MAGNUS ENERGY
GROUP LTD.

2015

ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

Incorporated in 1983, Magnus Energy Group Ltd. ("**Magnus**") was established as a mechanical and electrical engineering company and swiftly added the property development, construction and related businesses into its diversified portfolio. Magnus has taken significant strides in its transformation to an energy-related company with businesses involving oil and gas equipment distribution, trading of renewable energy and natural resources, investment holdings and coal mining activities in the Asia-Pacific region.

The key driver of this transformation was the acquisition of Mid-Continent Equipment Group Pte Ltd. ("**Mid-con**") in 2004 that marked Magnus' maiden venture into the oil and gas supply industry. With strong and credible partners, Mid-con continues to expand its investment scope into oil and gas production assets in Australia and New Zealand. Globally, Mid-con is a leading oil and gas equipment distribution group.

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 a 30-year concession right to explore coal over 23,124 ha of land in East Kalimantan, Indonesia. In August 2013, Magnus took a further step into coal mining by acquiring a minority stake in GCM Resources plc, a company listed on London's Alternative Investment Market.

Magnus and its subsidiaries (the "**Group**") seek to achieve a diversified portfolio and will selectively invest in profitable projects. This will be an ongoing process for the Group as it looks to broaden its earnings base and at the same time re-engineer itself to explore new acquisition and investment opportunities across the Asia-Pacific region.

CHAIRMAN'S STATEMENT

Kushairi Bin Zaidel
Chairman and Independent Non-Executive Director

DEAR SHAREHOLDERS,

The past year has been busy and brisk for your company. We not only had to contend with a lacklustre oil and gas business environment due to the plunge in oil prices since September 2014, we also had to manage debt, raise new funding, rationalise our cost structure and improve efficiency. On top of this, we begun new business ventures that we believe, in time, will better position us for resilient growth.

FINANCIAL HIGHLIGHTS

With the sharp decrease in oil prices since September 2014, demand for offshore oil and gas drilling services has weakened, affecting demand for our oilfield equipment supplies and services. Comprising the bulk of our Group revenue, the slowdown in business in this major segment caused total Group revenue to moderate 2.0%, from S$45.4 million in financial year 2014 ("**FY2014**") to S$44.5 million in financial year 2015 ("**FY2015**").

In tandem with the decreased revenue, cost of sales declined 0.3% from S$35.8 million in the previous year to S$35.7 million in FY2015. All in, gross profit registered a 7.3% decrease from S$9.6 million in FY2014 to S$8.9 million in FY2015. Gross margin also decreased from 21.1% in FY2014 to 19.9% in FY2015 due to the sale of lower margin products and long-standing tubular products below cost.

With a focus on cost containment and divestment from loss-making activities, we managed to reduce expenses by 40.0% or S$7.8 million over the year in review; from S$19.8 million in FY2014 to S$12.0 million in FY2015. This was due mainly to lower other operating expenses. Other operating expenses in the year in review was S$2.7 million compared with S$10.3 million in the year before. Administrative expenses fell to S$9.1 million from S$9.3 million in the previous year. Meanwhile, distribution and selling expenses decreased to S$121,000 in FY2015 from S$142,000 in FY2014.

Reductions were achieved across all expense categories except for unrealised exchange loss which increased S$0.8 million from S$0.5 million in FY2014 to S$1.3 million in FY2015. This was mainly due to the weakness in the Australian Dollar. The higher other operating expenses in FY2014 were mainly due to losses from trading of quoted equities. As part of our cost reduction, remuneration-related expenses decreased S$0.4 million from S$6.3 million in FY2014 to S$5.9 million in FY2015.

Despite the moderate 2.0% reduction in revenue, the Group was able to achieve a 75.0% or S$5.6 million decrease in losses before income tax, from a loss of S$7.5 million in FY2014 to S$1.9 million in FY2015. Net loss after tax was S$8.0 million and S$2.3 million in FY2014 and in FY2015, respectively. The net loss for FY2015 was mainly contributed by unrealised exchange losses as mentioned above. Most importantly, despite these exchange losses, our main business segment of oilfield equipment supply and services remained profitable.

OPERATIONAL HIGHLIGHTS

Thus far, we have successfully raised S$12 million (out of the S$35 million) under the Notes Issue which strengthened our capital base, as well as facilitated our operations and strategic investments.

Over the year in review, we further developed our links with Mid-Continent Equipment Group Pte Ltd ("**Mid-con**") through an additional S$0.39 million investment to acquire a 1.54% equity interest in it. This acquisition was completed in January 2015 and takes our equity interest in it to 55.89%. Despite the current moribund business climate for the oil and gas sector, coupled with the possible dampening effects on oil prices with the impending lifting of sanctions against Iran, the Group believes prospects remain positive for the oil and gas equipment supplies segment. Mid-Con is restructuring its loss-making subsidiaries, has a strong balance sheet position and remains profitable.

In September 2015, Mid-con acquired a strategic stake in Royal Energy Pty Ltd as part of its business growth plans to develop the oil and gas equipment supplies business and to participate in oilfield development projects.

We also look forward to the commencement of the drilling campaign in Australia's Northern Cooper Wet Gas, of which we have a 20% stake in. The gas fields PRL 173 and PRL 174 (formerly known as PEL 101) have in place drilling plans for two wells which are expected to complete in this financial year 2016 ("**FY2016**").

New Horizons

Beyond our oilfield equipment business, we are progressively moving into the property development business in Indonesia through our offering of a 9.0% redeemable convertible loan of up to S$5.0 million to PT Hanjungin. This was done through our wholly-owned subsidiary MEG Global Resources Limited ("**MGR**"). The loan is secured by way of a pledge over a 150,000 square metres parcel of land in Kupang City, East Nusa Tenggara, Indonesia. This land shall be developed into 656 units of houses of various sizes.

An independent valuation report by KJPP Hendra Gunawam dan Rekan, an associate of Colliers International, is of the opinion that the market value of the property for existing use with vacant possession in May 2015 is in the order of Rupiah 54.1 billion (approximately S$5.5 million, based on the exchange rate of Rupiah 9,682:S$1.00). PT Hanjungin has since used the initial funds for land clearing and commenced development of the residential properties. We look forward to future collaborations with PT Hanjungin on both property and infrastructure development.

Our subsidiary MGR has also embarked on the physical trading of renewable energy and natural resources, marking its first shipment in June 2015. MGR is constantly searching for new opportunities to expand its trading business.

In the area of coal mining, our subsidiary APAC Coal Limited ("**APAC**") has recently appointed A. Setiadi Attorneys-at-Law to continue to engage the Government of the Republic of Indonesia on the Notice of Intent to resolve the dispute in a mutual agreement under the relevant Bilateral Investment Treaty. APAC is also actively looking for opportunities for new investments and acquisitions.

OUTLOOK AND STRATEGY

As of September 2015, the outlook for the world economy remains uncertain. While the US economy looks on the recovery path, Europe has to continue managing high unemployment and sovereign debt issues while China's government-engineered slowdown seems to have been worse than expected, with the recent stock market plunge in Shanghai and the devaluations of the Yuan compounding investor anxiety about the actual state of this major economy. Japan's growth also remains weak.

The International Monetary Fund, in its July 2015 update to its World Economic Outlook, predicts a slower 3.3% global growth rate for 2015, partly due to a slowdown in North America during the first quarter of calendar year 2015. In 2016, it believes economic conditions in the US will improve, Europe will gradually turn the corner and emerging markets should strengthen, largely driven by improvements in Russia and some countries in the Middle East and North Africa. Cautiously, the world economy in 2016 may thus see better growth.

Looking further into the future, Magnus is well-positioned to capitalise on increasing energy demand. The International Energy Agency, in its 2014 report, predicts global energy demand to grow by 37.0% by 2040, with rising consumption driven mainly (60.0%) by Asia ex-Japan and South Korea. It forecast that by the early 2030s, China will be the largest oil-consuming country and India, Southeast Asia, the Middle East and North Africa will be the engines of global energy demand growth.

As we enter a new financial year, we look forward to the developments in our expanding portfolio of businesses. In addition to the Indonesian property development business, we anticipate progress along the renewable energy front, through our US$1.0 million (about S$1.4 million based on the exchange rate of US$1.00: S$1.40) joint investment agreement on 20 August 2015 with Yangtze Investment Partners Limited in a renewable energy company. This company is slated for listing on the London Stock Exchange between October and December 2015.

We also anticipate progress in the incipient water treatment business venture we entered through a non-binding memorandum of understanding with Flagship Ecosystems Pte Ltd ("**Flagship**") on 3 September 2015. Investing S$1.0 million in the enlarged capital of Flagship, we believe its involvement in the oilfield services and wastewater treatment business has synergies with our business model. Flagship leases out mobile water treatment units to handle the waste generated by rigs during drilling. The water treatment business revolves around the sale of proprietary water treatment systems to handle produced water in the oil and gas industry, effluent treatment plants for textile factories and other industries as well as build-own-operate/build-operate-transfer (BOO/BOT) wastewater treatment plants for industrial effluent.

CONCLUSION

Over the year in review, we appointed, our then interim chief executive officer, chief financial officer and company secretary, Mr Luke Ho Khee Yong as our new chief executive officer (the "**CEO**"). To effectively segregate the duties, Mr Ho has advocated and the board of directors (the "**Board**") has approved the appointments of Mr Tan Yew Meng as financial controller, Mr Ong Sing Huat as the company secretary and Ms Chow Yin Nei Angeline as deputy company secretary, effective 2 June 2015.

The Board also welcomes Mr Ong Chin Chuan as an independent non-executive director effective 30 June 2015. He will concurrently chair the Audit Committee and will serve as a member of the Nominating and Remuneration Committees. The Board is now composed of three independent non-executive directors, including the Chairman. We would also like to record our appreciation to our previous Audit Committee Chairman Mr Goh Boon Kok for his service over the past ten years.

