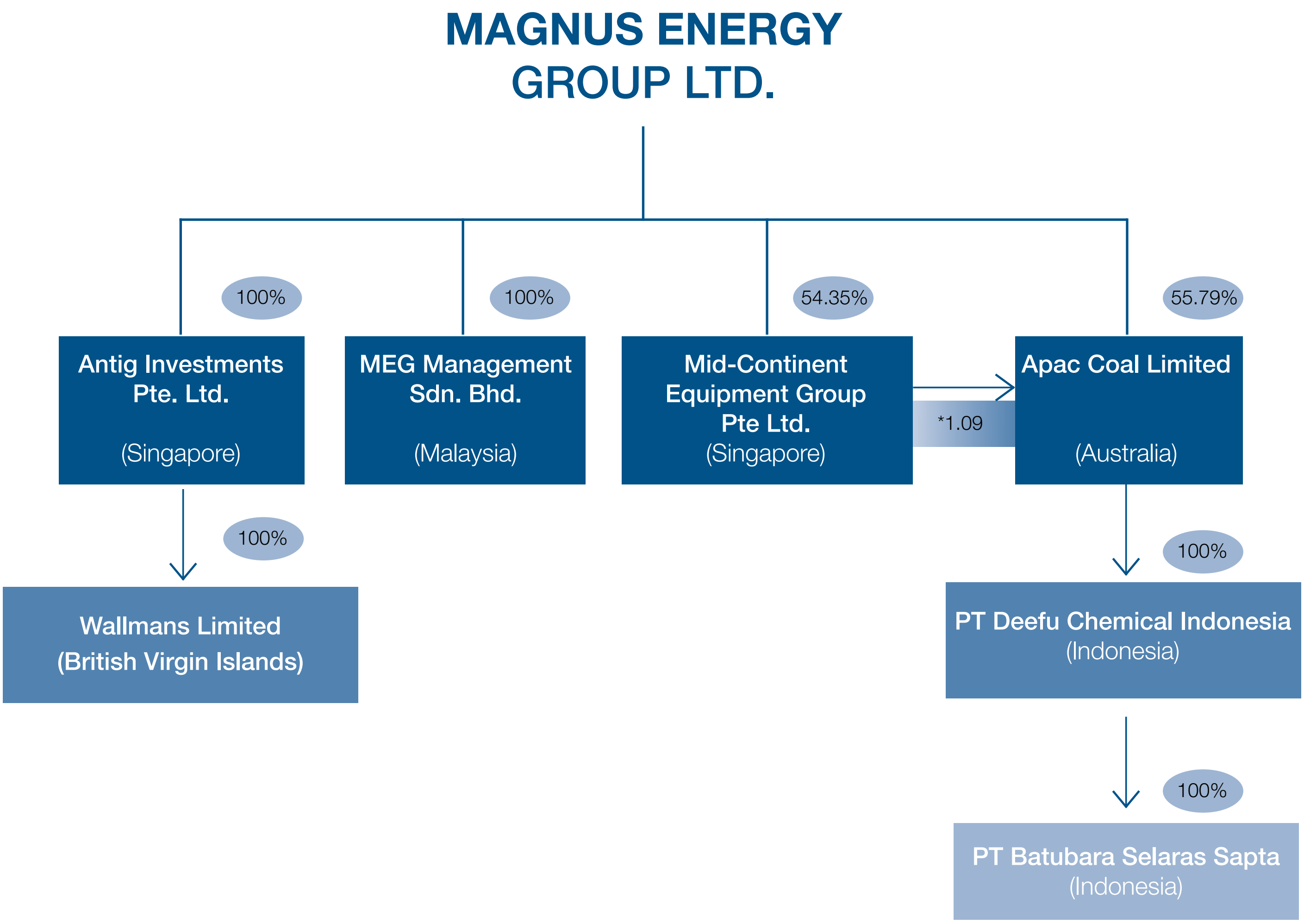
As a Group, we look to develop our market presence and distribution networks in the Asia Pacific. For our main oilfield equipment supply and services business, we will aim to diversify its business model, widen the product range and enhance its processing capabilities to remain profitable over the next 12 months. We are, as such, cautiously optimistic about our outlook for the next year. Beyond organic growth plans, we will also be open to strategic investments and acquisitions that will enable us to scale up our size, presence and expertise.

In conclusion, on behalf of the Board, I would like to express our gratitude to our Board of directors, management and staff for their contributions, as well as our partners and shareholders for your support. We look forward to the new year.

Financial Highlights

	2012	2011	2010
Turnover ($'000)	48,296	57,470	79,686
Net Asset Value per Share (Cents)	3.79	2.95	2.39
Profit/(Loss) before Taxation ($'000)			
- Continuing Operations	(345)	3,999	(863)
- Discontinued Operations	-	(122)	(441)
Total Profit/(Loss) after income tax attributable to Equity Holders of the Company ($'000)	(684)	1,510	(1,338)
Basic Earnings/(Losses) per Share (Cents)	(0.033)	0.074	(0.076)
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield Equipment Supply and Services	48,296	55,304	74,693
Crude Oil Production – Discontinued Operations	-	2,166	4,993

MAGNUS Group Structure



Details of subsidiaries and associates under Mid-Continent Equipment Group Pte Ltd. are disclosed under Notes 14, 15 and 16 of this annual report.

** % Shareholding held by Magnus*

Board of Directors

YBHG. Datuk Idris Bin Abdullah @ Das Murthy

Chairman and Independent Non-Executive Director

Date of first appointment: 23 May 2008
Date of last re-election as a director: 28 October 2010

YBhg. Datuk Idris is the Chairman and Independent Non-Executive Director of Magnus. He is also the Chairman of the Remuneration Committee and Nominating Committee and member of the Audit Committee.

Datuk Idris is a Senior Partner of Idris and Company Advocates, Kuching, Sarawak handling general legal practice comprising Banking practice (both drafting and litigation), land matters, general corporate work including due diligence, corporate restructuring and corporate insolvency litigation, Construction and Building work, Exchange Control work, Criminal litigation, Intellectual Property Litigation and general Civil litigation since 1989 and serves as Legal Advisor to a number of Sarawak companies.

He is the Chairman and Director of ASX-Listed Apac Coal Limited, a subsidiary of Magnus. He also holds several key positions in Malaysia and Singapore, namely as a Director of Bank Pembangunan (Malaysian Development Bank) Berhad, Chairman and Director of Pembangunan Leasing Corporation Sdn Bhd., Chairman and Director of PLC Credit & Factoring Sdn Bhd, Chairman and Director of BI Credit & Leasing Berhad, Chairman and Director of Bursa Malaysia listed company Xian Leng Holdings Berhad, Chairman and Director of Industrial Power Technology Pte Ltd, and Director of Konsortium Rangkaian Serantau (Regional Network Consortium) Sdn Bhd.

Datuk Idris is a Commission Member of the Companies Commission of Malaysia (SSM) and a Commission Member of the Malaysian Communications and Multimedia Commission (SKMM).

Datuk Idris graduated with First Class Bachelor of Laws (Honours) from Faculty of Law University of Malaya in 1981. He was admitted to the Roll of Advocates of the High Court of Malaysia in Sabah and Sarawak in year 1982. He was also admitted to the Roll of Advocates of Malaysia in Malaya in year 2007.

Mr Lim Kuan Yew

Managing Director

Date of first appointment: 17 March 2008
Date of last re-election as a director: 29 October 2008

Mr Lim is the Managing Director of Magnus. As Managing Director, he is responsible for strategic planning, establishing future direction and business development of the Group, and oversees the Group's overall management and operations.

Mr Lim brings with him extensive experience in areas of auditing, marketing of financial services and stockbroking and has previously held senior positions in general management and strategic planning in both private and public listed companies in Malaysia. He was also the founding member of a Company which provides management and corporate services to clients in the fields of corporate restructuring, mergers and acquisitions, operations review and strategic planning. He currently sits on the Board of several private companies in Malaysia and is the Executive Director of Xian Leng Holdings Berhad, a company listed on Bursa Malaysia. He is also a Board Member of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd., MEG Management Sdn. Bhd. and ASX-Listed APAC Coal Limited, all subsidiaries of Magnus. His appointments have spanned both the private and public sectors, covering consultancy, energy, food, manufacturing, and retail and wholesale.

Board of Directors

Mr Koh Teng Kiat
Executive Director and Chief Operating Officer

Date of first appointment: 17 February 2005
Date of last re-election as a director: 29 October 2008

Mr Koh has been an Executive Director of Magnus since February 2005. He has an oversight role on the operations of the Group's business activities. Mr Koh has been appointed as interim member of Audit Committee, Nominating Committee and Remuneration Committee on 26 September 2012.

Mr Koh is a skilled management and corporate financial expert with over 27 years of business exposure in the Asia Pacific region. He has extensive experience in company operational and financial system restructuring having worked in diverse fields ranging from manufacturing, construction industry, resource to petroleum sector. He has also worked in public companies and in multi-national businesses. Presently, he sits on the board of all subsidiaries of Magnus in Singapore and Overseas. He also holds directorships in two private companies in Singapore. He is also an independent non-executive director of Pollux Properties Ltd., a company listed on the SGX-ST.

Mr Koh holds a degree from The Chartered Institute of Management Accountants of the United Kingdom. He is a Fellow member of both The Chartered Institute of Management Accountants of the United Kingdom and Institute of Certified Public Accountants of Singapore.

Mr Goh Boon Kok
Independent Non-Executive Director

Date of first appointment: 01 June 2004
Date of last re-election as a director: 29 October 2009

Mr Goh has been an Independent Non-Executive Director of Magnus since June 2004. He is also the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee.

Mr Goh is a Certified Public Accountant and currently runs his own practice, Messrs Goh Boon Kok & Co. Prior to that, he has over 12 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. Mr Goh is also an independent non-executive director of several companies listed on the SGX-ST, namely, Super Coffeemix Manufacturing Limited, Blumont Group Ltd., and Pan Asian Holdings Limited.

Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore and is a member of The Chartered Institute of Management Accountants (UK) and Chartered Institute of Secretaries & Administrators (UK).

Key Management

Mr Luke Ho Khee Yong
Chief Financial Officer and Company Secretary

Mr Ho was appointed as the Chief Financial Officer of Magnus in June 2012. He is also the Company Secretary for Magnus and one of its subsidiaries.

He is responsible for the Group's finance, accounting and reporting functions, as well as other compliance requirements of the Group. His duties also include corporate secretarial matters for the Group. He has over 13 years of experience in finance and management in the Asia Pacific Region. He has held senior positions in several companies, including a company listed on SGX-ST Main Board. Prior to that, Mr Ho also served as Chief Financial Officer of Magnus from September 2009 to September 2011.

Mr Ho obtained his Diploma in Accountancy from Ngee Ann Polytechnic and holds a degree from The Chartered Institute of Management Accountants of the United Kingdom. He is an Associate Member of The Chartered Institute of Management Accountants of the United Kingdom and also a non-practicing member of Institute of Certified Public Accountants of Singapore.

Corporate Information

Board of Directors

Datuk Idris Bin Abdullah @ Das Murthy
(Chairman and Independent Non-Executive Director)

Mr Lim Kuan Yew
(Managing Director)

Mr Koh Teng Kiat
(Executive Director/Chief Operating Officer)

Mr Goh Boon Kok
(Independent Non-Executive Director)

Mr Chin Kok Sang
(Independent Non-Executive Director)
(Resigned on 26 September 2012)

Audit Committee

Goh Boon Kok	*(Chairman)*
Idris Bin Abdullah @ Das Murthy	*(Member)*
Koh Teng Kiat	*(Interim Member, appointed on 26 September 2012)*

Nominating Committee

Idris Bin Abdullah @ Das Murthy	*(Chairman, appointed on 26 September 2012)*
Goh Boon Kok	*(Member)*
Koh Teng Kiat	*(Interim Member, appointed on 26 September 2012)*

Remuneration Committee

Idris Bin Abdullah @ Das Murthy	*(Chairman)*
Goh Boon Kok	*(Member)*
Koh Teng Kiat	*(Interim Member, appointed on 26 September 2012)*

Auditors

Moore Stephens LLP
Public Accountants and
Certified Public Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge:
Mr Ng Chiou Gee, Willy
(Appointed since financial year ended 30 June 2012)

Company secretary

Luke Ho Khee Yong

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Fax: 65-6325 1851
Electronic mail address: info@magnusenergy.com.sg
Website: www.magnusenergy.com.sg

Registrar & Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01, Singapore Land Tower,
Singapore 048623
Tel: 65-6536 5355
Fax: 65-6536 1360

Principal Banker

United Overseas Bank Limited
80 Raffles Place
#12-00 UOB Plaza 1
Singapore 048624

Corporate Governance Report

The Board of Directors ("Board") of Magnus Energy Group Ltd. ("Magnus" or the "Company") is committed to maintain a high standard of corporate governance and transparency within the Company and its subsidiaries (the "Group") in accordance with the principles and guidelines set out in the Code of Corporate Governance 2005 ("Code"). The Board further notes the introduction of the revised Code of Corporate Governance 2012 ("2012 Code") and endeavour to meet the recommended principles and guidelines in this report. The Company is already in the process of employing all available resources to meet the recommended (revised) principles and guidelines in the 2012 Code. The Board recognises the importance of practicing good corporate governance as it establishes and maintains an ethical environment and enhances shareholders' value and financial performance of the Group.

This report describes the Company's corporate governance practices for the year ended 30 June 2012 with specific reference made to each principles of the 2012 Code.

Except as disclosed in the Annual Report, there has been no deviation from the principles and guidelines of the Code.

1. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Role of the Board of Directors ("Board")

The role of the Board is to oversee the business and corporate affairs of the Group and provide entrepreneurial leadership, set strategic direction and guidance on corporate governance for the Group. The Board's principal functions include, among others:

- approving the Group's policies, corporate strategic plans and objectives for the Group;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- nominations of Directors for appointment to the Board and appointment of key managerial personnel;
- overseeing the processes for evaluating the adequacy of internal controls, financial reporting and compliance;
- reviewing the Group's operations and financial performance and the performance of management;
- identifies key stakeholder groups and recognize the importance of their perception on the Company's standing and reputation; and
- considers sustainability issues, including environmental and social issues as part of the Group's strategic formulation.

The Group has adopted internal control systems that set out approval limits for capital expenditures, investments and divestments and cheque signatories arrangements. The Board obtains timely and adequate information during Board meetings in Board papers that identify and address key issues concerning the Group.

The Board at its best efforts and knowledge ensure that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and management. The Board communicates the requirements and demands during the meeting held throughout the year with the management.

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management. The directors take decision in interest of the Group objectively.

Corporate Governance Report

1. BOARD MATTERS (cont'd)

Board Processes

The Board has delegated specific responsibilities to three committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

Board Meetings Held

The Board meets at least quarterly to review, consider the Group's key activities, strategic, financial performance and to approve the release of the results of the Group. Fixed meetings are scheduled at the start of the financial year. Ad hoc meetings are called when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings. Clear directions are given to Management on matters that must be approved by the Board.

Matters which are specifically reserved for the Board's decision or approval include, among others:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- approving the Group's policies, strategies and business plans;
- approving annual budgets, major funding proposals, investment and divestment proposals;
- corporate financial restructuring plans and issuance of shares; and
- authorisation of acquisition/disposal and other material transactions.

The Articles of Association of the Company provide for the directors to participate in a Board meeting other than physical meetings, by teleconferencing or videoconferencing. The number of meetings held by the Board and Board Committees and attendance of each member of the Board for the financial year under review is tabulated below:

Director	**Board**		**Audit Committee**		**Remuneration Committee**		**Nominating Committee**	
	No. of Meetings							
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Idris Bin Abdullah @ Das Murthy	4	3	4	3	1	1	1	1
Lim Kuan Yew	4	4	4	4 *	1	1 *	1	1 *
Koh Teng Kiat	4	4	4	4 *	1	1 *	1	1 *
Goh Boon Kok	4	4	4	4	1	1	1	1
Chin Kok Sang(1)	4	4	4	4	1	1	1	1

(1) Mr Chin Kok Sang has resigned as a director of the Company on 26 September 2012 and ceased to be a member or Chairman of any Board Committees.

* Attended the various Committees meeting by invitation

Training of Directors

The Company provides to the directors The Directors' Code of Conduct, which embraces the values of honesty, integrity, personal excellence and accountability which should be the cornerstone of every director's conduct. This also sets out the duties and obligations of each director. Further, to assist the Board in discharging its duties, the Company conducts orientation for newly appointed directors to help them get familiarised with the business operations and regulatory issues of the Group. To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with the Management. Directors are kept abreast of any developments which are relevant to the Group and informed via electronic mail of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive appropriate training to improve themselves in the discharge of their duties as directors. Where the Company appoints first-time director, appropriate legal, financial and industry-specific training would be provided. The Company Secretary will organise and bring to directors' attention, information on seminars that may be of relevance to them. The Company also provides formal letter setting out duties and obligations upon the appointment of a new director.

Corporate Governance Report

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises five members, two executive directors, and three non-executive independent directors:

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	Audit Committee	Nominating Committee	Remuneration Committee
Idris Bin Abdullah @ Das Murthy (1)	Non-executive Chairman and Independent non-executive Director	23 May 2008	28 October 2010	Member	Chairman(1)	Chairman
Lim Kuan Yew	Managing Director	17 March 2008	NA	NA	NA	NA
Koh Teng Kiat(2)	Executive Director/ COO	17 February 2005	29 October 2008	Interim Member(2)	Interim Member(2)	Interim Member(2)
Goh Boon Kok	Independent non-executive Director	01 June 2004	29 October 2009	Chairman	Member	Member
Chin Kok Sang(3)	Independent non-executive Director	01 July 2008	31 October 2011	Member(3)	Chairman(3)	Member(3)

(1) Datuk Idris Bin Abdullah @ Das Murthy was appointed the Chairman of Nominating Committee on 26 September 2012.

(2) Mr Koh Teng Kiat was appointed as interim member of the Nominating, Remuneration and Audit Committees on 26 September 2012.

(3) Mr Chin Kok Sang has resigned as a director of the Company on 26 September 2012 and ceased to be a member or Chairman of any Board Committees.

The Board has reviewed its present size and composition appropriate for effective deliberations and decision making, taking into account the scope and nature of operations of the Company, the skills and knowledge of the Directors.

The academic, professional qualifications and experience of the Board can be found in the write-up on the Board of Directors at the start of this annual report.

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity, expertise and experience, in areas namely, accounting and finance, business and management, corporate governance and legal aspects.

