

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

COMPANY'S CLARIFICATION ON THE EXIT OFFER

Unless otherwise specified, all capitalised terms shall have the same meaning ascribed to them in the Previous Announcements (as defined below).

1. Introduction

The board of directors (the “**Board**” or “**Directors**”) of Magnus Energy Group Ltd (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the announcements dated 22 February 2023, 8 March 2023, 21 March 2023, 31 March 2023 and 10 April 2023 (the “**Previous Announcements**”) with regards to the notification of delisting from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Delisting Notice**”) and the Exit Offer and wishes to provide the following clarification and update.

2. Inability to make an Exit Offer

2.1 Following the announcement dated 10 April 2023 (the “**April Announcement**”), the Company would like to further elaborate on the reasons as to why an exit offer, which involves cash as a default, will not be available to shareholders of the Company.

2.2 The Board has thoroughly assessed and considered the possible exit options available to the Company as follows:

(a) **Soliciting interest from certain shareholders of the Company to make an exit offer:** As stated in the April Announcement, following receipt of the Delisting Notice, the Board had written to the top 20 shareholders of the Company inviting them to make an exit offer for the shares of the Company (the “**Shares**”). The Board received only a single non-binding indicative expression of interest from the Shareholder on 6 March 2023 requesting for an extension of a few months to do proper due diligence (the “**Potential Exit Offer**”). As the Shareholder had not provided any update or follow-up as of the date of this announcement, the Board is of the view that the Potential Exit Offer may not be viable as this shareholder may also decide not to provide an Exit Offer after the completion of due diligence. In addition, the Company has not received any alternative offer for the Shares from any other shareholders of the Company or from third parties.

(b) **Availability of cash resources to serve as an exit offer to shareholders of the Company (a “Corporate Exercise”):** Two (2) out of three (3) members of the Audit and Risk Committee of the Company (the “**ARC**”), namely Mr. Budi Rahardjo and Mr. Chan Choon Oon who are both Non-Executive Independent Directors of the Company (the “**Majority IDs**”), have assessed and confirm that the available cash and bank balances of the Group as at 31 March 2023 amounted to approximately S\$602,554, which comprises cash and bank balances held with the three (3) active companies in the Group namely (i) the Company of approximately S\$44,640, (ii) Mid-Continent Equipment, Inc (USA) (“**MEI**”), which is 80%-owned by the Company, of approximately US\$413,956 (equivalent to S\$548,680¹) and PT MEG Harta Indonesia (“**PT MHI**”), which is also 80% owned by the Company, of approximately IDR102,658,580 (equivalent to S\$9,234²). As of today, these cash resources are being used to actively fund the working capital requirements of the current three (3) functioning companies mentioned above. The remaining member of the ARC, Mr. Michael Grant Pixley has also given his

¹ Exchange rate of approximately 1 USD = 1.33 SGD as of 13 April 2023

² Exchange rate of approximately 1 SGD = 11,117 IDR as at 13 April 2023

COMPANY'S CLARIFICATION ON THE EXIT OFFER

confirmation on the available cash and bank balances of the Group but he is of the view that this is the Management's responsibility and given that he is a Non-Executive Independent Director of the Company, he would need to rely on Management to confirm the cash position figures.

(c) The ARC has also considered the expected cash burn rate of the Group each month as prepared by Management based on the operating costs (being part of the working capital requirements) of the above three (3) active companies for the financial year ended 31 December 2022 as follows: at the Company level – approximately S\$163,600, MEI – approximately equivalent to S\$97,683³ and PT MHI – approximately equivalent to S\$28,963⁴, totaling approximately about S\$290,246 per month (or S\$3,482,952 on an annual basis). As such, the Board and Management are of the view that the Group must preserve its cash and bank balances for working capital purposes and as well as to meet business expansion.