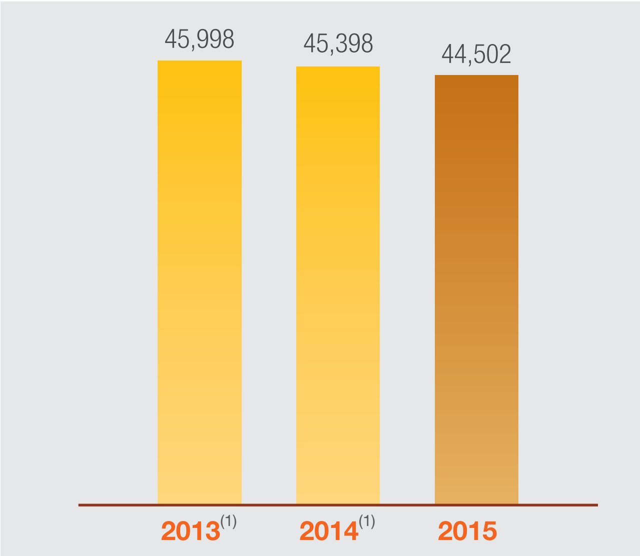
Further to that, we have appointed in July 2015 Deloitte & Touche Enterprise Risk Services Pte Ltd as the internal auditor for the Group in place of HLS Risk Advisory Services Pte Ltd with effect from 22 July 2015. All these measures should improve our risk management and corporate governance framework and processes, enabling us to undergird sustainable development moving ahead.

In conclusion, let me thank, on behalf of the Board, our directors, management and staff for their effort, counsel and expertise over a busy year. Allow me to also thank our loyal shareholders for your support. We begin a new chapter for Magnus, with sufficient capital funding and enhanced leadership and governance. On this rejuvenated platform, we will advance our business development and pursuit of new acquisitions and investment opportunities in the Asia Pacific. We look forward to your continued partnership in the year ahead.

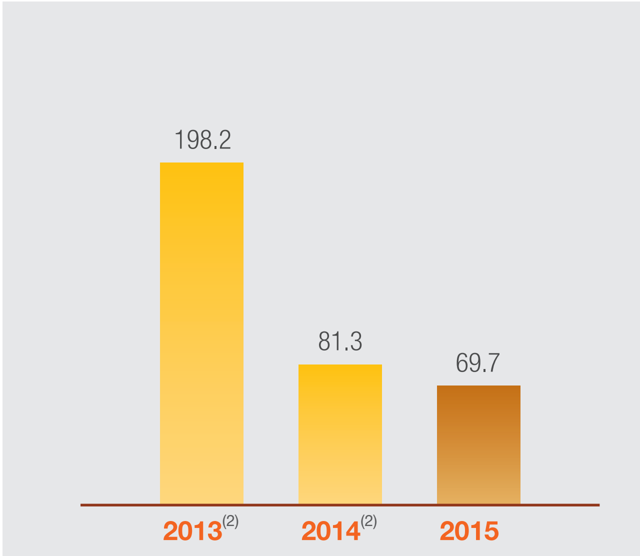
Kushairi Bin Zaidel
Chairman and Independent Non-Executive Director

FINANCIAL HIGHLIGHTS

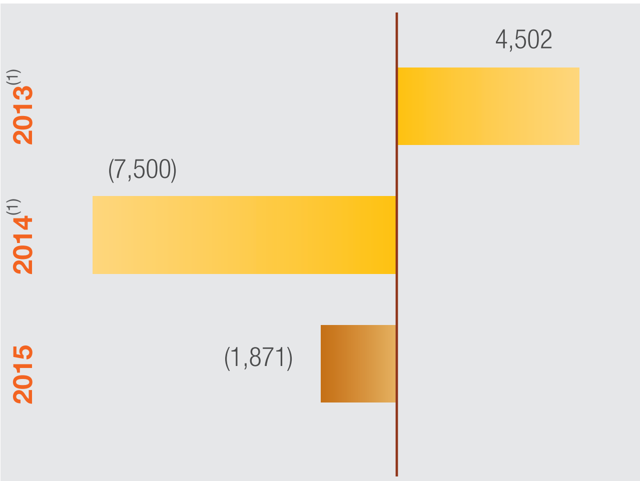
Turnover
(S$'000)



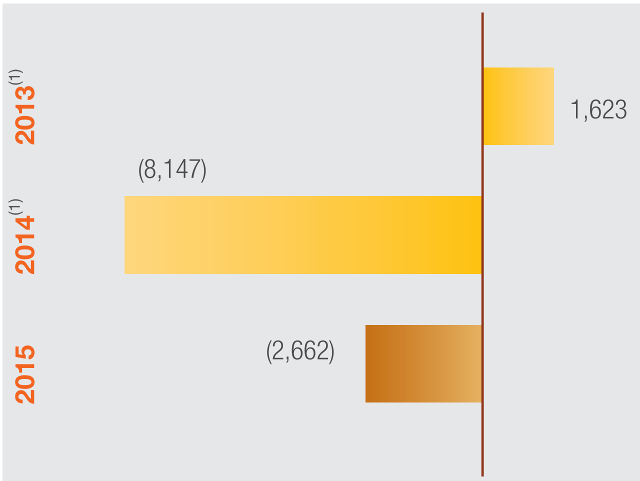
Net Asset Value per Share
(Cents)



Profit/(Loss) before Taxation
(S$'000)



Total Profit/(Loss) after income tax attributable to Equity Holders of the Company
(S$'000)



	2015	2014(1)	2013(1)
Basic (Losses)/Earnings per Share (Cents)	**(4.93)**	**(19.88)**	**3.95**
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield Equipment Supply and Services	43,997	45,398	45,998

(1) Comparatives for 2013 and 2014 here have been restated to take into account the retrospective adjustments relating to FRS111 *Joint Arrangements*.

(2) On 21 April 2015, the Company consolidated 50 ordinary shares into 1 ordinary share in the capital of the Company and earnings per share for 2013 and 2014 had been adjusted for the effect of the share consolidation.

GROUP STRUCTURE

Details of subsidiaries, associates and joint venture entities under Mid-Continent Equipment Group Pte Ltd. are disclosed under Notes 14, 15 and 16 of this Annual Report.

*Effective interest held by Magnus

BOARD OF DIRECTORS

MR KUSHAIRI BIN ZAIDEL

Chairman and Independent Non-Executive Director

Date of first appointment: 05 November 2012
Date of last re-election as a director: 29 October 2014

MR ZAIDEL joined the Board as an Independent Non-Executive Director in November 2012 and was appointed the Chairman of Magnus in July 2014. He is also the Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

Mr Zaidel is the founder and executive director of several private companies in Malaysia with extensive businesses coverage in commercial property developments, telecommunications, civil engineering services and venture capital. He is currently an independent non-executive director of Kuantan Flour Mills Bhd., a company listed on Bursa Malaysia. Mr Zaidel is also a board member of MEG Global Resources Limited, subsidiary of Magnus. He was formerly a director of Mid-Continent Equipment Group Pte Ltd. which is also a subsidiary of Magnus.

Mr Zaidel graduated with a Bachelor of Business (Accountancy) from University of South Australia. He is a Certified Public Accountant registered with CPA Australia. Mr Zaidel is a Chartered Secretary with the Institute of Chartered Secretaries & Administrators (UK) and is also a member of the Malaysian Institute Chartered Secretaries & Administrators.

MS SEET CHOR HOON

Independent Non-Executive Director

Date of first appointment: 15 August 2014
Date of last re-election as a director: 29 October 2014

MS SEET joined the Board as an Independent Non-Executive Director in August 2014. She is also the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

Ms Seet is currently a director and owner of an education business. She is also a board member of Mid-Continent Equipment Group Pte Ltd., a subsidiary of Magnus. She was a search consultant with an established search firm specializing on searches for senior human resources, finance and business leader positions for clients of multinational corporations headquarters in China. Prior to that, Ms Seet held various senior positions in a multinational company in the areas of human resource, business development, retail distribution and marketing from 1999 to 2009.

Ms Seet graduated with a Master Degree in Business Administration from University of Dubuque, Iowa (USA) and holds a Diploma in Marketing from The Chartered Institute of Marketing (UK).

MR ONG CHIN CHUAN

Independent Non-Executive Director

Date of first appointment: 30 June 2015
Date of last re-election as a director: N/A

MR ONG joined the Board as an Independent Non-Executive Director in June 2015. He is also the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee.

Mr Ong is currently the Head of finance, accounts and call centre department in Secure Parking Corporation Sdn Bhd, a leading retail management company. He has more than 16 years of financial and accounting experience in both professional and commercial firms, having held numerous senior roles in various multinational corporations, with his last position being the Assistant Vice President of finance in TAEL Management (Malaysia) Sdn Bhd, a regional private equity fund group. His earlier professional experience includes risk management and internal audit within two blue chip conglomerates with exposure in power generation, gaming, leisure and property investment industries. Prior to that, he also served for 3 years as auditing and consultant in Deloitte Malaysia.

Mr Ong is a fellow member of Association of Chartered Certified Accountants and also a Chartered Accountants of Malaysian Institute of Accountants.

MR LUKE HO KHEE YONG

Chief Executive Officer

Mr Ho was appointed as the interim Chief Operating Officer and interim Chief Executive Officer in July 2014 and October 2014 respectively and served as the Chief Financial Officer and Company Secretary of Magnus. He assumed the position of Chief Executive Officer in June 2015 after he relinquished his position as the Chief Financial Officer and Company Secretary.