The current Board, with non-executive independent directors making up more than one-third of the Board, has a strong and independent element to exercise objective judgment on corporate affairs. In line with 2012 Code, the Board has sought and obtained confirmations from each of the current non-executive independent Directors that, apart from their office as Directors of the Company, none of them has, inter alia, any other relationship (business or otherwise), in the current or past three financial years, with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

Mr Chin Kok Sang has ceased to be a director of the Company on 26 September 2012. Consequently Datuk Idris Bin Abdullah has been appointed as Chairman of the Nominating Committee and Mr Koh Teng Kiat, our Executive Director has been appointed as interim member to the Nominating, Remuneration and Audit Committees on the same date. The Company noted the deviation from the 2012 Code that all directors of the Audit and Remuneration Committees should be non-executive, and will endeavor to appoint an independent non-executive director to the Board Committees within two months.

Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taken into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors of the Company help to develop proposals on strategy and also review the performance of the Management in meeting agreed goals and objectives.

None of the non-executive independent directors have been on the Board for more than nine years.

The independent and non-executive directors are also encouraged to meet regularly without management present.

Corporate Governance Report

3. CHAIRMAN AND MANAGING DIRECTOR

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities between the Non-Executive Chairman, Datuk Idris Bin Abdullah @ Das Murthy and the Managing Director (in absence of a Chief Executive Officer), Mr Lim Kuan Yew. There is also no relationship between the Non-Executive Chairman and Managing Director.

The Non-Executive Chairman is responsible for leading the Board and facilitating its effectiveness while the Managing Director is responsible for the conduct of the Group's daily business operations.

The Non-Executive Chairman's responsibilities include, inter alia, the following:

- lead the Board to ensure its effectiveness on all aspects of its role;
- scheduling the meetings and setting the meeting agenda for the Board in consultation with the Managing Director;
- ensuring the smooth conduct of board meetings and monitoring the translation of the Board's decisions into executive action;
- reviewing the Board papers prepared by management to ensure that complete and timely information are provided to the Board;
- promotes and ensures high standards compliance with the Company's guidelines on corporate governance;
- ensure effective communication with shareholders through information posted on websites, announcements, general meetings and investors relations management;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors;
- encourage constructive relations between executive directors and non-executive directors; and
- promote a culture of openness and debate at the Board and high standards of corporate governance.

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("NC") comprises the following two independent non-executive directors and one executive director:

- Datuk Idris Bin Abdullah @ Das Murthy (Chairman, appointed on 26 September 2012)
- Mr Goh Boon Kok
- Mr Koh Teng Kiat (Interim member, appointed on 26 September 2012)

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The NC has adopted specific terms of reference and its principal functions are as follows:

- identify candidates and review all nominations on appointments and re-appointment of directors, having regard to the Director's contribution and performance including making recommendations on the composition of the Board and the balance between executive and non-executive directors appointed to the Board;
- review the Board structure, size and composition annually;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code;

Corporate Governance Report

4. BOARD MEMBERSHIP (Cont'd)

- review and decide if a director, who has multiple board representations, is able to and has been adequately carrying out his duties as a director of the Company; and
- review of board succession plans for directors, in particular, the Chairman and for the Managing Director (in absence of a Chief Executive Officer).
- the development of a process for evaluation of the performance of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

All Directors except the Managing Director shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

The Company has in place a formal process for the selection and appointment of new directors to the Board. The search for a suitable candidate could be drawn from contacts and network of existing directors or recommendation for the purposes of identifying suitably qualified and experienced candidates for appointment to the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possesses the particular skill, experience and knowledge, business, finance and management skills necessary to the Group's businesses and each Director, through his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Board appointments are made by way of a Board Resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended such appointment to the Board. Pursuant to the Articles of Association of the Company, all newly appointed directors who are appointed by the Board are required to retire and subject to election by shareholders at the Annual General Meeting at the first opportunity after their appointment.

Pursuant to Article 78 of the Company's Articles of Association, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming Annual General Meeting ("AGM"). Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Mr Koh Teng Kiat shall retire pursuant to Article 96(2) at the forthcoming AGM, and has consented for re-election.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, directorships are disclosed in the Annual Report to enable shareholders to make informed decisions.

Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are set out in the Directors' Report.

The independent directors have declared their independence for the financial year ended 30 June 2012, in accordance with the revised independent guidelines contained in the 2012 Code.

During the financial year ended 30 June 2012, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments in terms of setting the maximum number of listed company board representation for each director.

Pursuant to Sections 153(2) and 153(6) of the Companies Act, Cap. 50, the office of a director of a public company shall become vacant at the conclusion of the AGM commencing next after he attains the age of 70 years but such a person may be re-appointed by way of an ordinary resolution at the AGM until the next AGM. The non-executive independent director of the Company, Mr Goh Boon Kok, has attained the age of 72 years and his office as a Director of the Company shall be vacant at the forthcoming AGM. The NC has considered and deliberated that notwithstanding his age, Mr Goh is still able to provide unparalleled leadership and guidance to the Company and has recommended him for re-appointed as a Director of the Company. Mr Goh has consented to be re-appointed as a Director of the Company until the next AGM following the forthcoming AGM.

Corporate Governance Report

4. BOARD MEMBERSHIP (Cont'd)

The list of directorships or chairmanships held by Directors presently or in the preceding three years in other listed companies, and other principal commitments are set out in the table below:

Name of Directors	Company	Date of Appointment	Date of Resignation
Idris Bin Abdullah@ Das Murthy	Apac Coal Limited	03 August 2010	
	Xian Leng Holdings Berhad	18 May 2012	
Lim Kuan Yew	Apac Coal Limited	14 October 2008	
	Xian Leng Holdings Berhad	18 May 2012	
Koh Teng Kiat	Apac Coal Limited	06 September 2007	
	Pollux Properties Ltd.	19 September 2011	
Goh Boon Kiat	Super Coffeemix Manufacturing Ltd	27 June 1994	
	Blumont Group Ltd.	03 January 2006	
	Pan Asian Holdings Limited	20 March 2009	
	Goh Book Kok & Co.	01 January 1976	
Chin Kok Sang (1)	Equine Capital Berhad	28 August 2008	24 September 2009

(1) Mr Chin Kok Sang has resigned as a director of the Company on 26 September 2012 and ceased to be a member or Chairman of any Board Committees.

The directors are not related to each other and none of the directors' immediate family members were employees of the company or any of its related corporations or related to any directors or directly associated with its 10% shareholder

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committee and the contribution by each director to the effectiveness of the Board.

The NC is also responsible for deciding how the Board's performance may be evaluated and proposing objective performance criteria, subject to the Board's approval, which address how the Board has enhanced long-term shareholders' value.

The NC evaluates each Director based on the following review parameters, including:

- attendance at Board/Committee meetings;
- participation at meetings;
- involvement in management;
- availability for consultation and advice, when required;
- independence of the Directors; and
- appropriate skill, experience and expertise.

In addition to the above, the Board also implemented a process, once a year, for evaluating the performance and effectiveness of the Board, individually and collectively, by means of performance appraisal that evaluates the Board size, the right balance and mix of skills and experience and other qualities, including core competencies, to the Group.

Each Director is required to individually complete a Board Evaluation Form ("BEF") annually, to facilitate the NC in its assessment of the Directors. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance, including the Board's composition, the contributions of the Board Members, Board processes, strategic review, and performance of Managing Director and succession planning.

The NC reviews the feedback collated from the BEF and recommends the steps which need to be taken to strengthen the Board's stewardship.

The NC may act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors.

No external facilitator has been appointed to facilitate the assessment process.

Corporate Governance Report

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is provided with agendas and detailed board papers before each Board and Committee Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, such as copies of disclosure documents, budgets, forecasts and quarterly internal financial statements to enable them to be properly informed of matters to be discussed and/or approved. Any material variation between projections and actual results shall be duly communicated to the Board.

Directors have separate and independent access to the Company's Senior Management and the Company Secretary. They have full access to the Company's records and information and may seek independent legal and other professional advice, if they deem necessary, in the furtherance of their duties. Such expenses are borne by the Company.

The Company Secretary attends and prepares all board meetings. In addition, the Company Secretary assists the Chairman in ensuring board procedures are followed and that applicable rules and regulations, including, the Company's Memorandum and Articles of Association, including requirements of the Singapore Companies Act, Chapter 50, and the provisions in the Rules of Catalist of the SGX-ST are complied with. The appointment and removal of the Company Secretary are decided by the Board as a whole.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises the following two independent non-executive directors and one executive director:

- Datuk Idris Bin Abdullah @ Das Murthy (Chairman)
- Mr Goh Boon Kok
- Mr Koh Teng Kiat (Interim member, appointed on 26 September 2012)

The RC has adopted specific terms of reference and its principal functions are as follows:

➢ review and recommend to the Board a framework of remuneration for directors and key executives. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind;

➢ determine the specific remuneration packages for each executive director and key executive based on performance, service seniority, experience and scope of responsibility;

➢ review and recommend to the Board the terms of service agreements of the directors;

➢ recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and

➢ administer the Magnus Energy Employee Share Option Plan and the Magnus Energy Performance Share Plan.

The members of the RC will ensure that they do not set their own remuneration.

The RC may seek independent professional advice if the committee deems it necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

Corporate Governance Report

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (cont'd)

The RC reviews the company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Mr Chin Kok Sang has ceased to be a director of the Company on 26 September 2012. Consequently Datuk Idris Bin Abdullah has been appointed as Chairman of the Nominating Committee and Mr Koh Teng Kiat, our Executive Director has been appointed as interim member to the Nominating, Remuneration and Audit Committees on the same date. The Company noted the deviation from the 2012 Code that all directors of the Audit and Remuneration Committees should be non-executive, and will endeavor to appoint an independent non-executive director to the Board Committees within two months.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interests and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC. The RC will review annually all aspects of remuneration, including directors' fees, salaries, allowances, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the managers and the directors capable of meeting our Company's objectives and to reflect their duties and responsibilities.

The non-executive and independent directors are paid yearly directors' fees and additional fees for serving as Chairman on each of the Board Committees, which are determined by the Board, appropriate to the level of contribution, taking into factors such as the effort and time spent and the responsibilities of the independent directors. The independent directors shall not be over-compensated to the extent their independence may be compromised. These fees are subject to shareholders' approval at each Annual General Meeting of the Company.

The Company has entered into service agreements with two executive directors, namely Lim Kuan Yew and Koh Teng Kiat, which are subject to 3-yearly basis renewal on such terms and conditions offered by the Company and they do not contain onerous removal clauses. The appropriate notice period of the service contracts is a 3-months written notice. The Board has reviewed and considered the service contracts to be appropriate prior to the implementation of the service contracts.

In setting remuneration packages, the RC ensures that the directors are adequately but not excessively remunerated as compared within the industry norms, taking into account the contribution and performance of each director as well as the financial needs and performance of the Company. The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company shall consider the said contractual provisions to be included in future renewals of service contracts as recommended by 2012 Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any director and/or key management personnel willfully and negligently engage in any misconduct.

The Company has implemented Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") as part of a compensation plan for attracting as well as promoting long-term employee retention, and to motivate them towards better performance through dedication and loyalty. These long term incentive plans shall also create performance-related elements of remuneration designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. Details are set out in the Directors' Report.

Corporate Governance Report

9. DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown, showing the level and mix of each individual directors' remuneration payable for the financial year ended 30 June 2012 is set out below:

Remuneration Band and Name of Director	Salaries	Bonus	Consultancy fees	Director fees	Fair value of share options granted #	Other benefits	Total
	%	%	%	%	%	%	%
$250,000 to below $500,000							
Directors							
Lim Kuan Yew	90.6	6.5	–	–	–	2.9	100.0
Koh Teng Kiat	85.9	6.9	–	–	-	7.2	100.0
Below $250,000							
Directors							
Idris Bin Abdullah@ Das Murthy	–	–	–	100.0	–	–	100.0
Goh Boon Kok	–	–	–	100.0	-	–	100.0
Chin Kok Sang(1)	–	–	–	100.0	–	–	100.0

(1) Mr Chin Kok Sang has resigned as a director of the Company on 26 September 2012 and ceased to be a member or Chairman of any Board Committees.

A breakdown, showing the remuneration band of the top one executive of the Company remuneration payable for the financial year ended 30 June 2012 is set out below:

Remuneration Band and Name of Executive	Salaries	Bonus	Consultancy fees	Director fees	Fair value of share options granted #	Other benefits	Total
	%	%	%	%	%	%	%
below $250,000							
Luke Ho Khee Yong(1)	80.0	-	–	–	–	20.0	100.00

(1) Mr Luke Ho Khee Yong was appointed as Company Secretary and Chief Financial Officer on 18 June 2012.

\# Refers to the expense on share options granted to the directors and employees recognised in the financial statements.

The 2012 Code recommended a full disclosure on the remuneration of all directors and key executives. The Company is of the opinion that details of individual remuneration are confidential and not in the interest of the Company to disclose. The aggregate remuneration paid to the executive directors and key executive was S$545,365.

There is no amount of any termination retirement and post-employment benefits that may be granted to directors, Managing Director and the top executives (who are not directors or the Managing Director).

Corporate Governance Report

9. DISCLOSURE ON REMUNERATION (cont'd)

The RC has reviewed and approved the remuneration packages of the Directors and key management, having due regard to their contributions as well as the financial needs of the Company.

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the non-executive directors be paid an aggregate fee of S$73,500 for the financial year ended 30 June 2012, which will be tabled at the Annual General Meeting for approval by the shareholders.

During the year under review, there were no employees whose remuneration exceeded S$50,000 was related to the Chairman and Managing Director, other Directors or substantial shareholders of the Company.

Long-term incentive scheme are provided in the form of the Employee Share Option Plan ("ESOP") and the Performance Share Plan ("PSP") for eligible employees, including Directors of the Company and the Group. Details of ESOP grants and PSP awards are disclosed in the Report of the Directors.

As at the date of this report, no further grant or award or option was given to any directors or employees of the Company other than the inaugural non-discounted share options ("Options) granted on 4 December 2007 which expired on 3 December 2011. None of the Options has been exercised. There is no other incentive scheme provided to any director or employees of the Company that is linked to performance.

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange.

The Management provides all members of the Board in a meeting with detailed management accounts of the Group's performance, financial position and prospects on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. The Management also presents to the Board the full year financial results of the Group and the Audit Committee reports for review and approval for the release of the results to the SGX-ST.

Company's performance, position and prospects. The Management also presents to the Board the full year financial results of the Group and the Audit Committee reports for review and approval for the release of the results to the SGX-ST.

Periodic financial statements as well as announcements on business and other significant corporate developments and activities of the Group are made via SGXNET to keep shareholders informed about the Group's financial position and its progress.

11. RISK MANAGEMENT AND INTERNAL CONTROLS & AUDIT COMMITTEE

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Company's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls information technology controls and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect, where necessary.

Corporate Governance Report

11. RISK MANAGEMENT AND INTERNAL CONTROLS & AUDIT COMMITTEE (cont'd)

During the financial year, a misappropriation of inventory by an employee in an associate company was reported and the Company has duly informed the shareholders in an announcement via SGXNet. Legal actions were taken against the employee, and the employee had fully reimbursed the loss to the associate company. The Board has taken further actions to strengthen the internal control procedures within the Group. The associate company has written to the warehouse to ensure that the standard procedure must be adhered to before the release of any goods to any party. The associate has taken steps to ensure completeness of documentation for all past and future deliveries. Additional checking measures are implemented to ensure complete transfer of title to customer for similar deliveries including inter-alia countersigning procedure by the associate and countersigning by the warehouse has been introduced in the release note. The Company's existing internal auditor has been employed to review and ensure the effectiveness and completeness of internal controls implementation.

Save in relation to the above misappropriation, based on the reports of the external auditors and internal auditors and assurance by the management, the Board, with the concurrence of AC, is of the opinion that the system of internal controls maintained by the Company are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the management letter issued by the external auditors, are in place to mitigate any possible and/ or suspected irregularities. Saved in relation to the above misappropriation, nothing has come to the attention of the AC and/or Board of any deficiency and/or dysfunction of the internal control implementation that has resulted in any significant loss and/or material financial misstatement.

The Board determines the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

The Managing Director and Chief Financial Officer have provided assurance to the Board;

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) that the company's risk management and internal control systems in place are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

The Company has further employed the services of Crowe Horwath Governance Sdn Bhd ("Crowe Horwath"), a member of Crowe Horwath International, to assist the Company and its subsidiaries to enhance its risk management. With the professional assistance of Crowe Horwath, the Company expects to have a more robust risk management in place by end of FY2013.

The AC comprises the following two independent non-executive directors and one executive director:-

- Mr Goh Boon Kok (Chairman)
- Datuk Idris Bin Abdullah @ Das Murthy
- Mr Koh Teng Kiat (interim member, appointed on 26 September 2012)

Mr Chin Kok Sang has ceased to be a director of the Company on 26 September 2012. Consequently Datuk Idris Bin Abdullah has been appointed as Chairman of the Nominating Committee and Mr Koh Teng Kiat, our Executive Director has been appointed as interim member to the Nominating, Remuneration and Audit Committees on the same date. The Company noted the deviation from the 2012 Code that all directors of the Audit and Remuneration Committees should be non-executive, and will endeavor to appoint an independent non-executive director to the Board Committees within two months.

Two members of the AC have professional and in-depth experiences in the field of financial management and accounting. The Board is of the view that AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

Corporate Governance Report

11. RISK MANAGEMENT AND INTERNAL CONTROLS & AUDIT COMMITTEE (cont'd)

The AC meets at least four times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. During the financial year, the AC met with the external auditors and internal auditors once, without the presence of the Group's respective management.

The AC carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 ("Act") and the Rules of Catalist of the SGX-ST Listing Manual ("Catalist Rules"). The functions of the AC are as follows:-

- review the audit plans, scope and feedback of the external auditors of the Company and ensure adequacy of the Group's system of internal accounting controls and the co-operation given by the management to the external auditors;
- review the quarterly and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;
- review, with the internal auditors, the internal audit plan, the scope and results of the internal audit function, and ensuring co-ordination between the internal auditors and the management;
- review the auditors' evaluation of the system of internal controls, the results of the audit and management's response and actions to correct any noted deficiencies, to discuss problems and concerns arising from their audits or any other matters which the auditors might wish to discuss privately with the AC;
- review any formal announcements relating to the Company's financial performance in addition to the quarterly and full year financial statements compliance;
- review the assistance given by the Group's officer to the auditors and discuss any concerns if any with the external auditors and the internal auditors in the absence of management;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- review and report to the Board the adequacy and effectiveness of the Group's internal controls on an annual basis, including financial, operational, information technology controls, compliance,and risk management;
- review the independence and objectivity of the external auditors annually and recommend the external auditors to be nominated for re-appointment, or removal of the external auditor, and approve the compensation of the external auditors; and
- review interested person transactions.

