



MAGNUS ENERGY
GROUP LTD.



ANNUAL REPORT 2011

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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.

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

The contact person for the Sponsor is Ms Foo Quee Yin
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 and 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



Despite strong competition from the Chinese steel mills, our subsidiary Mid-Continent Tubular, managed to secure orders from some medium-sized drilling companies.

Dear Shareholders,

The past year has been challenging with the pronounced volatility in the global economy and enhanced competition in our markets. As such, year-on-year, the Group witnessed decreased sales in our main business of oilfield equipment supply and services. The higher sales recorded by our oilfield equipment supply segment in FY2010 was contributed by a few high-value, low-margin special orders. On the positive side, progress has been made in the Indonesian iron ore mining project. The Aie Dingin Project is starting to construct basic infrastructure required for commencement of production. During the financial year, Magnus has completed the disposal of Songyuan Yongda Oilfields Exploration & Technology Co., Ltd., thereby exiting the China oilfield business.

All in, Group revenue for Financial Year 2011 decreased 26.0% to \$55.3 million, as compared with \$74.7 million in FY2010. Following decreased revenue, cost of sales decreased by 29.6% to \$45.0 million, from \$64.0 million the year before.

Group gross profit decreased marginally by 4.0% to \$10.3 million in FY2011, from \$10.7 million a year before. This moderation of gross profit despite a larger decrease in revenue was due to improved margin for FY2011 as compared to a lower blended gross profit margin for FY2010. Year-on-year, we increased our profit margins from 14.4% to 18.6%.

Other operating income saw a 71.3% increase from \$3.1 million in FY2010 to \$5.3 million in FY2011, contributed by, among other things, a \$0.8 million fair value gain on disposal of quoted equities as well as a \$2.4 million gain on disposal of our China subsidiary Songyuan Yongda. With this one-off gain and a decrease in expenses, we booked a net profit from continuing operations of \$3.3 million, as compared to a net loss of \$1.3 million in the previous year.

On a per share basis, fully diluted earnings per share was 0.074 cts in the year under review, compared to a loss of 0.076 cts in the previous year. Net asset value per share, fully diluted, as of year-end 30 June 2011 was 2.95 cts, compared to 2.39 cts as of 30 June 2010.

Operational Highlights

Oilfield Equipment Supply and Services

During the year in review, sales from our sole continuing operations, namely, oilfield equipment supply and services saw a fall of 26.0% from \$74.7 million in FY2010 to \$55.3 million in FY2011.

Despite strong competition from the Chinese steel mills, our subsidiary Mid-Continent Tubular, managed to secure orders from some medium-sized drilling companies.

As our balance consignment stock gets drawn down progressively, according to their drilling schedules, we will indent future orders from Japanese and Chinese steel mills. Our increased range of quality suppliers will enable us to better manage product costs.

Over the year, our equipment and spares division secured turnkey project orders for valve and actuation packages from major rig building yards in Singapore. This business unit distributes premium products manufactured by reputable manufacturers in the oil and gas industry. We look forward to expand our product range in this area.

Our strong distribution networks enabled us to maintain our presence in this segment, despite the more competitive environment in our Asia-Pacific markets.

Environmental

This business unit managed to secure sales of decanters and miscellaneous supporting items from regional customers. In addition, we have an Indian joint venture securing orders for tank cleaning and sludge treatment.

Mining

Over the year, we made progress in our coal mining legal case. Our Australian-listed subsidiary APAC Coal Limited ("APAC") and its subsidiaries have been advised by our Indonesian litigation lawyers that the Indonesian Supreme Court reviewed our case and issued a verdict. It stated that the administrative court does not have any competency to examine the title of ownership of the shares of PT Batubara Selaras Sapta ("PT BSS") and that only the district civil court has such competence. The lawyers for PT Deefu Chemical Indonesia, shareholder of PT BSS, are now preparing arguments for a civil lawsuit in the district court. We are confident that the issue will be resolved successfully. Up until its resolution, we have suspended all coal exploration and mining activities as advised by the Indonesian Ministry of Energy and Mines.

An investment agreement was entered in the Aie Dingin Project through our subsidiary APAC into Hudson Minerals Holdings Pte Ltd. in the form of an A\$2.5 million convertible loan with a 9% yield and a four year maturity tenor. Upon loan conversion, APAC will hold about 20.928% of Hudson. In addition, APAC extended a short term investment of A\$350,000 to Hudson to enable maiden production. Hudson has an 80% share interest in PT Denichi Amina Selaras ("PT DAS") which owns an iron ore mining concession in Aie Dingin, Padang, Indonesia. PT DAS is currently in the phase of infrastructure construction, including road access to mining site and processing plant construction. We look forward for production to commence in the second quarter of FY2012.

Financial Highlights

Income tax expense increased from \$0.4 million for FY2010 to \$0.7 million in FY2011, in line with an increase in net profits. Distribution and selling expenses decreased from \$0.4 million for FY2010 to \$0.2 million for FY2011. Administrative expenses decreased marginally over the year, from \$11.0 million in FY2010 to \$10.88 million in FY2011. Operating expenses decreased from \$3.1 million in FY2010 to \$0.6 million in FY2011. With the consolidation of various offices and warehouses in Singapore to one location, we have reduced rental charges and overall operating costs.

To bolster our capital base, a private share placement of 290 million shares was completed in August 2010, raising paid-up capital by about \$3.6 million.

Looking Ahead

As of September 2011, the recent outlook has been hazier for the already volatile global economy. The protracted and expanding sovereign debt crisis in Europe, coupled with a weakening US economy and a fragile Japan economy has clouded growth prospects for G-7 developed economies, the world's largest producers and consumers of goods and services. This will no doubt have a drag on economic prospects. We are nonetheless cautiously optimistic about the Group's outlook for the next 12 months, with our operations focusing in the more robust Asia Pacific region. Our market presence and expertise in oilfield equipment, spares and tubular products will put us in good stead, I believe. We will also seek to grow our distribution network and devise flexible strategies for development while we concurrently manage expenses and business risks.

In broad perspective, we must also keep in mind that despite the softening of demand for energy in the near-term, with the slowing of global economic growth, the long-term demand for energy remains, led by burgeoning economies such as China, Brazil, India, and Indonesia.

With this note, on behalf of the board, I would like to extend our appreciation to our directors, management and staff for their dedication and expertise in what has been a bracing year. Gratitude must also be extended to our business associates and shareholders. We look forward to growing Magnus together.

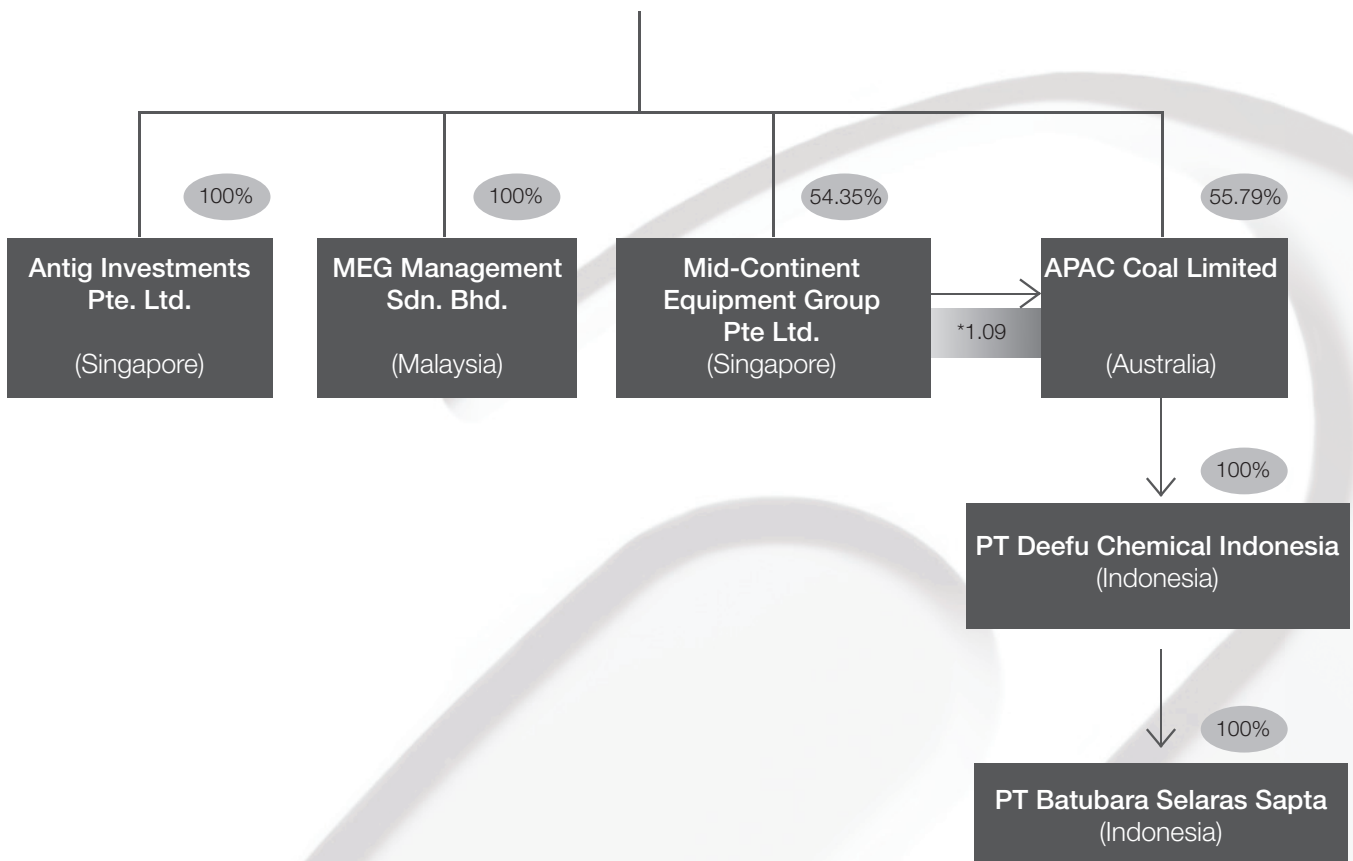
Idris Bin Abdullah @ Das Murthy
Chairman

Financial Highlights

	2011	2010	2009
Turnover (\$'000)	57,470	79,686	103,401
Net Asset Value per Share (Cents)	2.95	2.39	2.20
Profit/(Loss) before Taxation (\$'000)			
- Continuing Operations	3,999	(863)	(24,606)
- Discontinued Operations	(122)	(441)	(28,737)
Total Profit/(Loss) after income tax attributable to Equity Holders of the Company (\$'000)	1,510	(1,338)	(38,393)
Basic Earnings/(Losses) per Share (Cents)	0.074	(0.076)	(2.183)
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield Equipment Supply and Services	55,304	74,693	96,606
Crude Oil Production – Discontinued Operations	2,166	4,993	6,794

MAGNUS Group Structure

MAGNUS ENERGY GROUP LTD.



* % Shareholding held by Magnus

Board of Directors

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

Datuk Idris is also the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

Datuk Idris is a Senior Partner of Idris and Company Advocates 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. He currently sits on the Board of various public and private companies in Malaysia and serves as Legal Advisor to a number of Sarawak companies. He is also the Chairman and Director of Industrial Power Technology Pte Ltd, and ASX-Listed APAC Coal Limited, a subsidiary of Magnus.

Datuk Idris is a Commission Member of the Companies Commission of Malaysia ("SSM") as well as Chairman of Audit and Risk Management Committee I SSM, member of Human Resource Committee I SSM, member of Disciplinary Committee I SSM, and member of the Advisory Panel for the SSM training Academy (Comtrac). He is also a Board Member of Bank Pembangunan Malaysia Berhad (Malaysian Development Bank), Pembangunan Leasing Corporation Sdn Bhd., PLC Credit & Factoring Sdn Bhd, BI Credit & Leasing Berhad and Konsortium Rangkaian Serantau Sdn Bhd (Regional Network Consortium). Datuk Idris was also a Commission Member of The Malaysian Communications and Multimedia Commission between 2008 and 2010.

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

As Managing Director, Mr Lim 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. He is also a Board Member of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd., MEG Management Sdn. Bhd. and 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.

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 an oversight role on the operations of the Group's business activities.

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 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, Adroit Innovations Limited, 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).

Mr Chin Kok Sang

Independent Non-Executive Director

Date of first appointment: 01 July 2008

Date of last re-election as a director: 29 October 2008

Mr Chin is also the Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

Mr Chin is the founding Director of a consulting firm in Malaysia which provides corporate advisory services with particular focus in the areas of Corporate & Debt Restructuring. He has undertaken consulting assignments in various sectors and industries covering banking, toll concession, mobile telecommunication services, property development and construction and fast moving consumer goods. Prior to that, he was a Senior Corporate Banker with a major European based international bank at their offices in Australia, Singapore and Malaysia.

Mr Chin graduated with a Bachelor of Commerce from University of Melbourne. He is a member of The Institute of Chartered Accountants in Australia.

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)

Audit Committee

Goh Boon Kok
(Chairman)
Idris Bin Abdullah @ Das Murthy
Chin Kok Sang

Nominating Committee

Chin Kok Sang
(Chairman)
Goh Boon Kok
Idris Bin Abdullah @ Das Murthy

Remuneration Committee

Idris Bin Abdullah @ Das Murthy
(Chairman)
Goh Boon Kok
Chin Kok Sang

Auditors

Moore Stephens LLP
Public Accountants and
Certified Public Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge:
Mr Chay Yiowmin
Date of Appointment: 31 October 2010

Company secretary

Koh Teng Kiat

Registered Office

10 Anson Road
#33-13 International Plaza
Singapore 079903
Tel: 65-6325 1850
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 maintaining 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 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 2011 with specific reference made to each principles of the 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 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 strategic direction and corporate governance guidance for the Group. The Board's principal functions include:

- ⌘ approving the Group's corporate strategic plans and objectives for the Group;
- ⌘ 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
- ⌘ monitoring the performance of management.

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.

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.

CORPORATE GOVERNANCE REPORT

1. THE BOARD'S CONDUCT OF ITS AFFAIRS (cont'd)

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.