Mr Ho is responsible for the strategic and overall management, daily operations and performance of the Group. He currently sits on the board of all major subsidiaries of Magnus and as executive director of ASX-Listed APAC Coal Limited. He has held several senior positions over 15 years in the Asia Pacific Region.

Mr Ho holds a Master Degree in Strategic Business Management and the CIMA Professional Qualification with the Chartered Institute of Management Accountants of the United Kingdom (the "**CIMA**"). He is an associate member of the CIMA and also a non-practicing member of Institute of Singapore Chartered Accountants.

MR TAN YEW MENG

Financial Controller

Mr Tan was appointed as the Financial Controller in June 2015.

He is responsible for all matters relating to the Group's finance, tax, treasury, insurance, capital management, risk management, and general management of the subsidiaries as well as compliance issues. He has 8 years of experience in providing audit and advisory services to clients from diverse industries including manufacturing, food and beverage, education, real estate and engineering.

Mr Tan holds a Bachelor Degree in Applied Accounting. He is a non-practising member of the Institute of Singapore Chartered Accountants and a member of Association of Chartered Certified Accountants.

MR ONG ENG KEE

Consultant
Mid-Continent Equipment Group Pte Ltd.

Mr Ong is a consultant to our subsidiary, Mid-Continent Equipment Group Pte Ltd.

He is responsible for guiding policy and strategy formulation, and advising the general business direction, helping the leadership to steer the Group through its growth plans in local and overseas markets, given his substantial experiences in the Group's oilrig industry.

MR JASON ONG WIE

Director
Mid-Continent Equipment Group Pte Ltd.

Mr Jason Ong is the Director of our subsidiary, Mid-Continent Equipment Group Pte Ltd. ("**Mid-con**"), and is also director of all the other subsidiaries of Mid-con.

He is responsible for assisting and helping the leadership to steer the Group through its growth plans in local and overseas markets. In addition to his responsibilities of his directorial roles for Mid-con and its subsidiaries, Mr Jason Ong is also involved in seeking and developing new business relationships with customers and suppliers, both locally and overseas. He has over 10 years of experience in business development and management.

Mr Jason Ong holds a Bachelor of Arts Degree in Economics and Political Science from the National University of Singapore.

MR TAY KHENG HWEE DEN

Chief Operating Officer
Mid-Continent Equipment Group Pte Ltd.

Mr Tay is the Chief Operating Officer of our subsidiary, Mid-Continent Equipment Group Pte Ltd. ("**Mid-con**") and has been with Mid-con since December 1998.

He is responsible for overseeing the Group's sales, operations, purchasing, logistics, technical, and training functions. He is in charge of business development of our Group's operations and works with business unit managers to continually develop new ideas and methods to improve business process and scope. Prior to that, Mr Tay was the Group General Manager of Mid-con from March 2005 to February 2006.

Mr Tay holds a Bachelor of Commerce (Management & Marketing) from Curtin University of Technology, Australia.

MR MAUNG THEIN HTIKE

President
Mid-Continent Equipment Inc. (USA)

Mr Maung joined Mid-Continent Equipment Group Pte Ltd. ("**Mid-con**") in June 1993 as the Manager of Base Operations and Logistics. In June 2002, he was promoted to and was the General Manager until he moved to Mid-Continent Equipment Inc. (USA) in March 2008.

Mr Maung is now the President and shareholder of Mid-Continent Equipment Inc. (USA) owning 20% of shares. He is responsible for overall operation and profitability of Mid-Continent Equipment Inc. (USA). He has total 25 years of oil & gas industry experiences in various capacities. Prior to joining Mid-con, he worked for Yangon branch of Yukong Limited, a Korean oil & gas exploration company, as a Material and Logistics Executive between 1990 and 1993.

Mr Maung holds a Bachelor of Commerce (B.Com) from Institute of Economics, Rangoon in Myanmar.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Kushairi Bin Zaidel
(Chairman and Independent Non-Executive Director)

Seet Chor Hoon
(Independent Non-Executive Director)

Ong Chin Chuan
(Independent Non-Executive Director)
(w.e.f 30 June 2015)

AUDIT COMMITTEE

Ong Chin Chuan
(Chairman)

Kushairi Bin Zaidel
(Member)

Seet Chor Hoon
(Member)

NOMINATING COMMITTEE

Kushairi Bin Zaidel
(Chairman)

Seet Chor Hoon
(Member)

Ong Chin Chuan
(Member)

REMUNERATION COMMITTEE

Seet Chor Hoon
(Chairman)

Kushairi Bin Zaidel
(Member)

Ong Chin Chuan
(Member)

COMPANY SECRETARY

Ong Sing Huat

DEPUTY COMPANY SECRETARY

Chow Yin Nei Angeline

REGISTERED OFFICE

400 Orchard Road
#19-06 Orchard Towers
Singapore 238875
Tel: 6325 1850
Fax: 6325 1851
Electronic mail address: info@magnusenergy.com.sg
Website: www.magnusenergy.com.sg

CONTINUING SPONSOR

Stamford Corporate Services Pte. Ltd.
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898
Tel: 65-6236 3333
Fax: 65-6236 3405

INDEPENDENT AUDITOR

Moore Stephens LLP
Public Accountants and
Chartered Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903

Partner-in-charge:
Mr Ng Chiou Gee Willy
(Appointed since financial year ended 30 June 2012)

PRINCIPAL BANKERS

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

SUSTAINABILITY REPORT

Magnus Energy Group Ltd. (the "**Company**" and its subsidiaries, the "**Group**") has been listed on the Catalist Board of the Singapore Securities Exchange Trading Limited since 4 August 1999. While the Company started as an integrated mechanical and engineering specialist, the Group swiftly added property development, construction and related businesses into its portfolio. The acquisition of a controlling stake in Mid-Continent Equipment Group Pte Ltd. in April 2004 has enabled the Group to establish new business opportunities in the oil and gas as well as alternative energies industry.

The Group seeks to achieve a diversified portfolio and shall selectively invest in profitable projects. This will be an ongoing process for the Group as it looks to broaden its earnings base and at the same time re-engineer itself to explore new acquisition and investment opportunities across the Asia Pacific region.

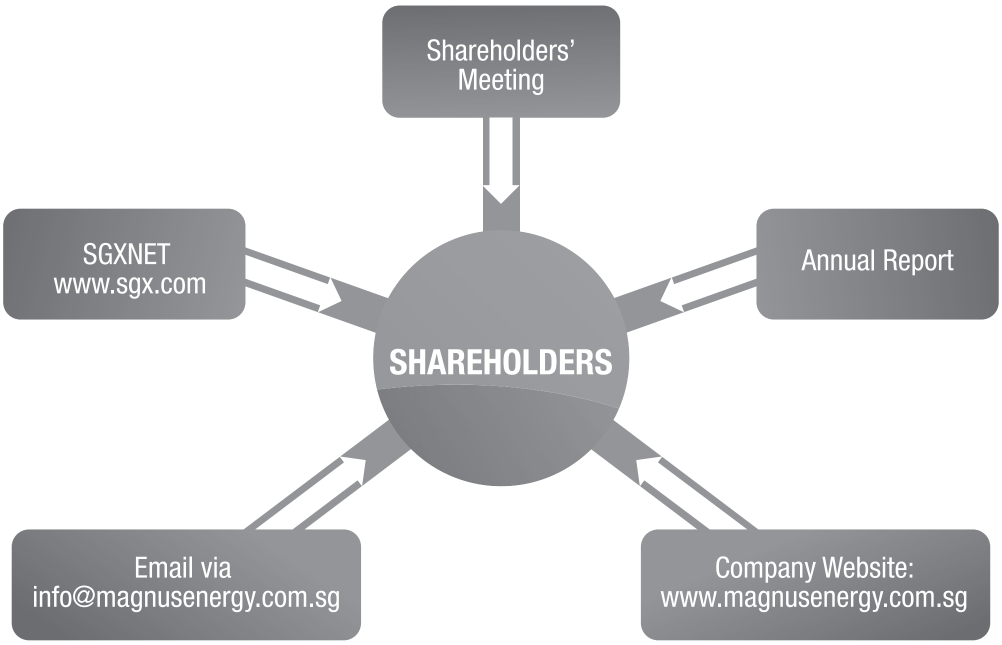
The Group strives to create sustainable growth for all stakeholders. From the perspective of the Board of Directors ("**Board**") and Management, the following, inter alia, shall be essential to maintain the sustainability of the growth and development of the Group:

1. OUR SHAREHOLDERS - COMMUNICATION & SUPPORT

The Board and Management are committed to uphold good corporate governance practices and standards, as part of their collective effort to enhance shareholders' value. The support of our shareholders is of utmost importance to the successful implementation of the initiatives of the Group.

Our shareholders are kept abreast of the Group's progress through timely information and adequate disclosures on the corporate developments and financial results of the Group via the announcements on SGXNET (www.sgx.com). All of the Group's information is also available on the Company's website (www.magnusenergy.com.sg). Shareholders' meetings are held at least once a year and shareholders are encouraged to share their views and make enquiries on the on-going affairs and progress of the Group.

The Board and Management shall provide timely business updates and corporate information to our shareholders via the following channels:



Note: Please note that the Company shall request for the identity of each shareholder before replying to any queries via email correspondence.

2. OUR EMPLOYEES

The contributions of each individual director and employee is pivotal to the sustainable growth and success of the Group. Each employee is given the opportunity to develop their skills through participating in trainings and seminars, and all employees are encouraged to take on more challenging roles in the Group.

Regardless of gender, race, religion or nationality, all employees are treated equally and with respect. We promote fair employment practices and create an environment free from discrimination. The Group will continuously work towards creating a safe and conducive work environment for all employees. All employees are recruited based on their merits.