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The AC also reviews any reports by which staff of the Company; or any other officers, may; in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in matters of financial reporting or any matters affecting the Group. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action and resolution.

The Group has implemented a whistle blowing policy. The policy aims to provide avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimisation for whistle blowing in good faith. As of to-date, there were no reports received through the whistle blowing system.

The AC has noted that there was no non-audit service provided by the external auditors during the year under review, and is of the opinion that the external auditors' independence has not been compromised. The total amount of audit fees paid to the external auditors during the year under review was approximately S$0.2 million.

The AC is satisfied with the independence and objectivity of the external auditor and has recommended the re-appointment of Messrs Moore Stephens LLP as external auditors of the Company for the ensuing financial year.

Corporate Governance Report

11. RISK MANAGEMENT AND INTERNAL CONTROLS & AUDIT COMMITTEE (cont'd)

Below are subsidiaries and significant associated companies that have appointed other firms as auditors:

Name of subsidiaries and significant associated companies	Name of audit firm
MEG Management Sdn Bhd	Moore Stephens AC, Johor Bahru, Malaysia
APAC Coal Ltd	Moore Stephens, Perth, Australia
PT Deefu Chemical Indonesia	Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia
PT Batubara Selaras Sapta	Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia
Mid-Continent Equipment (Australia) Pty Ltd	Moore Stephens, Perth, Australia
Tubular Leasing Australia Pty Ltd	Moore Stephens, Perth, Australia
Mid-Continent Equipment NZ Limited	Moore Stephens, Perth, Australia

The AC has reviewed and is satisfied that the appointments of different auditors would not compromise the standard and effectiveness of the audit of the Company as measures have been put in place to ensure that timely and periodic reports of the operations and financial statements of the above subsidiaries and significant associated companies are provided to the Company and/or the Company's auditors. The Company's auditors are also at liberty to seek information from the other auditors as and when necessary and from time to time. The Company confirms that Rule 712, Rule 715 and Rule 716 of the Catalist Rules have been complied with.

AC members have been encouraged to attend trainings and seminars to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and corporate governance. During the year, our AC members attended the several seminars and one of which was on the introduction of 2012 Code. The majority of AC are qualified accountants. As certified public accountants in their respective jurisdiction, the AC members would have received update by their respective association and professional affiliations.

12. INTERNAL AUDIT

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed reports directly to the AC Chairman and administratively to the Managing Director.

During the financial year reported on, the AC had appointed Messrs HLS Risk Advisory Services Pte Ltd, as its Internal Auditor, to carry out a detailed review focusing in area of Human Resource and Payroll system for Mid-Continent Equipment Group Pte Ltd, a principal subsidiary of the Group. The Internal Auditors completed its audit and has issued a report on the results of the internal audit work summarising their findings and recommendations to the management and report directly to the Chairman of the AC in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC oversees and monitors management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken. The Internal Auditor has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

In relation to the misappropriation mentioned under Principle 11, the internal auditor has been employed to review the inherent weaknesses resulting from lapse in third parties controls that may affect the internal controls of the Group, and ensure the effectiveness and completeness of internal controls implementation.

The AC reviews the adequacy and effectiveness of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

Corporate Governance Report

13. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes that prompt disclosure of relevant information and a high standard of disclosure are the keys to raise the level of corporate governance. The Board believes in regular and timely communication with our shareholders. In line with continuous disclosure obligations of the Company pursuant to the provisions of the Catalist Rules and the Act, the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

The Board adopts the practice of regular communication of information to shareholders through SGXNET and press releases. All announcements and annual reports of the Company are available on the Company's website at www.magnusenergy.com.sg.

The Company sends the annual report in the form of CD version and notice of AGM to all shareholders of the Company. The notice of AGM is advertised in a Singapore newspaper. At the AGM, shareholders are given the opportunity to opine their views and query the Directors or the Management on matters regarding the Company. Shareholders have the opportunity to participate effectively and to vote in AGMs. They are allowed to vote in person or by appointed proxy. The Articles provides that a Member may appoint not more than two proxies to attend and vote at the same general meeting. The Company believes that a maximum of two proxies shall not undermined effective participation in general meeting. The Company also informs Shareholders of the rules, such as voting procedures, that govern general meeting of shareholders.

During the AGM, the resolutions on each substantial issue are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal. For such resolutions, clear explanation and reasons are provided together with its material implications.

The Company adopts the practices of preparation of minutes or notes of AGM, including the comments and/or queries from the shareholders and response from the Board and Management, and to make these minutes or notes available to shareholders upon their requests. In addition, the Company practices transparency during the AGM whereby the Chairman of the Board, the Chairman of NC, RC and AC and the Company's external auditors are present and available to address shareholders' questions and concerns about the conduct of the Company and/or audit and the preparation and content of the Independent Auditors' Report.

The Company further encourages open dialogue with shareholders during the general meetings.

The Company is not in an accumulated profit position to declare any dividend. The Company has not recommended any dividend payment thus far.

INTERESTED PERSONS TRANSACTIONS (Catalist Rule 907)

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During the financial year ended 30 June 2012, there is no interested person transaction.

RISK MANAGEMENT (Catalist Rule 1204(4)(b)(iv))

As the Company does not have a risk management committee, the AC and Management assume the responsibility of the risk management function. Management reviews regularly the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

Corporate Governance Report

13. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION (cont'd)

MATERIAL CONTRACTS (Catalist Rule 1204(8))

There were no material contracts of the Company, or its subsidiaries involving the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

DEALING IN SECURITIES (Catalist Rule 1204(19))

In line with the internal compliance code, the Company has in place a policy prohibiting share dealings by Directors and officers of the Company and the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of the relevant results. The Company Secretary will also send memorandum prior to the commencement of each window period as a reminder to the Directors, officers and relevant employees to ensure that they comply with the code.

The Directors and officers of the Group do not deal in the Company's securities on short-term considerations.

In addition, Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

CATALIST SPONSOR (Catalist Rule 1204(21))

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and the continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There is no non-sponsor fees paid during the financial year ended 30 June 2012.

MINERAL, OIL AND GAS ACTIVITIES (Catalist Rule 1204 (23))

The rule is deemed as not applicable as there has been no exploration, development or production activities carried out for the Coal Concession for the financial year ended 30 June 2012. Our indirect subsidiary PT BSS, that holds the Coal Concession Rights, is undergoing litigation and all mining activities have been currently suspended.

40% beneficial interest of PEL 101 is held under Mid-Con Equipment (Australia) Pty Ltd, a wholly owned subsidiary of Mid-Con Equipment Group Pte Ltd. The Company or its subsidiaries do not have majority control of this gas concession and as at the date of this report, there are no contributions from this gas concession to the Group. The Company owns an effective interest of 21.7% on PEL 101. No production or revenue has been generated for the financial year ended 30 June 2012.

Directors' Report

The directors present their report to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2012 and the balance sheet of the Company as at 30 June 2012.

1 Directors

The directors of the Company in office at the date of this report are:

Idris Bin Abdullah @ Das Murthy
Lim Kuan Yew
Koh Teng Kiat
Goh Boon Kok
Chin Kok Sang (Resigned on 26 September 2012)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, except as disclosed in this report.

3 Directors' Interests in Shares or Debentures

(i) As recorded in the register of directors' shareholdings under Section 164 of the Singapore Companies Act, Cap. 50, the following directors, who held office at the end of the financial year, an interest in shares of the Company or related corporations as stated below:

	Holdings registered in name of director		
Name of directors	**As at 1.7.2011**	**As at 30.6.2012**	**As at 21.7.2012**
	Number of ordinary shares		
The Company			
Goh Boon Kok	300,000	300,000	300,000

(ii) According to the register of directors' shareholdings, the directors holding office at the end of the financial year had options to subscribe for ordinary shares of the Company and related corporations granted pursuant to the Share Schemes (see Note 5 of this report) as set out below:

	Number of unissued ordinary shares under non-discounted share options held by director		
Name of directors	**As at 1.7.2011**	**As at 30.6.2012**	**As at 21.7.2012**
The Company			
Koh Teng Kiat	624,000	–	–
Goh Boon Kok	416,100	–	–

For details, refer to "Share Options and Awards" in Note 5 of this report.

Except as disclosed in this report, no directors who held office at the end of the financial year had interests in shares, options or debentures of the Company or related corporations either at the beginning of the financial year or at the end of the financial year.

Directors' Report

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the accompanying financial statements. Certain directors also received remuneration from related corporations in their capacity as directors or executives of those related corporations.

5 Share Options and Awards

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP")

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting held on 19 November 2007.

The Remuneration Committee of the Company (the "RC") has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy (Chairman), Koh Teng Kiat and Goh Boon Kok.

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the Committee:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

Directors' Report

5 Share Options and Awards (cont'd)

(b) Outstanding Non-discounted Share Options

Date of grant	Balance at 1.7.2011	Options granted	Options exercised	Options lapsed	Balance at 30.6.2012	Exercise price per share	Exercisable period
4.12.2007	1,541,400	–	–	1,541,400	–	10.11 Singapore cents	4.12.2010 to 3.12.2011

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options were exercisable within four years on or after the first, second and third anniversary of the date of the grant in the proportion of 35.0%, 35.0% and 30.0%, respectively. The size of the non-discounted share options was 16,618,000 shares and the balance of 1,541,400 share options had since lapsed as at 30 June 2012.

There was no share award given in the current and previous financial years. There were also no discounted share options granted since the commencement of the Share Schemes.

(c) Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that the share options granted to and exercised by directors of the Company or related corporations during the financial year are detailed as follows:

Name of directors	Aggregate share options granted since commencement of the share schemes to 30.6.2012	Aggregate share options exercised since commencement of the share schemes to 30.6.2012	Aggregate share options lapsed at 30.6.2012	Aggregate share options outstanding since commencement of the share schemes to 30.6.2012
Non-discounted share options of the Company				
Koh Teng Kiat	2,080,000	–	2,080,000	–
Goh Boon Kok	1,387,000	–	1,387,000	–

(i) no share options or share awards have been granted to controlling shareholders of the Company or their associates under the Magnus Energy ESOP and Magnus Energy PSP during the financial year.

(ii) other than those as disclosed above, participants who received 5.0% or more of the total number of options available under the Magnus Energy ESOP are as follows:

Name of participant	Aggregate share options granted since commencement of the share schemes to 30.6.2012	Aggregate share options exercised since commencement of the share schemes to 30.6.2012	Aggregate share options lapsed at 30.6.2012	Aggregate share options outstanding since commencement of the share schemes to 30.6.2012
Non-discounted share options of the Company				
Ong Eng Kee	1,040,000	–	1,040,000	–

(iii) The options granted above pursuant to the Share Schemes do not entitle the holder to participate, by virtue of the options, in any share issue of any other related corporation.

Directors' Report

5 Share Options and Awards (cont'd)

(c) Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that the share options granted to and exercised by directors of the Company or related corporations during the financial year are detailed as follows: (cont'd)

Except as disclosed in the report, there were:

- no options to take up unissued shares of the Company or its related corporations have been granted; and
- no shares of the Company or its related corporations issued by virtue of the exercise of options to take up unissued shares during the financial year.

6 Audit Committee

The Audit Committee comprises three non-executive directors who are also independent directors. The members of the Audit Committee are:

Goh Boon Kok, Chairman
Idris Bin Abdullah @ Das Murthy, Member
Koh Teng Kiat, Interim Member (Appointed on 26 September 2012)

The Audit Committee carried out its functions in accordance with the Singapore Companies Act, Cap. 50, the SGX-ST Listing Manual Section B: Rules of Catalist and the Code of Corporate Governance. In performing those functions, the Audit Committee *inter alia* reviewed:

(a) the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

(b) the audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;

(c) the assistance provided by the Group's officers to the independent auditors;

(d) interested party transactions for the financial year ended 30 June 2012 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;

(e) the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 30 June 2012 before their submission to the Board of Directors and the independent auditors' report on those financial statements;

(f) the recommendation to the Board of Directors the independent auditors to be nominated and approval of the compensation of the auditors and reviewed the scope of the audit; and

(g) undertake such other functions and duties as maybe required by statute.

The Audit Committee, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The Audit Committee has also conducted a review of interested person transactions.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, and reviews performed by management, various Board Committee and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2012.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance in the Company's Annual Report.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Directors' Report

7 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment.

8 Other information required by the SGX-ST

No material contracts to which the Company or any subsidiary is a party and which involve controlling shareholders' and directors' interests and chief executive office (where applicable) subsisted at, or have been entered into, since the end of the previous financial year.

On behalf of the Board of Directors,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore

4 October 2012

Statement by Directors

We, Lim Kuan Yew and Koh Teng Kiat, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

(a) as explained in Note 18, because of the uncertainty surrounding the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT Batubara Selaras Sapta ("PT BSS"), we are unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights of approximately S$27.3 million and its related deferred tax liability of approximately S$7.9 million as at 30 June 2012. The investment has been included in the Group's consolidated balance sheet at its book value.

(b) except for the matter stated in paragraph (a) above, the consolidated financial statements of the Group and the balance sheet of the Company as set out in pages 32 to 93 are drawn up as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results, changes in equity and cash flows of the Group for the year then ended; and

(c) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore

4 October 2012

Independent Auditors' Report

to the Members of Magnus Energy Group Ltd.

1. We have audited the accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 32 to 93, which comprise the balance sheets of the Group and the Company as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6. Our audit report dated 12 October 2011 on the financial statements for the previous financial year ended 30 June 2011 contained a modified opinion on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2012:

    6.1 As discussed in Note 18 to the financial statements, the Group's investment in the Coal Concession Rights of approximately S$27.3 million (2011: approximately S$27.7 million) as at 30 June 2012 is included in the Group's consolidated balance sheet at cost less impairment losses. In addition, the Group has a deferred tax liability of approximately S$7.9 million (2011: approximately S$8.0 million) relating to this investment (Note 10).

    The investment in the Coal Concession Rights is held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group. As explained in Note 18, because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS is uncertain, the directors of the Company were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights.

    Accordingly, we have not been provided with the information and explanations that we considered necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in Coal Concession Rights and the related deferred tax liability as reflected in the Group's consolidated balance sheet of approximately S$27.3 million (2011: approximately S$27.7 million) and approximately S$7.9 million (2011: approximately S$8.0 million), respectively. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Group as at 30 June 2012 and the results of the Group for the financial year then ended.

Independent Auditors' Report

to the Members of Magnus Energy Group Ltd.

(cont'd)

Basis for Qualified Opinion (cont'd)

6.2 Further, the Company has an investment in, and an amount due from, APAC Coal Limited ("APAC Coal"), a subsidiary of the Group, of approximately S$1.1 million (2011: approximately S$12.3 million) (Note 14) and approximately S$1.07 million (2011: approximately S$0.74 million) (Note 22), respectively. APAC Coal holds a 100% interest in PT Deefu Chemical Indonesia which in turn holds a 100% interest in PT BSS. PT BSS is the holder of the Coal Concession Rights as referred to in paragraph 6.1 above. The ability of the Company to realise its investment in, and amount due from APAC, is largely dependent on the successful outcome of the legal proceedings as referred to in paragraph 6.1 above.

In view of this, it is not possible to carry out the necessary auditing procedures, nor are we able to carry out alternative auditing procedures, to satisfy ourselves as to the recoverability of the Company's investment in, and an amount due from, APAC of approximately S$1.1 million (2011: approximately S$12.3 million) and approximately S$1.07 million (2011: approximately S$0.74 million), respectively as at 30 June 2012. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2012.

Qualified Opinion

7. In our opinion, except for the matters described in paragraphs 6.1 and 6.2 above, the consolidated financial statements of the Group and the balance sheet of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Reports on Other Legal and Regulatory Requirements

8. In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore

4 October 2012

Consolidated Statement of Comprehensive Income

for the Financial Year ended 30 June 2012

	Note	2012 S$	2011 S$
Continuing Operations			
Revenue	3	48,296,395	55,303,953
Cost of sales		(38,650,971)	(44,993,036)
Gross profit		9,645,424	10,310,917
Other operating income	4	1,570,575	5,274,636
Other operating expenses	4	(1,731,442)	(555,556)
Distribution and selling expenses	5	(179,963)	(209,351)
Administrative expenses	6	(9,658,508)	(10,782,656)
Finance income	8	240,059	252,807
Finance costs	9	(231,069)	(291,588)
Share of results of associated companies	15	–	(558)
(Loss)/Profit before income tax		(344,924)	3,998,651
Income tax	10	37,584	(742,891)
(Loss)/Profit after income tax from continuing operations		(307,340)	3,255,760
Discontinued operations			
(Loss) after income tax from discontinued operations	11	–	(121,656)
Net (loss)/profit for the year		(307,340)	3,134,104
Total (loss)/profit after income tax attributable to:			
Equity holders of the Company		(684,434)	1,509,826
Non-controlling interests		377,094	1,624,278
		(307,340)	3,134,104
Other comprehensive income/(loss):			
Exchange differences on translation of foreign operations		511,591	(559,000)
Reversal of exchange differences on translation on disposal of foreign operations		–	(1,215,204)
Fair value gain transferred to equity on revaluation of available-for-sale financial assets during the year		17,496,624	15,633,632
Reversal of fair value gain from equity on disposal of available-for-sale financial assets during the year		(365,285)	(810,443)
Deferred tax on fair value changes to available-for-sale financial assets		46,691	265,088
		17,689,621	13,314,073
Total comprehensive income for the year		17,382,281	16,448,177
Total comprehensive profit for the year attributable to:			
Equity holders of the Company		17,082,692	14,852,226
Non-controlling interests		299,589	1,595,951
		17,382,281	16,448,177
(Loss)/Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company			
- Basic and Diluted	12	(0.033)	0.074
(Loss)/Earnings per share from continuing operations attributable to the equity holders of the Company			
- Basic and Diluted	12	(0.033)	0.078
(Loss) per share from discontinued operations attributable to the equity holders of the Company			
- Basic and Diluted	12	–	(0.004)