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 Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Idris Bin Abdullah @ Das Murthy	5	3	4	3	1	1	1	1
Lim Kuan Yew	5	5	4	4 *	1	1 *	1	1 *
Koh Teng Kiat	5	5	4	4 *	1	1 *	1	1 *
Goh Boon Kok	5	5	4	4	1	1	1	1
Chin Kok Sang	5	4	4	4	1	1	1	1

Notes

- * 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. The Company Secretary will organise and bring to directors' attention, information on seminars that may be of relevance to them.

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. 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 directors of whom all three are independent directors:

Name of Directors	Designation	Date of Appointment	Audit Committee	Nominating Committee	Remuneration Committee
Idris Bin Abdullah @ Das Murthy	Non-executive Chairman and Independent non-executive Director	23 May 2008	Member	Member	Chairman
Lim Kuan Yew	Managing Director	17 March 2008	NA	NA	NA
Koh Teng Kiat	Executive Director/ COO	17 February 2005	NA	NA	NA
Goh Boon Kok	Independent non-executive Director	01 June 2004	Chairman	Member	Member
Chin Kok Sang	Independent non-executive Director	01 July 2008	Member	Chairman	Member

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.

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 Independent non-executive directors making up two-third of the Board, has a strong and independent element to exercise objective judgement on corporate affairs.

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.

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

3. CHAIRMAN AND MANAGING DIRECTOR

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents 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.

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND MANAGING DIRECTOR (cont'd)

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

- ⌘ 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 high standards of corporate governance.

4. BOARD MEMBERSHIP

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

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

- ⌘ Mr Chin Kok Sang (Chairman)
- ⌘ Mr Goh Boon Kok
- ⌘ Datuk Idris Bin Abdullah @ Das Murthy

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; and
- ⌘ 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.

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

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Cont'd)

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, Chin Kok Sang shall retire pursuant to Article 96(2) at the forthcoming AGM, and has consented for re-election. Subject to being duly re-elected, Mr Chin will remain as the Chairman of the NC and a member of the Audit and Remuneration Committees.

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 (other than wholly-owned subsidiaries) are set out in the Directors' Report.

The independent directors have declared their independence for the financial year ended 30 June 2011, in accordance with the independent guidelines contained in the Code.

During the financial year ended 30 June 2011, 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.

CORPORATE GOVERNANCE REPORT

5. BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole 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 propose objective performance criteria, subject to the Board's approval, which address how the Board has enhanced long-term shareholders' value.

In addition to the above, the Board also implemented a process to be carried out by the NC for evaluating the performance and effectiveness of the Board as a whole every year and the contribution by each individual director in terms of required mix of skills and experience and other qualities, including core competencies, to the Group.

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.

In conjunction to performing an evaluation on the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, the Board evaluates the Group's performance based on earnings per share and net assets value per share of the Group.

The Board reviews the financial results of the Group and the Company by evaluating the performance in profitability terms, asset values, liquidity and dividend yield.

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.

The Board is usually provided with Board and committee papers in advance 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, to enable them to be properly informed of matters to be discussed and/or approved.

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 and committee Meetings, and records all decisions and conclusions of the Board and committee meetings in the minutes book. In addition, the Company Secretary assists the Chairman in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and committees function effectively, and the Company's Memorandum and Articles of Association and applicable rules and regulations, 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.

CORPORATE GOVERNANCE REPORT

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 independent non-executive directors:

- ⌘ Datuk Idris Bin Abdullah @ Das Murthy (Chairman)
- ⌘ Mr Goh Boon Kok
- ⌘ Mr Chin Kok Sang

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 obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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.

CORPORATE GOVERNANCE REPORT

8. LEVEL AND MIX OF REMUNERATION (cont'd)

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 shall be 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 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 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.

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.

The Company's Directors receiving remuneration from the Group for the financial year ended 30 June 2011 are as follows:

Remuneration Band	Number of Directors	
	2011	2010
\$500,000 and above	0	0
\$250,000 to below \$500,000	2	2
Below \$250,000	3	3
Total	5	5

CORPORATE GOVERNANCE REPORT

9. DISCLOSURE ON REMUNERATION (cont'd)

The breakdown of the level and mix of remuneration of the Directors and key executives for the financial year ended 30 June 2011 is set out below:

Name	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	87.4	12.6	–	–	–	–	100.0
Koh Teng Kiat	81.9	12.7	–	–	1.2	4.2	100.0
Below \$250,000							
Directors							
Idris Bin Abdullah@ Das Murthy	–	–	–	100.0	–	–	100.0
Goh Boon Kok	–	–	–	92.2	7.8	–	100.0
Chin Kok Sang	–	–	–	100.0	–	–	100.0
Key Executives							
Luke Ho Khee Yong*	83.1	12.5	–	–	1.2	3.2	100.00

Refers to the expense on share options granted to the directors and employees recognized in the financial statements

* Resigned on 30 September 2011.

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 fees payable to non-executive directors for the financial year ended 30 June 2011 be fixed at S\$73,500. The Board duly accepted the RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

There are no employees who are immediate family members of the Chairman or a Director.

CORPORATE GOVERNANCE REPORT

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 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. 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. AUDIT COMMITTEE ("AC")

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the following independent non-executive directors:-

- ⌘ Mr Goh Boon Kok (Chairman)
- ⌘ Datuk Idris Bin Abdullah @ Das Murthy
- ⌘ Mr Chin Kok Sang

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.

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 once, without the presence of the Group's 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 and scope 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 in the absence of management;

CORPORATE GOVERNANCE REPORT

11. AUDIT COMMITTEE (“AC”) (cont’d)

- ⌘ 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 the independence 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 in accordance with the requirements of the Catalist Rules.

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 AC has noted that there were no non-audit services provided by the external auditors and no non-audit fees have been paid to the external auditors during the year under review and is of the opinion that the external auditors’ independence has not been compromised. However, 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 as external auditors of the Company for the ensuing financial year.

12. INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders’ investments and the company’s assets.

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, 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.

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company is in place throughout the financial year and up to the date of this report. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks.

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. 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.

CORPORATE GOVERNANCE REPORT

13. 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 in place of Horwath First Trust, as its Internal Auditor, to carry out a detailed review focusing in area of procurement through payment (Trade) system for Mid-Continent Equipment Group Pte Ltd, a 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 AC reviews the adequacy of the internal audit function annually and ensures that the internal audit function has appropriate standing within the Group.

14. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with the continuous disclosure obligations of the Company and pursuant to the provisions of the Catalist Rules and the Act, the Board's policy is that shareholders shall be informed of all major developments of the Group's businesses and operations. The Board adopts the practice of regularly 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.

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 practises transparency during the AGM whereby 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.

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

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 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 2011.

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 2011, there is no interested persons transactions.

USE OF PROCEEDS FROM PRIVATE PLACEMENT (Catalist Rule 1204(5)(f) & 1204(22))

During the financial year, the Company raised S\$3.625 million via a private placement of 290 million shares. The use of proceeds from the private placement is as follow:

Description	Amount S\$ million
Amount raised	3.625
Less amounts disbursed:	
Investment in securities	(1,994)
Working Capital	(1,631)
Balance as at 30 June 2011	-

The above use of proceeds is in accordance with the intended use for Group's investments opportunities and business expansion and working capital purposes.

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

The rule is deemed as not applicable as our indirect subsidiary PT BSS is undergoing litigation, there has been no exploration, development or production activities carried out for the Coal Concession for the financial year ended 30 June 2011. The Group's Crude Oil Production segment has been classified as Held for Sale since previous financial year and has completed its disposal of Crude Oil Production segment in November 2010.

DIRECTORS' REPORT

The directors are pleased to 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 2011 and statement of financial position of the Company as at 30 June 2011.

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

2 Arrangements to Enable Directors to Acquire Shares and 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.

3 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 at the Extraordinary General Meeting of the Company held on 19 November 2007. Please refer to Note 40(a) to the financial statements for further details.

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, Chin Kok Sang and Goh Boon Kok.

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) per cent 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

3 Share Options and Awards (cont'd)

- (a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (cont'd)

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options will be 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 were 16,618,000 shares, of which 15,076,600 have expired as at 30 June 2011. The non-discounted share options shall lapse or be terminated at the end of the vesting period or when the employee ceased to be an employee of the Group.

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

None of the participants in the above-mentioned non-discounted share options are controlling shareholders of the Company and its associates.

- (b) Outstanding Non-discounted Share Options

The number of unissued ordinary shares of the Company under non-discounted share options outstanding at the end of the financial year is as follows:

Date of grant	Number of unissued ordinary shares under outstanding options	Exercise Period	Exercise Price
4 December 2007	1,541,400	4 December 2010 to 3 December 2011	10.11 cents

- (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 and its subsidiaries during the financial year are detailed as follows:

Name of directors	Aggregate share options granted since commencement of the share schemes to 30.6.2011	Aggregate share options exercised since commencement of the share schemes to 30.6.2011	Aggregate share options lapsed at 30.6.2011	Aggregate share options outstanding since commencement of the share schemes to 30.6.2011
Non-discounted share options of the Company				
Koh Teng Kiat	2,080,000	–	1,456,000	624,000
Goh Boon Kok	1,387,000	–	970,900	416,100
Share options of the subsidiary, APAC Coal Limited				
Lim Kuan Yew	1,000,000	–	1,000,000	–
Koh Teng Kiat	1,300,000	–	1,300,000	–

At the end of financial year, there were 178,635 ordinary share of APAC Coal Limited under option relating to the APAC Coal share option scheme. Details and terms of the options have been disclosed in the report of the directors of APAC Coal Limited.

- (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 in (c)(i) above, participants who received 5.0% or more of the total number of options available under the Magnus Energy ESOP are as follows:

DIRECTORS' REPORT

3 Share Options and Awards (cont'd)

Name of participant	Aggregate share options granted since commencement of the share schemes to 30.6.2011	Aggregate share options exercised since commencement of the share schemes to 30.6.2011	Aggregate share options lapsed at 30.6.2011	Aggregate share options outstanding since commencement of the share schemes to 30.6.2011
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Non-discounted share options of the Company

Ong Eng Kee	1,040,000	–	728,000	312,000
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(iii) no share options were granted at a discount during the financial year.

(iv) no share options have been granted in FY2010 and FY2011 and from 1 July 2011 to 21 July 2011.

(v) the directors do not have any indirect interests in the share options.

4 Directors' Interests in Shares and Debentures

The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

	Direct interest			Deemed interest		
	As at 1.7.2010	As at 30.6.2011	As at 21.7.2011	As at 1.7.2010	As at 30.6.2011	As at 21.7.2011

The Company

Ordinary shares

Goh Boon Kok	300,000	300,000	300,000	–	–	–
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Other than the share options held by the directors as disclosed in Note 3 of this report, no other directors who held office at the end of the financial year had interests in shares or debentures of the Company or related corporations either at the beginning of the financial year or at the end of the financial year and on 21 July 2011.

5 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 financial statements.

6 Audit Committee

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

Goh Boon Kok, Chairman
Idris Bin Abdullah @ Das Murthy, Member
Chin Kok Sang, Member

DIRECTORS' REPORT

6 Audit Committee (cont'd)

The Audit Committee carried out its functions in accordance with the Singapore Companies Act, Cap. 50 and the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist. 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 2011 in accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;
- (e) The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2011 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 of the independent auditors to be nominated and the approval of the compensation of the auditors and the scope of the audit; and
- (g) Undertake such other functions and duties as maybe required by statute.

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.

Pursuant to Rule 1204(6)(b), the Audit Committee has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors.

There is no non-audit service provided by the auditors during the financial year.

The Audit Committee held four meetings during the financial year.

7 Independent Auditors

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

8 Other information required by the Singapore Exchange Securities Trading Limited

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 YEOW
Director

KOH TENG KIAT
Director

Singapore

12 October 2011

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\$27.7 million (2010: approximately S\$25.6 million). Accordingly, the investment has been included in the statement of financial position at its book value.
- (b) except for the matter stated in paragraph (a) above, the statement of financial position of the Company and the consolidated financial statements of the Group as set out in pages 29 to 93 are drawn up as to give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2011 and the results of the business, changes in equity and cash flows of the Group for the financial 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 YEOW
Director

KOH TENG KIAT
Director

Singapore

12 October 2011

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 (collectively referred to as the "Group") as set out on pages 29 to 93, which comprise the statement of financial position of the Company and of the Group as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

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 Audit Opinion

6. Our audit report dated 7 October 2010 on the financial statements for the previous year ended 30 June 2010 contained a modified report on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2011:

- 6.1 As discussed in Note 18 to the financial statements, the Group's investment in Coal Concession Rights of approximately S\$27.7 million (2010: approximately S\$25.6 million) was included in the consolidated statement of financial position at cost less impairment losses.

In addition, the Group has a deferred tax liability of approximately S\$8.0 million (2010: approximately S\$7.2 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 (Note 14). 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 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 consolidated statement of financial position of the Group of approximately S\$27.7 million (2010: approximately S\$25.6 million) and approximately S\$8.0 million (2010: approximately S\$7.2 million) respectively.

Any adjustment to these amounts may have a significant consequential effect on the financial position of the Group as at 30 June 2011 and the results of the Group for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

- 6.2 The Company has an investment in, and an amount due from, APAC Coal Limited ("APAC"), a subsidiary of the Group, of approximately S\$12.3 million (2010: approximately S\$12.3 million) (Note 14) and approximately S\$0.7 million (2010: approximately S\$0.4 million) (Note 23) respectively. APAC 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 6.1 above.

In view of this, we are unable 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\$12.3 million (2010: approximately S\$12.3 million) and approximately S\$0.7 million (2010: approximately S\$0.4 million) respectively as at 30 June 2011. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2011.