Employees belonging to the "pioneer generation" are welcomed to continue working in the Group as long as they are medically fit and can perform their work satisfactorily.

In addition, the Group encourages skills, age and gender diversity in the workplace as the Group believes that these diversities would promote better decision-making through the diversity of views and aid in the formulation of better policies in the workplace. As part of the Group's efforts to encourage such diversities in the workplace, the Group has:

- a female director as an independent non-executive director since August 2014;
- directors and senior management aged between 33 to 68 years old; and
- directors with experiences from various industries and skillsets ranging from human resources, marketing, finance, accounting and engineering.

The main policies and programs for the employees are as such:

a. Whistle Blowing Policy;

b. Holistic Wellness Program.

a. *Whistle Blowing Policy*

The Group is committed to conducting business with integrity, high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Group's commitment shapes a culture of accountability and responsibility among the employees and the Group's business partners. The Group has also implemented a system of internal controls at all levels of the Group.

The Group has in place a whistle blowing policy for employees to voice their concerns over unethical behaviour and practices. The Group adopts a zero tolerance policy towards all forms of fraud, corruption, bribery and extortion. An employee who observes or notices any unethical and improper practices or alleged wrongful conduct in the Company may report the same or any other relevant concerns to the chairman of the Audit Committee (the "**AC**"), who is an independent non-executive director of the Company. Every employee is provided with the contact details of the AC chairman. Confidentiality of the whistle blower shall be maintained to the greatest extent possible as this would allow employees to report inappropriate conduct without any fear of dismissal.

2. OUR EMPLOYEES (cont'd)

b. *Holistic Wellness Program*

The Group focuses on the following three pillars to ensure the sustainability of high levels of service standards at every level of the organisation: Physical wellness, training and a high level of morale in the Group.

- Physical Wellness

  In addition to hospitalisation benefits and complimentary biennial health screening, the employees are entitled to an annual allowance for all health-related expenses. In contrast to a fixed quantum for medical and dental claims, each employee in the Company has the flexibility to utilise the said allowance for all health related expenses, including fitness programmes and health supplements, in accordance with his or her personal healthcare needs and lifestyle requirements. This approach also encourages the employees to proactively adopt a healthier lifestyle and take preventive steps towards chronic diseases.

- Training

  Training and development of the relevant skill sets in our employees are the key priorities of the Group. The employees are encouraged to attend relevant seminars and courses to ensure their skills remain updated in our competitive field of business. With the support of government initiatives such as the Productivity and Innovation Credit Grant, the Group strongly encourages the employees to undergo training courses.

- High Morale

  To boost a high morale at the workplace, the Company advocates an open culture between all employees including the management where all employees can freely approach each other or the management for discussion on work matters. The Company believes that each employee value adds to the Company by playing an advisory role, on top of their role at work. The importance the Company places on each employee's views and opinions fosters trust and loyalty with the employees, thus boosting their morale at work. This also encourages the employees to think critically about the matter, thus developing their understanding and skill sets.

  Through day-to-day discussions, the relevant superiors and the management are able to appraise the performance of each employee. This appraisal methodology gives immediate feedback to the employee's work performance and increases job satisfaction of the employee. Employees are appreciated and rewarded based on their commitment and contributions to the Group.

  The Magnus Energy Share Option Plan and Magnus Energy Performance Share Plan are shared ownership schemes that aim to reward, retain and build loyalty with the employees of the Company.

3. OUR BUSINESS PARTNERS

The Group's business partners, including suppliers and customers, are integral to the success of the business. It is the Group's philosophy to know, understand and appreciate its business partners as well as build trust and loyalty with them, as the Group believes that this would sustain the business relationship and propel future growth and profitability of the Group.

Frequent communication and continuous engagement between the Group and its business partners establishes mutual understanding and strengthens trust. In addition, the Group's business partners are frequently kept in the loop about the Group's business progress and developments.

Prior to engaging a supplier or taking on a customer, the Company will conduct a "know your client" procedure, whereby both the Group's customers and suppliers are assessed based on, inter alia, their track record, quality of services, reputation and past years' financial reports. This is to ensure the highest quality of work and service provided by the Group and shareholders are reassured that the customers and suppliers are reliable and trustworthy. Furthermore, the Group continuously monitors the performance of its suppliers to ensure that they continue to provide a high level of service quality.

4. CORPORATE GOVERNANCE

The Group is committed to maintaining good corporate governance and business integrity. The Group's corporate governance practices are set out in our Annual Report with specific reference and adherence to the principles and guidelines of the Code of Corporate Governance 2012.

5. RISK MANAGEMENT

The AC provides oversight to the risk management of the Group. In addition, the Group recognises the importance of managing risk and has engaged external auditors and internal auditors to conduct reviews of and provide feedback on the Group's financial and operational risks and controls. The results of the annual review of the Group's risk management and the auditors' recommendations are reported to the AC and Management shall take actions based on these recommendations in accordance with the direction set by the AC.

To maximise value of the Group as a whole, the Group has engaged an external professional firm to enhance the "Enterprise Risk Management" framework. This framework helps the Group to identify the critical risks of our businesses, assess our risk management, policies and procedures, and recommend best practices to mitigate these risks. This helps to optimise the risk-reward relationship of the business as the Group is aware of the limits of its risk appetite.

An example of our risk management policy is that the Group discourages its employees from travelling in big groups. In addition, directors and senior management of the Group are encouraged to travel separately.

6. FINANCIAL MANAGEMENT

The Group's primary objective with regard to financial management is to maintain sustainable growth in the profitability of its businesses and its operating cash flows in order to uphold the confidence of its business partners, investors, customers, creditors and shareholders. The Group maintains a balance sheet with low gearing, especially with the current situation of low oil and gas prices that negatively impacts the Group's overall performance.

The Convertible Notes Issue provides the Company with additional capital to seek and seize investment and acquisition opportunities in the Asia Pacific region for the future growth of the Group.

7. ENVIRONMENTAL RESPONSIBILITY

The Group is committed to reducing waste generation and complying with all laws, regulations and standards in relation to environmental protection. To minimise the environmental impacts of the Group's business activities, the Group adheres closely to the ISO standards and audit which aims to control occupational health and safety risks. Wastage from operations are disposed of properly in compliance with the ISO standards. Whenever possible, by-products that are generated from the Group's operations will be sent for recycling.

The Group recognises the importance of creating an eco-friendly work place and encourages recycling and discourages wastage in the workplace. Digital filing of corporate records is highly encouraged to reduce wastage of paper. In addition, the Group has altered the form of distributing its Annual Report to each Shareholder, from printed copies to CD-ROM in a bid to be more environmentally-conscious.

The Group has taken steps to educate its employees on the importance of conserving energy, for example, through posting posters on saving water and electricity tips within the office premise.

In the countries that we operate in, the Group is pleased not to have received any penalty for the flouting of environmental laws. This is largely due to the Group's strict adherence to environment laws and regulations which stem from the Group's strong commitment towards environmental protection and conservation. The Group's business partners have also been constantly reminded by the Group about the importance of environmental protection and conservation.

8. OPERATIONAL SAFETY

The Group places strong emphasis on employees' safety in the workplace. Safety remains the top priority in the Group's business operations and the Group aims to maintain zero accidents.

The Group's major subsidiaries have in place safety committees to oversee safety measures and safety audits in the workplace. Safety audits are regularly held to ensure that safety measures are in place for employees. The safety committees hold meetings and trainings regularly for employees to educate them about the importance of safety measures.

The Group has employees who are trained to provide first aid to injured employees. There are sufficient first aid kits located around the workplace to ensure that injured employees can be given immediate medical attention. In addition, fire drills are conducted regularly at our subsidiaries that have their own premises to ensure that employees are adequately prepared in the event of a fire incident.

As we have been complying strictly with ISO safety standards, we do not currently have any major accident record.

9. SOCIAL

The Group contributes to the community by way of cash donations to certain approved charitable organisations and participates in charity fund-raising and awareness events. Some of the charities that the Group has been involved with or have contributed financially to include sports-related events, the Singapore Children Society, the Salvation Army and Home Nursing Foundation.

The Board of Directors (the "**Board**" or collectively the "**Directors**" and individually "**Director"**) 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 2012 (the "**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 with specific reference made to each principle of the Code for the financial year ended 30 June 2015 ("**FY2015**"). Where there are any deviations from the Code, appropriate explanations have been provided.

1. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

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

Role of the Board

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

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

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

1. BOARD MATTERS (cont'd)

Role of the Board (cont'd)

The Board with its best efforts and knowledge ensures that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and the Management. The Board communicates the requirements and demands during the meetings 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 Management that is led by the chief executive officer ("**CEO**"). This is to facilitate effective management. The Directors make decisions on the recommendations of the Management in the interests of the Group objectively.

Board Processes

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

Board Meetings Held

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

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

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as quarterly and full year results announcements;
- approval of the Group's policies, strategies and business plans;
- approval of 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.

1. BOARD MATTERS (cont'd)

Board Meetings Held (cont'd)

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

Director	Board		AC		RC		NC	
	No. of Meetings							
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kushairi Bin Zaidel	5	5	4	4	2	2	1	1
Lim Kuan Yew(1)	5	1	4	1*	2	1*	1	1*
Goh Boon Kok(2)	5	5	4	4	2	2	1	1
Seet Chor Hoon(3)	5	5	4	4	2	2	1	1
Ong Chin Chuan(4)	5	0	4	0	2	0	1	0

(1) Mr Lim Kuan Yew had resigned as the managing director of the Company on 30 September 2014.

(2) Mr Goh Boon Kok had resigned as an independent non-executive director of the Company on 2 July 2015 and ceased to be a member of any committees on the same day.