The accompanying notes form an integral part of the financial statements

Balance Sheets

As at 30 June 2012

	Note	Group 2012 S$	Group 2011 S$	Company 2012 S$	Company 2011 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	6,871,118	7,575,375	55,023	103,882
Investments in subsidiaries	14	–	–	15,036,910	26,286,936
Investments in associated companies	15	1,740	1,690	–	–
Investments in joint venture entities	16	–	–	–	–
Goodwill	17	1,569,703	1,569,703	–	–
Other intangible assets	18	31,660,978	32,408,177	–	–
Other financial assets	19	47,913,105	31,706,065	29,787,450	18,618,500
Total Non-Current Assets		88,016,644	73,261,010	44,879,383	45,009,318
Current Assets					
Other financial assets	19	1,142,020	–	504,104	–
Inventories	20	8,684,673	12,837,796	–	–
Trade and other receivables	21	9,180,553	8,743,045	665,314	300,837
Related parties balances	22	564,936	634,253	1,070,709	1,204,448
Cash and bank deposits	23	7,099,402	8,592,267	42,262	11,734
Fixed deposits	24	9,369,769	6,834,783	–	–
Total Current Assets		36,041,353	37,642,144	2,282,389	1,517,019
Total Assets		124,057,997	110,903,154	47,161,772	46,526,337
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	25	7,929,515	8,574,418	2,572,116	1,229,583
Bank overdrafts	26	46,166	79,850	–	53,495
Related parties balances	22	1,020,141	1,183,682	4,179,736	3,601,421
Borrowings	27	1,469,146	3,353,430	–	26,719
Finance lease obligations	28	23,418	33,906	23,418	22,001
Income tax liabilities		581,636	474,922	–	135,000
Total Current Liabilities		11,070,022	13,700,208	6,775,270	5,068,219
Non-Current Liabilities					
Borrowings	27	114,804	582,985	–	–
Finance lease obligations	28	12,267	35,685	12,267	35,685
Deferred income tax liabilities	10	8,030,802	8,464,270	–	–
Total Non-Current Liabilities		8,157,873	9,082,940	12,267	35,685
Total Liabilities		19,227,895	22,783,148	6,787,537	5,103,904
Equity					
Share capital	29	120,126,816	120,126,816	120,126,816	120,126,816
Reserves	30	(42,530,037)	(59,627,818)	(79,752,581)	(78,704,383)
		77,596,779	60,498,998	40,374,235	41,422,433
Non-controlling interests		27,233,323	27,621,008	–	–
Total Equity		104,830,102	88,120,006	40,374,235	41,422,433
Total Liabilities and Equity		124,057,997	110,903,154	47,161,772	46,526,337

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

for the Financial Year ended 30 June 2012

Group	Attributable to equity holders of the Company							
	Share Capital S$	Share-based Payment Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
2012								
Balance at 1 July 2011	120,126,816	175,004	20,066,413	(6,800,211)	(73,069,024)	60,498,998	27,621,008	88,120,006
Net (loss)/profit for the year	–	–	–	–	(684,434)	(684,434)	377,094	(307,340)
Other comprehensive income/(loss)	–	–	17,232,322	534,804	–	17,767,126	(77,505)	17,689,621
Total comprehensive income/(loss) for the year	–	–	17,232,322	534,804	(684,434)	17,082,692	299,589	17,382,281
Share options lapsed	–	(175,004)	–	–	190,093	15,089	(15,089)	–
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	–	(672,185)	(672,185)
Balance at 30 June 2012	120,126,816	–	37,298,735	(6,265,407)	(73,563,365)	77,596,779	27,233,323	104,830,102

Group	Attributable to equity holders of the Company								
	Share Capital S$	Share-based Payment Reserve S$	Statutory Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
2011									
Balance at 1 July 2010	116,501,816	170,808	13,761	4,982,543	(5,058,741)	(74,578,850)	42,031,337	26,487,323	68,518,660
Net profit for the year	–	–	–	–	–	1,509,826	1,509,826	1,624,278	3,134,104
Other comprehensive income/(loss)	–	–	–	15,083,870	(1,741,470)	–	13,342,400	(28,327)	13,314,073
Total comprehensive income/(loss) for the year	–	–	–	15,083,870	(1,741,470)	1,509,826	14,852,226	1,595,951	16,448,177
Issue of new ordinary shares	3,625,000	–	–	–	–	–	3,625,000	–	3,625,000
Share options pursuant to Shares Scheme	–	4,196	–	–	–	–	4,196	–	4,196
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	–	–	(462,266)	(462,266)
Conversion of statutory reserve to subsidiary's share capital	–	–	(13,761)	–	–	–	(13,761)	–	(13,761)
Balance at 30 June 2011	120,126,816	175,004	–	20,066,413	(6,800,211)	(73,069,024)	60,498,998	27,621,008	88,120,006

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flows Statement

for the Financial Year ended 30 June 2012

	Note	2012 S$	2011 S$
Cash Flows from Operating Activities			
(Loss)/Profit before income tax			
Continuing operations		(344,924)	3,998,651
Discontinued operations		–	(121,656)
		(344,924)	3,876,995
Adjustments:			
Bad trade receivables recovered		(80,494)	–
Trade receivables written-off		89,106	–
Allowance for impairment of trade receivables		–	261,919
Depreciation of property, plant and equipment		936,646	1,160,648
Inventories written-off		69,422	–
Allowance for inventory obsolescence		69,357	27,905
Fair value gain of financial assets held for trading		(1,510)	–
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets		(365,285)	(810,443)
Gain on disposal of available-for-sale financial assets		(14,930)	(309,890)
Gain on disposal of financial assets held for trading		(127,011)	–
Gain on disposal of property, plant and equipment		(2,822)	(171,414)
Gain on disposal of subsidiaries		–	(2,381,752)
Grant of equity share options		–	4,196
Exploration and evaluation expenditure written-off		–	48,886
Preliminary expenses written-off		–	326
Foreign exchange loss/(gain) - unrealised		1,479,146	(1,031,540)
Interest expense		101,834	156,504
Interest income		(240,059)	(252,807)
Share of results of associated companies		–	558
Operating cash flow before working capital changes		1,568,476	580,091
Changes in operating assets and liabilities:			
Inventories		4,014,344	4,050,732
Trade and other receivables		(560,888)	1,599,014
Trade and other payables		(1,116,008)	(1,057,340)
Related parties balances (net)		(594,393)	(1,299,674)
Cash flows generated from operations		3,311,531	3,872,823
Interest income received		239,283	236,192
Interest paid		(101,834)	(156,504)
Income taxes paid		(335,055)	(611,615)
Net cash flows generated from operating activities		3,113,925	3,340,896
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(311,677)	(730,330)
Proceeds from sale of property, plant and equipment		25,919	269,543
Acquisition of other financial assets		(43,537)	(6,722,329)
Net proceeds from sale of other financial assets		809,216	3,811,456
Payment of petroleum exploration expenditure		(3,483)	(3,478)
Payment of exploration and evaluation expenditure		–	(6,704)
Net cash flow from disposal of subsidiaries	B	–	561,925
Dividends received from associated companies		–	62,870
Payment of dividends by a subsidiary company to non-controlling interests		(672,185)	(462,266)
Net cash flow used in investing activities		(195,747)	(3,219,313)

Consolidated Cash Flows Statement

for the Financial Year ended 30 June 2012

	Note	2012 S$	2011 S$
(cont'd)			
Cash Flows from Financing Activities			
Proceeds from issue of shares		–	3,625,000
Repayment of finance lease obligations		(33,906)	(63,577)
Proceeds from borrowings		110,361	–
Repayment of borrowings		(2,515,668)	(1,742,624)
Fixed deposits pledged to banks		(115,181)	1,300,210
Net cash flows (used in)/generated from financing activities		(2,554,394)	3,119,009
Net increase in cash and cash equivalents		363,784	3,240,592
Cash and cash equivalents at the beginning of the year		10,119,905	8,393,220
Effects of exchange rate changes on cash and cash equivalents		768,710	(1,513,907)
Cash and cash equivalents at the end of the year	A	11,252,399	10,119,905

A *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated cash flows statement comprise the following amounts:

	Note	2012 S$	2011 S$
Cash and bank balances		6,603,052	8,089,441
Short-term deposits		496,350	502,826
	23	7,099,402	8,592,267
Less: Bank overdrafts, unsecured	26	(46,166)	(79,850)
		7,053,236	8,512,417
Add: Fixed deposits (unrestricted)	24	4,199,163	1,607,488
Cash and cash equivalents		11,252,399	10,119,905

B *Disposal of subsidiaries*

The attributable net assets of subsidiaries disposed of during the previous financial year ended 30 June 2011 were as follows:

	2011 S$
Property, plant and equipment	50,417
Inventories	60,015
Trade and other receivables	1,559,394
Cash and cash equivalents	44,188
Trade and other payables	(2,732,889)
Projects in progress	268,595
Non-controlling interests	189,845
Net liabilities disposed of	(560,435)
Translation gain realised upon disposal	(1,215,204)
Gain on disposal of subsidiaries	2,381,752
Proceeds from disposal of subsidiaries	606,113
Less :	
Cash and cash equivalents of subsidiaries disposed of	(44,188)
Net cash inflow on disposal of subsidiaries	561,925

Notes to the Financial Statements

30 June 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate Information

Magnus Energy Group Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of the Company's registered office and principal place of business is 10 Anson Road #33-13, International Plaza, Singapore 079903.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries, associated companies and joint venture entities are set out in Notes 14, 15 and 16, respectively.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

The preparation of financial statements in conformity with FRS requires management to exercise judgment in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial year. Although these judgments and estimates are based on historical experience and other relevant factors, including management's expectation of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment, are disclosed in Note 39.

The financial statements have been prepared on an historical cost basis except as disclosed in the accounting policies set out below.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Adoption of New/Revised FRS which are effective

For the financial year ended 30 June 2012, the Group has adopted the following revised/amended FRS which are effective and are relevant to the Group, and mandatory for application:

		Effective for accounting periods beginning on or after
FRS 24 (Revised)	*Related Party Disclosures*	1 January 2011
FRS 107 (Amendment)	*Financial Instruments: Disclosures*	1 January 2011
FRS 107 (Amendment)	*Disclosures – Transfers of Financial Assets*	1 July 2011

The adoption of the above revised/amended standards has not had any impact on the financial performance or position of the Group and the Company for the financial year ended 30 June 2012.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are not yet effective

At the date of authorisation of these financial statements, the following new or revised standards have been issued and are relevant to the Group but not yet effective:

		Effective for accounting periods beginning on or after
FRS 1 (Amendment)	*Presentation of Items of Other Comprehensive Income*	1 July 2012
FRS 113	*Fair Value Measurement*	1 January 2013
FRS 107 (Amendment)	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	*Amendment to FRS 1 Presentation of Financial Statements*	1 January 2013
	Amendment to FRS 16 Property, Plant and Equipment	1 January 2013
	Amendment to FRS 32 Financial Instruments: Presentation	1 January 2013
FRS 27 (Revised)	*Separate Financial Statements*	1 January 2014
FRS 28 (Revised)	*Investment in Associates and Joint Ventures*	1 January 2014
FRS 32 (Amendment)	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 111	*Joint Arrangements*	1 January 2014
FRS 112	*Disclosure of Interest in Other Entities*	1 January 2014

The adoption of the above new or revised standards which are not yet effective is not expected to have a significant impact on the financial statements in the period of initial application except as discussed below:

- FRS 1 (Amendment) *Presentation of Items of Other Comprehensive Income*

  The amendments to FRS 1 changes the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial performance or position upon adoption of this amended standard.

- FRS 111 *Joint Arrangements*
  FRS 28 (Revised) *Investments in Associates and Joint Ventures*

  FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

  FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

  The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111 and FRS 28 (Revised), the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are not yet effective (cont'd)

- FRS 112 *Disclosure of Interests in Other Entities*

  FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial performance and position of the Group when implemented.

(b) Group accounting

(i) Subsidiaries

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated balance sheet, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Notes to the Financial Statements

30 June 2012

2 **Summary of Significant Accounting Policies** (cont'd)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition of businesses (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in (h) below. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standards.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

(ii) Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting. Investment in associates in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition and is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associates over the Group's share of the fair value of the identifiable net assets of the associates and is included in the carrying amount of the investment.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(ii) Associates (cont'd)

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dilution gains and losses arising from investment in associates are recognised in profit or loss.

Investment in associates is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

(iii) Joint Ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other ventures. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(c) Functional and Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of Group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities are translated at the closing rates at the date of that balance sheet;

– income or expenses for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

– all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(d) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the customers that generally coincide with their delivery and acceptance, net of goods and services tax and sales returns.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

Revenue from maintenance services

Revenue from maintenance services is recognised on a pro-rated basis over the period of the maintenance contract based on services performed.

Revenue from rental of equipment

Revenue from rental of equipment is recognised based on the leasing terms as agreed in the specific rental arrangements.

Service fee income

Service fee income is recognised when the related services are rendered, based on services provided as a proportion of the total services to be performed.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

(e) Employee Benefits

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund. The Group participates in the national schemes as defined by the laws of the countries in which it operates. The Group's contributions are recognised as an expense in profit or loss as and when they are incurred. The Group has no further payment obligations once the contributions have been paid.

(ii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) *Share-based payments*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital when new ordinary shares are issued.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(e) Employee Benefits (cont'd)

(iii) *Share-based payments* (cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares. The share option reserve is transferred to retained earnings upon expiry of the share options.

(f) Property, Plant and Equipment

Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold building	40 years
Leasehold buildings and improvements	5 – 15 years
Machinery, tools and equipment	3 – 10 years
Motor vehicles	5 – 10 years
Computers	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	5 – 10 years
Renovations	6 years

No depreciation is charged for freehold land.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repairs and maintenance expense in profit or loss during the financial year in which it is incurred.

Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(g) Investments in Subsidiaries, Associated Companies and Joint Venture Entities

Investments in subsidiaries, associated companies and joint venture entities are stated in the Company's balance sheet at cost less any impairment losses. On disposal of investments in subsidiaries, associated companies and joint venture entities, the difference between the net disposal proceeds and the carrying amounts of the investments are taken to profit or loss.

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary or a jointly controlled entity over the fair value of the Group's share of their identifiable assets, liabilities and contingent liabilities, at the date of acquisition. Goodwill on acquisition of a subsidiary and jointly controlled entity is classified as goodwill on consolidation.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and value-in-use. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

Gains and losses on disposal of the subsidiaries and joint venture entities include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of an associated company is described under "Associates" in Note 2(b)(ii).

Negative goodwill which represents the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in profit or loss on the date of acquisition.

(i) Intangible Assets

Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Capitalised exploration and development expenditure is carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Coal concession rights

Coal concession rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the coal concession rights over the license period of 30 years, commencing from the date that mining operations commence.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets, at fair value through profit or loss*

  This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the balance sheet date.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables", "related parties balances" and "cash and bank deposits" at the balance sheet date.

- *Financial assets, available-for-sale*

  Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the balance sheet date.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of financial assets, at fair value through profit or loss, including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

Subsequent measurement (cont'd)

Interest and dividend income on financial assets, available-for-sale, are recognised separately in income. Changes in the fair value available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve within equity. Changes in the fair value of available-for-sale equity securities (i.e. non-monetary assets) are recognised in the fair value reserve within equity, together with the related currency translation differences.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

- *Loans and receivables*

  An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance for impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in profit or loss.

- *Financial assets, available-for-sale*

  In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the equity security below its cost is considered an indicator that the investment is impaired.

  The cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions, which are subjected to an insignificant risk of change in value.

(l) Impairment of Non-Financial Assets Excluding Goodwill

Property, plant and equipment, intangible assets (excluding goodwill), and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(l) Impairment of Non-Financial Assets Excluding Goodwill (cont'd)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition. It is determined on the following basis:

Finished goods

Tubular products	-	specific identification
Equipment and spares	-	weighted average
Actuators, valves, control systems and electrical products	-	first-in, first-out

Work in progress
Cost of direct materials (specific identification) and other attributable overheads.

Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

(n) Trade and Other Payables

Trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method.

(o) Borrowings and Borrowing Costs

Borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are presented as current borrowings. Other borrowings due to be settled more than twelve months after the balance sheet date are presented as non-current borrowings in the balance sheet.

Borrowing costs are charged to profit or loss when incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(q) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(r) Financial Guarantee

Financial guarantee contracts are arrangements drawn between the Company and financial institutions for the issuance of corporate guarantees for bank facilities obtained by its subsidiaries.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs, and subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the financial institutions.

(s) Leases

Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

Assets acquired on hire purchase arrangements are capitalised and the corresponding obligations treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to profit or loss over the period of such hire purchase arrangements on a basis that reflects a constant periodic rate of charge on the balance of capital repayments outstanding.

Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the leases.

Contingent rents are recognised as an expense in profit or loss in the financial year in which they are incurred.