Qualified Opinion

7. In our opinion, except for the matters described in paragraphs 6.1 and 6.2 above, the statement of financial position of the Company and the consolidated financial statements of the Group, 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 Company and of the Group as at 30 June 2011 and the results, changes in equity and cash flows of the Group for the financial 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

12 October 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2011

	Note	2011 S\$	2010 S\$
Continuing Operations			
Revenue	3	55,303,953	74,692,913
Cost of sales		(44,993,036)	(63,953,022)
Gross profit		10,310,917	10,739,891
Other operating income	4	5,274,636	3,078,748
Other operating expenses	4	(555,556)	(3,139,122)
Distribution and selling expenses	5	(209,351)	(389,384)
Administrative expenses	6	(10,782,656)	(10,967,917)
Finance income	8	252,807	318,199
Finance costs	9	(291,588)	(525,284)
Share of results of associated companies	15	(558)	21,485
Profit/(loss) before income tax		3,998,651	(863,384)
Income tax expense	10	(742,891)	(414,017)
Profit/(loss) after income tax from continuing operations		3,255,760	(1,277,401)
Discontinued operations			
Loss after income tax from discontinued operations	11	(121,656)	(440,822)
Total profit/(loss) after income tax		3,134,104	(1,718,223)
Total profit/(loss) after income tax attributable to:			
Equity holders of the Company		1,509,826	(1,338,160)
Non-controlling interests		1,624,278	(380,063)
		3,134,104	(1,718,223)
Other comprehensive income:			
Exchange differences on translation of foreign operations		(1,774,204)	(2,055,657)
Fair value gain transferred to equity on revaluation of available-for-sale financial assets during the year		15,633,632	5,573,920
Reversal of fair value gain on disposal of available-for-sale financial assets during the year		(810,443)	(607,043)
Deferred tax on fair value changes to available-for-sale financial assets		265,088	170,088
		13,314,073	3,081,308
Total comprehensive income for the year		16,448,177	1,363,085
Total comprehensive profit for the year attributable to:			
Equity holders of the Company		14,852,226	2,453,857
Non-controlling interests		1,595,951	(1,090,772)
		16,448,177	1,363,085
Earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company			
- Basic and Diluted	12	0.074	(0.076)
Earnings/(loss) per share from continuing operations attributable to the equity holders of the Company			
- Basic and Diluted	12	0.078	(0.057)
Loss per share from discontinued operations attributable to the equity holders of the Company			
- Basic and Diluted	12	(0.004)	(0.019)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2011

	Note	Group		Company	
		2011 S\$	2010 S\$	2011 S\$	2010 S\$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	7,575,375	8,501,300	103,882	149,448
Investments in subsidiaries	14	–	–	26,286,936	26,286,936
Investments in associated companies	15	1,690	70,810	–	–
Investments in joint venture entities	16	–	–	–	–
Goodwill	17	1,569,703	1,569,703	–	–
Other intangible assets	18	32,408,177	29,716,956	–	–
Available-for-sale financial assets	19	31,706,065	12,674,123	18,618,500	7,411,250
Deferred income tax assets	10	24,088	243,211	–	–
Total Non-Current Assets		73,285,098	52,776,103	45,009,318	33,847,634
Current Assets					
Inventories	20	12,837,796	16,916,433	–	–
Trade and other receivables	22	8,743,045	10,592,034	300,837	380,126
Related parties balances	23	634,253	695,699	463,564	741,856
Cash and cash equivalents	24	15,427,050	15,182,752	11,734	11,861
Total Current Assets		37,642,144	43,386,918	776,135	1,133,843
Assets of disposal group classified as held for sale	25	–	1,810,111	–	–
		37,642,144	45,197,029	776,135	1,133,843
Total Assets		110,927,242	97,973,132	45,785,453	34,981,477
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	26	8,574,418	9,635,760	1,229,583	1,228,955
Bank overdrafts	27	79,850	262,027	53,495	206,107
Related parties balances	23	1,183,682	2,728,976	2,860,537	3,310,033
Short-term borrowings	28	3,353,430	4,437,977	26,719	367,945
Finance lease obligations	29	33,906	54,959	22,001	20,692
Income tax liabilities		474,922	675,400	135,000	135,000
Total Current Liabilities		13,700,208	17,795,099	4,327,335	5,268,732
Liabilities of disposal group classified as held for sale	25	–	2,420,406	–	–
		13,700,208	20,215,505	4,327,335	5,268,732
Non-Current Liabilities					
Long-term borrowings	28	582,985	1,241,062	–	–
Finance lease obligations	29	35,685	78,209	35,685	57,686
Deferred income tax liabilities	10	8,488,358	7,919,696	–	–
Total Non-Current Liabilities		9,107,028	9,238,967	35,685	57,686
Total Liabilities		22,807,236	29,454,472	4,363,020	5,326,418
Equity					
Share capital	30	120,126,816	116,501,816	120,126,816	116,501,816
Reserves	31	(59,627,818)	(74,470,479)	(78,704,383)	(86,846,757)
		60,498,998	42,031,337	41,422,433	29,655,059
Non-controlling interests		27,621,008	26,487,323	–	–
Total Equity		88,120,006	68,518,660	41,422,433	29,655,059
Total Liabilities and Equity		110,927,242	97,973,132	45,785,453	34,981,477

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2011

Attributable to equity holders of the Company

Group	Share Capital S\$	Share-based Payment Reserve		Statutory Reserve S\$	Fair Value Reserve S\$	Translation Reserve S\$	Accumulated Losses S\$	Total S\$	Non-Controlling Interests		Total Equity S\$
		S\$	S\$						S\$	S\$	
2011											
Balance as 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		
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		
Grant of equity share options	-	4,196	-	-	-	-	4,196	-	4,196		
Issue of new ordinary shares	3,625,000	-	-	-	-	-	3,625,000	-	3,625,000		
Dividends paid by a subsidiary to minority shareholders	-	-	-	-	-	-	-	-	(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		
2010											
Balance at 1 July 2009	116,501,816	175,866	-	(66,964)	(3,447,510)	(74,262,729)	38,900,479	28,715,555	67,616,034		
Effect after adopting FRS 27 [Note 2(a)]	-	-	-	-	(353,927)	1,047,359	693,432	(693,432)	-		
Balance as at 1 July 2009	116,501,816	175,866	-	(66,964)	(3,801,437)	(73,215,370)	39,593,911	28,022,123	67,616,034		
Total comprehensive income/(loss) for the year	-	-	-	5,049,507	(1,257,490)	(1,338,160)	2,453,857	(1,090,772)	1,363,085		
Transferred to/(from) statutory reserve	-	-	13,761	-	-	(25,320)	(11,559)	11,559	-		
Grant of equity share options	-	2,997	-	-	186	-	3,183	2,274	5,457		
Reversal of equity share options	-	(8,055)	-	-	-	-	(8,055)	-	(8,055)		
Dividends paid by a subsidiary to minority shareholders	-	-	-	-	-	-	-	-	(457,861)		
Balance at 30 June 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		

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2011

	Note	2011 S\$	2010 S\$
Cash Flows from Operating Activities			
Profit/(Loss) before income tax			
Continuing operations		3,998,651	(863,384)
Discontinued operations		(121,656)	(440,822)
		3,876,995	(1,304,206)
Adjustments:			
Trade receivables written-off		–	46,457
Allowance for impairment of trade receivables		261,919	–
Depreciation of property, plant and equipment		1,160,648	1,247,272
Property, plant and equipment written-off		–	48,473
Impairment loss of available-for-sale financial assets		–	1,650,684
Allowance for write-down of inventories		27,905	16,460
Interest expense		156,504	289,678
Interest income		(252,807)	(318,199)
Gain on disposal of available-for-sale financial assets		(309,890)	(473,079)
Gain on disposal of property, plant and equipment		(171,414)	(197,417)
Grant of equity share options		4,196	(2,598)
Gain on disposal of subsidiaries		(2,381,752)	–
Loss on closure of a subsidiary		–	46,418
Preliminary expenses written-off		326	13,447
Foreign exchange (gain)/loss (unrealised)		(1,031,540)	565,452
Exploration and evaluation expenditure written-off		48,886	–
Share of results of associated companies		558	(21,485)
Operating cash flow before working capital changes		1,390,534	1,607,357
Changes in operating assets and liabilities:			
Inventories		4,050,732	5,450,026
Trade and other receivables		1,599,014	(276,105)
Trade and other payables		(1,057,340)	(1,137,165)
Related parties balances (net)		(1,299,674)	(5,310,827)
Cash flows generated from operations		4,683,266	333,286
Interest income received		236,192	263,838
Interest paid		(156,504)	(262,829)
Income taxes paid		(611,615)	(1,447,302)
Net cash flows generated from/(used in) operating activities		4,151,339	(1,113,007)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		269,543	290,419
Purchase of property, plant and equipment		(730,330)	(5,418,949)
Net proceeds from sale of available-for-sale financial assets		3,001,013	4,050,851
Acquisition of available-for-sale financial assets		(6,722,329)	(6,157,669)
Payment of additional participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia		(3,478)	(1,759)
Payment of exploration and evaluation for the Kuaro coal formation in Indonesia		(6,704)	(312,740)
Net cash flow from disposal of subsidiaries	B	561,925	–
Dividends received from associated companies		62,870	61,675
Payment of dividends by a subsidiary company to non-controlling interests		(462,266)	(457,861)
Net cash flow used in investing activities		(4,029,756)	(7,946,033)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2011

(cont'd)	Note	2011 S\$	2010 S\$
Cash Flows from Financing Activities			
Proceeds from borrowings		–	2,506,939
Proceeds from issue of shares		3,625,000	–
Repayment of finance lease obligations		(63,577)	(49,988)
Repayment of borrowings		(1,742,624)	(759,481)
Fixed deposits pledged to a bank		1,300,210	4,618,108
Net cash flows generated from financing activities		<u>3,119,009</u>	<u>6,315,578</u>
Net increase/(decrease) in cash and cash equivalents		3,240,592	(2,743,462)
Effects of exchange rate changes on cash and cash equivalents		(1,513,907)	(122,474)
Cash and cash equivalents at the beginning of the year		8,393,220	11,259,156
Cash and cash equivalents at the end of the year	A	<u>10,119,905</u>	<u>8,393,220</u>

A Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following statement of financial position amounts:

	Note	2011 S\$	2010 S\$
Cash and bank balances	24	8,089,441	7,779,076
Fixed deposits	24	7,337,609	7,403,676
		<u>15,427,050</u>	<u>15,182,752</u>
Bank overdrafts, unsecured	27	(79,850)	(262,027)
		<u>15,347,200</u>	<u>14,920,725</u>
Less: Pledged fixed deposits	24	(5,227,295)	(6,527,505)
		<u>10,119,905</u>	<u>8,393,220</u>

B Disposal of subsidiaries

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

	2011 S\$	2010 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 (Note 4)	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	<u>561,925</u>	<u>–</u>

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

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 listed company incorporated and domiciled in Singapore. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 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 financial statements, which are expressed in Singapore Dollar, have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRSs").

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 certain critical 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 estimates are based on the managements' best knowledge of current events and actions, 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 judgement or complexity, are disclosed in Note 39 Critical accounting judgments and key sources estimation uncertainty.

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 follow:

Adoption of New/Revised FRS which are effective

For the financial year ended 30 June 2011, the Group has adopted the following amended FRS which are effective and are relevant to the Group and mandatory for application:

Description	Effective for annual periods beginning on or after
Improvements to FRSs issued in 2009:	
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– Amendments to FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
– Amendments to FRS 108 Operating Segments	1 January 2010
Improvements to FRSs issued in 2010:	
– Amendments to FRS 27 Consolidated and Separate Financial Statements and FRS 103 Business Combinations	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Except for the Improvements to FRSs issued in 2010 - Amendments to FRS 27 and FRS 103, the adoption of these amended standards did not have any effect on the financial performance or financial position of the Group and the Company. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

Amendments to FRS 27 Consolidated and Separate Financial Statements and FRS 103 Business Combinations

The amendments to FRS 103 Business Combinations under the Improvements to FRSs issued in 2010 clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

The amendments to FRS 103 Business Combinations further clarifies that contingent consideration arrangements arising from business combinations with acquisition dates preceding the application of revised FRS 103 are to be accounted for in accordance with the guidance in the previous version of FRS 103, at initial recognition, i.e. contingent consideration is recognised at fair value if it is deemed to be probable of payment and can be measured reliably at the date of the acquisition.

All subsequent changes in the contingent consideration are adjusted against the cost of combination. Under the revised FRS 103, at initial recognition, contingent consideration is now required to be recognised at fair value even if it is deemed not to be probable of payment at the date of the acquisition. All subsequent changes in debt contingent consideration are recognised in the income statement, rather than in goodwill.

There are no business combinations with acquisition for the current financial year to account for these amendments.

Amendments to FRS 1 Presentation of Financial Statements

Current/Non-current classification of convertible instruments - the terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

Amendments to FRS 7 Statement of Cash Flows

Classification of expenditures on unrecognised assets - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

Amendments to FRS 17 Leases

Classification of leases of land and buildings - the specific guidance on classifying land as a lease has been removed so that only the general guidance remains.

Amendments to FRS 36 Impairment of Assets

Unit of accounting for goodwill impairment test - the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in FRS 108 before aggregation for reporting purposes.

Amendments to FRS 39 Financial Instruments: Recognition and Measurement

The amendments to FRS 39 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. Prepayment penalty will no longer be required to be accounted for as embedded derivative as they will be considered closely related to the host contract.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations

Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations - clarifies that these disclosures are only those set out in FRS 105.

Amendments to FRS 108 Operating Segments

Disclosure of information about segment assets - segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker.

New/Revised FRS which are not yet effective

The Group has not adopted the following revised or amended standards that are relevant to the Group and that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 24 (Revised) Related Party Transactions	1 January 2011
Amendments to FRS 107 <i>Disclosures – Transfers of Financial Assets</i>	1 July 2011
Amendment to FRS 1 - <i>Presentation of Other Comprehensive Income</i>	1 July 2012
FRS 110 - <i>Consolidated Financial Statements</i>	1 January 2013
FRS 112 - <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 27 - <i>Separate Financial Statements (Revised)</i>	1 January 2013
FRS 28 - <i>Investments in Associates and Joint Ventures</i>	1 January 2013
FRS 113 - <i>Fair Value Measurement</i>	1 January 2013
Improvements to FRSs issued in 2010:	
- Amendments to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2011
- Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2011

The directors of the Company expect that the adoption of the above revised or amended standards will have no material impact on the financial statements of the Group in the period of initial application. The nature of the impending changes of these standards are described below.

FRS 24 Related Party disclosures (Revised)

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial performance or financial position of the Group and the Company when implemented.