(3) Ms Seet Chor Hoon was appointed as an independent non-executive director of the Company, chairman of the RC and a member of both the AC and NC on 15 August 2014.

(4) Mr Ong Chin Chuan was appointed as an independent non-executive director of the Company, chairman of the AC and a member of both the NC and RC on 30 June 2015.

* Attendances by invitation

Training of Directors

For newly appointed directors, the Company will provide a welcome pack containing the relevant governance documents, including the Code, the Company's Memorandum and Articles of Association, the Directors' Code of Conduct setting out the standards to ensure Directors discharge their responsibilities dutifully and diligently, committees terms of reference, schedule of all meetings and events for the calendar year, and copies of other relevant legislation and guidance, Company policy and procedure documents. Further, the Company conducts orientation for incoming Directors to introduce and familiarise them with the business operations and regulatory issues of the Group. To obtain 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 attend seminars organised by the Singapore Institute of Directors (the "**SID**") or the Singapore Exchange Trading Limited (the "**SGX-ST**") and receive appropriate training to improve themselves on the continuing obligations and various requirements expected of a listed company in the discharge of their duties as Directors and the costs of such training will be borne by the Company. Where the Company appoints a first-time Director, the new appointee would be put through the Listed Company Director Programme conducted by SID. The company secretary and/or deputy company secretary will bring to the Directors' attention, information on seminars that may be of relevance to them. The Company also provides a formal appointment letter setting out the duties and obligations of a Director upon the appointment of a new Director.

2. BOARD COMPOSITION AND GUIDANCE

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

The Board comprises the following members, all of whom are independent non-executive directors:

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Kushairi Bin Zaidel	Non-executive chairman and independent non-executive director	05 November 2012	29 October 2014	Member	Chairman	Member
Seet Chor Hoon	Independent non-executive director	15 August 2014	29 October 2014	Member	Member	Chairman
Ong Chin Chuan	Independent non-executive director	30 June 2015	N/A	Chairman	Member	Member

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity of skills, gender and experience in areas namely, accounting and finance, business and management, and corporate governance aspects. The inclusion of a female independent director also enhances the depth of expertise of the Board.

Details of the academic, professional qualifications and experience of the Board can be found in the write-up on the 'Board of Directors' section of the Annual Report.

The Board has reviewed its present size and composition, and is of the view that it is appropriate for effective deliberations and decision making, taking into account the scope and nature of operations of the Company, and the skills and knowledge of the Directors. The independent directors of the Company are also concurrently appointed as non-executive Directors in the Company's major and operating subsidiaries (namely, Mr Kushairi Bin Zaidel (Mr "**Zaidel**") who is a non-executive director of MEG Global Resources Limited ("**MGR**") and Ms Seet Chor Hoon (Ms "**Seet**") who is a non-executive director of Mid-Continent Equipment Group Pte Ltd. ("**Mid-con**")) to enable the independent directors to be kept in the loop whenever a board decision is required at the subsidiary level. These independent directors also attend board meetings of these subsidiaries so they have a strong understanding of the relevant businesses. They interact closely with Luke Ho Khee Yong ("**Luke**"), the CEO who is the highest ranked executive of the Company.

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

None of the current independent directors has served on the Board beyond nine years from the respective date of their first appointment.

Ong Chin Chuan (Mr "**Ong**") was appointed as a director of the Company on 30 June 2015. Consequently Mr Ong has been appointed as chairman of the AC and a member to the RC and NC on the same date. Lim Kuan Yew who was appointed as a director on 17 March 2008 had resigned on 30 September 2014. Goh Boon Kok who was appointed as a director on 01 June 2004 had resigned on 2 July 2015.

2. BOARD COMPOSITION AND GUIDANCE (cont'd)

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 taking 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 non-executive directors are also encouraged to meet regularly without the Management being present.

3. CHAIRMAN AND CEO

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

There is a clear division of responsibilities between the Non-Executive Chairman ("**Chairman**"), Kushairi Bin Zaidel and the CEO, Luke. There is also no relationship between the Chairman and CEO.

The Chairman is responsible for leading the Board and facilitating its effectiveness while the CEO is responsible for the conduct of the Group's daily business operations including strategic planning and business development.

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

- lead the Board to ensure its effectiveness on all aspects of its role;
- schedule the meetings and setting the meeting agendas for the Board;
- ensure the smooth conduct of board meetings and monitoring the translation of the Board's decisions into executive action;
- review the Board papers prepared by the Management to ensure that complete and timely information are provided to the Board;
- promote and ensure 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 within the Board and between the Board and the Management;
- facilitate the effective contribution of the non-executive directors; and
- promote a culture of openness and debate at the Board and high standards of corporate governance.

4. BOARD MEMBERSHIP

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

The NC comprises the following independent non-executive directors:

- Kushairi Bin Zaidel (Chairman)
- Seet Chor Hoon (Member)
- Ong Chin Chuan (Member)

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 suitable 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;
- 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;
- review of board succession plans for Directors, in particular, the Chairman and for the CEO; and
- develop a process for evaluation of the performance of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.

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

All Directors 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 key executive officers, 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 the right candidates for appointment to the Board.

The Board and the Nominating Committee have made several assessments on the appointment and role of the CEO, the management structure, the segregation of duties of the management and the corporate governance of the Group.

4. BOARD MEMBERSHIP (cont'd)

The Board has taken Luke's qualifications, work contributions and experience into account in its approval of his appointment as CEO. Luke has been with the Company for close to 9 years and is part of the key management of the Company for the past 5 years, and hence is not only very familiar with the business of the Company, but also experienced in managing the Company as well. Luke is very actively involved in the day-to-day management and operations of the Company and possesses the competence for the role.

In addition, Luke, has also been instrumental in the arrangement and raising of funds for the Group through the Notes Issue, which has not only enabled the Group to repay its debt fully, but also further stabilised the Group and strengthened its ability to invest in the investments and businesses as stated under "Business Update" in the Chairman's Letter as announced on 24 July 2015.

With the resignation of two executive directors in May 2014 and September 2014, Luke was able to double up as interim chief operating officer from his original role as chief financial officer, and subsequently as interim CEO. Luke ultimately assumed the role of CEO with the recommendation of the NC and the approval of the Board.

In a bid to effectively segregate the duties between the CEO, the financial controller (the "**FC**") and the company secretary, Luke has advocated the appointment of Mr. Tan Yew Meng as FC and Mr. Ong Sing Huat as company secretary and Ms. Chow Yin Nei Angeline as deputy company secretary as announced on 2 June 2015.

In the past twelve months, Luke has also sought the active participation and support of the Board in matters of the Group. As CEO, Luke has invited the non-executive independent directors of the Company to be concurrently appointed as non-executive directors of the major and operating subsidiaries (namely, Mr Zaidel who is appointed as a non-executive director of MGR and Ms Seet who is appointed as non-executive director of Mid-con), so as to enable the independent board to have first-hand, unfettered access and direct contact with the top management and board of the respective major subsidiaries so that they have a strong understanding of the relevant businesses.

With the Board and Management working closely together as a team, the Company has stabilised its cash flow and operations, and is now preparing itself for growth.

The Board noted that Luke has been notified in the course of the investigations by the Commercial Affairs Department that there have arisen reasonable grounds to believe that he has committed an offence under Section 197 of the Securities and Futures Act, Chapter 289 on false trading and market rigging. As the said investigations have not been concluded, Luke shall remain as CEO of the Company. The Board will continue to assess Luke's suitability for his role as CEO and will also look into succession planning in the Company and identify potential executives and management as well.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the particular skill, experience and knowledge, business, finance and management skills necessary for 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 be subject to election by shareholders at the Annual General Meeting ("**AGM**") at the first opportunity after their appointment.

4. BOARD MEMBERSHIP (cont'd)

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 AGM. Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. In accordance with the Company's Articles of Association, Mr Ong shall retire pursuant to Article 78 and Ms Seet shall retire pursuant to Article 96(2) at the forthcoming AGM, and both directors have consented for re-election.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, and directorships are disclosed in the Annual Report to enable shareholders to make informed decisions. Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report.

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

The independent directors have declared their independence for the FY2015, in accordance with the revised independent guidelines contained in the Code.

During the FY2015, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments in terms of setting the maximum number of listed company board representation for each Director.

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

Name of Directors	Date of appointment	Directorships/principal commitments in other companies	
		Current	Past 3 years
Kushairi Bin Zaidel	06 January 2009	Kuantan Flour Mills Berhad [(1)]	–
Seet Chor Hoon	11 August 2011	Seedz@Play Pte. Ltd.	–
Ong Chin Chuan	26 June 2013	Secure Parking Corporation Sdn Bhd	–

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

Note:

(1) Listed on Bursa Malaysia

5. BOARD PERFORMANCE

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

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

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

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

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

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

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

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

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

6. ACCESS TO INFORMATION

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

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

6. ACCESS TO INFORMATION (cont'd)

Directors have separate and independent access to the Company's senior management and the company secretary and/or the deputy 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 and/or the deputy company secretary attends and prepares all board meetings. In addition, the company secretary and/or the deputy company secretary assists the Chairman in ensuring board procedures are followed and that applicable rules and regulations, including, the Company's Memorandum and Articles of Association, requirements of the Singapore Companies Act, Chapter 50 (the "**Act**'), and the provisions in Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "**Catalist Rules**") are complied with. The appointment and removal of the company secretary and/or deputy company secretary are decided by the Board as a whole.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The RC comprises the following independent non-executive directors:

- Seet Chor Hoon (Chairman)
- Kushairi Bin Zaidel (Member)
- Ong Chin Chuan (Member)

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 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 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 (the "**Magnus Energy ESOP**") and the Magnus Energy Performance Share Plan (the "**Magnus Energy PSP**").