(t) Income Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except that tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

– Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

– In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

Notes to the Financial Statements

30 June 2012

2 Summary of Significant Accounting Policies (cont'd)

(t) Income Taxes (cont'd)

Deferred tax (cont'd)

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred taxes are recognised in profit or loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

3 Revenue

	Group	
	2012	**2011**
	S$	**S$**
Revenue from sale of goods	46,663,101	53,331,240
Revenue from maintenance services	1,087,587	1,810,344
Revenue from rental of equipment	545,707	162,369
	48,296,395	55,303,953

Notes to the Financial Statements

30 June 2012

4 Other Operating Income/(Expenses)

	Group	
	2012	2011
	S$	S$
The following key items have been included in arriving at other operating income:		
Bad trade receivables recovered - third parties	80,494	9,087
Foreign exchange gain - unrealised	–	1,031,540
Foreign exchange gain - realised	58,257	–
Gain on disposal of available-for-sale financial assets	14,930	309,890
Gain on disposal of financial assets held for trading	127,011	–
Gain on disposal of property, plant and equipment	2,822	171,414
Gain on disposal of subsidiaries	–	2,381,752
Service fee income	476,139	442,146
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets	365,285	810,443
Fair value gain of financial assets held for trading	1,510	–
Short term investment return (Note 21)	286,761	–
Other income	157,366	118,364
	1,570,575	5,274,636
The following key items have been included in arriving at other operating expenses:		
Foreign exchange loss - unrealised	(1,479,146)	–
Foreign exchange loss - realised	–	(161,282)
Inventories written-off	(69,422)	–
Allowance for inventory obsolescence	(69,357)	(27,905)
Trade receivables written-off - third parties	(89,106)	–
Allowance for impairment loss on trade receivables - third parties	–	(261,919)
Exploration expenditure	(24,411)	(55,238)
Exploration and evaluation expenditure written-off	–	(48,886)
Preliminary expenses written-off	–	(326)
	(1,731,442)	(555,556)

5 Distribution and Selling Expenses

	Group	
	2012	2011
	S$	S$
Entertainment expenses	56,177	45,477
Public relation expenses	14,718	16,062
Travelling expenses	109,068	147,812
	179,963	209,351

Notes to the Financial Statements

30 June 2012

6 Administrative Expenses

	Group 2012 S$	Group 2011 S$
The following key items have been included in arriving at administrative expenses after charging:		
Audit fees		
- Company auditors	209,885	198,710
- Other auditors	17,245	41,889
Non-audit fees		
- Other auditors	10,000	–
Depreciation of property, plant and equipment (Note 13)	936,646	1,160,648
Personnel expenses (Note 7)	6,575,843	6,936,983
Operating lease expenses	223,151	95,984

7 Personnel Expenses

	Group 2012 S$	Group 2011 S$
Staff costs:		
- wages, salaries and bonuses	4,509,054	4,253,023
- defined contribution plans	294,153	270,437
- other personnel expenses	105,545	735,619
	4,908,752	5,259,079
Directors' remuneration:		
- directors of the Company	487,952	533,513
- directors of subsidiaries	978,429	935,281
Directors' defined contribution plans:		
- directors of the Company	5,968	7,410
- directors of subsidiaries	7,533	7,222
Directors' fees:		
- directors of the Company	73,500	73,500
- directors of subsidiaries	113,709	116,782
Total directors' remuneration and fees	1,667,091	1,673,708
Grant of equity share options	–	4,196
Total personnel expenses (Note 6)	6,575,843	6,936,983

Notes to the Financial Statements

30 June 2012

8 Finance Income

	Group 2012 S$	Group 2011 S$
Interest income:		
- bank balances	380	4,677
- fixed deposits	203,232	248,130
- short term investment	36,447	–
	240,059	252,807

9 Finance Costs

	Group 2012 S$	Group 2011 S$
Interest expense:		
- bank overdrafts	105	834
- finance leases	2,393	6,446
- bank borrowings	99,336	149,224
	101,834	156,504
Bank charges	129,235	135,084
	231,069	291,588

10 Income Taxes

(a) Income tax expense

	Group 2012 S$	Group 2011 S$
Current tax		
- current year	589,862	569,544
- over provision in respect of prior years	(103,923)	(158,407)
	485,939	411,137
Deferred tax		
- deferred tax expense relating to the origination and reversal of temporary differences	(523,523)	331,754
	(37,584)	742,891

Notes to the Financial Statements

30 June 2012

10 Income Taxes (cont'd)

(a) Income tax expense (cont'd)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to the Group's results before income tax for the financial year ended 30 June is as follows:

	Group	
	2012	**2011**
	S$	**S$**
(Loss)/Profit before income tax – continuing operations	(344,924)	3,998,651
Tax at the statutory tax rate of 17% (2011: 17%)	(58,637)	679,771
Tax effect of non-deductible expenses	589,371	651,771
Tax effect of non-taxable income	(150,262)	(552,682)
Over provision in respect of prior years	(103,923)	(62,049)
Deferred tax assets not recognised	175,574	12,161
Utilisation of deferred tax benefits not recognised in previous years	(10,832)	(90,381)
Effect of previously unrecognised tax losses now recognised deferred tax assets	(427,306)	–
Statutory exemption	(54,938)	(64,526)
Foreign sourced income	–	112,011
Effect of different tax rates in other countries	3,369	56,815
	(37,584)	742,891

The tax rate used above is the corporate tax rate of 17% payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction. The corporate tax rate applicable to those entities of the Group incorporated in Australia is 30% (2011: 30%). The remaining entities of the Group operating in other jurisdictions are not material.

The Group has unutilised tax losses of approximately S$7,720,206 as at 30 June 2012 (2011: S$6,751,135) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation and agreement with the tax authorities of the respective countries in which the entities of the Group operate. The potential deferred tax assets of approximately S$1,312,435 (2011: S$1,147,693) arising from these unutilised tax losses have not been recognised in the financial statements in accordance with the Group's accounting policy as stated in Note 2(t).

Notes to the Financial Statements

30 June 2012

10 Income Taxes (cont'd)

(b) Deferred income tax (assets)/liabilities

Deferred tax (assets)/liabilities arise from and the movements in the accounts during the financial year are as follows:

	Balance at 1 July S$	Recognised in profit or loss S$	Recognised in other comprehensive income S$	Currency realignment S$	Balance at 30 June S$
Group					
2012					
Deferred tax (assets)					
Provisions	(24,088)	24,088	–	–	–
Available-for-sale financial assets	(732,355)	102,719	46,691	–	(582,945)
Unutilised tax benefits	(1,061,512)	(427,306)	–	90,045	(1,398,773)
	(1,817,955)	(300,499)	46,691	90,045	(1,981,718)
Deferred tax liabilities					
Property, plant and equipment	57,396	1,136	–	–	58,532
Intangible assets*	10,224,829	(224,160)	–	(46,681)	9,953,988
	10,282,225	(223,024)	–	(46,681)	10,012,520
	8,464,270	(523,523)	46,691	43,364	8,030,802
2011					
Deferred tax (assets)					
Provisions	(243,211)	219,123	–	–	(24,088)
Available-for-sale financial assets	(453,252)	(14,015)	(265,088)	–	(732,355)
Unutilised tax benefits	(926,915)	(134,597)	–	–	(1,061,512)
	(1,623,378)	70,511	(265,088)	–	(1,817,955)
Deferred tax liabilities					
Property, plant and equipment	51,908	5,488	–	–	57,396
Intangible assets*	9,247,955	255,755	–	721,119	10,224,829
	9,299,863	261,243	–	721,119	10,282,225
	7,676,485	331,754	(265,088)	721,119	8,464,270

* Includes a deferred tax liability of approximately S$7.9 million (2011: approximately S$8.0 million) in respect of the Coal Concession Rights (see Note 18).

Notes to the Financial Statements

30 June 2012

11 Discontinued Operations

	Group 2012 S$	Group 2011 S$
Loss for the year from discontinued operations		
Revenue	–	2,165,992
Expenses	–	(2,287,648)
Loss after income tax	–	(121,656)
Cash flows from discontinued operations		
Net cash outflows from operating activities	–	(50,589)
Net cash inflows from investing activities	–	–
Net cash outflows	–	(50,589)

The Group had, on 21 May 2010, signed a conditional sale and purchase agreement ("Agreement") to sell the crude oil production subsidiary, Songyuan Yongda Oilfields Exploration & Technology Co., Ltd ("YD").

In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the results and assets and/or liabilities of YD have been disclosed separately as discontinued operations in the consolidated statement of comprehensive income and assets and/or liabilities held for sale in the Group's consolidated balance sheet respectively.

The disposal of YD was completed on 30 November 2010. Losses from discontinued operations during the period from 1 July 2010 to 30 November 2010 was S$0.1 million.

12 (Loss)/Earnings per Share

	Group 2012 S$	Group 2011 S$
(Loss)/Profit attributable to equity holders of the Company	(684,434)	1,509,826
(Loss)/Profit from continuing operations attributable to the equity holders of the Company	(684,434)	1,601,068
Loss from discontinued operations attributable to the equity holders of the Company	–	(91,242)
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per ordinary share	2,048,678,060	2,048,678,060
Adjustment for assumed conversion of share options	–	1,541,400
Weighted average number of ordinary shares outstanding for diluted (loss)/earnings per ordinary share	2,048,678,060	2,050,219,460
(Loss)/Earnings per ordinary share (cents)		
From continuing and discontinued operations attributable to the equity holders of the Company		
- Basic	(0.033)	0.074
From continuing operations attributable to the equity holders of the Company		
- Basic	(0.033)	0.078
From discontinued operations attributable to the equity holders of the Company		
- Basic	–	(0.004)

Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares as at the financial year end (2011: the share options as at the financial year end were anti-dilutive).

Notes to the Financial Statements

30 June 2012

13 Property, Plant and Equipment

Group	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
2012										
Cost										
Balance at 1 July	426,225	731,536	4,410,663	8,219,428	731,140	347,920	74,451	651,748	43,840	15,636,951
Additions	–	–	7,998	246,371	–	38,728	–	18,580	–	311,677
Disposals	–	–	–	(668,792)	(12,368)	(14,538)	(9,833)	(16,042)	–	(721,573)
Translation differences	65,943	(105,606)	127,783	(413,212)	11,344	5,452	(162)	(9,103)	–	(317,561)
Balance at 30 June	492,168	625,930	4,546,444	7,383,795	730,116	377,562	64,456	645,183	43,840	14,909,494
Accumulated depreciation and impairment										
Balance at 1 July	–	86,890	123,373	6,384,740	604,428	295,013	51,014	494,260	21,858	8,061,576
Charge for the year	–	12,122	108,248	675,149	56,680	29,686	5,872	41,582	7,307	936,646
Disposals	–	–	–	(659,851)	(5,282)	(14,344)	(4,688)	(14,311)	–	(698,476)
Translation differences	–	(6,247)	4,713	(273,023)	11,962	4,784	381	(3,940)	–	(261,370)
Balance at 30 June	–	92,765	236,334	6,127,015	667,788	315,139	52,579	517,591	29,165	8,038,376
Net book value										
Balance at 30 June	492,168	533,165	4,310,110	1,256,780	62,328	62,423	11,877	127,592	14,675	6,871,118
2011										
Cost										
Balance at 1 July	391,593	735,414	5,149,656	9,192,786	802,780	349,889	79,997	654,332	43,840	17,400,287
Additions	–	–	87,536	588,912	–	28,719	357	24,806	–	730,330
Disposals	–	–	(226,405)	(1,630,095)	–	–	–	(17,308)	–	(1,873,808)
Translation differences	34,632	(3,878)	(600,124)	67,825	(71,640)	(30,688)	(5,903)	(10,082)	–	(619,858)
Balance at 30 June	426,225	731,536	4,410,663	8,219,428	731,140	347,920	74,451	651,748	43,840	15,636,951
Accumulated depreciation and impairment										
Balance at 1 July	–	66,949	275,399	7,155,517	566,763	295,880	49,673	474,255	14,551	8,898,987
Charge for the year	–	11,794	110,615	853,070	95,762	26,769	6,048	49,283	7,307	1,160,648
Disposals	–	–	(226,084)	(1,539,009)	–	–	–	(10,586)	–	(1,775,679)
Translation differences	–	8,147	(36,557)	(84,838)	(58,097)	(27,636)	(4,707)	(18,692)	–	(222,380)
Balance at 30 June	–	86,890	123,373	6,384,740	604,428	295,013	51,014	494,260	21,858	8,061,576
Net book value										
Balance at 30 June	426,225	644,646	4,287,290	1,834,688	126,712	52,907	23,437	157,488	21,982	7,575,375

Notes to the Financial Statements

30 June 2012

13 Property, Plant and Equipment (cont'd)

Company	Motor vehicles	Computers	Office equipment	Furniture and fittings	Renovations	Total
	S$	S$	S$	S$	S$	S$
2012						
Cost						
Balance at 1 July and 30 June	188,644	45,043	17,702	33,665	43,841	328,895
Accumulated depreciation						
Balance at 1 July	141,483	38,712	8,737	14,223	21,858	225,013
Charge for the year	31,441	4,090	2,654	3,367	7,307	48,859
Balance at 30 June	172,924	42,802	11,391	17,590	29,165	273,872
Net book value						
Balance at 30 June	15,720	2,241	6,311	16,075	14,676	55,023
2011						
Cost						
Balance at 1 July	188,644	40,220	17,702	33,665	43,841	324,072
Additions	–	4,823	–	–	–	4,823
Balance at 30 June	188,644	45,043	17,702	33,665	43,841	328,895
Accumulated depreciation						
Balance at 1 July	110,042	33,091	6,084	10,856	14,551	174,624
Charge for the year	31,441	5,621	2,653	3,367	7,307	50,389
Balance at 30 June	141,483	38,712	8,737	14,223	21,858	225,013
Net book value						
Balance at 30 June	47,161	6,331	8,965	19,442	21,983	103,882

As at 30 June 2012, the Group has certain property, plant and equipment with a net book value of S$4,822,437 (2011: S$4,866,290) pledged as securities against borrowings as disclosed in Note 27.

As at 30 June 2012, the Group has certain motor vehicles under finance leases with a net book value of S$61,504 (2011: S$117,520).

Details of land and buildings owned by the Group as at 30 June 2012 and 2011 are as follows:

Location	Description	Area (sqm)	Title
5234 Brittmoore-North Road Harris County, Texas 77041 (KM 449C), USA	Office/Warehouse facility	Land: 6,494 Building: 795	Freehold
130 Mills Street, Welshpool Western Australia	Office/Warehouse facility	Land: 2,521 Building: 300	Freehold
9 Barfield Crescent, Elizabeth West, Adelaide South Australia	Single storey industrial building	Land: 2,044 Building: 196	Freehold
Unit 8, 47 Musgrove Road, Coopers Plains, Queensland South Australia	Terrace unit with office and warehouse building	Land: 190 Building: 190	Freehold
32 Loyang Crescent Singapore 508992	Office and warehouse building	Land: 4,222 Building: 3,428	Leasehold

Notes to the Financial Statements

30 June 2012

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprised:

	Company 2012 S$	Company 2011 S$
Equity investments, at cost:		
Balance at 1 July	50,220,100	50,298,950
Disposal of a subsidiary	–	(78,850)
	50,220,100	50,220,100
Less: Impairment loss	(35,183,190)	(23,933,164)
Balance at 30 June*	15,036,910	26,286,936

* As at 30 June 2012, the balance amount includes an investment in APAC Coal Limited of approximately S$1.1 million (2011: approximately S$12.3 million), net of allowance for impairment loss of approximately S$35.2 million (2011: approximately S$23.9 million).

Movements in the allowance for impairment loss of the Company's investments in subsidiaries during the financial year are as follows:

	Company 2012 S$	Company 2011 S$
Balance at 1 July	(23,933,164)	(24,012,014)
Disposal of a subsidiary	–	78,850
Allowance for the year	(11,250,026)	–
Balance at 30 June	(35,183,190)	(23,933,164)

As at 30 June 2012, the directors of the Company carried out an assessment on the recoverable amount of the Company's investments in subsidiaries, and consequently, recognised an allowance for impairment loss of approximately S$11.25 million (2011: Nil). The investment giving rise to the impairment loss relates to the quoted shares of one of the subsidiaries of the Company of which the directors of the Company had determined the recoverable amount is less than the carrying amount of its investment based on the market value of those quoted shares as at 30 June 2012.

(b) Details of the Group's subsidiaries as at 30 June are as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2012 %	Effective Equity Interest held by the Group 2011 %
Held by the Company				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
Mid-Continent Equipment Group Pte Ltd ("MEG")	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	54.35	54.35
MEG Management Sdn Bhd[1]	Providing management services	Malaysia	100.00	100.00
APAC Coal Limited ("APAC Coal")[2]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	56.87

Notes to the Financial Statements

30 June 2012

14 Investments in Subsidiaries (cont'd)

(b) Details of the Group's subsidiaries as at 30 June are as follows: (cont'd)

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2012 %	Effective Equity Interest held by the Group 2011 %
Held by APAC Coal				
PT Deefu Chemical Indonesia ("PT Deefu")[3]	Trading in chemical materials	Indonesia	56.87	56.87
Held by PT Deefu				
PT Batubara Selaras Sapta[3]	Coal mining and marketing of coal products	Indonesia	56.87	56.87
Held by MEG				
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia")[2]	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC[4]	Holding of warehouse property	United States of America	54.35	54.35
Mid-Continent Equipment, Inc.[5]	Supply of oilfield equipment	United States of America	54.35	54.35
Mid-Continent Environmental Project Pte Ltd ("MEP")	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35
Held by MEP				
Plant Tech Mid-Continent Industrial Services Pte Ltd[6,7]	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	–	27.18
Held by ME Australia				
Tubular Leasing Australia Pty Ltd[2,7]	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited[2]	Supply of oilfield and mining equipment	New Zealand	54.35	54.35

The above subsidiaries are audited by Moore Stephens LLP, Singapore except for the following:

1 Audited by Moore Stephens AC, Johor Bahru, Malaysia.

2 Audited by Moore Stephens, Perth, Australia.

3 Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia.

4 Not required to be audited under the laws of its country of incorporation and is not considered to be significant to the Group.

5 Audited by LaPorte CPA's and Business Advisors.

6 This subsidiary was liquidated during the financial year.

7 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.

Subsidiaries not audited by Moore Stephens LLP, Singapore or other member firms of Moore Stephens International were considered not to be significant to the Group for consolidation purposes.

Notes to the Financial Statements

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15 Investments in Associated Companies

(a) Investments in associated companies comprised:

	Group 2012 S$	Group 2011 S$
Equity investments, at cost	22,350	22,350
Share of post-acquisition profits:		
Balance at 1 July	(20,660)	48,460
Loss during the year	–	(558)
Dividends paid	–	(62,870)
Currency realignment	50	(5,692)
Balance at 30 June	(20,610)	(20,660)
	1,740	1,690
The summarised financial information of the associated companies as at and for the financial year ended 30 June, not adjusted for the percentage of equity interest held by the Group, are as follows:		
- Assets	48,055	49,311
- Liabilities	1,605	1,578
- Revenue	–	17,543
- Net loss	–	(66,725)

(b) Details of the Group's associated companies as at 30 June are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment 2012 S$	Cost of Investment 2011 S$	Effective Equity Interest Held by the Group 2012 %	Effective Equity Interest Held by the Group 2011 %
Held by MEG					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company[1] United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	26.63	26.63
Held by MEP					
MEP Environmental Services Sdn Bhd [2] Malaysia	Provision of environmental and waste management services	22,000	22,000	27.18	27.18
		22,350	22,350		

1 Audited by Ernst & Young, United Arab Emirates.

2 Audited by Yap & Associates, Certified Public Accounting, Malaysia.

Notes to the Financial Statements

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16 Investments in Joint Venture Entities

The joint venture entities are held by various subsidiaries of the Group. Details of the Group's joint venture entities as at 30 June are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective Equity Interest Held by the Group 2012 %	2011 %
Held by MEG			
Mid-Continent Tubular Pte Ltd[1] Singapore	Trading in oilfield tubular products and the provision of related services	27.18	27.18
Mid-Continent GSO Pte Ltd[1] Singapore	To carry on the business of purchase, holding in stock and sale of oilfield and industrial equipments and chemicals and provision of global supply outsourcing in relation to the aforesaid business activities	27.18	27.18
Held by MEP			
Plant Tech Mid-Continent (India) Pvt. Ltd.[2] India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	27.18	27.18
MEP Waste Management (M) Sdn Bhd [3] Malaysia	Provision of environmental and waste management services	27.18	27.18

1 Audited by Moore Stephens LLP, Singapore.

2 Audited by Nitin J. Shetty & Co, Chartered Accountant, India.

3 Audited by H. H. Tan & Co, Chartered Accountant, Malaysia.

The Group's share of the joint venture entities' assets and liabilities as at 30 June, which have been consolidated on a line-by-line basis, are as follows:

	Group 2012 S$	Group 2011 S$
Current assets	5,777,432	8,319,885
Non-current assets	431,233	430,740
Current liabilities	(1,213,789)	(3,304,126)
Non-current liabilities	(86,455)	(13,114)

The Group's share of the joint venture entities' income and expenses for the financial year ended 30 June, which have been consolidated on a line-by-line basis, are as follows:

	Group 2012 S$	Group 2011 S$
Revenue	6,910,178	8,353,037
Expenses	(7,116,087)	(8,131,126)

Notes to the Financial Statements

30 June 2012

17 Goodwill

	Group	
	2012	**2011**
	S$	**S$**
Cost		
Balance at 1 July and 30 June	1,569,703	1,569,703

The goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2012	**2011**
	S$	**S$**
Mid-Continent Equipment Group Pte Ltd	1,569,703	1,569,703

The recoverable amount of a CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and direct costs during the relevant years. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs.