Amendments to FRS 107 Disclosures – Transfers of Financial Assets

The Amendments to FRS 107 introduce disclosure requirements for all transferred assets, existing at the report date, irrespective of when the related transfer transaction occurred. Those additional disclosure requirements are to enable users of financial statements to evaluate the risk exposures relating to transfers transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures of a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. As this is a disclosure standard, it will not have an impact on the financial performance or the financial position of the Group and Company when implemented.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Amendments to FRS 1 *Presentation of Financial Statements*

Amendments to FRS 1 *Presentation of Financial Statements* clarifies that the analysis of the components of other comprehensive income by item can be presented either in the statement of changes in equity or within the Notes. The Group has presented the analysis of the components of other comprehensive income by item in the statement of changes in equity. As this is a disclosure requirement, there is no impact on the financial performance or financial position of the Group and the Company when implemented.

Amendments to FRS 107 *Financial Instruments: Disclosures*

Key amendments include removal of requirement to disclose carrying amount of renegotiated financial assets that would be past due or impaired if not for the renegotiation. Clarification that the disclosure of the amount that best represents the maximum exposure to credit risk is not required when this amount is represented by the carrying amount of the financial instrument and requirement to disclose fair value of collateral and other credit enhancements is replaced with a description to disclose the financial effect of collateral and other credit enhancements. As this is a disclosure standard, it will have no impact on the financial performance or financial position of the Group.

Amendment to FRS 1 *Presentation of Items of Other Comprehensive Income*

The amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss. It is effective for annual periods beginning on or after 1 July 2012. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

FRS 110 *Consolidated Financial Statements*

FRS 110 *Consolidated Financial Statements* supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation - Special Purpose Entities*, which is effective for annual periods beginning on or after 1 January 2013. It changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision on whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group will determine the impact of this standard when it becomes effective.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities*, which is effective from 1 January 2013 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. FRS 112 specifies minimum disclosures that an entity must provide. It requires for an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity and to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

FRS 27 *Separate Financial Statements (Revised)*

FRS 27 *Separate Financial Statements (Revised)* will now solely address separate financial statements, the requirements for which are substantially unchanged. It is effective for annual periods beginning on or after 1 January 2013 and will not have any impact on the financial performance or the financial position of the Group when implemented.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

FRS 28 Investments in Associates and Joint Ventures (Revised)

FRS 28 *Investments in Associates and Joint Ventures (Revised)* changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. It is effective for annual periods beginning on or after 1 January 2013. The Group will determine the impact of this standard when it becomes effective.

FRS 113 Fair Value Measurement

FRS 113 *Fair Value Measurement* provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosures about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The Group will determine the impact of this standard when it becomes effective.

(b) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition. Acquisition related costs are expensed as incurred.

In business combinations achieved in stages, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

All intra-group balances, transactions, revenue and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated on consolidation. Assets, liabilities and results of foreign subsidiaries are translated into Singapore Dollars on the basis outlined in Note 2(c) below. The results of subsidiaries acquired or disposed of during the year are included in or excluded from the consolidated statement of comprehensive income from the date of their acquisition or disposal.

Non-controlling interest represents the equity in subsidiaries not attributable directly or indirectly, to the owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. 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 interest have a deficit balance.

Changes in the Company owners' 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 attributable to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(ii) Associated Companies

An associated company is an entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Equity accounting involves recording investment in associated company (includes costs directly attributable to the acquisition) initially at cost, and recognising the Group's share of its associated company's post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses. Where the audited financial statements with financial year ends that are not co-terminus with those of the Group, the share of results is arrived at from the latest available audited financial statements and unaudited management financial statements to the end of the accounting period.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The goodwill arising on acquisition of associated companies is included within the carrying amount of the investment and is assessed for impairment as part of the investments.

(iii) Interest in Joint Ventures

A joint venture entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under a joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the joint venture entities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which each of the entities within the Group operates (the "functional currency"). The consolidated financial statements of the Group are presented in Singapore Dollar, which is the functional and presentation currency of the Company.

(ii) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses 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 statement of financial position date are recognised in profit or loss except for currency translation differences on net investment in foreign entities which are taken to equity. Currency translation differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised initially in other comprehensive income and accumulated in the currency translation reserve (attributed to non-controlling interests as appropriate).

(iv) Consolidation Adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations, borrowings in foreign currencies, and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in profit or loss as part of the gain or loss on sale.

(d) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of taxes, rebates and discounts, and after eliminating sales within the Group.

Revenue is recognised as follows:

(i) Revenue from 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

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

(ii) Revenue from Contracts

Revenue from contracts is recognised in accordance with the accounting policy stated in Note 2(m) below.

(iii) 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.

(iv) Rental Income

Rental income is recognised on a straight-line basis over the lease term as set out in specific rental agreements.

(v) 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.

(vi) Dividend Income

Dividend income from quoted investments is recognised when the shareholders' right to receive payment has been established.

(vii) Interest Income

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

Group revenue excludes intercompany transactions.

(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 on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(ii) Employee Leave Entitlement

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 statement of financial position date.

(iii) Share-based Compensation

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(e) Employee Benefits (cont'd)

(iii) Share-based Compensation (cont'd)

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.

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. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee 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.

(f) Property, Plant and Equipment

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

(i) Components of Costs

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.

(ii) 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 statement of financial position 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.

(iii) 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.

(iv) 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

for the financial year ended 30 June 2011

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 statement of financial position 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 "Associated Companies" 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

(i) Exploration 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 any accumulated amortisation and any 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.

(ii) Coal Concession Rights

Coal concession rights are stated at cost less accumulated amortisation and 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

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) 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 included in current assets, except those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", including "related parties balances" and "cash and cash equivalents" on the statement of financial position.

(b) Available-for-Sale Financial Assets

Available-for-sale financial assets 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 off the assets within 12 months after the statement of financial position date.

(ii) Recognition and De-recognition

Regular purchases and sales of financial assets are recognised on 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 sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to profit or loss. Any amount in the fair value reserve relating to that asset is also taken to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(iii) Initial Measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in fair value of the asset and other changes. The translation differences are recognised in profit or loss, and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(v) Impairment of Financial Assets

The Group assesses at each statement of financial position 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.

(a) 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 bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators or objective evidence that the receivable is impaired. The amount of the allowance is 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.

(b) Available-for-Sale Financial Assets

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

When there is objective evidence that an available-for-sale financial asset 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 recognised in profit or loss cannot be subsequently reversed. 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 on that financial asset previously recognised in profit or loss.

(k) Impairment of Non-Financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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 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.

An impairment loss for an asset other than goodwill 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 this 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 other than goodwill 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 the profit or loss, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(l) 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.

(m) Contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the proportion of contract value certified to date bear to the estimated total contract value, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract value certified that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is stated at the lower of cost plus attributable profit less anticipated loss and progress billings, and net realisable value. Cost comprises material costs, direct labour and relevant overheads. Provision for total anticipated loss on construction contracts is recognised in the financial statements when the loss is foreseeable.

At the statement of financial position date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on contracts within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables". Advances received are included within "trade and other payables".

(n) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, fixed deposits and bank overdrafts which are subject to an insignificant risk of changes in value. Bank overdrafts are shown in current liabilities on the statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, and fixed deposits with banks but exclude those amounts that were pledged to secure banking facilities and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(o) Trade and Other Payables

Trade and other payables are normally settled on 30-90 day terms. Trade and other payables including amounts due to subsidiaries, associated companies, joint venture entities, and related parties are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

(p) Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost. 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 12 months after the statement of financial position date are presented as current borrowings. Other borrowings due to be settled more than 12 months after the statement of financial position date are presented as non-current borrowings in the statement of financial position.

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.

(q) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in profit or loss and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

(ii) 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 (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(r) Income Taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise 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 accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint venture entities, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred income tax assets and liabilities are measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date; and
- (ii) based on the tax consequence that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(s) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

2 Summary of Significant Accounting Policies (cont'd)

(t) Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

(u) 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.

(v) Financial Guarantee

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees contract liabilities are initially recognised at their fair values plus transaction costs in the Company's and Group's statement of financial position and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

3 Revenue

	Group	
	2011	2010
	S\$	S\$
Revenue comprises the following:		
Revenue from sale of goods	53,331,240	72,941,397
Revenue from maintenance services	1,810,344	1,606,844
Revenue from rental of equipment	162,369	144,672
	55,303,953	74,692,913

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

4 Other Operating Income/(Expenses)

	Group	
	2011 S\$	2010 S\$
The following key items have been included in arriving at other operating income/ (expenses):		
Other Operating Income		
Bad trade receivables recovered	9,087	885
Foreign exchange gain (unrealised)	1,031,540	–
Foreign exchange gain (realised)	–	1,622,725
Gain on disposal of available-for-sale financial assets	309,890	473,079
Gain on disposal of property, plant and equipment	171,414	197,417
Service fee income	442,146	447,795
Gain on disposal of subsidiaries	2,381,752	–
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets	810,443	144,688
Other income	118,364	192,159
	5,274,636	3,078,748
Other Operating Expenses		
Fair value loss transferred from fair value reserve upon disposal of available-for-sale financial assets	–	(751,731)
Foreign exchange loss (unrealised)	–	(565,452)
Foreign exchange loss (realised)	(161,282)	–
Impairment loss of available-for-sale financial assets	–	(1,650,684)
Allowance for write-down of inventories	(27,905)	(16,460)
Property, plant and equipment written-off	–	(48,473)
Trade receivables written-off	–	(46,457)
Loss on closure of a subsidiary	–	(46,418)
Exploration expenditure	(55,238)	–
Exploration and evaluation expenditure written-off	(48,886)	–
Preliminary expenses written-off	(326)	(13,447)
Allowance for impairment of trade receivables	(261,919)	–
	(555,556)	(3,139,122)

5 Distribution and Selling Expenses

	Group	
	2011 S\$	2010 S\$
Entertainment expenses	45,477	129,472
Public relation expenses	16,062	58,137
Travelling expenses	147,812	201,775
	209,351	389,384

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

6 Administrative Expenses

	Group	
	2011 S\$	2010 S\$
The following key items have been included in arriving at administrative expenses after charging/(crediting):		
Depreciation of property, plant and equipment (Note 13)	1,160,648	1,227,296
Directors' remuneration and fees (Note 7)	1,673,708	1,723,906
Office and operation supplies expenses	114,776	130,997
Operating lease expenses	95,984	464,689
Rental expenses	372,828	90,595
Overseas exploration expenses	104,124	5,597
Professional fees	93,630	367,384
Insurance	311,155	305,361
Upkeep of motor vehicles	176,922	123,312
Legal fees	140,716	85,360
Repairs and maintenance	98,339	46,854
Grant of equity share options	4,196	(2,598)
Staff costs (Note 7)	<u>5,259,079</u>	<u>5,188,630</u>

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 30 June 2011 (2010: Nil).

7 Personnel Expenses

	Group	
	2011 S\$	2010 S\$
Staff costs:		
- wages, salaries and bonuses	4,253,023	4,866,579
- pension fund contributions	270,437	271,813
- other personnel expenses	735,619	50,238
Total staff costs (Note 6)	<u>5,259,079</u>	<u>5,188,630</u>
Directors' remuneration:		
- directors of the Company	533,513	565,604
- directors of subsidiaries	935,281	1,003,115
Directors' fees:		
- directors of the Company	190,282	147,594
- directors pension fund contributions	14,632	7,593
Total directors' remuneration and fees (Note 6)	<u>1,673,708</u>	<u>1,723,906</u>
Grant of equity share options	4,196	2,997
Total personnel expenses	<u>6,936,983</u>	<u>6,915,533</u>

8 Finance Income

	Group	
	2011 S\$	2010 S\$
Interest income:		
- bank balances	4,677	184,174
- fixed deposits	248,130	134,014
- trust account	-	11
	<u>252,807</u>	<u>318,199</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

9 Finance Costs

	Group	
	2011	2010
	S\$	S\$
Interest expense:		
- bank overdrafts	834	53,711
- finance leases	6,446	11,062
- bank borrowings	81,330	53,772
	88,610	118,545
Bank charges	202,978	406,739
	291,588	525,284

10 Income Tax Expense

	Group	
	2011	2010
	S\$	S\$
Current tax		
- current year	569,544	770,254
- over provision in respect of prior years	(158,407)	(199,892)
	411,137	570,362
Deferred tax		
- deferred tax expense relating to the origination and reversal of temporary differences	331,754	(156,345)
	742,891	414,017

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 year ended 30 June is as follows:

	Group	
	2011	2010
	S\$	S\$
Profit/(Loss) before income tax – continuing operations	3,998,651	(863,384)
Tax at the statutory tax rate of 17% (2010: 17%)	679,771	(146,775)
Tax effect of non-deductible expenses	651,771	783,206
Tax effect of non-taxable income	(617,208)	(154,681)
Over provision in respect of prior years	(62,049)	(200,006)
Deferred tax asset not recognised	12,161	170,227
Utilisation of deferred tax benefits not recognised in previous years	(90,381)	(299,419)
Foreign sourced income	112,011	176,131
Effect of different tax rates in other countries	56,815	85,334
	742,891	414,017

The Group has unutilised tax losses of approximately S\$7,826,000 as at 30 June 2011 (2010: S\$8,433,896) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries of the Group operate and agreement with the tax authorities. The potential deferred income tax assets of approximately S\$1,330,000 (2010: S\$1,433,000) arising from these unutilised tax losses have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2(r).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

10 Income Tax Expense (cont'd)

Movements in deferred tax assets and liabilities during the financial year are as follows:

	At 1 July S\$	Debited/ (Credited) to Profit or loss S\$	Credited to equity S\$	At 30 June S\$
2011				
Group				
<i>Deferred income tax assets</i>				
Provisions	(243,211)	219,123	–	(24,088)
<i>Deferred income tax liabilities</i>				
Property, plant and equipment	51,908	5,488	–	57,396
Available-for-sale financial assets	(453,252)	(14,015)	(265,088)	(732,355)
Unutilised benefits	(926,915)	(134,597)	–	(1,061,512)
Intangible assets	9,247,955	255,755	721,119	10,224,829*
	7,919,696	112,631	456,031	8,488,358
Company				
<i>Deferred income tax liabilities</i>				
Temporary differences	–	–	–	–
2010				
Group				
<i>Deferred income tax assets</i>				
Provisions	(267,735)	24,524	–	(243,211)
<i>Deferred income tax liabilities</i>				
Property, plant and equipment	1,225,718	(1,173,810)	–	51,908
Available-for-sale financial assets	(380,141)	96,976	(170,087)	(453,252)
Unutilised benefits	–	(410,320)	(516,595)	(926,915)
Intangible assets	8,573,115	1,306,285	(631,445)	9,247,955*
	9,418,692	(180,869)	(1,318,127)	7,919,696
Company				
<i>Deferred income tax liabilities</i>				
Temporary differences	32,800	(32,800)	–	–

* Includes a deferred tax liability of approximately S\$8.0 million (2010: approximately S\$7.2 million) in respect of the coal concession rights held in the name of PT BSS.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

11 Discontinued Operations

	Group	
	2011	2010
	S\$	S\$
Loss for the year from discontinued operations		
Revenue	2,165,992	4,993,087
Expenses	(2,287,648)	(5,433,909)
Loss after income tax	<u>(121,656)</u>	<u>(440,822)</u>
Cash flows from discontinued operations		
Net cash outflows from operating activities	(50,589)	(34,459)
Net cash inflows from investing activities	–	23,744
Net cash outflows	<u>(50,589)</u>	<u>(10,715)</u>

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 or liabilities of YD have been disclosed separately as discontinued operations in the consolidated statement of comprehensive income and assets or liabilities held for sale in the statement of financial position respectively.