(d) **Divestment of existing assets of the Group to raise cash.** The Company has considered monetizing certain other assets of the Group, the most discernable assets in hand for divestment which are held under the Group's US-incorporated subsidiaries viz MEI and Mid-Continent Enterprises LLC ("**MELLC**"), both located under one roof in Texas, USA and which constitute key subsidiaries of the Group given that they hold the Group's core business in oil and gas equipment distribution (the "**US Operations**") at the present time. In particular, MELLC was formed to own a single asset i.e. industrial land & building which is used to house the entire US operations (the "**Property**"). The Property was valued at US\$959,000 (equivalent to S\$1.27 million) ("**Valuation**") on 13 February 2023. In addition, the Company's 80% equity interest in MEI was estimated to have a value equivalent to SGD1.00 million based on its book value as at 31 December 2022 (without considering possible adjustment for business goodwill). At this juncture, as much as the Company would like to divest its US subsidiaries, however, navigating through the onerous and time-consuming processes and procedures, including complying with the relevant Catalist Rules, will prevent the Company from taking this course of action at the present time. Further, any contemplated divestment of the Company's 80% and 100% equity interests in MEI and MELLC (the Property) respectively, which may total an estimated value of about S\$2.27 million will require a certain amount of time, given that the pool of interested parties may not be large and that such transactions will be subject to compliance with the relevant Catalist Rules as mentioned above. While the Company has identified a potential buyer (the "**Buyer**") for the Property as at the date of this announcement, discussions are still underway and there is no certainty that an agreement can be reached between both parties for the sale of the Property.

At this juncture, PT MHI also holds nickel ore inventory of about 8,800 MT (the "**Inventory**") held at its stockpile in Kolaka, Sulawesi with an estimated gross market value on 'delivered to smelter' basis of US\$473,968 (S\$629,434) based on the HPM price of April 2023 of USD53.86. However, any sale of this Inventory to the smelter as buyer is subject to the approval of the new RKAB quota in respect of the Kolaka Nickel Project.

Other than the abovementioned existing assets for divestment/sale, the Company is of the view that at this juncture there are no available assets that be reasonably divested to raise cash for the purpose of the Corporate Exercise.

³ Exchange rate of approximately 1 USD = 1.33 SGD as of 13 April 2023

⁴ Exchange rate of approximately 1 SGD = 11,117 IDR as at 13 April 2023

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

COMPANY'S CLARIFICATION ON THE EXIT OFFER

- (e) **Economics of Asset Divestment in interest of Shareholders:** The Board also holds the view that divesting the core assets of the Group with the intention of closing the core business operations of the Group at present, which would imply a liquidation scenario for the Company, so as to provide a cash exit offer to the Company's 10,315 shareholders (as at 7 April 2022) for a very small fraction of their earlier investment in the Company is not in the best interests of shareholders because the prospects of the Company, especially in the mineral ore trading business in Indonesia appear to be positive and improving on the Group's financial performance can be realized in the very near term, in particular if the Company is not burdened by relatively heavy costs associated with its status as a listed company. To note that during the financial year ended 31 December 2022, the Company had incurred expenses in relation to fulfilling its reporting obligations as a listed company on the SGX-ST of approximately S\$0.9 million.
- (f) **Diversity in Mineral Type and Geography:** While the Group has historically recorded overall net losses on an aggregate basis, the US Operations have been stable, registering modest but consistent profit performance over many years. The Board is also confident that the nickel ore trading business in Sulawesi will continue to grow, both in terms of sales volume as well as profitability this year once the production quota (RKAB) in respect of the Nickel Ore Project is announced anytime soon. In addition, the Company had last year devoted resources in making inroads and preparation into the manganese ore trading business, having made many visits to West Timor, and developing a network of contacts with both suppliers (mines) and buyers (smelters) and which the Company is ready to move once the RKAB approval has been made known, also anytime soon. Dealing in two (2) distinctly different minerals and operating in different geographies within Indonesia will allow the Company to hedge against changes in business environment and conditions. With Indonesia already being the leading supplier of nickel globally and the country expanding its manganese ore extraction and supply for its domestic market with prospects for future exports, these developments auger well for the Company.
- (g) **Going Concern:** Based on the 15-month (commencing from 1 January 2023 to 31 March 2024) (the "**Forecast Period**") cash flow projections prepared by the Company (the "**Forecast**"), the key assumptions of which are as follows:
- (i) Sales revenues are generated by only two (2) active companies, namely MEI and PT MHI;
 - (ii) MEI maintains its sales growth as in FY2022;
 - (iii) The new RKAB quota is forecasted to be renewed and approved in the second quarter ending 30 June ("2Q")2023 when the Nickel Ore Project can be resumed. PT MHI's sales revenues are based on 12 shipments of nickel ore and 10 shipments of manganese ore which is projected to start in 2Q2023;
 - (iv) Other projected cash inflows during the Forecast Period comprise: (1) a salary reimbursement of S\$95,185 from MEI in 2Q2023 (which has been received as at the date of this announcement), and (2) the receipt of proceeds of S\$894,175 (net of a 30% withholding tax) arising from a forecasted sale of the Property in the third quarter ending 30 September 2023, assuming that the Company is able to successfully negotiate such sale with the Buyer for the Property to be sold at the Valuation; and