Mid-Continent Equipment Group Pte Ltd (the "CGU") prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management has assumed an estimated revenue growth rate of 5% for the next 5 years (2011: 5% for the first year and 1% per annum for the next 4 years). Management has also used a 1% (2011: 1%) growth rate to calculate the terminal value for periods beyond the 5 years. The rate used to discount the cash flow forecasts of the CGU was 8.70% (2011: 7.88%).

Sensitivity analysis

Management has considered the possibility of an increase/decrease in the estimated growth rate and the discount rate used. An increase/decrease by 100 basis points in the estimated growth rate and the discount rate used did not result in the recoverable amount of the CGU to be lower than the carrying amount of goodwill.

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18 Other Intangible Assets

	Group Cost and Carrying Amount	
	2012 S$	2011 S$
Petroleum Exploration License		
- 40% (2011: 40%) participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia	4,341,501	4,338,018
- Currency realignment	24,009	367,018
	4,365,510	4,705,036
Coal Concession Rights		
- Coal concession rights granted by the Government of Indonesia for a period of 30 years commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	26,420,450	26,420,450
- Currency realignment	(198,940)	156,310
	26,221,510	26,576,760
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	1,137,660	1,138,296
- Currency realignment	(63,702)	(11,915)
	1,073,958	1,126,381
	27,295,468	27,703,141
Total other intangible assets	31,660,978	32,408,177

Movements in the account during the financial year are as follows:

	Group	
	2012 S$	2011 S$
Cost		
Balance at 1 July	66,098,159	65,241,841
Additions:		
- Exploration and development expenditure	–	6,704
- Petroleum exploration rights	3,483	3,478
	3,483	10,182
Exploration and evaluation expenditure written-off	–	(48,886)
Currency alignment	(750,682)	895,022
Balance at 30 June	65,350,960	66,098,159
Accumulated impairment loss		
Balance at 1 July and 30 June – Coal Concession Rights	(33,689,982)	(33,689,982)
Balance at 30 June	31,660,978	32,408,177

Coal Concession Rights

The Coal Concession Rights, included in the Group's consolidated balance sheet, at a carrying amount of approximately S$27.3 million (2011: S$27.7 million) with a corresponding deferred tax liability of approximately S$7.9 million (2011: S$8.0 million) (Note 10) included in intangible assets are held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group.

Notes to the Financial Statements

30 June 2012

18 Other Intangible Assets (cont'd)

Coal Concession Rights (cont'd)

In 2008, the Indonesian Ministry of Law and Human Rights had informed the Group that another party is also registered as the legal owners of PT BSS. In 2009, the Group had filed a case against the Ministry of Law and Human Rights to confirm the Group's legal rights as to the ownership of PT BSS. In November 2009, the Supreme Court of Indonesia upheld an earlier judgement of the High Court, which was not to suspend the registration of the other party as the legal owner of PT BSS.

On the advice of the Indonesian legal counsel, the Group had in April 2010 submitted an application for a Judicial Review to the Chief Justice of the Supreme Court of Indonesia, seeking to overturn the earlier ruling of the High Court. On 6 May 2012, the Indonesian legal counsel advised that the Judicial Review had been concluded, and that the administrative court does not have the authority to examine the title of ownership of the shares of PT BSS. Instead, only a district court has such an authority.

Subsequently, a fresh civil suit was filed by the Group with the District Court of Southern Jakarta. In accordance with the Indonesian Rules of Civil Procedure, the disputing parties have to conduct mediation before a trial. The mediation that was convened on 4 September 2012 was inconclusive and therefore the disputing parties shall continue with the civil suit. A hearing date has not been set as at the date of these financial statements.

In view of the ongoing legal proceedings, PT BSS has been advised by the Indonesian Ministry of Energy and Mines to suspend all activities at the coal mine for the foreseeable future.

Impairment loss – Coal Concession Rights

The impairment loss of S$33,689,982 made in 2009 was related to the impairment of the Coal Concession Rights. This was derived based on the fair value estimated by an independent valuer, who issued an independent technical valuation report in August 2009, on the Joint Ore Reserves Committee ("JORC") - compliant resource estimate for the coal concession within an 8.9km^2 investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222km^2. The independent valuer applied the In-situ Method of valuing the mineral resources associated with the 8.9 km^2 investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222km^2 to estimate the fair value of the Coal Concession Rights as at 30 June 2009.

As the outcome of the ongoing legal proceedings relating to Group's ownership interest in PT BSS, as described in the preceding paragraphs of this note, is uncertain, the directors of the Company were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights as at 30 June 2012.

19 Other Financial Assets

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Available-for-sale financial assets				
Quoted equity shares, at fair value	47,913,105	31,024,306	29,787,450	18,618,500
Unquoted equity investments	637,916	681,759	–	–
	48,551,021	31,706,065	29,787,450	18,618,500
Financial assets held for trading				
Quoted equity shares, at fair value	504,104	–	504,104	–
Total other financial assets	49,055,125	31,706,065	30,291,554	18,618,500
Classified as:				
- Non-current	47,913,105	31,706,065	29,787,450	18,618,500
- Current	1,142,020	–	504,104	–

As at 30 June 2012, available-for-sale financial assets amounted to Nil (2011: S$18,618,500) have been pledged as security against borrowings as disclosed in Note 27.

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20 Inventories

	Group 2012 S$	Group 2011 S$
At cost		
Finished goods	6,688,507	10,802,158
Goods-in-transit	704,988	1,093,326
Work-in-progress	41,481	190,614
	7,434,976	12,086,098
At net realisable value		
Finished goods	1,249,697	751,698
Total inventories	8,684,673	12,837,796
Cost of inventories sold included in cost of sales amounted to:	37,979,714	44,035,739

During the financial year ended 30 June 2012, the Group made allowance for inventory obsolescence and wrote off inventories amounted to S$69,357 and S$69,422 (2011: S$27,905 and Nil), respectively.

21 Trade and Other Receivables

	Group 2012 S$	Group 2011 S$	Company 2012 S$	Company 2011 S$
Trade receivables	7,365,648	7,001,220	–	–
Less: Impairment loss	(17,568)	(390,765)	–	–
	7,348,080	6,610,455	–	–
Short term investment receivable	578,632	–	–	–
Advance to suppliers	19,029	1,528,268	–	–
Other receivables	150,345	188,096	13,224	5,882
Deposits	841,291	137,069	628,445	48,979
Prepayments	80,784	166,937	23,645	48,572
Interest receivable	71,456	70,680	–	–
Advances to staff	12,871	10,337	–	–
Other taxes recoverable	78,065	31,203	–	197,404
	9,180,553	8,743,045	665,314	300,837

Trade receivables are due within normal trade credit terms of 30 – 90 days.

Included are legal fees deposits amounting to approximately S$608,515 (2011: S$30,000) incurred by the Group mainly in relation to the Arbitration (see Note 34) the Group is involved in.

Short term investment receivable

During the financial year, APAC Coal Limited ("APAC Coal"), a subsidiary of the Group, has entered into a short term investment agreement to extend a sum of AUD350,000 (approximately S$452,095) to Hudson Minerals Holdings Pte Ltd (see Note 32), which was repayable by 31 October 2011 or earlier. The short term investment shall have a return of investment to APAC Coal amounted to AUD220,000 (approximately S$286,761). The repayment period was subsequently extended to 31 January 2012 and further extended to now repay the short term investment including the return of investment totalling AUD570,000 over the following milestone dates – AUD50,000 on 29 February, AUD100,000 on 30 April, AUD100,000 on 31 July and AUD320,000 on 30 September 2012. As at the date of these financial statements, the last amount of AUD320,000 has not been collected by the milestone date. Nevertheless, management believe the balance amount is collectible albeit the payment is now overdue.

As at 30 June 2012, the balance of the short term investment receivable amounted to AUD447,962 (approximately S$578,632) which includes interest amounted to AUD27,962 (approximately S$38,447) accrued at 12% per annum on the unpaid sum in accordance with the terms of the short term investment agreement.

Notes to the Financial Statements

30 June 2012

21 Trade and Other Receivables (cont'd)

Impairment loss – trade receivables

Movements in the allowance for impairment loss of the Group's trade receivables during the financial year are as follows:

	Group	
	2012	2011
	S$	S$
Balance at 1 July	390,765	167,689
Amounts recovered during the year	(80,494)	(9,087)
Amounts written off during the year	(305,020)	–
Allowance for the year	–	261,919
Currency alignment	12,317	(29,756)
Balance at 30 June	17,568	390,765

22 Related Parties Balances

The amounts due from/(to) related parties (refer to Note 36 for the definition of related parties) comprised:

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Due from:				
- Subsidiaries* (non-trade)	–	–	1,070,709	1,204,448
- Joint venture entities (trade)	528,463	634,253	–	–
- Other related parties (trade)	36,473	–	–	–
	564,936	634,253	1,070,709	1,204,448

* Includes an amount due from APAC Coal Limited of approximately S$1.07 million (2011: S$0.74 million).

	Group		Company	
	2012	2011	2012	2011
Due (to):				
- Subsidiaries** (non-trade)	–	–	(4,179,736)	(3,601,421)
- Associated companies (trade)	–	(36)	–	–
- Joint venture entities (trade)	–	(592,147)	–	–
- Other related parties (trade)	(1,020,141)	(591,499)	–	–
	(1,020,141)	(1,183,682)	(4,179,736)	(3,601,421)

** Includes a 3 month term loan amount due to APAC Coal Limited of AUD2.5 million (approximately S$3.2 million) (2011: approximately S$3.3 million) which is secured with a third party public quoted shares with a combined value of not less than AUD2.5 million, carries a 8% interest per annum and repayable in full on maturity or extended as may be mutually agreed between the parties. As at the date of these financial statements, the repayment of the outstanding loan amount has been extended to 1 November 2012.

The above trade amounts due from/(to) are within normal trade credit terms of 30 – 90 days. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

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23 Cash and Bank Deposits

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Cash and bank balances	6,603,052	8,089,441	42,262	11,734
Short-term deposits	496,350	502,826	–	–
	7,099,402	8,592,267	42,262	11,734

Short-term deposits are made for varying periods of between 1 to 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

24 Fixed deposits

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Fixed deposits (restricted)	5,170,606	5,227,295	–	–
Fixed deposits (unrestricted)	4,199,163	1,607,488	–	–
	9,369,769	6,834,783	–	–

Fixed deposits bear interest ranging from 0.07% to 9.35% (2011: 0.07% to 9.35%) per annum and have maturity periods ranging from 1 to 12 months (2011: 1 to 12 months).

The above restricted fixed deposits are pledged as security against borrowings as disclosed in Note 27.

25. Trade and Other Payables

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Trade payables	5,477,275	7,424,627	336	336
Other payables	923,424	303,005	597,229	119,097
Amount due to a director	1,222,946	560,000	1,166,626	560,000
Accrued operating expenses	305,870	286,786	807,925	550,150
	7,929,515	8,574,418	2,572,116	1,229,583

Trade payables are due within normal trade credit terms of 30 – 90 days.

The amount due to a director are unsecured, interest-free and repayable on demand based on cash basis.

26 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts is 9% (2011: 13.50% to 15.50%) per annum.

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27 Borrowings

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Short-term borrowings				
Bank borrowings – (i)	–	26,719	–	26,719
Bank borrowings – (ii)	826,475	2,533,185	–	–
	826,475	2,559,904	–	26,719
Long-term borrowings				
Bank borrowings – (iii)	574,749	1,254,559	–	–
Bank borrowings – (iv)	182,726	121,952	–	–
	757,475	1,376,511	–	–
Total borrowings	1,583,950	3,936,415	–	26,719
Classified as:				
- Current	1,469,146	3,353,430	–	26,719
- Non-current	114,804	582,985	–	–

(i) The short-term bank loan of the Company bore a fixed interest rate of 7.2% (2011: 7.2%) per annum and was repayable quarterly, the last installment being at the end of July 2011. The loan was secured by way of pledging the Group's quoted investments to the bank (Note 19). The loan was fully repaid during the current financial year.

(ii) The short-term bank loans of a joint venture entity is denominated in United States Dollar, repayable on demand and bore a fixed interest of 1.55% (2011: fixed rate of 1.2% for bank loan of US$1.8 million, 1.47% for bank loan of US$1 million and 1.55% for bank loan of US$1.3 million) per annum. These loans are secured on a letter of guarantee from a corporate shareholder of a subsidiary and a first fixed charge on the joint venture entity's receivables and first floating charge on all its undertaking, property, assets and rights of the joint venture entity.

(iii) The loan of a subsidiary was taken for the purchase of a leasehold property. The loan is repayable over 36 instalments monthly up to April 2013. The interest rates have been fixed at 3.88% per annum for the first year, 4.28% per annum for the second year and 0.62% per annum below the Bank's prevailing Small and Medium Enterprise (SME) Diamond Rate for the third and final year. The loan is secured by on:

- the subsidiary's fixed deposits (Note 24) including interest received;
- a corporate guarantee from the Company; and
- a first legal mortgage over the leasehold property (Note13).

(iv) The loans taken by a joint venture entity are denominated in Indian Rupee, bear interest at 5% (2011: 5%) per annum above the bank's prime lending rate, with a minimum of 15.5% (2011: 15.5%) per annum compounded monthly, repayable in monthly instalments up to 10 August 2016. The loan is secured on:

- a standby letter of credit from a bank in Singapore;
- a personal guarantee from the directors of a subsidiary, guarantee from a corporate shareholder of a subsidiary and a hypothecation of machinery of a joint venture entity (Note 13) in India; and
- a first floating charge on all its undertaking, other property, assets and rights of the joint venture entity.

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28 Finance Lease Obligations

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Minimum lease payments payable:				
Due not later than one year	23,655	36,315	23,655	23,655
Due later than one year and not later than five years	12,267	35,482	12,267	35,482
	35,922	71,797	35,922	59,137
Finance charges allocated to future years	(237)	(2,206)	(237)	(1,451)
Present value of minimum lease payments	35,685	69,591	35,685	57,686
Classified as:				
- Non-current	23,418	33,906	23,418	22,001
- Current	12,267	35,685	12,267	35,685

The effective interest rate of the finance lease obligations ranged from 3.50% to 8.03% (2011: 3.50% to 8.03%) per annum.

29 Share Capital

	Group and Company			
	2012		2011	
	Number of shares	S$	Number of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	2,048,678,060	120,126,816	1,758,678,060	116,501,816
Shares issued during the year	–	–	290,000,000	3,625,000
Balance at 30 June	2,048,678,060	120,126,816	2,048,678,060	120,126,816

The ordinary shares of the Company do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

During the last financial year ended 30 June 2011, a share placement of 290,000,000 ordinary shares at S$0.0125 for each subscription share was completed, which raised proceeds of S$3,625,000.

30 Reserves

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Share–based payment reserve (a)	–	175,004	–	155,108
Fair value reserve (b)	37,298,735	20,066,413	25,328,918	14,195,481
Translation reserve (c)	(6,265,407)	(6,800,211)	–	–
Accumulated losses	(73,563,365)	(73,069,024)	(105,081,499)	(93,054,972)
	(42,530,037)	(59,627,818)	(79,752,581)	(78,704,383)

Notes to the Financial Statements

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30 Reserves (cont'd)

(a) Share-based Payment Reserve

The share-based payment reserve relates to the share options granted to employees. Details are set out in Note 40. All share options have lapsed during the current financial year.

(b) Fair Value Reserve

The fair value reserve records the cumulative fair value change of available-for-sale financial assets until they are derecognised or impaired.

Movements of the Group's fair value reserve during the financial year are as follows:

	Group	
	2012 S$	2011 S$
Balance at 1 July 2012	20,066,413	4,982,543
Net gain arising on revaluation of available-for-sale financial assets during the year	17,637,575	15,541,646
Deferred tax relating to gain arising on revaluation of available-for-sale financial assets	25,376	144,076
Cumulative gain reclassified to profit or loss on disposal of available-for-sale financial assets during the year	(365,285)	(769,830)
Foreign currency translation differences	(65,344)	167,978
Balance at 30 June	37,298,735	20,066,413

(c) Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Movements of the Group's translation reserve during the financial year are as follows:

	Group	
	2012 S$	2011 S$
Balance at 1 July	(6,800,211)	(5,058,741)
Exchange difference arising on translating the net assets of foreign operations	534,804	(526,266)
Cumulative exchange difference reclassified to profit or loss on disposal of foreign operations	–	(1,215,204)
Balance at 30 June	(6,265,407)	(6,800,211)

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31 Operating Lease Commitments

The Group leases certain of its office premises under lease agreements. These leases contain renewable options and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments with initial or remaining lease terms of one year or more are as follows:

	Group	
	2012	2011
	S$	S$
Within 1 year	220,535	175,506
After 1 year to 5 years	3,808,658	3,455,430
	4,029,193	3,630,936

32 Proposed Acquisition and Commitment

In June 2010, APAC Coal Limited ("APAC"), a subsidiary of the Group, had entered into a conditional Sale and Purchase Agreement ("SPA") to acquire 51,000 shares representing an equity interest of 51% in Hudson Minerals Holdings Pte Ltd ("Hudson"), a company incorporated in Singapore, for a total consideration of AUD6,092,044 (approximately S$7,299,487) (the "Proposed Acquisition").

Hudson is to acquire an equity interest of 80% in PT Denichi Amina Selaras, a company incorporated in Indonesia, which holds an iron ore mining concession in Padang, Indonesia. The consideration for the Proposed Acquisition was to be satisfied by cash, convertible notes and share issue.