The members of the RC shall ensure that each director is not involved in deciding his/her own remuneration.

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

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

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

8. LEVEL AND MIX OF REMUNERATION

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

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

The Company has entered into a service agreement with the CEO on such terms and conditions offered by the Company and they do not contain onerous removal clauses. The appropriate notice period of the service contract is a 3-months written notice. The Board has reviewed and considered the service contract to be appropriate prior to the implementation of the service contract.

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

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

9. DISCLOSURE ON REMUNERATION

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

A breakdown, showing the level and mix of each individual Directors' remuneration for FY2015 is set out below:

Remuneration band and name of Directors	Salaries	Bonus	Consultancy fees	Director fees	Fair value of share options granted	Other benefits	Total
	%	%	%	%	%	%	%
Directors - Below $250,000							
Lim Kuan Yew (1)	88.9	11.1	–	–	–	–	100.0
Goh Boon Kok (2)	–	–	–	47.7	52.3	–	100.0
Seet Chor Hoon	–	–	–	57.9	42.1	–	100.0
Kushairi Bin Zaidel	–	–	–	64.7	35.3	–	100.0
Ong Chin Chuan(3)	–	–	–	–	–	–	–

(1) Mr Lim Kuan Yew had resigned as the managing director of the Company on 30 September 2014.

(2) Mr Goh Boon Kok had resigned as an independent non-executive director of the Company on 2 July 2015.

(3) Mr Ong Chin Chuan was appointed as an independent non-executive director of the Company, chairman of the AC and a member of both the NC and RC on 30 June 2015.

A breakdown, showing the remuneration band of the top executives of the Group for FY2015 set out below:

Remuneration band and name of key executives	Salaries	Bonus	Consultancy fees	Director fees	Fair value of share options granted	Other benefits	Total
S$250,000 to below $500,000							
Luke Ho Khee Yong	45.3	6.6	–	3.1	43.8	1.2	100.0
Tay Kheng Hwee	82.2	17.7	–	–	–	0.1	100.0
Ong Eng Kee	–	–	100.0	–	–	–	100.0
Below $250,000							
Maung Thein Htike	76.5	23.5	–	–	–	–	100.0
Jason Ong Wie	67.4	4.8	–	14.3	–	13.5	100.0
Tan Yew Meng	100.0	–	–	–	–	–	100.0

The Code recommended a full disclosure on the remuneration of all Directors and key executives. The Company is of the opinion that details of individual remuneration are confidential and not in the interest of the Company to disclose. The aggregate remuneration paid to the Directors and key executives was approximately S$1,750,032. There is no amount of any termination retirement and post-employment benefits that may be granted to Directors, and top executives.

9. DISCLOSURE ON REMUNERATION (cont'd)

The Directors and senior executives are paid based on a fixed schedule of fees and salary respectively.

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

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the non-executive directors be paid an aggregate fee of S$89,300 for FY2015 and an estimated fee of S$86,100 for the financial year ending 30 June 2016, to be paid quarterly in arrears, which will be tabled at the AGM for approval by the shareholders.

During the year under review, there were no employees whose remuneration exceeded S$50,000 who was related to a Director or the CEO of the Company.

Long-term incentive schemes are provided in the form of the Magnus Energy ESOP and the Magnus Energy PSP for eligible employees, including Directors of the Company and the Group. In FY2015, a total of 2,103,660(1) share awards (the "**Awards**") have been granted to all the Directors and employees of the Company in accordance to the Magnus Energy PSP. The Awards shall vest in two tranches over a period of two years with the first tranche of 35,061,000 Awards vested on 8 October 2014 (post-consolidated basis: 701,220(1) Awards) and the second tranche of 1,358,520(1) Awards (excluding 43,920(1) cancelled Awards) vesting on 8 October 2015. Details of Magnus Energy ESOP grants and Magnus Energy PSP awards are disclosed in the 'Report of the Directors'.

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

(1) On 21 April 2015, the Company completed a share consolidated of every 50 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company and the number of outstanding share awards has been adjusted for the effect of the share consolidation.

10. ACCOUNTABILITY

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

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules.

The Management provides all members of the Board in a meeting with detailed management accounts of the Group's performance, financial position and prospects on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment.

The Management also presents to the Board the quarterly and full year financial results of the Group and the AC reports for review and approval for the release of the results to the SGX-ST.

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

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT

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

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

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

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, information technology controls and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect, where necessary.

The Board noted that an associate of the Company is under investigation into plausible inappropriate gratification during the financial year ended 30 June 2013. The investigation is still ongoing and the Board has not been informed on any results of the investigation.

In the financial year ended 30 June 2014, the Board further noted that the Company and certain of its subsidiaries have received notices on 2 April 2014 and 29 April 2014 from the Commercial Affairs Department ("**CAD**") to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289. The CAD has requested for access to, all corporate electronic data, information technology equipment and data storage devices and all other relevant documents from 1 January 2011 to the date of the notices. The CAD has not provided any further information on their investigations or on the alleged offences. The Board understands that the investigations may be protracted and until such time as the results of the investigation are provided, the CEO who is assisting the investigations shall continue to serve and function in his respective roles in the Company.

The Board is not aware of any offence having been committed. The business and operations of the Company are not affected by the investigations and will continue as normal. The Company will monitor the progress of the investigation and will make prompt notifications and announcements to shareholders as required.

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

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the management letter issued by the external auditors, are in place to mitigate any possible and/or suspected irregularities. Save in relation to the above investigations, 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.

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

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

The CEO and financial controller have provided assurance to the Board:

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

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

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm (the "**Internal Auditor**") reports directly to the chairman of AC and administratively to the CEO. The Internal Auditor has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

The Company has put in place a risk management policy and has engaged its Internal Auditors Messrs HLS Risk Advisory Services Pte Ltd ("**HLS**") to assist the Management in establishing an ongoing system to communicate, monitor and evaluate risk management processes, related policies and procedures. The Company has established a rolling 3-year risk-based internal audit plan based on the findings of a risk assessment exercise carried out during the FY2015. The Company has appointed Deloitte & Touche Enterprise Risk Services Pte Ltd as the Internal Auditor for the Group in place of HLS with effect from 22 July 2015.

Where a process oriented internal audit is conducted, the Internal Auditor will perform its audit and issue 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 the Management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken.

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

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

- Ong Chin Chuan (Chairman)
- Kushairi Bin Zaidel (Member)
- Seet Chor Hoon (Member)

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 the AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

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

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

The AC carried out its functions in accordance with Section 201B(5) of the Act and the Catalist Rules. The functions of the AC are as follows:-

- review the audit plans, scope and feedback of the external auditors of the Company and ensure adequacy of the Group's system of internal accounting controls and the co-operation given by the Management to the external auditors;

- review the quarterly and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;

- review, with the internal auditors, the internal audit plan, the scope and results of the internal audit function, and ensuring co-ordination between the internal auditors and the Management;

- review the auditors' evaluation of the system of internal controls, the results of the audit and Management's response and actions to correct any noted deficiencies, to discuss problems and concerns arising from their audits or any other matters which the auditors might wish to discuss privately with the AC;

- review any formal announcements relating to the Company's financial performance in addition to the quarterly and full year financial statements compliance;

- review the assistance given by the Group's officer to the auditors and discuss any concerns if any with the external auditors and the internal auditors in the absence of the Management;

- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

- review and report to the Board the adequacy and effectiveness of the Group's internal controls on an annual basis, including financial, operational, information technology controls, compliance, and risk management;

- review the independence and objectivity of the external auditors annually and recommend the external auditors to be nominated for re-appointment, or removal of the external auditor, and approve the compensation of the external auditors; and

- review interested person transactions.

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

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

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

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

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

The AC has noted that there was no non-audit service provided by the external auditors during the year under review, and is of the opinion that the external auditors' independence has not been compromised. The total amount of audit fees paid to the external auditors during the year under review was approximately S$0.24 million.

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

Below is a significant subsidiary of the Company that has appointed other firms as auditors:

Name of subsidiaries	Name of audit firm
Mid-Continent Equipment, Inc.	LaPorte CPA's and Business Advisors

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

The AC has reviewed all interested persons transactions during the FY2015 and is of the view that Chapter 9 of the Catalist Rules and the shareholders' mandate have been complied with. AC members have been encouraged to attend trainings and seminars to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and corporate governance. The majority of AC members are qualified accountants. As certified public accountants in their respective jurisdictions, the AC members would have received updates by their respective associations and professional affiliations.

12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION

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

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

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

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

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

The Company sends the annual report in the form of CD ROM and notice of AGM to all shareholders of the Company within the mandatory period. Notices of general meetings are released on SGXNET and published in a Singapore newspaper to inform shareholders of upcoming meetings. The AGM is the principal forum for dialogue with shareholders. At the AGM, shareholders are given the opportunity to opine their views and query the directors or the Management on matters regarding the Company. Chairman of the NC, RC and AC will be present to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the accounts from the shareholders.

The Company encourages shareholders' participation at its general meetings. The Articles of Association provides that a member may appoint not more than two (2) proxies to attend and vote at general meetings in his/her stead. In accordance with the Code, the Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

At the AGMs and other general meetings, separate resolutions are proposed for substantially separate issues and for items of special business. Where appropriate, an explanation for any proposed resolution would be provided. The Company prepares minutes of general meetings that include substantial and relevant comments and/or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes will be available to shareholders upon their request.

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

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

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 FY2015, there is no interested person transaction.

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.

RISK MANAGEMENT (Catalist Rule 1204(10))

As the Company does not have a risk management committee, the AC and the Management assume the responsibility of the risk management function. The 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. The Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

DEALING IN SECURITIES (Catalist Rule 1204(19))

In line with the internal compliance code, the Company has in place a policy prohibiting share dealings by Directors and officers of the Company and the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of the relevant results. The company secretary and/or deputy company secretary will also send a 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 the permitted trading period.