The disposal of YD was completed on 30 November 2010.

As at 30 June 2010, the assets held for sale was S\$1.8 million and liabilities directly associated with the assets held for sale was S\$2.4 million, resulting in an approximate net liability of S\$0.6 million as at 30 June 2010. Losses from discontinued operations during the period from 1 July 2010 to 30 November 2010 was S\$0.1 million (2010: S\$0.4 million).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

12 Earnings/(Loss) per Share

	Group	
	2011	2010
	S\$	S\$
Profit/(Loss) attributable to equity holders of the Company	1,509,826	(1,338,160)
Profit/(Loss) from continuing operations attributable to the equity holders of the Company	1,601,068	(1,007,544)
Loss from discontinued operations attributable to the equity holders of the Company	(91,242)	(330,616)
Weighted average number of ordinary shares outstanding for basic earnings per ordinary share	2,048,678,060	1,758,678,060
Adjustment for assumed conversion of share options	1,541,400	5,277,000
Weighted average number of ordinary shares outstanding for diluted earnings per ordinary share	2,050,219,460	1,763,955,060
Earnings/(Loss) per ordinary share (cents)		
From continuing and discontinued operations attributable to the equity holders of the Company		
- Basic	0.074	(0.076)
From continuing operations attributable to the equity holders of the Company		
- Basic	0.078	(0.057)
From discontinued operations attributable to the equity holders of the Company		
- Basic	(0.004)	(0.019)

Basic earnings/(loss) per share is calculated by dividing the Group's profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the share options as at the financial year end were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

13 Property, Plant and Equipment (cont'd)

Group	Freehold land S\$	Freehold building S\$	Leasehold buildings and improvements* S\$	Machinery and tools and equipment S\$	Oil and gas properties S\$	Motor vehicles S\$	Computers equipment S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
2010											
<u>Cost</u>											
As at 1.7.2009	387,509	727,745	315,925	9,737,194	23,625,440	1,058,031	359,204	74,995	688,859	43,840	37,018,742
Additions	-	-	4,883,065	494,982	-	-	16,156	2,567	22,179	-	5,418,949
Transfer to asset held for sale	-	-	-	(728,801)	(23,625,440)	(97,315)	(13,358)	(2,539)	(14,536)	-	(24,481,989)
Disposals/Write off	-	-	(38,789)	(380,094)	-	(155,211)	(4,494)	-	(39,834)	-	(618,422)
Translation differences	4,084	7,669	(10,545)	69,505	-	(2,725)	(7,619)	4,974	(2,336)	-	63,007
As at 30.6.2010	391,593	735,414	5,149,656	9,192,786	-	802,780	349,889	79,997	654,332	43,840	17,400,287
<u>Accumulated depreciation and impairment</u>											
As at 1.7.2009	-	53,664	310,370	7,275,404	23,625,440	539,402	285,191	41,014	471,061	7,244	32,608,790
Charge for the year	-	11,686	14,265	976,117	-	146,115	32,088	6,130	53,564	7,307	1,247,272
Transfer to asset held for sale	-	-	-	(728,801)	(23,625,440)	(48,478)	(12,877)	(937)	(7,279)	-	(24,423,812)
Disposals/Write off	-	-	(38,789)	(316,848)	-	(69,997)	(2,900)	-	(35,415)	-	(463,949)
Translation differences	-	1,599	(10,447)	(50,355)	-	(279)	(5,622)	3,466	(7,676)	-	(69,314)
As at 30.6.2010	-	66,949	275,399	7,155,517	-	566,763	295,880	49,673	474,255	14,551	8,898,987
<u>Net book value</u>											
As at 30.6.2010	391,593	668,465	4,874,257	2,037,269	-	236,017	54,009	30,324	180,077	29,289	8,501,300

* Leasehold buildings and improvements are pledged as security against bank borrowings as disclosed in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

13 Property, Plant and Equipment (cont'd)

Company	Motor vehicles S\$	Computers S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
2011						
<u>Cost</u>						
As at 1.7.2010	188,644	40,220	17,702	33,665	43,841	324,072
Additions	–	4,823	–	–	–	4,823
As at 30.6.2011	188,644	45,043	17,702	33,665	43,841	328,895
<u>Accumulated depreciation</u>						
As at 1.7.2010	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
As at 30.6.2011	141,483	38,712	8,737	14,223	21,858	225,013
<u>Net book value</u>						
As at 30.6.2011	47,161	6,331	8,965	19,442	21,983	103,882
2010						
<u>Cost</u>						
As at 1.7.2009	188,644	36,882	17,702	33,665	43,841	320,734
Additions	–	3,338	–	–	–	3,338
As at 30.6.2010	188,644	40,220	17,702	33,665	43,841	324,072
<u>Accumulated depreciation</u>						
As at 1.7.2009	78,601	27,748	3,431	7,490	7,244	124,514
Charge for the year	31,441	5,343	2,653	3,366	7,307	50,110
As at 30.6.2010	110,042	33,091	6,084	10,856	14,551	174,624
<u>Net book value</u>						
As at 30.6.2010	78,602	7,129	11,618	22,809	29,290	149,448

As at 30 June 2011, the Group had motor vehicles under finance leases with a net book value of approximately S\$117,520 (2010: S\$223,535).

	Group	
	2011 S\$	2010 S\$
Movements in the accumulated depreciation comprises the following:		
- Depreciation included in administrative expenses	1,160,648	1,227,296
- Depreciation included in cost of sales	–	52,063
- Depreciation capitalised in inventories	–	(45,792)
- Depreciation expenses incurred in discontinued operation	–	13,705
	<u>1,160,648</u>	<u>1,247,272</u>

Details of land and buildings owned by the Group as at 30 June 2011 and 2010 are as follows:

Location	Description	Area (sq m)	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

for the financial year ended 30 June 2011

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprise:

	Company	
	2011 S\$	2010 S\$
Unquoted equity shares, at cost:		
Balance at 1 July	50,298,950	50,348,950
Deregistration/Closure of subsidiaries	(78,850)	(50,000)
	<u>50,220,100</u>	<u>50,298,950</u>
Less: Impairment loss (Note 1)	(23,933,164)	(24,012,014)
Balance at 30 June	<u>26,286,936*</u>	<u>26,286,936</u>

* The amount includes an investment in APAC Coal Limited of approximately S\$12.3 million (2010: approximately S\$12.3 million) after an impairment loss of approximately S\$23.9 million (2010: approximately S\$23.9 million).

Note 1

	2011 S\$	2010 S\$
Movement of the impairment loss:		
Balance at the beginning of the year	(24,012,014)	(24,012,014)
Utilisation of impairment on deregistration of a subsidiary	78,850	–
Balance at the end of the year	<u>(23,933,164)</u>	<u>(24,012,014)</u>

(b) The Company and the Group had the following subsidiaries as at 30 June:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2011 %	2010 %
<i>Held by the Company</i>				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
Mid-Continent Equipment Group Pte Ltd	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 ⁵	Providing management services	Malaysia	100.00	100.00
Bridging Resources Ltd ²	Investment holding	British Virgin Islands	–	100.00
APAC Coal Limited ³	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	56.87
<i>Held by APAC Coal Limited</i>				
PT Deefu Chemical Indonesia ⁷	Trading in chemical materials	Indonesia	56.87	56.87

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

14 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2011 %	2010 %
<i>Held by PT Deefu Chemical Indonesia</i>				
PT Batubara Selaras Saptu ⁷	Coal mining and marketing of coal products	Indonesia	56.87	56.87
<i>Held by Mid-Continent Equipment Group Pte Ltd</i>				
Mid-Continent Equipment (Australia) Pty Ltd ³	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC ¹	Holding of warehouse property	USA	54.35	54.35
Mid-Continent Equipment, Inc. ⁴	Supply of Oilfield equipment	USA	54.35	54.35
Mid-Continent Environmental Project Pte Ltd	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35
<i>Held by Mid-Continent Environmental Project Pte Ltd</i>				
Plant Tech Mid-Continent Industrial Services Pte Ltd ⁶	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	27.18	27.18
<i>Held by Mid-Continent Equipment (Australia) Pty Ltd</i>				
Tubular Leasing Australia Pty Ltd ^{3,6}	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited ³	Supply of oilfield and mining equipment	New Zealand	54.35	54.35
<i>Held by Bridging Resources Ltd</i>				
Songyuan Yongda Oilfields Exploration & Technology Co., Ltd ²	Development of oilfield and mining equipment	The People's Republic of China	–	75.00

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

- 1 Not required to be audited under the laws of its country of incorporation and is not considered to be significant to the Group.
- 2 This subsidiary was deregistered or disposed during the year.
- 3 Audited by Moore Stephens, Perth, Australia.
- 4 Not required to be audited under the laws of its country of incorporation but reviewed by Hidalgo, Banfill, Zlotnik & Kermali, P.C. CPA., USA for group consolidation purpose.
- 5 Audited by Moore Stephens AC, Johor Bahru, Malaysia.
- 6 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
- 7 Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

15 Investments in Associated Companies

(a) Investments in associated companies held by subsidiaries comprise:

	Group	
	2011 S\$	2010 S\$
Unquoted equity shares, at cost	22,350	22,350
Share of post-acquisition profits:		
Balance at 1 July	48,460	92,621
(Loss)/Profit during the year	(558)	21,485
Dividends paid	(62,870)	(61,675)
Currency realignment	(5,692)	(3,971)
Balance at 30 June	(20,660)	48,460
	1,690	70,810

The summarised financial information of the Group's share of the associated companies assets, liabilities and results as at and for the year ended 30 June are as follows:

- Assets	49,311	685,115
- Liabilities	1,578	412,365
- Revenues	17,543	442,505
- Net loss	(66,725)	(208,778)

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment		Effective Equity Interest held by the Group	
		2011 S\$	2010 S\$	2011 %	2010 %
<i>Held by Mid-Continent Equipment Group Pte Ltd</i>					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company ¹ United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	26.63	26.63
<i>Held by Mid-Continent Environment Project Pte Ltd</i>					
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 P.S. Yap & Associates, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

16 Investments in Joint Venture Entities

The joint venture entities are held by various subsidiaries of the Group. Details of the 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	
		2011 %	2010 %
<i>Held by Mid-Continent Equipment Group Pte Ltd</i>			
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
<i>Held by Mid-Continent Environmental Project Pte Ltd</i>			
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	–

1 Audited by Moore Stephens LLP, Singapore.

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

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

Mid-Continent Equipment Group Pte Ltd and Mid-Continent Environment Project Pte Ltd, have a 50.0% equity interest in the above joint venture entities. 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	
	2011 S\$	2010 S\$
Current assets	8,319,885	10,352,639
Non-current assets	430,740	297,508
Current liabilities	(3,304,126)	(4,541,609)
Non-current liabilities	(13,114)	(5,698)
	<u>5,433,385</u>	<u>6,102,840</u>

The Group's share of the profit/(loss) of the joint venture entities are as follows:

	Group	
	2011 S\$	2010 S\$
Revenue	8,353,037	7,901,381
Profit/(Loss) before income tax	221,911	(160,787)
Income tax expense	(54,062)	(188,360)
Profit/(Loss) after income tax	<u>167,849</u>	<u>(349,147)</u>

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for the financial year ended 30 June 2011

17 Goodwill

	Group	
	2011	2010
	S\$	S\$
<u>Cost</u>		
Balance at the beginning and end of year	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	
	2011	2010
	S\$	S\$
Mid-Continent Equipment Group Pte Ltd (a)	1,569,703	1,569,703

- (a) The recoverable amount of a CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and direct costs during the periods. 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 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 first year and a revenue growth rate of 1% per annum for the next 4 years (2010: 5% per annum for 5 years). Management has used a 1% (2010: 1%) growth rate to calculate the terminal value. The rate used to discount the forecast cash flows of the CGU was 7.9% (2010: 2.44%).

Sensitivity analysis

Management had considered the possibility of an increase or decrease in the estimated growth rate and the discount rate used. An increase/decrease in the estimated growth rate and the discount rate used by 100 basis points would not result in a recoverable amount lower than the carrying amount of goodwill.

18 Other Intangible Assets

	Group	
	Cost and Carrying Value	
	2011	2010
	S\$	S\$
<u>Petroleum Exploration License</u>		
- 40% (2010: 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	4,338,018	4,334,540
- Currency realignment	367,018	(176,019)
	4,705,036	4,158,521

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

18 Other Intangible Assets (cont'd)

	Group	
	Cost and Carrying Value	
	2011	2010
	S\$	S\$
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	156,310	(2,096,990)
	26,576,760	24,323,460
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	1,138,296	1,180,478
- Currency realignment	(11,915)	54,497
	1,126,381	1,234,975
Total coal concession rights	27,703,141	25,558,435
Total other intangible assets	32,408,177	29,716,956

As at 30 June 2011, the Group has not commenced mining operations relating to the coal concession rights.