Subsequently in April 2011, APAC Coal had revised the SPA ("Revised SPA") to acquire Hudson in the form of an investment of a 9% interest-bearing convertible loan for AUD2.5 million (approximately S$3.2 million). The convertible loan shall mature in 4 years from the date of drawdown of the loan or such other date as may be mutually agreed between the parties. Further, the convertible loan shall be convertible at the option of APAC Coal in accordance with the terms pursuant to the Revised SPA, and if fully converted APAC Coal will own approximately 20.93% of Hudson.

As at the date of these financial statements, Hudson has not drawdown the convertible loan.

33 Warranty and Guarantees

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Product warranty	34,500	34,500	34,500	34,500
Corporate guarantees (a)	–	–	574,749	1,254,559
Bankers' guarantees (b)	122,225	139,497	–	–

(a) The Company issued a corporate guarantee to a bank for granting banking and treasury facilities to one of the subsidiaries of the Group. As at 30 June 2012, the subsidiary has an outstanding bank loan of S$574,749 (2011: S$1,254,559).

The Company also issued a corporate guarantee to a security broker firm for granting a securities trading account and share margin facility account to one of subsidiaries of the Group. As at 30 June 2012, the subsidiary has no outstanding balance on the account.

(b) The Group has outstanding bankers' guarantees in respect of certain contracts entered into by certain subsidiaries. No loss is expected to arise from these guarantees.

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34 The Arbitration

In August 2010, Tjong Very Sumito, Iman Haryanto and Herman Aries Tintowo (the "Plaintiffs") in a Writ of Summons issued to the Company and Antig Investments Pte Ltd ("Antig"), a wholly owned subsidiary of the Company, (collectively referred to as the "Defendants"), alleged that the Defendants have made certain payments to Aventi Holdings Ltd and Overseas Alliance Finance Limited which were not in accordance with the conditional sale and purchase agreement ("SPA") in relation to the acquisition of a 72% interest in PT Deefu Chemical Indonesia ("PT Deefu") and was to have given the Company an indirect ownership and right to mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia.

The Plaintiffs were claiming approximately US$6.72 million and 166,959,091 shares (with a market value of at least US$5.75 million) of the Company or for damages to be assessed. In addition, the Plaintiffs were claiming approximately US$6.3 million in respect of sale of 28% interest in PT Deefu and 5% interest in PT Batubara Selaras Sapta. Subsequent to a hearing held in November 2010, the Singapore High Court ordered that all further proceedings in this action against the Defendants be stayed in favour of arbitration, with costs also ordered against the Plaintiffs.

In April 2011, the Company received another Writ of Summons made by the Plaintiffs to attend before the Registrar in Chambers, on hearing of an application by the Plaintiffs that the stay order against the Defendants be lifted for the limited purpose of discovery and production of documents. The application was subsequently rejected by the Singapore High Court.

Subsequently in June 2011, the Company and Antig (collectively the "Claimants") initiated arbitration proceedings (the "Arbitration") against Tjong Very Sumito, Iman Haryanto and Hermen Aries Tintowo (collectively the "Respondents") for various breaches of the above mentioned SPA. The Claimants are seeking rescission of the SPA in the Arbitration or damages in lieu thereof. Alternatively, the sum of AUD24,624,000 is claimed for loss and damage suffered.

The Respondents have made a counterclaim and an addition counterclaim in the Arbitration against the Claimants, for the same sums as disclosed in the preceding paragraphs of this note.

Subsequent to the initiation of the above arbitration, the Company received a "Notice of Discontinuance" from the Singapore High Court indicating that the Plaintiffs have wholly discontinued their legal action against the Company and Antig.

The Arbitration is currently at the stage where parties are seeking production of documentary evidence relevant to the Arbitration from each other. The directors of the Company have been advised by its legal counsel that it is difficult at this stage to determine the possible outcome of the Arbitration. No provision has been made in the financial statements in connection with the Arbitration. The directors of the Company will continue pursue the Company's and Antig's claims and contest the Respondents' counterclaims vigorously.

35 Subsequent Events

(a) On 18 July 2012, the Company announced that a writ of summon ("Suit") has been filed in the Subordinate Court of Singapore (the "Court") against the Company (the "Defendant") by Lonpac Insurance Berhad (the "Plaintiff").

As ordered by the Ministry of Manpower, the Plaintiff had made a compensation of approximately S$109,000 ("Sum") to a worker, employed by the Company on 12 April 2006 under the Workmen's Compensation Act (Cap. 354). The Plaintiff alleges that such compensation is not covered by the policy issued by it and is seeking to recover the said Sum, interests, costs and other reliefs that might be awarded by the Court from the Defendant.

At the time of the accident, the Company was a sub-contractor to Victrad Enterprise Pte Ltd ("Victrad"), a former subsidiary of the Company, which the Company had disposed of in 2006. In this connection, Victrad has provided written confirmation, via its lawyers, on 17 July 2012 to assume full liability to the Suit and has since appointed its lawyers to act on behalf of the Company and expressly provided full indemnity to the Company on all claims, interest and costs (including legal costs) arising from and relating to the Suit.

A trial date has not been set as at the date of these financial statements. No provision has been made in the financial statements in view of the foregoing full indemnity provided by Victrad in connection with the Suit.

(b) On 14 September 2012, the Company's wholly owned subsidiary, Antig Investments Pte Ltd has proposed to acquire a shelf company, Wallmans Limited, incorporated in the British Virgin Islands for a cash consideration of US$2. The principal activities of Wallmans Limited are those of investment holdings.

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36 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclose in this Note. Details of transactions between the Group and other related parties are disclosed below:

	Group	
	2012	2011
	S$	S$
Joint venture entities:		
- Sales	326,492	617,110
- Purchases	(4,501,433)	(5,711,372)
- Service fee income	470,164	444,299
- Other services received	–	11,728
Other related parties:		
- Purchases	(969,202)	(2,609,953)

Other related parties refer to enterprises in which the directors and/or shareholders of the Company, its subsidiaries, associated companies and joint venture entities have significant influence over the financial and operating decisions of these enterprises.

Outstanding balances with related parties at the balance sheet date are disclosed in Note 22.

Key management personnel compensation

	Group		Company	
	2012	2011	2012	2011
	S$	S$	S$	S$
Wages, salaries and bonuses	1,510,724	1,661,695	527,531	646,933
Defined contribution plans	36,473	37,656	9,871	18,697
Share-based payments	–	4,196	–	4,196
	1,547,197	1,703,547	537,402	669,826

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of the Group and of the Company.

37 Segment Information

FRS 108 *Operating Segments* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price. No operating segments have been aggregated to form the reportable segments below.

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise finance income and expenses, finance lease obligations and borrowings, and income and deferred taxes.

Notes to the Financial Statements

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37 Segment Information (cont'd)

(a) Business Segments

The Group is organised on a worldwide basis into the following main operating segments, namely:

- Oilfield equipment supply and services
- Investment holding
- Crude oil production (Discontinued Operation)

	Oilfield equipment supply and services S$	Investment holding S$	Total S$
Group			
2012			
Segment revenue and results			
External revenue	48,296,395	–	48,296,395
Profit/(Loss) from operations	1,228,372	(1,582,286)	(353,914)
Unallocated finance income			240,059
Unallocated finance costs			(231,069)
Loss before income tax			(344,924)
Unallocated income tax			37,584
Loss after income tax			(307,340)
Segment assets and liabilities			
Current assets	34,096,198	1,945,155	36,041,353
Unallocated non-current assets			56,355,666
Unallocated intangible assets			31,660,978
Consolidated assets			124,057,997
Current liabilities	6,608,017	2,387,805	8,995,822
Unallocated current and non-current liabilities:			
Borrowings			1,583,950
Finance lease obligations			35,685
Income tax liabilities			581,636
Deferred income tax liabilities			8,030,802
Consolidated liabilities			19,227,895
Other segment information			
Capital expenditure	311,677	–	311,677
Depreciation	878,246	58,400	936,646
Other non-cash items*	138,827	(10,698)	128,129

* Other non-cash items mainly include the net effects of gain on disposal of available-for-sale financial assets, fair value gain of financial assets held for trading, gain on disposal of property, plant and equipment and subsidiaries, allowances for inventory obsolescence, impairment of trade receivables, grant of equity share options and intangible assets related expenses written-off.

Notes to the Financial Statements

30 June 2012

37 Segment Information (cont'd)

(a) Business Segments (cont'd)

	(Continuing Operations) Oilfield equipment supply and services S$	Investment holding S$	(Discontinued Operation) Crude oil production S$	Adjustment S$	Total operations S$
Group					
2011					
Segment revenue and results					
External revenue	55,303,953	–	2,165,992	(2,165,992)	55,303,953
Profit/(Loss) from operations	3,930,125	107,865	(121,508)	121,508	4,037,990
Unallocated finance income					252,807
Unallocated finance costs					(291,588)
Share of results of associated companies					(558)
Profit before income tax					3,998,651
Unallocated income tax					(742,891)
Profit after income tax from continuing operations					3,255,760
Segment assets and liabilities					
Current assets	36,639,470	1,002,674	–	–	37,642,144
Unallocated non-current assets					40,852,833
Unallocated intangible assets					32,408,177
Consolidated assets					110,903,154
Current liabilities	8,650,273	1,187,677	–	–	9,837,950
Unallocated current and non-current liabilities:					
Borrowings					3,936,415
Finance lease obligations					69,591
Income tax liabilities					474,922
Deferred income tax liabilities					8,464,270
Consolidated liabilities					22,783,148
Other segment information					
Capital expenditure	725,507	4,823	–	–	730,330
Depreciation	1,095,192	65,456	–	–	1,160,648
Other non-cash items*	42,466	2,533,168	–	–	2,575,634

* Other non-cash items mainly include the net effects of gain on disposal of available-for-sale financial assets, fair value gain of financial assets held for trading, gain on disposal of property, plant and equipment and subsidiaries, allowances for inventory obsolescence, impairment of trade receivables, grant of equity share options and intangible assets related expenses written-off.

Notes to the Financial Statements

30 June 2012

37 Segment Information (cont'd)

(b) Geographical Segments

	Singapore S$	Australia S$	Malaysia S$	Indonesia S$	China S$	Others* S$	Total S$
Group							
2012							
Revenue	15,689,141	11,193,419	3,226,024	5,938,322	211,619	12,037,870	48,296,395
Non-current assets	6,066,592	5,596,324	175,384	27,318,572	–	946,667	40,103,539
2011							
Revenue	18,234,133	13,787,675	3,104,738	7,286,180	112,531	12,778,696	55,303,953
Non-current assets	6,886,789	5,809,241	211,052	27,749,270	–	898,593	41,554,945

Revenue is based on the location of customers regardless of where the goods are produced. Segment assets are based on the geographical location of those assets.

* Others mainly include the United States of America, India, United Arab Emirates and New Zealand.

** Non-current assets exclude other financial assets of the segment.

(c) Information about Major Customers

Included in revenues arising from oilfield equipment supply and services segments of S$48,296,395 (2011: S$55,303,953) are revenues of approximately S$4,893,000 (2011: Nil) which arose from sales to the Group's largest customer.

38 Financial Instruments

The Group's and the Company's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

(a) Market risk

Currency risk

The currency risk of the Group and the Company arises mainly from entities operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies, primarily Australian Dollar and United States Dollar, and as such are exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in foreign subsidiaries.

The Group and the Company does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. However, management of the Group monitor the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at minimal level.

Notes to the Financial Statements

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38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

The Group's currency exposure based on information provided to key management is as follows:

	Australian Dollar S$	United States Dollar S$
Group		
2012		
Financial assets		
Other financial assets	2,124,821	–
Trade and other receivables	958,450	4,946,121
Related parties balances	–	168,441
Cash and bank deposits	769,000	4,110,388
Fixed deposits	3,320,378	3,766,100
	7,172,649	12,991,050
Financial liabilities		
Trade and other payables	(626,861)	(3,841,048)
Related parties balances	–	(957,021)
Borrowings	–	(826,475)
	(626,861)	(5,624,544)
Currency exposure on net financial assets	6,545,788	7,366,506
2011		
Financial assets		
Other financial assets	2,461,234	–
Trade and other receivables	707,090	6,925,153
Related parties balances	–	294,358
Cash and bank deposits	899,527	6,907,161
Fixed deposits	3,389,843	570,505
	7,457,694	14,697,177
Financial liabilities		
Trade and other payables	(652,470)	(5,616,891)
Related parties balances	–	(1,128,965)
Borrowings	–	(2,533,185)
	(652,470)	(9,279,041)
Currency exposure on net financial assets	6,805,224	5,418,136

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	Australian Dollar S$	United States Dollar S$
Company		
2012		
Financial assets		
Related parties balances	937,466	–
Cash and bank deposits	–	1,557
	937,466	1,557
Financial liabilities		
Related parties balances	(3,229,250)	–
Currency exposure on net financial (liabilities)/assets	(2,291,784)	1,557
2011		
Financial assets		
Related parties balances	382,152	777,026
Cash and bank deposits	–	1,513
	382,152	778,539
Financial liabilities		
Related parties balances	(3,273,000)	–
Currency exposure on net financial (liabilities)/assets	(2,890,848)	778,539

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

If the Australian Dollar and United States Dollar strengthen/weaken against the Singapore Dollar by 5% with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	2012		2011	
	Increase/(Decrease)			
	Loss before income tax S$	Equity S$	Profit/(Loss) before income tax S$	Equity S$
Group				
Australian Dollar against Singapore Dollar				
- strengthened	(221,048)	106,241	217,200	123,062
- weakened	221,048	(106,241)	(217,200)	(123,062)
United States Dollar against Singapore Dollar				
- strengthened	(368,325)	–	270,907	–
- weakened	368,325	–	(270,907)	–
Company				
Australian Dollar against Singapore Dollar				
- strengthened	114,589	–	144,542	–
- weakened	(114,589)	–	(144,542)	–
United States Dollar against Singapore Dollar				
- strengthened	(78)	–	(38,927)	–
- weakened	78	–	38,927	–

Notes to the Financial Statements

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38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Price risk

The Group and the Company is exposed to equity securities market price risk from its investments which are classified in the balance sheet as other financial assets. Certain of these financial instruments are quoted equity securities in Singapore and Australia.

If prices for quoted equity securities listed in the countries mentioned above increase/(decrease) by the 5% with all other variables including tax rates being held constant, the Group's and the Company's (loss)/profit before tax will not be materially affected as most of these quoted equity securities are classified as available-for-sale financial assets. Instead, the Group's and the Company's equity will increase/(decrease) by the following amounts:

	2012 Equity S$	2011 Equity S$
Group		
Listed in Singapore:		
- increased by	2,389,415	1,530,333
- decreased by	(2,389,415)	(1,530,333)
Listed in Australia:		
- increased by	77,622	85,928
- decreased by	(77,622)	(85,928)
Company		
Listed in Singapore:		
- increased by	1,489,373	930,925
- decreased by	(1,489,373)	(930,925)

Interest rate risks

The Group and the Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group.

The Group and the Company obtains additional financing through bank borrowings and leasing arrangements. Information relating to the Group's and the Company's interest rate exposure is also disclosed in the notes on the Group's and the Company's borrowings (Note 27) and finance lease obligations (Note 28).

The Group's bank borrowings at variable rates are denominated mainly in United States Dollar and Singapore Dollar respectively. If the interest rates increase/decrease by 5% (2011: 5%) with all other variables including tax rates being held constant, the Group's (loss)/profit before tax will be higher/lower by S$32,134 (2011: S$39,676) as a result of higher/lower interest expense on these bank borrowings.

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks (cont'd)

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Fixed rates		Variable rates			
	Less than 1 year S$	1 to 5 years S$	Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group						
2012						
Financial assets						
Other financial assets	–	–	–	–	49,055,125	49,055,125
Trade and other receivables	452,095	–	–	–	8,569,609	9,021,704
Related parties balances	–	–	–	–	564,936	564,936
Cash and bank deposits	496,350	–	–	–	6,603,052	7,099,402
Fixed deposits	9,369,769	–	–	–	–	9,369,769
Total financial assets	10,318,214	–	–	–	64,792,722	75,110,936
Financial liabilities						
Trade and other payables	–	–	–	–	(7,929,515)	(7,929,515)
Bank overdrafts	–	–	(46,166)	–	–	(46,166)
Related parties balances	–	–	–	–	(1,020,141)	(1,020,141)
Borrowings	(826,475)	–	(642,671)	(114,804)	–	(1,583,950)
Finance lease obligations	(23,418)	(12,267)	–	–	–	(35,685)
Total financial liabilities	(849,893)	(12,267)	(688,837)	(114,804)	(8,949,656)	(10,615,457)

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks (cont'd)

	Fixed rates		Variable rates			
	Less than 1 year S$	1 to 5 years S$	Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group						
2011						
Financial assets						
Other financial assets	–	–	–	–	31,706,065	31,706,065
Trade and other receivables	–	–	–	–	8,544,905	8,544,905
Related parties balances	–	–	–	–	634,253	634,253
Cash and bank deposits	502,826	–	–	–	8,089,441	8,592,267
Fixed deposits	6,834,783	–	–	–	–	6,834,783
Total financial assets	7,337,609	–	–	–	48,974,664	56,312,273
Financial liabilities						
Trade and other payables	–	–	–	–	(8,574,418)	(8,574,418)
Bank overdrafts	–	–	(79,850)	–	–	(79,850)
Related parties balances	–	–	–	–	(1,183,682)	(1,183,682)
Borrowings	(2,559,904)	–	(793,526)	(582,985)	–	(3,936,415)
Finance lease obligations	(33,906)	(35,685)	–	–	–	(69,591)
Total financial liabilities	(2,593,810)	(35,685)	(873,376)	(582,985)	(9,758,100)	(13,843,956)

	Fixed rates		Variable rates		
	Less than 1 year S$	1 to 5 years S$	Less than 1 year S$	Non-interest bearing S$	Total S$
Company					
2012					
Financial assets					
Other financial assets	–	–	–	30,291,554	30,291,554
Trade and other receivables	–	–	–	641,669	641,669
Related parties balances	–	–	–	1,070,709	1,070,709
Cash and bank deposits	–	–	–	42,262	42,262
Total financial assets	–	–	–	32,046,194	32,046,194
Financial liabilities					
Trade and other payables	–	–	–	(2,572,116)	(2,572,116)
Related parties balances	(3,229,250)	–	–	(950,486)	(4,179,736)
Finance lease obligations	(23,418)	(12,267)	–	–	(35,685)
Total financial liabilities	(3,252,668)	(12,267)	–	(3,522,602)	(6,787,537)

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks (cont'd)

	Fixed rates Less than 1 year S$	Fixed rates 1 to 5 years S$	Variable rates Less than 1 year S$	Non-interest bearing S$	Total S$
Company					
2011					
Financial assets					
Other financial assets	–	–	–	18,618,500	18,618,500
Trade and other receivables	–	–	–	54,861	54,861
Related parties balances	–	–	–	1,204,448	1,204,448
Cash and bank deposits	–	–	–	11,734	11,734
Total financial assets	–	–	–	19,889,543	19,889,543
Financial liabilities					
Trade and other payables	–	–	–	(1,229,583)	(1,229,583)
Related parties balances	(3,273,000)	–	–	(328,421)	(3,601,421)
Bank overdrafts	–	–	(53,495)	–	(53,495)
Borrowings	–	–	(26,719)	–	(26,719)
Finance lease obligations	(22,001)	(35,685)	–	–	(57,686)
Total financial liabilities	(3,295,001)	(35,685)	(80,214)	(1,558,004)	(4,968,904)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

For trade and other receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit rating based on professional credit reports.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are cash and bank deposits and trade and other receivables.