CATALIST SPONSOR (Catalist Rule 1204(21))

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and Stamford Corporate Services Pte. Ltd. is the continuing sponsor of the Company during FY2015. There is no non-sponsor fees paid during FY2015.

USE OF PROCEEDS (Catalist Rule 1204(22))

The Company had on 30 June 2015 completed an aggregate amount of S$7,500,000 of the Tranche 1 Notes pursuant to a subscription agreement dated 3 September 2014 with Premier Equity Fund and Value Capital Asset Management Private Limited which was approved by shareholders at an extraordinary general meeting on 29 October 2014. As stated in the circular dated 13 October 2014 (the "**Circular**"), S$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S$10,000,000 each (Tranches 1 and 2) and a final tranche of a principal amount of S$15,000,000 (Tranche 3) was intended to be utilised in the following manner:

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

USE OF PROCEEDS (Catalist Rule 1204(22)) (cont'd)

(i)	General working capital	10-20%
(ii)	Investments and acquisitions	80-90%

Use of proceeds in accordance with the intended use stated in the Circular as at date of report:

	S$'000
Investments and general corporate purposes	
Increase in stake in Mid-con	393
Amount disbursed in relation to the redeemable convertible loan	5,000
Trading of renewable energy and natural resource	1,007
Investment in quoted equities	1,408
Fixed income investment	200
General working capital	
Repayment of convertible loan	798
General working capital	2,517
	11,323

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

The rule is deemed as not applicable as there have been no exploration, development or production activities carried out for the Coal Concession for FY2015. As the Group is still undergoing litigation on the ownership of our indirect subsidiary PT BSS that holds the Coal Concession Rights, all exploration and mining activities have been suspended and no production or revenue has been generated for FY2015.

20% beneficial interest of PRL173 and PRL174 ((collectively known as "**PRLs**") and formerly known as PEL 101) is held under Mid-Con Equipment (Australia) Pty Ltd, a wholly owned subsidiary of Mid-Con Equipment Group Pte Ltd. The Company or its subsidiaries do not have majority control of this concession. The Company owns an effective interest of 11.2% (2014: 10.9%) on the PRLs. No production or revenue has been generated from this gas concession to the Group for FY2015.

The Company, through its wholly owned subsidiary MEG Global Ventures Pte. Ltd., holds a 15% equity stake in GCM Resources plc ("**GCM**"). GCM, a London AIM listed resource exploration and development company, has identified a coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal Project in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the mine. As such no production or revenue has been generated for FY2015.

The directors present their report to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2015 and the statement of financial position of the Company as at 30 June 2015.

1 Directors

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

Kushairi Bin Zaidel
Seet Chor Hoon
Ong Chin Chuan (appointed on 30 June 2015)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

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

	Holdings registered in name of director		
Name of directors	**As at 1.7.2014(1)**	**As at 30.6.2015(1)**	**As at 21.7.2015(1)**
	Number of ordinary shares		
The Company			
Goh Boon Kok (resigned on 2 July 2015)	6,000	75,340	75,340
Kushairi Bin Zaidel	–	51,140	51,140
Seet Chor Hoon	–	37,500	37,500
Ong Chin Chuan (appointed on 30 June 2015)	–	–	–

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

(1) On 21 April 2015, the Company completed a share consolidation of every 50 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company. Goh Boon Kok interests in shares as at 1 July 2014 has been adjusted as if the share consolidation had occurred on 1 July 2014.

4 Directors' Contractual Benefits

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

5 Share Options and Share Awards

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

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

The Remuneration Committee (the "RC") of the Company has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Seet Chor Hoon (Chairman), Kushairi Bin Zaidel and Ong Chin Chuan.

The Share Schemes shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Share Schemes were adopted by the Company in the EGM held. Under the Share Schemes, share options or share awards are granted to the following persons at the absolute discretion of the Committee:

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

(ii) non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and 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 the expiry of the prescribed vesting periods.

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

During the current financial year, share awards were granted to the non-executive directors of the Company and certain Group executives under the Magnus Energy PSP. These share awards granted awards to eligible participants fully paid ordinary shares of the Company upon the expiry of the prescribed vesting periods. The Committee has granted the share awards after taking into consideration of the loyalty and long term commitment of the non-executive directors of the Company and the Group executives. Further details are disclosed in Note 37 to the financial statements. There were no share awards granted in the previous financial years.

(b) 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 no share options were granted to and exercised by the directors of the Company or related corporations during the financial year.

5 Share Options and Share Awards (cont'd)

(c) No share options have been granted under the Magnus Energy ESOP during the financial year under review. There was also no discounted share options granted since the commencement of the Magnus Energy ESOP.

(d) 5 participants received shares pursuant to the release of awards granted under Magnus Energy PSP scheme which, in aggregate represents five (5) per cent or more of the aggregate of the total number of shares available under Magnus Energy PSP Scheme during the financial year under review (Note 37).

(e) The options granted pursuant to the Magnus Energy ESOP do not entitle the holder to participate, by virtue of the options, in any share issue of any other related corporation.

Except as disclosed in the report:

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

6 Audit Committee

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

Ong Chin Chuan, Chairman
Kushairi Bin Zaidel, Member
Seet Chor Hoon, Member

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

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

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

(d) reviewed interested party transactions for the financial year ended 30 June 2015 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;

(e) reviewed the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2015 before their submission to the Board of Directors and the independent auditors' report on those financial statements;

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

(g) undertakes such other functions and duties as may be required by statute.

6 Audit Committee (cont'd)

The Audit Committee, having reviewed all services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. There was no non-audit service provided by the external auditors during the year under review.

The Audit Committee has also conducted a review of interested person transactions.

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

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

7 Independent Auditors

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

8 Other information required by the SGX-ST

Except as disclosed elsewhere in the financial statements, no material contracts to which the Company or any subsidiary is a party and which involve controlling shareholders' and directors' interests and the chief executive officer (where applicable) subsisted at, or have been entered into, since the end of the previous financial year.

On behalf of the Board of Directors,

KUSHAIRI BIN ZAIDEL
Director

ONG CHIN CHUAN
Director

Singapore

30 September 2015

STATEMENT BY DIRECTORS

We, Kushairi Bin Zaidel and Ong Chin Chuan, 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 to the financial statements, 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$21.8 million and its related deferred tax liability of approximately S$6.3 million as at 30 June 2015. The investment has been included in the Group's consolidated statement of financial position at its book value;

(b) except for the matter stated in paragraph (a) above, the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 42 to 127 are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and

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

On behalf of the Board of Directors,

KUSHAIRI BIN ZAIDEL
Director

ONG CHIN CHUAN
Director

Singapore

30 September 2015

Report on the Financial Statements

1. We have audited the accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") as set out on pages 42 to 127, which comprise the statement of financial positions of the Group and of the Company as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and for 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 financial statements 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 about 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 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

6. Our auditors' report dated 2 October 2014 on the financial statements for the previous financial year ended 30 June 2014 contained a modified opinion on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2015.

7. (i) As discussed in Note 18 to the financial statements, the Group's investment in the Coal Concession Rights of approximately S$21.8 million (2014: S$24.8 million) as at 30 June 2015 is included in the Group's consolidated statement of financial position at cost less impairment losses. In addition, the Group has a deferred tax liability of approximately S$6.3 million (2014: S$7.2 million) relating to this investment (Note 11).

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

Basis for Qualified Opinion (cont'd)

(iii) Accordingly, we have not been provided with the information and explanation that we consider necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in Coal Concession Rights and the related deferred tax liability as reflected in the Group's consolidated statement of financial position of approximately S$21.8 million (2014: S$24.8 million) and S$6.3 million (2014: 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 2015 and the financial performance of the Group for the financial year then ended.

(iv) Further, the Company has an investment in, and an amount due from, APAC Coal Limited ("APAC"), a subsidiary of the Group, of approximately S$492,000 (2014: S$492,000) (Note 14) and S$1,054,000 (2014: S$646,000) (Note 22), 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 (ii) above. The ability of the Company to realise its investment in, and the amount due from APAC, is largely dependent on the successful outcome of the legal proceedings as referred to in paragraph (ii) above.

(v) Under these circumstances, it is not possible to carry out the necessary auditing procedures, nor are we able to carry out alternative auditing procedures, to satisfy ourselves as to the recoverability of the Company's investment in, and the amount due from APAC, of approximately S$492,000 (2014: S$492,000) and S$1,054,000 (2014: S$646,000), respectively as at 30 June 2015. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2015 and the financial performance of the Group for the financial year then ended.