Movements in the account are as follows:

	Group	
	2011	2010
	S\$	S\$
Cost:		
Balance at 1 July	65,241,841	64,927,342
Additions/adjustments:		
Exploration and development expenditure	6,704	312,740
Petroleum exploration rights	3,478	1,759
	10,182	314,499
Written off:		
Exploration and evaluation expenditure	(48,886)	-
Balance at 30 June	65,203,137	65,241,841
Accumulated impairment loss:		
Balance at 1 July and 30 June	(33,689,982)	(33,689,982)
Currency alignment	895,022	(1,834,903)
Balance at 30 June	32,408,177	29,716,956

Coal Concession Rights

The coal concession rights, included in the statement of financial position of the Group, at a carrying value of S\$27.7 million (2010: S\$25.6 million) with a corresponding deferred tax liability of approximately S\$8.0 million (2010: S\$7.2 million) included in intangible assets as disclosed in Note 10 to the financial statements, are held in the name of PT Batubara Selaras Sapta ("PT BSS"). In February 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

18 Intangible Assets (cont'd)

Coal Concession Rights (cont'd)

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. The Indonesian legal counsel had on 6 May 2011 advised that the Judicial Review has 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. The Group is currently in the preparation of seeking a redress at the district court. Notwithstanding the above, the Group has been advised by the Indonesian Ministry of Energy and Mines to suspend all activities at the coal mine for the foreseeable future. As the outcome of the ongoing legal proceedings relating to Group's ownership interest in PT BSS is uncertain, the directors were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights.

The impairment loss of S\$33,689,982 made in 2009 relates to the impairment of the coal concession rights in Kabupaten Pasir, East Kalimantan, Indonesia. 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 8.9 km² investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222 km². The independent valuer applied the In-situ Method of valuing the mineral resources associated with the 8.9 km² investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222 km² to estimate the fair value of the coal concession rights as at 30 June 2009.

19 Available-for-Sale Financial Assets

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Quoted equity shares, at fair value	31,706,065	12,061,821	18,618,500	7,411,250
Unquoted equity investments	–	612,302	–	–
	<u>31,706,065</u>	<u>12,674,123</u>	<u>18,618,500</u>	<u>7,411,250</u>

Available-for-sale financial assets amounting to S\$18,618,500 (2010: S\$7,411,250) have been pledged as security against borrowings disclosed in Note 28 to the financial statements.

20 Inventories

	Group	
	2011 S\$	2010 S\$
At cost:		
Finished goods	10,802,158	14,982,536
Goods-in-transit	1,093,326	1,047,071
	<u>11,895,484</u>	<u>16,029,607</u>
At net realisable value:		
Finished goods	751,698	754,003
Work-in-progress	190,614	132,823
	<u>942,312</u>	<u>886,826</u>
	<u>12,837,796</u>	<u>16,916,433</u>
Cost of inventories sold included in cost of sales amounted to:	<u>44,035,739</u>	<u>62,219,353</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

21 Contracts

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Costs	-	(10,574)	-	(10,574)
Attributable losses	-	-	-	-
Less: Progress billings	-	-	-	-
Less: Payment	-	10,574	-	10,574
	-	-	-	-

22 Trade and Other Receivables

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Trade receivables	7,001,220	8,484,262	-	-
Less: Impairment losses	(390,765)	(167,689)	-	-
	6,610,455	8,316,573	-	-
Other receivables	1,340,884	767,957	5,882	4,004
Cash held in trust ¹	-	824,000	-	-
Deposits	137,069	149,365	48,979	19,079
Prepayments	542,417	257,197	48,572	35,585
Interest receivable	70,680	54,065	-	-
Advances to staff	10,337	78,443	-	-
Tax recoverable	31,203	144,434	197,404	321,458
	8,743,045	10,592,034	300,837	380,126

1 As at 30 June 2010, cash held in trust was a cash balance of RMB4 million held in a jointly controlled bank account at Standard Chartered Bank in People's Republic of China, in the name of a nominee of the Company, who is also a director of the Company. Subsequent to the completion of disposal of the Group's crude oil production segment (Note 25) on 30 November 2010, the entire RMB4 million was remitted to the Company on 6 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

23 Related Parties Balances

The amounts due from/(to) related parties consist of:

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Due from:				
- Subsidiaries (non-trade)	-	-	463,564	741,856
- Associated companies (trade)	-	77,607	-	-
- Joint venture entities				
- trade	634,253	50,574	-	-
- non-trade	-	209,805	-	-
- loan	-	357,713	-	-
	634,253	618,092	-	-
	634,253	695,699	463,564	741,856
Due to:				
- Subsidiaries (non-trade)	-	-	(2,860,537) [#]	(3,310,033)
- Associated companies (trade)	(36)	-	-	-
- Joint venture entities (trade)	(592,147)	(1,128,558)	-	-
- Other related parties * (trade)	(591,499)	(1,600,418)	-	-
	(1,183,682)	(2,728,976)	(2,860,537)	(3,310,033)

* Refer to Note 36 for the definition of other related parties.

Includes an amount due from APAC Coal Ltd of approximately S\$0.7 million (2010: approximately S\$0.4 million).

Trade amounts are due within normal trade credit terms. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

The loan due to joint venture entities were unsecured, interest free and fully repaid during the year.

24 Cash and Cash Equivalents

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Cash and bank balances	8,089,441	7,779,076	11,734	11,861
Fixed deposits	7,337,609	7,403,676	-	-
	15,427,050	15,182,752	11,734	11,861

Fixed deposits bear interest ranging from 0.07% to 9.35% (2010: 0.00% to 6.5%) per annum.

A subsidiary's fixed deposits of S\$5,227,295 (2010: S\$6,527,505) are pledged as security to certain banks for credit facilities granted to various subsidiaries. These credit facilities of a subsidiary and a joint venture amounted to US\$6,905,200 (2010: US\$9,875,098). The unutilised portion of the credit facilities as at year end amounted to US\$3,601,563 (2010: US\$2,226,897).

As at 30 June 2011, the remaining fixed deposits of the Group of S\$2,110,314 (2010: S\$876,171) are free from encumbrances.

Fixed deposits at the statement of financial position date have an average maturity of up to 12 months (2010: 12 months) from the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

25 Asset Held for Sale

	Group	
	2011 S\$	2010 S\$
Property, plant and equipment	–	58,177
Inventories	–	51,162
Trade and other receivables	–	1,613,510
Cash and bank balances	–	87,262
Asset classified as held for sale	<u>–</u>	<u>1,810,111</u>
Trade and other payables	–	(2,420,406)
Liabilities directly associated with assets classified as held for sale	–	(2,420,406)
Net liabilities of asset classified as held for sale	<u>–</u>	<u>(610,295)</u>

The Group has completed the disposal of its crude oil production business on 30 November 2010.

26 Trade and Other Payables

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Trade payables	7,424,627	7,449,430	336	–
Amount payable to a minority shareholder	–	824,000	–	–
Other payables	863,005	977,872	679,097	837,549
Accrued operating expenses	286,786	384,458	550,150	391,406
	<u>8,574,418</u>	<u>9,635,760</u>	<u>1,229,583</u>	<u>1,228,955</u>

Amount payable to a minority shareholder was unsecured, interest free and fully repaid during the current financial year.

27 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts ranged from 13.50% to 15.50% (2010: 3.56% to 13.66%) per annum.

28 Borrowings

Short-term Borrowings

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Bank borrowings – (i)	26,719	367,945	26,719	367,945
Bank borrowings – (ii)	2,533,185	3,356,880	–	–
Bank borrowings – (iii)	121,952	72,451	–	–
Bank borrowings – (iv)	671,574	640,701	–	–
	<u>3,353,430</u>	<u>4,437,977</u>	<u>26,719</u>	<u>367,945</u>

Long-term Borrowings

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Bank borrowings – (iv)	582,985	1,241,062	–	–
Total borrowings	<u>3,936,415</u>	<u>5,679,039</u>	<u>26,719</u>	<u>367,945</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

28 Borrowings (cont'd)

- (i) The short-term bank loan of the Company that bears a fixed interest rate of 7.2% (2010: 7.2%) per annum and is repayable quarterly, being the last instalment at the end of July 2011. This loan is secured by way of pledging quoted investments to the bank.
- (ii) The short-term bank loan of a joint venture entity is denominated in United States Dollar, repayable on demand and bears interest ranging from 1.20% to 1.55% (2010: 1.03% to 2.30%) per annum. This loan is secured on a letter of guarantee from a corporate shareholder of a subsidiary and a first fixed charge on its receivables and first floating charge on all its undertaking, property, assets and rights of the joint venture entity.
- (iii) The short-term loan taken by a joint venture entity is denominated in Indian Rupee, bears interest at 5.0% (2010: 0.8%) per annum above the bank's prime lending rate, with a minimum of 15.5% (2010: 12.8%) per annum compounded monthly, repayable in monthly installments up to 27 October 2015. The loan is secured by:
- 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 in India; and
 - a first floating charge on all its undertaking, other property, assets and rights of the joint venture entity in Singapore.
- (iv) The loan of a subsidiary was taken for the purchase a leasehold property. The loan is repayable over 36 monthly installments 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 for the third and final year. The loan is secured by a first right of the bank on the leasehold property.

29 Finance Lease Obligations

	Minimum payments S\$	Interest S\$	Present value of payments S\$
Group			
2011			
Within 1 year	36,315	(2,409)	33,906
1 year to 5 years	35,482	203	35,685
	71,797	(2,206)	69,591
2010			
Within 1 year	61,961	(7,002)	54,959
1 year to 5 years	80,609	(2,400)	78,209
	142,570	(9,402)	133,168
Company			
2011			
Within 1 year	23,655	(1,654)	22,001
1 year to 5 years	35,482	203	35,685
	59,137	(1,451)	57,686
2010			
Within 1 year	23,655	(2,963)	20,692
1 year to 5 years	59,138	(1,452)	57,686
	82,793	(4,415)	78,378

The Group's effective interest rate of its finance lease obligations ranged from 3.50% to 8.03% (2010: 3.50% to 8.03%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

30 Share Capital

	Group and Company			
	2011		2010	
	Number of shares	S\$	Number of shares	S\$
Ordinary shares issued and fully paid:				
Balance at 1 July	1,758,678,060	116,501,816	1,758,678,060	116,501,816
Shares issued during the year	290,000,000	3,625,000	–	–
Balance at 30 June	<u>2,048,678,060</u>	<u>120,126,816</u>	<u>1,758,678,060</u>	<u>116,501,816</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

A share placement of 290,000,000 ordinary shares at S\$0.0125 for each subscription share was completed during the current financial year. The share placement increased the paid-up capital by S\$3,625,000.

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 restriction.

31 Reserves

	Group		Company	
	2011	2010	2011	2010
	S\$	S\$	S\$	S\$
Share-based payment reserve (a)	175,004	170,808	155,108	150,914
Fair value reserve (b)	20,066,413	4,982,543	14,195,481	5,438,208
Translation reserve (c)	(6,800,211)	(5,058,741)	–	–
Statutory reserve (d)	–	13,761	–	–
Accumulated losses	<u>(73,069,024)</u>	<u>(74,578,850)</u>	<u>(93,054,972)</u>	<u>(92,435,879)</u>
	<u>(59,627,818)</u>	<u>(74,470,479)</u>	<u>(78,704,383)</u>	<u>(86,846,757)</u>

Movements in reserves for the Group are set out in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

31 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.

(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.

Movement of the fair value reserve can be disclosed as shown below:

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Balance at beginning of year	4,982,543	(66,964)	5,438,208	2,067,896
Net gain arising on revaluation of available-for-sale financial assets	15,541,646	5,480,700	9,283,283	3,225,624
Income tax relating to gain arising on revaluation of available-for-sale financial assets	144,076	92,443	–	–
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(769,830)	(607,043)	(526,010)	144,688
Foreign currency translation differences	167,978	83,407	–	–
Balance at end of the year	<u>20,066,413</u>	<u>4,982,543</u>	<u>14,195,481</u>	<u>5,438,208</u>

(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. Please see the table below for the movement:

Foreign currency translation reserve

	Group	
	2011 S\$	2010 S\$
Balance at beginning of year	(5,058,741)	(3,447,511)
Effect of adoption of FRS 27	–	(353,927)
Exchange difference arising on translating the net assets of foreign operations	(526,266)	(1,257,303)
Exchange difference reclassified to profit or loss on disposal of foreign operations	(1,215,204)	–
	<u>(6,800,211)</u>	<u>(5,058,741)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

31 Reserves (cont'd)

(d) Statutory Reserve

The statutory reserve is used by an India incorporated joint venture entity to transfer a certain portion of its profits to reserves, before declaring a dividend. The amount to be transferred to the statutory reserve shall be as follows;

- (1) Not less than 2.5 % of the current profits, if the proposed dividend exceeds 10% but not 12.5% of the paid up capital.
- (2) Not less than 5% of the current profits, if the proposed dividend exceeds 12.5 % but not 15% of the paid up capital.
- (3) Not less than 7.5 % of the current profits, if the proposed dividend exceeds 15% but not 20% of the paid up capital.
- (4) Not less than 10% of the current profits, if the proposed dividend exceeds 20% of the paid up capital.

32 Operating Lease Commitments

The Group leases certain properties 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	
	2011 S\$	2010 S\$
Within 1 year	88,760	96,003
After 1 year but not more than 5 years	43,415	132,468
	132,175	228,471

33 Other Commitments

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Corporate guarantee	–	–	1,253,528	1,933,686
Bankers' guarantee	139,497	831,801	–	–
	139,497	831,801	1,253,528	1,933,686

34 Arbitration Notice

Tjong Very Sumito, Iman Haryanto and Herman Aries Tintowo (the "Plaintiffs") alleged that Magnus and Antig Investments Pte Ltd (collectively referred to as 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 ("S&P Agreement") in relation to the acquisition of a 72% interest in PT Deefu Chemical Indonesia ("PT Deefu"). 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) in Magnus or for damages to be assessed. In addition, the Plaintiffs were claiming 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 on 22 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

34 Arbitration Notice (cont'd)

On 25 April 2011, Magnus received a 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.

The Company and its wholly-owned subsidiary Antig Investments Pte Ltd (collectively referred to as the "Claimants"), have on 29 June 2011, initiated arbitration proceedings against Tjong Very Sumito ("1st Respondent"), Iman Haryanto ("2nd Respondent") and Herman Aries Tintowo ("3rd Respondent") (collectively referred to as the "Respondents") for various breaches of the Shares Sale and Purchase Agreement (the "SPA") dated 23 November 2004. Subsequent to the statement of financial position date, the notice of arbitration has been filed and the arbitration tribunal has been constituted. Pleadings have not yet been filed.