Financial assets that are neither past due nor impaired

Cash and bank deposits that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade and other receivables and amounts due from related parties that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(b) Credit risk (cont'd)

Financial assets that are neither past due nor impaired (cont'd)

The table below is an analysis of the Group's trade receivables as at the balance sheet date:

	Group	
	2012	2011
	S$	S$
Not past due and not impaired	4,220,839	3,600,434
Past due but not impaired # (1)	3,127,241	3,010,021
	7,348,080	6,610,455
Impaired trade receivables		
- individually assessed (2),(3)	17,568	390,765
Less: Allowance for impairment(4)	(17,568)	(390,765)
	–	–
Trade receivables, net (Note 21)	7,348,080	6,610,455

Aging of trade receivables that are past due but not impaired are as follows:

	Group	
	2012	2011
	S$	S$
Not more than 3 months	2,009,743	2,176,589
3 to 6 months	813,757	211,070
Over 6 months	303,741	622,362
	3,127,241	3,010,021

Those past due but not impaired pertain to regular customers of the Group.

(1) Aging of trade receivables that are past due but not impaired.

(2) These amounts are stated before any allowances for impairment.

(3) These receivables are not secured by any collateral or credit enhancement.

(4) Movements in the allowance for impairment during the financial year are set out in Note 21.

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and having an adequate amount of committed credit facilities to enable them to meet their normal operating obligations and commitments.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S$	Contractual cash flows S$	Within one year S$	Within two to five years S$
Group				
2012				
Trade and other payables	7,929,515	7,929,515	7,929,515	–
Bank overdrafts	46,166	46,166	46,166	–
Related parties balances	1,020,141	1,020,141	1,020,141	–
Borrowings	1,583,950	1,662,316	1,511,076	151,240
Finance lease obligations	35,685	35,922	23,655	12,267
	10,615,457	10,694,060	10,530,553	163,507
2011				
Trade and other payables	8,574,418	8,574,418	8,574,418	–
Bank overdrafts	79,850	79,850	79,850	–
Related parties balances	1,183,682	1,183,682	1,183,682	–
Borrowings	3,936,415	4,046,798	3,316,889	729,909
Finance lease obligations	69,591	71,797	36,315	35,482
	13,843,956	13,956,545	13,191,154	765,391
Company				
2012				
Trade and other payables	2,572,116	2,572,116	2,572,116	–
Related parties balances	4,179,736	4,267,501	4,267,501	–
Finance lease obligations	35,685	35,922	23,655	12,267
	6,787,537	6,875,539	6,863,272	12,267
2011				
Trade and other payables	1,229,583	1,229,583	1,229,583	–
Bank overdrafts	53,495	53,495	53,495	–
Related parties balances	3,601,421	3,863,260	3,863,260	–
Borrowings	26,719	26,856	26,856	–
Finance lease obligations	57,686	59,137	23,655	35,482
	4,968,904	5,232,331	5,196,849	35,482

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(c) Liquidity risk (cont'd)

The table below shows the contractual expiry by the maturity profile of the Company's corporate guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Within one year S$	After one to five years S$	Total S$
Company			
2012			
Financial guarantee contracts	5,433,050	–	5,433,050
2011			
Financial guarantee contracts	4,003,057	1,333,333	5,336,390

(d) Capital risk

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern; and

(ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholder value, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital based on a net debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities less cash and bank deposits. Total equity comprises all components of equity attributable to equity holders of the Company.

	Group		Company	
	2012 S$	2011 S$	2012 S$	2011 S$
Net debt	3,516,055	5,251,689	6,745,275	4,957,170
Total equity	77,596,779	60,498,998	40,374,235	41,422,433
Net debt to equity	4.53%	8.68%	16.71%	11.97%

The Group is not subject to any external capital requirements.

(e) Fair value of financial instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair values of financial assets and financial liabilities with a maturity of less than one year, which are primarily cash and bank deposits, trade and other receivables (excluding prepayments), trade and other payables, bank overdrafts, short term borrowings, and amounts due from/(to) related parties approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

Management estimates that the fair values of long term borrowings is not materially different to their carrying amounts as the borrowings mostly bear interest at variable rates.

Management also estimates that the fair values of finance lease obligations is not materially different to the present value of payments as shown in Note 28.

Notes to the Financial Statements

30 June 2012

38 Financial Instruments (cont'd)

(e) Fair value of financial instruments (cont'd)

Fair value measurements

The following table provides an analysis financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable.

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Group				
2012				
Available-for-sale financial assets:				
- Quoted equity investments	47,913,105	–	–	47,913,105
- Unquoted equity investments	–	–	637,916	637,916
Financial assets held for trading:				
- Quoted equity investments	504,104	–	–	504,104
	48,417,209	–	637,916	49,055,125
2011				
Available-for-sale financial assets:				
- Quoted equity investments	31,024,306	–	–	31,024,306
- Unquoted equity investments	–	–	681,759	681,759
	31,024,306	–	681,759	31,706,065

The fair values of quoted equity investments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market prices used for the quoted equity investments held by the Group are the closing prices as at the balance sheet date. These financial assets are included in Level 1.

The fair value of unquoted equity investments cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed. These unquoted equity investments are stated at cost and are included in Level 3.

There was no transfer between Level 1 and 2 during the current and previous financial years.

The following table presents the changes in Level 3 instruments:

	Financial assets, available-for-sale unquoted securities 2012 S$	 2011 S$
Balance at 1 July	681,759	675,367
Currency translation differences	(43,843)	6,392
Balance at 30 June	637,916	681,759

Notes to the Financial Statements

30 June 2012

39 Critical Accounting Estimates and Judgments

Critical judgments in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgments that are expected to have significant effect on the amounts recognised in the financial statements are discussed below.

(a) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution to the 40% (2011: 40%) participating interest in the PEL101 granted under the Petroleum Act 2000 of South Australia. In determining the appropriateness of capitalisation of the intangible asset, the management have considered the degree to which it can be associated with finding specific economically recoverable mineral resources. As at balance sheet date, the management considered the exploration activities are at their initial stages and have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources and that substantially more evaluative work will be required. Therefore, the management do not consider the intangible asset to be impaired as at year end. The carrying amount of the Group's petroleum exploration rights as at 30 June 2012 was S$4,365,510 (2011: S$4,705,036) as disclosed in Note 18.

(b) Investment in Coal Concession Rights

For the reasons set out in Note 18, in the opinion of the directors of the Company, it is not possible with any degree of reliability to assess the fair value of the Group's investment in the Coal Concession Rights amounting to S$27.3 million (2011: S$27.7 million) as at 30 June 2012. Neither is it possible to determine the quantum of potential impairment losses, if any. Because of the uncertainty surrounding the ownership of PT BSS, it is not possible to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. Accordingly, the investment has been included in the Group's consolidated balance sheet at its carrying amount as disclosed above.

(c) Income Taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amount of the Group's current income tax liabilities as at 30 June 2012 was S$581,636 (2011: S$474,922). The carrying amount of the deferred tax liabilities as at 30 June 2012 amounted to S$8,030,802 (2011: S$8,464,270) as disclosed in Note 10.

(d) Allowance for impairment of receivables

An allowance for impairment is made for doubtful receivables for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses trade receivables, historical bad receivables, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for impairment of receivables.

For the financial year ended 30 June 2012, the Group has made allowance for impairment loss on trade receivables of Nil (2011: S$261,919). The carrying amount of trade and other receivables as at 30 June 2012 was S$9,180,553 (2011: S$8,743,045) as disclosed in Note 21.

Notes to the Financial Statements

30 June 2012

39 Critical Accounting Estimates and Judgments (cont'd)

Critical judgments in applying accounting policies (cont'd)

(e) Allowance for inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. For the financial year ended 30 June 2012, the Group made allowance for inventory obsolescence amounted to S$69,357 (2011: S$27,905). Further, inventories that were identified to be obsolete and unusable were written off amounted to $69,422 (2011: Nil) during the financial year ended 30 June 2012.

The carrying amount of the Group's inventories as at 30 June 2012 was S$8,684,673 (2011: S$12,837,796) as disclosed in Note 20.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2012 was S$1,569,703 (2011: S$1,569,703). Further details including sensitivity analysis are set out in Note 17.

(b) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 40 years. The carrying amount of the Group's property, plant and equipment as at 30 June 2012 was $6,871,118 (2011: $7,575,375) as disclosed in Note 13. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's (loss)/profit after tax will increase/decrease by approximately S$77,700 (2011: S$96,300).

40 Share Options

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan

Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 19 November 2007.

The Remuneration Committee of the Company (the "RC") has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy (Chairman), Koh Teng Kiat and Goh Boon Kok.

Notes to the Financial Statements

30 June 2012

40 Share Options (cont'd)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan (cont'd)

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the RC:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options were exercisable within four years on or after the first, second and third anniversary of date of the grant in the proportion of 35.0%, 35.0% and 30.0% respectively.

There was no share award given in the current or previous financial years. There were also no discounted share options granted since the commencement of the Share Schemes.

(b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC"), adopted APAC Coal Employee Share Option Plan ("APAC ESOP") in October 2007. In accordance with the provisions of the APAC ESOP, employees, directors and consultants may be granted options at the discretion of the directors of APAC.

The purpose of the APAC ESOP is to retain and attract skilled and experienced employees, directors and consultants and provide them with the motivation to make APAC more successful. Each APAC ESOP converts into one ordinary share of APAC on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors of APAC subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5.0% of APAC's issued share capital at any one time.

The exercise price is calculated with reference to a formula contained within the rules governing the APAC ESOP and which rewards employees against the extent of APAC's performance on the capital markets. Where appropriate the directors of APAC have established appropriate vesting conditions to incentive employees to remain in employment of APAC.

Notes to the Financial Statements

30 June 2012

40 Share Options (cont'd)

(c) Share options in existence during the year

Details of unissued ordinary shares of the Group and the Company under non-discounted share options granted to eligible persons of the Group and the Company were as follows:

	Group		Company	
	2012	2011	2012	2011
	Number of share options		Number of share options	
Balance at 1 July	1,720,035	9,755,635	1,541,400	5,277,000
Lapsed during the year	(1,720,035)	(8,035,600)	(1,541,400)	(3,735,600)
Balance at 30 June	–	1,720,035	–	1,541,400

During the financial year ended 30 June 2012, 1,720,035 (2011: 8,035,600) share options had lapsed due to the expiry of these share options and/or resignation of staffs.

In the previous financial year ended 30 June 2011, the Group had recognised an expense of S$4,196 arising from non-discounted share options.

41 Comparative Figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain comparative figures line items have been amended on the face of the Group's and of the Company's balance sheets as summarised below:

	Before Reclassification S$	Reclassification S$	After Reclassification S$
Balance Sheets			
Group			
Non-current assets			
Deferred income tax assets (a)	24,088	(24,088)	–
Current assets			
Cash and bank deposits (b)	15,427,050	(6,834,783)	8,592,267
Fixed deposits (b)	–	6,834,783	6,834,783
Non-current liabilities			
Deferred income tax liabilities (a)	(8,488,358)	24,088	(8,464,270)
Company			
Current assets			
Due from subsidiaries – non-trade (c)	463,564	740,884	1,204,448
Current liabilities			
Due to subsidiaries – non-trade (c)	(2,860,537)	(740,884)	(3,601,421)

Notes to the Financial Statements

30 June 2012

41 Comparative Figures (cont'd)

(a) The reclassification by the Group was to offset the deferred income tax assets with deferred income tax liabilities as there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and the deferred taxes relate to the same tax authority.

(b) The reclassification by the Group was to disclose the fixed deposits which were previously presented together with cash and bank deposits.

(c) The reclassification by the Company was to separately disclose the amount due from a subsidiary which was previously presented on a netted off basis.

No third balance sheets of the Group or of the Company as at 1 July 2010 has been shown in the financial statements, as in the opinion of the directors of the Company, the above reclassified amounts involved are not material to the financial statements as a whole.

42 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

Shareholders' Information

As at 26 September 2012

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	2,048,678,060
Issued and fully paid-up capital	:	S$ 120,126,816
Class of shares	:	Ordinary shares
Voting rights	:	• On show of hands : One vote for each member • On a poll : One vote for each ordinary share
Treasury Shares	:	Nil

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 26 SEPTEMBER 2012

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	12	0.13	3,839	0.00
1,000 - 10,000	2,134	22.55	13,535,165	0.66
10,001 - 1,000,000	7,168	75.75	757,923,038	37.00
1,000,001 and above	149	1.57	1,277,216,018	62.34
Total	**9,463**	**100.00**	**2,048,678,060**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%[1]
Md Wira Dani Bin Abdul Daim*	83,574,000	4.08	254,426,000[1]	12.42
Skyline Agents Limited	174,890,000[1]	8.54	79,536,000[1]	3.88

Notes:

(1)

79,536,000	held in various Nominees
174,890,000	held by Skyline Agents Limited*
254,426,000	

* Md Wira Dani Bin Abdul Daim holds more than 20% in Skyline Agents Limited and is therefore deemed substantial shareholder by virtue of section 7 of the Companies Act.

Shareholders' Information

As at 26 September 2012

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Skyline Agents Limited	174,890,000	8.54
2.	Raffles Nominees (Pte) Ltd	105,739,982	5.16
3.	Md Wira Dani Bin Abdul Daim	83,574,000	4.08
4.	DBS Vickers Securities (S) Pte Ltd	70,491,000	3.44
5.	OCBC Securities Private Ltd	70,017,048	3.42
6.	Hong Leong Finance Nominees Pte Ltd	68,427,000	3.34
7.	Chng Gim Huat	50,000,000	2.44
8.	Peter Chen Hing Woon	45,000,000	2.20
9.	DBS Nominees Pte Ltd	31,985,000	1.56
10.	Ronald Menon A/L R. K. Menon	31,356,000	1.53
11.	Maybank Kim Eng Securities Pte Ltd	31,099,000	1.52
12.	United Overseas Bank Nominees Pte Ltd	28,060,400	1.37
13.	Phillip Securities Pte Ltd	27,681,040	1.35
14.	UOB Kay Hian Pte Ltd	21,179,000	1.03
15.	Rosley Bin Abdul Rahman	20,000,000	0.98
16.	HSBC (Singapore) Nominees Pte Ltd	18,464,000	0.90
17.	Wang Shanshan	15,274,000	0.75
18.	Low Keng Boon @ Lau Boon Sen	14,180,000	0.69
19.	OCBC Nominees Singapore Pte Ltd	13,345,310	0.65
20.	Liau Sai Lang	10,707,000	0.52
	Total	**931,469,780**	**45.47**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at 26 September 2012, approximately 83.49% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the SGX-ST is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. ("the Company") will be held at Level 2, The Island Suite, 2 Keppel Bay Vista, Marina at Keppel Bay, Singapore 098382 on Monday, 29 October 2012 at 11:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 30 June 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint Mr Goh Boon Kok as a director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 2)**

   Mr Goh Boon Kok will, upon re-appointment as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr Goh will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. To re-elect Mr Koh Teng Kiat, who will be retiring by rotation pursuant to Article 96(2) of the Articles of Association of the Company. **(Resolution 3)**

4. To approve the payment of Directors' fees of S$73,500 for the financial year ended 30 June 2012 (2011: S$73,500). **(Resolution 4)**

5. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Ordinary Resolution: Authority to allot and issue shares (the "Share Issue Mandate")**

   That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Companies Act"), and Rule 806 of the Listing Manual Section B: Rules of Catalist (the "Rules of Catalist") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be authorised and empowered to issue:

   (a) shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; or

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalization issues; or

   (d) shares arising from the conversion of the securities in (b) and (c) above,

   at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, approving the mandate after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 6)**

8. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Magnus Energy Employee Share Option Plan ("the Magnus ESOP") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]
(Resolution 7)

9. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards pursuant to the Magnus Energy Performance Share Plan (the "Magnus Energy PSP") and to allot and issue and/or transfer from time to time such number of Shares as may be required to be issued pursuant to the vesting of awards under the Magnus Energy PSP, provided that the aggregate number of Shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Luke Ho Khee Yong
Company Secretary
Singapore, 11 October 2012

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 7 above, if passed, will authorise and empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and Magnus Energy PSP up to a number not exceeding in aggregate (for the entire duration of the Magnus Energy ESOP) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company pursuant to the vesting of awards under the Magnus Energy PSP granted or to be granted under the Magnus Energy ESOP and the Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

(a) A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint no more than two proxies to attend and vote in his/her stead. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.

(b) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(c) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #33-13 International Plaza Singapore 079903 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.*

This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Liau H.K.
Telephone number: 6221 0271

MAGNUS ENERGY GROUP LTD.
Company Registration No. 198301375M
(Incorporated In The Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy Magnus Energy Group Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We, ____________________ NRIC/Passport No. ____________________

of ____ (Address)

being a *member/members of MAGNUS ENERGY GROUP LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Level 2, The Island Suite, 2 Keppel Bay Vista, Marina at Keppel Bay, Singapore 098382 on Monday, 29 October 2012 at 11:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
As Ordinary Business			
1.	Adoption of Directors' Report and Audited Financial Statements for the year ended 30 June 2012		
2.	Re-appointment of Mr Goh Boon Kok as Director		
3.	Re-election of Mr Koh Teng Kiat as Director		
4.	Approval of Directors' Fees of S$73,500 for the year ended 30 June 2012		
5.	Re-appointment of Moore Stephens LLP as Auditors		
As Special Business			
6.	Authority to allot and issue shares		
7.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
8.	Authority to issue shares under the Magnus Energy Performance Share Plan		

Dated this__________day of____________________2012

Total number of Share in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #33-13 International Plaza Singapore 079903 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

MAGNUS ENERGY GROUP LTD.
10 Anson Road #33-13,
International Plaza
Singapore 079903