COMPANY'S CLARIFICATION ON THE EXIT OFFER

- (v) Operating expenses, based on those of FY2022, are captured for the 10 subsidiaries and the Company for the whole of 15 months; and the operating expenses for FY2022 are expected to be maintained,

The Board is of the opinion that the Group's business is still viable and that it is able to continue as a going concern, notwithstanding the temporary tight short-term liquidity highlighted in paragraphs (b) and (c), wherein the Group's cash resources are sufficient and needed for funding working capital requirements but not enough to make an exit offer to shareholders of the Company.

- (h) Advantages as a Private Company:** Given the nature of the mineral ore trading business and the Company being a smallish entity operating in a competitive environment, agility in making decisions and speed in execution are key success factors. The onerous reporting and compliance requirements that are associated with a listed company are likely to hinder the Company's progress going forward as opposed to operating as a private entity.

- 2.3 In view of the above, the Board is of the opinion that the Company will not be able to generate sufficient funds to make a meaningful Exit Offer to its shareholder at this juncture and that it is in the best interest of the Company and shareholders, especially the minority shareholders, for the Company to be delisted from Catalist of the SGX-ST without an Exit Offer as required under Rule 1308 of the Catalist Rules, subject to the SGX-ST's approval.

3. Future plans for the Group after the Company's delisting from Catalist of SGX-ST

Assuming that the Company is allowed by SGX-ST to proceed to be delisted without an Exit Offer, the shareholders will continue to hold their respective shares in the Company which will become an unlisted public company.

As an unlisted public company, shareholders may expect the Management continuing with the nickel ore trading business more aggressively and start the manganese ore trading on a higher note, both with the future intention for ownership in mining asset(s) which comes with several advantages viz control over production, delivery and price, and booking the mining asset(s) as a balance sheet item (thereby expanding the asset portfolio and net assets of the Company). At the opportune time, Management will also look to drive the CPP Sumatra oilfield business which is a long-term play with opportunities to grow the oilfield-related services in drilling, operations and maintenance, as well as EPC services related to the construction of a mini refinery and subsequently its operations and maintenance.

As a privatized business, not having to comply with, among others, compliance with the Catalist Rules and reporting requirements, will allow an easier access to fund raising from divestment of MEI in US, private equity funds and joint venture arrangements to support the abovementioned business prospects and growth.

4. Further Announcements

The Company will make further announcements as and when there are any further developments and/or updates from the SGX-ST in relation to the Delisting Notice.

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

COMPANY'S CLARIFICATION ON THE EXIT OFFER

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Charles Madhavan

Executive Director and Chief Executive Officer

19 April 2023

*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

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

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.