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

35 Subsequent Events

There is no significant subsequent event occurring that requires and adjustment or disclosure in the financial statements after the financial year end.

36 Related Party Transactions

The Company and the Group had the following significant related party transactions during the financial year and the effect of these transactions on the basis determined between the parties are reflected in the financial statements:

	Group	
	2011	2010
	S\$	S\$
Associated companies:		
- Sales	-	8,543
Joint venture entities:		
- Sales	617,110	36,355
- Purchases	(5,711,372)	(6,627,151)
- Service fee received	444,299	447,791
- Other services received	11,728	-
Other related parties		
- Purchases	(2,609,953)	(2,890,359)

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family or any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint venture and post-employment benefit plan, if any.

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 statement of financial position date are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

36 Related Party Transactions (cont'd)

Key Management Personnel Compensation

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Wages, salaries and bonuses	1,661,695	1,808,287	646,933	658,108
Pension fund contributions	37,656	38,139	18,697	19,034
Share-based payments	4,196	23,176	4,196	14,779
	<u>1,703,547</u>	<u>1,869,602</u>	<u>669,826</u>	<u>691,921</u>

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 Company and the Group.

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. The identification of the Group's reportable segments is consistent with the prior year's presentation of business segment as below:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 to the financial statements.

(a) *Business Segments*

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

37 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

	(Continuing Operations) Oilfield equipment supply and services S\$	(Discontinued Operation) Crude oil production S\$	Adjustment S\$	Total operations S\$
2011				
<i>Segment revenues and results</i>				
External revenue	55,303,953	2,165,992	(2,165,992)	55,303,953
Loss from operations	4,037,990	(121,508)	121,508	4,037,990
Finance costs	(291,588)	(148)	148	(291,588)
Finance income				252,807
Share of results of associated companies				(558)
Profit before income tax				3,998,651
Income tax				(742,891)
Profit after income tax from continuing operations				<u>3,255,760</u>
<i>Segment assets and liabilities</i>				
Assets	78,494,977	–		78,494,977
Intangible assets	32,408,177	–		32,408,177
<i>Unallocated assets</i>				
Deferred income tax assets				24,088
Consolidated assets				<u>110,927,242</u>
Liabilities	9,837,950	–		9,837,950
Borrowings	3,936,415	–		3,936,415
Finance lease obligations	69,591	–		69,591
<i>Unallocated liabilities</i>				
Income tax liabilities				474,922
Deferred income tax liabilities				8,488,358
Consolidated liabilities				<u>22,807,236</u>
<i>Other segment information</i>				
Capital expenditure	725,507	–		725,507
Unallocated capital expenditure				4,823
Total				<u>730,330</u>
Depreciation and amortisation	1,090,400	2,323		1,092,723
Unallocated depreciation and amortisation				67,925
Total				<u>1,160,648</u>
Other non-cash items	9,696	–		9,696
Unallocated other non-cash items*	2,533,170	–		2,533,170
Total				<u>2,542,866</u>

* Unallocated other non-cash items include the net effect of gain on disposal of available-for-sale financial assets, gain on disposal of property, plant and equipment, grant of equity share options, gain on disposal of subsidiary and exploration and evaluation expenditure written off.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

37 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

	(Continuing Operations) Oilfield equipment supply and services S\$	(Discontinued Operation) Crude oil production S\$	Adjustment S\$	Total operations S\$
2010				
<u>Segment revenues and results</u>				
External revenue	74,692,913	4,993,087	(4,993,087)	74,692,913
Loss from operations	(677,784)	(434,199)	434,199	(677,784)
Finance costs	(525,284)	(6,623)	6,623	(525,284)
Finance income				318,199
Share of results of associated companies				21,485
Loss before income tax				(863,384)
Income tax				(414,017)
Loss after income tax from continuing operations				<u>(1,277,401)</u>
<u>Segment assets and liabilities</u>				
Assets	66,202,854	1,810,111		68,012,965
Intangible assets	29,716,956	–		29,716,956
<u>Unallocated assets</u>				
Deferred tax assets				243,211
Consolidated assets				<u>97,973,132</u>
Liabilities	18,438,970	2,420,406		20,859,376
<u>Unallocated liabilities</u>				
Income tax liabilities				675,400
Deferred tax liabilities				7,919,696
Consolidated liabilities				<u>29,454,472</u>
<u>Other segment information</u>				
Capital expenditure	5,410,395	–		5,410,395
Unallocated capital expenditure				8,554
Total				<u>5,418,949</u>
Depreciation and amortisation	1,146,268	19,976		1,166,244
Unallocated depreciation and amortisation				81,028
Total				<u>1,247,272</u>
Other non-cash items	1,508,673	148,489		1,657,162
Unallocated other non-cash items				(545,674)
Total				<u>1,111,488</u>
<u>Segment assets and liabilities</u>				

- All assets are allocated to reportable segments other than intangible assets and deferred tax assets. Goodwill is allocated to Oilfield equipment and services segment.
- All liabilities are allocated to reportable segments other than income tax liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

37 Segment Information (cont'd)

(b) *Geographical Segments*

	Singapore S\$	Australia S\$	Malaysia S\$	Indonesia S\$	China S\$	Others S\$	Total S\$
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
2010							
Revenue	34,939,751	16,679,478	3,163,484	7,861,379	276,331	11,772,490	74,692,913
Non-current assets	19,993,980	31,102,889	20,959	1,334,060	–	324,215	52,776,103

Non-current assets exclude financial instruments and deferred tax assets of the segment.

Revenue is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

There was no customers who contributed by more than 10% to the Group's revenue (2010: Nil) during the current financial year.

38 Financial Instruments

Financial risk factors

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

(i) Currency risk

The currency risk of the Group and the Company arises mainly from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in the foreign subsidiaries.

Certain of the Group's and Company's transactions are denominated in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates.

The Group and the Company does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group and the Company monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at minimal level.

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

	Australian Dollar S\$	United States Dollar S\$	Renminbi S\$	Others S\$	Total S\$
Group					
2011					
<i>Financial assets:</i>					
Available-for-sale financial assets	2,461,234	–	–	–	2,461,234
Trade and other receivables	707,090	6,925,153	–	261,339	7,893,582
Related parties balances	–	294,358	–	–	294,358
Cash and cash equivalents	4,289,370	7,477,666	–	189,393	11,956,429
	<u>7,457,694</u>	<u>14,697,177</u>	<u>–</u>	<u>450,732</u>	<u>22,605,603</u>
<i>Financial liabilities:</i>					
Trade and other payables	(652,470)	(5,616,891)	–	(360,003)	(6,629,364)
Related parties balances	–	(1,128,965)	–	(54,717)	(1,183,682)
Short-term borrowings	–	(2,533,185)	–	(121,951)	(2,655,136)
Long-term borrowings	–	–	–	(582,985)	(582,985)
Bank overdraft	–	–	–	(26,354)	(26,354)
Finance lease obligations	–	–	–	(11,905)	(11,905)
	<u>(652,470)</u>	<u>(9,279,041)</u>	<u>–</u>	<u>(1,157,915)</u>	<u>(11,089,426)</u>
Currency exposure on net financial assets/(liabilities)	<u>6,805,224</u>	<u>5,418,136</u>	<u>–</u>	<u>(707,183)</u>	<u>11,516,177</u>
2010					
<i>Financial assets:</i>					
Available-for-sale financial assets	1,261,785	–	–	–	1,261,785
Trade and other receivables	541,377	7,927,401	824,000	261,971	9,554,749
Related parties balances	–	645,125	–	50,574	695,699
Cash and cash equivalents	1,643,137	1,230,037	–	474,967	3,348,141
	<u>3,446,299</u>	<u>9,802,563</u>	<u>824,000</u>	<u>787,512</u>	<u>14,860,374</u>
<i>Financial liabilities:</i>					
Trade and other payables	(254,066)	(6,223,123)	(824,000)	(285,726)	(7,586,915)
Related parties balances	(1,128,122)	(1,600,853)	–	–	(2,728,975)
Short-term borrowings	–	(3,356,880)	–	(72,451)	(3,429,331)
Long-term borrowings	–	–	–	(1,241,062)	(1,241,062)
Finance lease obligations	–	–	–	(54,790)	(54,790)
	<u>(1,382,188)</u>	<u>(11,180,856)</u>	<u>(824,000)</u>	<u>(1,654,029)</u>	<u>(15,041,073)</u>
Currency exposure on net financial assets /(liabilities)	<u>2,064,111</u>	<u>(1,378,293)</u>	<u>–</u>	<u>(866,517)</u>	<u>(180,699)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

	Australian Dollar S\$	United States Dollar S\$	Others S\$	Total S\$
Company				
2011				
Financial assets:				
Related parties balances	(327,300)	777,026	–	449,726
Cash and cash equivalents	–	1,513	–	1,513
	<u>(327,300)</u>	<u>778,539</u>	<u>–</u>	<u>451,239</u>
Financial liabilities:				
Related parties balances	(2,563,548)	–	(318,491)	(2,882,039)
	<u>(2,563,548)</u>	<u>–</u>	<u>(318,491)</u>	<u>(2,882,039)</u>
Currency exposure on net financial (liabilities)/assets	<u>(2,890,848)</u>	<u>778,539</u>	<u>(318,491)</u>	<u>(2,430,800)</u>
2010				
Financial assets:				
Related parties balances	(322,200)	985,062	–	662,862
Financial liabilities:				
Related parties balances	(2,574,442)	–	(117,918)	(2,692,360)
	<u>(2,574,442)</u>	<u>–</u>	<u>(117,918)</u>	<u>(2,692,360)</u>
Currency exposure on net financial (liabilities)/assets	<u>(2,896,642)</u>	<u>985,062</u>	<u>(117,918)</u>	<u>(2,029,498)</u>

If the Australian Dollar and United States Dollar strengthen/weaken against the Singapore Dollar by the following percentages:

	2011 %	2010 %
Australian Dollar	5.00	5.00
United States Dollar	5.00	5.00

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

With all other variables including tax rates being held constant, the effects arising from the net financial asset/(liability) position will be as follows:

	2011		2010	
	(Increase)/Decrease			
	Profit before income tax S\$	Equity S\$	Loss before income tax S\$	Equity S\$
Group				
Australian Dollar against Singapore Dollar				
- strengthened	217,200	123,062	40,116	63,089
- weakened	(217,200)	(123,062)	(40,116)	(63,089)
United States Dollar against Singapore Dollar				
- strengthened	270,907	-	(68,915)	-
- weakened	(270,907)	-	68,915	-
Company				
Australian Dollar against Singapore Dollar				
- strengthened	(144,542)	-	(144,832)	-
- weakened	144,542	-	144,832	-
United States Dollar against Singapore Dollar				
- strengthened	38,927	-	49,253	-
- weakened	(38,927)	-	(49,253)	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(ii) Price risk

The Group and the Company is exposed to equity securities market price risk from its investments which are classified in the consolidated statement of financial position as available-for-sale financial assets. Certain of the available-for-sale financial assets are quoted equity instruments in Singapore and Australia.

If prices for equity securities listed in the following countries increase/(decrease) by the following percentage:

	2011 %	2010 %
Singapore	5.00	2.00*
Australia	5.00	97.00*

* Based on actual price movements of the shares during the year

With all other variables including tax rate being held constant, the profit/(loss) before tax will be unaffected as the equity securities are classified as available-for-sale investments. However, equity will increase/(decrease) by the following amounts:

	2011 Equity S\$	2010 Equity S\$
Group		
Listed in Singapore:		
- increased by	1,530,333	204,708
- decreased by	(1,530,333)	(204,708)
	<hr/>	<hr/>
Listed in Australia:		
- increased by	85,928	405,607
- decreased by	(85,928)	(405,607)
	<hr/>	<hr/>
Company		
Listed in Singapore:		
- increased by	930,925	118,580
- decreased by	(930,925)	(118,580)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value 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 28) and leasing obligations (Note 29).

The Group's borrowings at variable rates are denominated mainly in United States Dollar and Singapore Dollar respectively. If the interest rates increase/decrease by 5.0% (2010: 5.0%) with all other variables including tax rate being held constant, the profit/(loss) before tax will be lower/higher by S\$33,579 (2010: S\$171,467) as a result of higher/lower interest expense on these borrowings.

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		Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S\$	S\$	S\$	S\$	S\$	S\$
Group						
<u>2011</u>						
<i>Financial Assets</i>						
Available-for-sale financial assets	-	-	-	-	31,706,065	31,706,065
Trade and other receivables	-	-	-	-	8,169,425	8,169,425
Related parties balances	-	-	-	-	634,253	634,253
Cash and cash equivalents	7,337,609	-	-	-	8,089,441	15,427,050
Total financial assets	<u>7,337,609</u>	-	-	-	<u>48,599,184</u>	<u>55,936,793</u>
<i>Financial Liabilities</i>						
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	(2,681,856)	-	(671,574)	(582,985)	-	(3,936,415)
Finance lease obligations	(33,906)	(35,685)	-	-	-	(69,591)
Total financial liabilities	<u>(2,715,762)</u>	<u>(35,685)</u>	<u>(751,424)</u>	<u>(582,985)</u>	<u>(9,758,100)</u>	<u>(13,843,956)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates		Variable rates	Non-interest bearing	Total
	Less than 1 year S\$	1 to 5 years S\$	Less than 1 year S\$	S\$	S\$
Group					
2010					
<i>Financial Assets</i>					
Available-for-sale financial assets	–	–	–	12,674,123	12,674,123
Trade and other receivables	–	–	–	10,190,403	10,190,403
Related parties balances	–	–	–	695,699	695,699
Cash and cash equivalents	7,403,676	–	–	7,779,076	15,182,752
Total financial assets	<u>7,403,676</u>	<u>–</u>	<u>–</u>	<u>31,339,301</u>	<u>38,742,977</u>
<i>Financial Liabilities</i>					
Trade and other payables	–	–	–	(9,635,760)	(9,635,760)
Bank overdrafts	–	–	(262,027)	–	(262,027)
Related parties balances	–	–	–	(2,728,976)	(2,728,976)
Borrowings	(1,008,646)	(1,241,062)	(3,429,331)	–	(5,679,039)
Finance lease obligations	(54,959)	(78,209)	–	–	(133,168)
Total financial liabilities	<u>(1,063,605)</u>	<u>(1,319,271)</u>	<u>(3,691,358)</u>	<u>(12,364,736)</u>	<u>(18,438,970)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates		Variable rates	Non-interest bearing	Total
	Less than 1 year S\$	1 to 5 years S\$	Less than 1 year S\$	S\$	S\$
Company					
2011					
<i>Financial Assets</i>					
Available-for-sale financial assets	–	–	–	18,618,500	18,618,500
Trade and other receivables	–	–	–	54,861	54,861
Related parties balances	–	–	–	463,564	463,564
Cash and cash equivalents	–	–	–	11,734	11,734
Total financial assets	–	–	–	19,148,659	19,148,659
<i>Financial Liabilities</i>					
Trade and other payables	–	–	–	(1,229,583)	(1,229,583)
Related parties balances	(3,273,000)	–	–	412,463	(2,860,537)
Bank overdrafts	–	–	(53,495)	–	(53,495)
Short-term borrowings	–	–	(26,719)	–	(26,719)
Finance lease obligations	(22,001)	(35,685)	–	–	(57,686)
Total financial liabilities	(3,295,001)	(35,685)	(80,214)	(817,120)	(4,228,020)
2010					
<i>Financial Assets</i>					
Available-for-sale financial assets	–	–	–	7,411,250	7,411,250
Trade and other receivables	–	–	–	23,083	23,083
Related parties balances	–	–	–	741,856	741,856
Cash and cash equivalents	–	–	–	11,861	11,861
Total financial assets	–	–	–	8,188,050	8,188,050
<i>Liabilities</i>					
Trade and other payables	–	–	–	(1,228,955)	(1,228,955)
Related parties balances	(2,995,500)	–	–	(314,533)	(3,310,033)
Bank overdrafts	–	–	(206,107)	–	(206,107)
Short-term borrowings	(367,945)	–	–	–	(367,945)
Finance lease obligations	(20,692)	(57,686)	–	–	(78,378)
Total financial liabilities	(3,384,137)	(57,686)	(206,107)	(1,543,488)	(5,191,418)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(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 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 statement of financial position.

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

(i) Financial assets that are neither past due nor impaired

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

(ii) 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 and amounts due from related parties.

As at 30 June 2011 and 2010, the Group and the Company did not establish an allowance for impairment on amount due from related parties since the Group's management believes that such receivables are collectible in full.

The table below is an analysis of trade receivables as at the statement of financial position date:

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Not past due and not impaired	3,600,434	5,760,920	–	–
Past due but not impaired ⁽¹⁾	3,010,021	2,555,653	–	–
	<u>6,610,455</u>	<u>8,316,573</u>	<u>–</u>	<u>–</u>
Impaired trade receivables				
- individually assessed ^{(2),(3)}	390,765	167,689	–	–
Less: Allowance for impairment	<u>(390,765)</u>	<u>(167,689)</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Trade receivables, net (Note 22)	<u>6,610,455</u>	<u>8,316,573</u>	<u>–</u>	<u>–</u>
- Not more than 3 months	2,176,589	2,003,900	–	–
- 3-6 months	211,070	216,247	–	–
- Over 6 months	622,362	335,506	–	–
	<u>3,010,021</u>	<u>2,555,653</u>	<u>–</u>	<u>–</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The movement in the allowance for impairment of trade receivables is as follows:

	Group	
	2011 S\$	2010 S\$
Beginning of financial year	167,689	93,928
Currency translation differences	(29,756)	73,761
Allowances made	261,919	–
Allowances utilised	(9,087)	–
End of financial year	390,765	167,689

(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 commitments.

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

	Less than one year S\$	Between one and five years S\$	Total S\$
Group			
<u>2011</u>			
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
Short-term borrowings	3,353,430	–	3,353,430
Long-term borrowings	–	597,410	597,410
Finance lease obligations	36,315	35,482	71,797
	13,227,695	632,892	13,860,587
<u>2010</u>			
Trade and other payables	9,635,760	–	9,635,760
Bank overdrafts	262,027	–	262,027
Related parties balances	2,728,976	–	2,728,976
Short-term borrowings	4,437,977	–	4,437,977
Long-term borrowings	–	1,288,056	1,288,056
Finance lease obligations	61,961	80,609	142,570
	17,126,701	1,368,665	18,495,366

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

	Less than one year S\$	Between one and five years S\$	Total S\$
Company			
2011			
Trade and other payables	1,229,583	–	1,229,583
Bank overdrafts	53,495	–	53,495
Related parties balances	2,860,537	–	2,860,537
Short-term borrowings	26,719	–	26,719
Finance lease obligations	23,655	35,482	59,137
Corporate guarantee	3,205	1,250,323	1,253,528
	4,197,194	1,285,805	5,482,999
2010			
Trade and other payables	1,228,955	–	1,228,955
Bank overdrafts	206,107	–	206,107
Related parties balances	3,310,033	–	3,310,033
Short-term borrowings	367,945	–	367,945
Finance lease obligations	23,655	59,138	82,793
Corporate guarantee	–	1,933,686	1,933,686
	5,136,695	1,992,824	7,129,519

As at the statement of financial position date, the Group had at its disposal cash and cash equivalents amounting to approximately S\$15,427,050 (2010: S\$15,182,572). In addition, the Group has short-term facilities of S\$3,089,250 (2010: S\$7,662,255) as at the end of the year.

(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 since 2010.

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 cash equivalents. Total equity comprises all components of equity.

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Net debt	(1,583,094)	5,676,624	4,216,286	5,179,557
Total equity	88,120,006	68,518,660	41,422,433	29,655,059
Net debt to equity	N.M.	8.28%	10.18%	17.47%

The Group is not subject to any external capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(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. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments.

The fair values of financial assets and liabilities with a maturity of less than one year, which are primarily cash and cash equivalents, trade and other receivables (excluding prepayments and tax recoverable), trade and other payables, bank overdrafts, short-term borrowings, current finance lease obligations 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 loan is not materially different to its carrying amount as the borrowings are obtained at existing market rates.

The fair values of finance lease obligations are determined by discounting the relevant cash flow using the current interest rates for similar instruments at statement of financial position date. There are no material differences between the fair values and carrying values.

(i) 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).

The following table presents the assets measured at fair value at 30 June 2011.

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
At 30 June 2011				
Assets				
Available-for-sale financial assets:				
- Quoted equity investments	31,706,065	-	-	31,706,065
	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
At 30 June 2010				
Assets				
Available-for-sale financial assets:				
- Quoted equity investments	12,061,821	-	-	12,061,821
- Unquoted equity investments	-	612,302	-	612,302
Total assets	12,061,821	612,302	-	12,674,123

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

38 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(e) Fair Value of Financial Instruments (cont'd)

(i) Fair value measurements (cont'd)

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

The fair values of financial instruments that are not traded in an active market (for unquoted securities) are determined by using recent arm's length market transactions between knowledgeable, willing parties. These financial instruments are included in Level 2.

There was no transfer between Level 1 and 2 during the financial years ended 2011 and 2010

39 Critical Accounting Estimates and Judgments

In the application of the Group's accounting policies, which are described in Note 2 Significant accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets, and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements 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% (2010: 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 directors have considered the degree to which it can be associated with finding specific economically recoverable mineral resources. As at statement of financial position date, the directors 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 directors of the Company 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 2011 was S\$4,705,036 (2010: S\$4,158,521) 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\$27.7 million (2010: S\$25.6 million). Neither is it possible to determine the quantum, if any, of any potential impairment losses. 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 statement of financial position at its carrying value as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

39 Critical Accounting Estimates and Judgments (cont'd)

Critical judgements in applying accounting policies (cont'd)

(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 2011 was S\$474,922 (2010: S\$675,400). The carrying amount of the deferred tax assets and liabilities as at 30 June 2011 amounts to S\$24,088 (2010: S\$243,211) and S\$8,488,358 (2010: S\$7,919,696) respectively.

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 2011 was S\$1,569,703 (2010: S\$1,569,703). Details including sensitivity analysis are given in Note 17.

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 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, Chin Kok Sang and Goh Boon Kok.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

40 Share Options (cont'd)

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

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) per cent. 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 will be 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.

- (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.

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 subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5.0% of APAC's issued 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 the Company's performance on the capital markets. Where appropriate the directors have established appropriate vesting conditions to incentive employees to remain in employment of APAC.

- (c) Fair Value of Share Options

The fair value of the share options granted under Magnus Energy ESOP and APAC ESOP is estimated at the grant date using a Black Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The expected volatility is based on the movement of the underlying share price around its average share price over the expected term of the option. The directors of the Company and APAC have determined the expected period of exercise to be similar to the option life.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

40 Share Options (cont'd)

(c) Fair Value of Share Options (cont'd)

The following tables list the inputs to the Black Scholes pricing model for the financial year ended 30 June 2011:

Magnus Energy ESOP

Grant date share price (cents)	10
Date of grant	4 December 2007
Exercise period	4 December 2010 to 3 December 2011
Number of ordinary shares	1,583,100
Expected volatility (%)	46.77
Exercise price (cents)	10.11
Option life (years)	4
Dividend yield	-
Risk-free interest rate (%)	2.35

APAC ESOP

Grant date share price (cents)	20
Date of grant	14 October 2008
Exercise period	4 October 2008 to 10 July 2011
Number of ordinary shares	178,635
Expected volatility (%)	25.00
Exercise price (cents)	50
Option life (years)	3
Dividend yield	-
Risk-free interest rate (%)	6.80

(d) 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 Company and its subsidiaries, were as follows:

	Group		Company	
	2011	2010	2011	2010
	Number of shares		Number of shares	
Balance at 1 July	9,755,635	13,628,635	5,277,000	7,150,000
Lapsed during the year	(8,035,600)	(3,873,000)	(3,735,600)	(1,873,000)
Balance at 30 June	1,720,035	9,755,635	1,541,400	5,277,000

During the financial year ended 30 June 2011, 8,035,600 (2010: 3,873,000) share options have lapsed due to expiry of share options and resignation of staffs.

The Group recognised an expense of S\$4,196 (2010: S\$2,997) arising from non-discounted share options during the financial year.

Since commencement till 21 July 2011, the Group and Company did not grant any share awards pursuant to the Magnus Energy PSP.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

41 Comparatives

Comparative figures of the consolidated statement of cash flows for financial year ended 30 June 2010 have been reclassified as follows:

	Before Reclassification S\$	After Reclassification S\$	Effect S\$
Consolidated Statement of Cash Flows			
Net cash flows used in operating activities	(1,051,332)	(1,113,007)	(61,675)
Net cash flows used in investing activities	(8,007,708)	(7,946,033)	61,675

The purpose of the reclassification is to reflect the dividends received from associated companies under "Investing Activities" in the consolidated statement of cash flows.

42 Authorisation of Financial Statements

The financial statements for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

SHAREHOLDERS' INFORMATION

as at 22 September 2011

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	:	<ul style="list-style-type: none"> ● 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 22 SEPTEMBER 2011

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	12	0.12	3,839	0.00
1,000 – 10,000	2,178	22.08	13,882,165	0.68
10,001 – 1,000,000	7,538	76.44	777,836,438	37.97
1,000,001 and above	134	1.36	1,256,955,618	61.35
Total	9,862	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	%
Md Wira Dani Bin Abdul Daim*	–	–	338,000,000	16.498

* Deemed Interest is held under various brokerage companies

SHAREHOLDERS' INFORMATION

as at 22 September 2011

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte) Ltd	198,324,982	9.68
2.	Chuan Mei Pheng	94,400,000	4.61
3.	Ronald Menon R K Menon	90,000,000	4.39
4.	Norani @ Siti Rohani Binti Osman	80,490,000	3.93
5.	OCBC Securities Private Ltd	73,477,048	3.59
6.	DBS Vickers Securities (S) Pte Ltd	63,275,000	3.09
7.	Chng Gim Huat	50,000,000	2.44
8.	Hong Leong Finance Nominees Pte Ltd	46,390,000	2.26
9.	Peter Chen Hing Woon	45,000,000	2.20
10.	United Overseas Bank Nominees Pte Ltd	30,388,400	1.48
11.	DBS Nominees Pte Ltd	30,104,000	1.47
12.	Chiew Kim Lee	30,000,000	1.46
13.	Phillip Securities Pte Ltd	22,652,040	1.11
14.	Rosley Bin Abdul Rahman	20,000,000	0.98
15.	UOB Kay Hian Pte Ltd	17,716,000	0.86
16.	Citibank Consumer Nominees Pte Ltd	17,480,000	0.85
17.	OCBC Nominees Singapore Pte Ltd	14,887,310	0.73
18.	Kim Eng Securities Pte. Ltd.	14,728,000	0.72
19.	Low Keng Boon @ Lau Boon Sen	14,180,000	0.69
20.	HSBC (Singapore) Nominees Pte Ltd	11,750,000	0.57
Total		965,242,780	47.11

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 22 September 2011, 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 Catalyst 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, 31 October 2011 at 10:00 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 2011 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 Chin Kok Sang, who will be retiring by rotation pursuant to Article 96(2) of the Articles of Association of the Company. **(Resolution 3)**

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

4. To approve the payment of Directors’ fees of S\$73,500 for the year ended 30 June 2011 (2010: S\$87,374). **(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),

NOTICE OF ANNUAL GENERAL MEETING

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);
- (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)

NOTICE OF ANNUAL GENERAL MEETING

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

Koh Teng Kiat
Company Secretary
Singapore, 14 October 2011

Explanatory Notes:

- (i) The Ordinary Resolution 6 proposed in item 7 above, if passed, will authorised 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 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 the 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 the 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.

NOTICE OF ANNUAL GENERAL MEETING

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 Ms Foo Quee Yin
Telephone number: 6221 0271*

MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M
(Incorporated In The Republic of Singapore)

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____

of _____

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, 31 October 2011 at 10:00 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 2011		
2.	Re-appoint of Mr Goh Boon Kok as a Director		
3.	Re-election of Mr Chin Kok Sang as a Director		
4.	Approval of Directors' fees amounting to S\$73,500		
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 _____ 2011

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



Signature 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 one or two 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 seal or under the hand of an officer or attorney duly authorised. 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.
7. 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