Qualified Opinion

8. In our opinion, except for the matters described in paragraph 7 above, the consolidated financial statements of the Group and the statement of financial position of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Reports on Other Legal and Regulatory Requirements

9. 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
Chartered Accountants

Singapore

30 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year Ended 30 June 2015

	Note	2015 S$	(Restated) 2014 S$
Revenue	4	44,501,845	45,397,886
Cost of sales		(35,649,984)	(35,804,102)
Gross profit		8,851,861	9,593,784
Other operating income	5	872,541	1,795,573
Other operating expenses	5	(2,741,697)	(10,330,136)
Distribution and selling expenses	6	(121,012)	(141,477)
Administrative expenses	7	(9,090,520)	(9,325,240)
Finance income	9	264,360	2,022,178
Finance costs	10	(134,300)	(281,490)
Share of profit/(loss) from joint ventures, net of tax	16	227,467	(833,422)
Loss before income tax		(1,871,300)	(7,500,230)
Income tax	11	(393,626)	(478,765)
Net loss for the year		(2,264,926)	(7,978,995)
Net (loss)/profit for the year attributable to:			
Equity holders of the Company		(2,662,443)	(8,146,748)
Non-controlling interests		397,517	167,753
		(2,264,926)	(7,978,995)
Other comprehensive (loss)/income:			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(606,632)	84,975
Fair value loss recognised in equity on revaluation of available-for-sale financial assets during the year		(1,904,064)	(40,197,430)
Impairment loss reclassified to profit or loss		984,755	–
Reversal of fair value loss from equity on disposal of available-for-sale financial assets during the year		–	392,038
Deferred tax on fair value changes to available-for-sale financial assets		(7,276)	234
		(1,533,217)	(39,720,183)
Total comprehensive loss for the year		(3,798,143)	(47,699,178)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		(3,959,868)	(47,888,115)
Non-controlling interests		161,725	188,937
		(3,798,143)	(47,699,178)
Loss per share attributable to the equity holders of the Company (S$ cents)			
- Basic and diluted	12	(4.93)	(19.88)

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

	Note	Group 2015 S$	Group (Restated) 2014 S$	Group (Restated) 2013 S$	Company 2015 S$	Company 2014 S$
ASSETS						
Non-Current Assets						
Property, plant and equipment	13	5,415,252	5,673,119	6,065,314	37,541	52,595
Investments in subsidiaries	14	–	–	–	14,855,546	14,448,969
Investments in associated companies	15	1,840	1,709	1,733	–	–
Investments in joint venture entities	16	775,636	3,996,598	4,914,592	–	–
Goodwill	17	1,569,703	1,569,703	1,569,703	–	–
Other intangible assets	18	26,474,682	29,023,639	28,949,264	–	–
Other financial assets	19	2,787,291	4,798,518	50,580,682	1,489	26,036
Other receivables	21	1,500,000	–	–	–	–
Deferred tax assets	11	165,721	–	–	–	–
Total Non-Current Assets		38,690,125	45,063,286	92,081,288	14,894,576	14,527,600
Current Assets						
Other financial assets		–	–	540,000	–	–
Inventories	20	6,533,675	7,415,521	4,630,320	–	–
Trade and other receivables	21	6,897,063	7,957,247	7,984,064	330,216	621,941
Related parties balances	22	274,606	421,168	4,067,808	5,915,364	4,432,086
Cash and bank deposits	23	10,094,135	4,077,669	5,589,212	2,219,569	25,177
Fixed deposits	24	14,592,148	12,830,986	12,259,012	300,000	–
Total Current Assets		38,391,627	32,702,591	35,070,416	8,765,149	5,079,204
Total Assets		77,081,752	77,765,877	127,151,704	23,659,725	19,606,804
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	25	5,830,650	8,546,905	8,528,540	274,547	2,356,336
Bank overdrafts	26	676,761	754,720	653,834	–	–
Related parties balances	22	989	566,273	1,475,757	2,021,113	2,468,282
Borrowings	27	300,000	–	–	300,000	–
Finance lease obligations	28	9,085	9,954	12,267	–	–
Income tax liabilities		465,314	581,989	642,170	–	–
Total Current Liabilities		7,282,799	10,459,841	11,312,568	2,595,660	4,824,618
Non-Current Liabilities						
Finance lease obligations	28	22,826	31,793	–	–	–
Deferred tax liabilities	11	6,378,738	7,253,431	7,368,136	–	–
Total Non-Current Liabilities		6,401,564	7,285,224	7,368,136	–	–
Total Liabilities		13,684,363	17,745,065	18,680,704	2,595,660	4,824,618
Equity						
Share capital	29	128,278,354	120,126,816	120,126,816	128,278,354	120,126,816
Reserves	30	(90,597,262)	(86,818,296)	(38,930,181)	(107,214,289)	(105,344,630)
		37,681,092	33,308,520	81,196,635	21,064,065	14,782,186
Non-controlling interests		25,716,297	26,712,292	27,274,365	–	–
Total Equity		63,397,389	60,020,812	108,471,000	21,064,065	14,782,186
Total Liabilities and Equity		77,081,752	77,765,877	127,151,704	23,659,725	19,606,804

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 30 June 2015

	Attributable to equity holders of the Company						
	Share Capital S$	Fair Value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
Group							
2015							
Balance at 1 July 2014	120,126,816	962,107	(7,669,897)	(80,110,506)	33,308,520	26,712,292	60,020,812
Net (loss)/profit for the year	–	–	–	(2,662,443)	(2,662,443)	397,517	(2,264,926)
Other comprehensive loss (Note 30)	–	(962,107)	(335,318)	–	(1,297,425)	(235,792)	(1,533,217)
Total comprehensive (loss)/income for the year	–	(962,107)	(335,318)	(2,662,443)	(3,959,868)	161,725	(3,798,143)
Issue of new shares (Note 29)	8,500,593	–	–	–	8,500,593	–	8,500,593
Share issue expenses	(349,055)	–	–	–	(349,055)	–	(349,055)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(583,564)	(583,564)
Acquisition of additional interest in a subsidiary (Note 14(f)(i))	–	–	–	180,902	180,902	(574,156)	(393,254)
Balance at 30 June 2015	128,278,354	–	(8,005,215)	(82,592,047)	37,681,092	25,716,297	63,397,389
2014							
Balance at 1 July 2013	120,126,816	40,840,219	(7,806,642)	(71,963,758)	81,196,635	27,274,365	108,471,000
Net (loss)/profit for the year	–	–	–	(8,146,748)	(8,146,748)	167,753	(7,978,995)
Other comprehensive (loss)/income (Note 30)	–	(39,878,112)	136,745	–	(39,741,367)	21,184	(39,720,183)
Total comprehensive (loss)/income for the year	–	(39,878,112)	136,745	(8,146,748)	(47,888,115)	188,937	(47,699,178)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(751,010)	(751,010)
Balance at 30 June 2014	120,126,816	962,107	(7,669,897)	(80,110,506)	33,308,520	26,712,292	60,020,812

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 30 June 2015

	Note	2015 S$	(Restated) 2014 S$
Cash Flows from Operating Activities			
Loss before income tax		(1,871,300)	(7,500,230)
Adjustments:			
Provision for doubtful debts	21	81,122	–
Depreciation of property, plant and equipment	13	402,494	532,771
Plant and equipment written-off	5	6,979	–
Allowance for inventory obsolescence	20	1,215	298,472
Impairment loss on available-for-sale financial assets	5	985,475	178,556
Fair value loss of financial assets held for trading	5	4,675	88,905
Fair value (gain)/loss transferred from fair value reserve upon disposal of available-for-sale financial assets		(42,798)	392,038
Loss on disposal of available-for-sale financial assets	5	8,070	1,700,347
Loss on disposal of financial assets held for trading	5	–	7,095,852
Gain on disposal of plant and equipment	5	(209,946)	(272,751)
Gain on disposal of a subsidiary	5	–	(967,368)
Bargain purchase gain from acquisition of a subsidiary	5	(508,764)	–
Foreign exchange loss - unrealised	5	1,320,892	549,536
Employee share award expenses	8	350,610	–
Interest expense	10	53,228	175,101
Interest income	9	(264,360)	(2,022,178)
Share of (profit)/loss from joint ventures	16	(227,467)	833,422
Operating cash flow before working capital changes		90,125	1,082,473
Changes in operating assets and liabilities:			
Inventories		1,449,960	(3,148,366)
Trade and other receivables		1,620,171	(234,250)
Trade and other payables		(2,255,677)	2,094,313
Related parties balances (net)		(590,735)	2,650,630
Cash flows generated from operations		313,844	2,444,800
Interest income received		178,554	1,980,490
Interest paid		(46,031)	(175,101)
Income taxes paid		(710,181)	(746,857)
Net cash flows (used in)/generated from operating activities		(263,814)	3,503,332
Cash Flows from Investing Activities			
Net cash outflow on disposal of a subsidiary	14	–	(33)
Acquisition of a subsidiary, net of cash acquired	14	1,601,062	–
Purchase of plant and equipment	13	(127,526)	(265,420)
Proceeds from sale of plant and equipment	13	407,914	362,999
Acquisition of other financial assets		–	(3,969,290)
Investment in redeemable convertible loan	21	(1,500,000)	–
Net proceeds from sale of other financial assets		52,393	595,226
Payment of petroleum exploration expenditure	18	(999,057)	(2,348)
Dividend received from joint venture entities	16	2,677,236	–
Fixed deposits pledged to banks		(476,058)	(57,765)
Net cash flows generated from/(used in) investing activities		1,635,964	(3,336,631)

The accompanying notes form an integral part of the financial statements

	Note	2015 S$	(Restated) 2014 S$
Cash Flows from Financing Activities			
Proceeds from issuance of convertible notes	29	7,500,000	–
Share issue expense	29	(349,055)	–
Acquisition of additional interest in a subsidiary, net of cash acquired	14	(393,254)	–
Repayment of finance lease obligations		(13,041)	(16,023)
Dividend paid by a subsidiary to non-controlling shareholders		(583,564)	(751,010)
Net cash flows generated from/(used in) financing activities		6,161,086	(767,033)
Net increase/(decrease) in cash and cash equivalents		7,533,236	(600,332)
Cash and cash equivalents at the beginning of the year		10,901,138	11,949,233
Effects of exchange rate changes on cash and cash equivalents		203,701	(447,763)
Cash and cash equivalents at the end of the year (Note A)		18,638,075	10,901,138

Note A *Cash and cash equivalents*

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

	Note	2015 S$	(Restated) 2014 S$
Cash and bank balances	23	10,094,135	4,077,669
Less: Bank overdrafts, secured	26	(676,761)	(754,720)
		9,417,374	3,322,949
Add: Fixed deposits (unrestricted)	24	9,220,701	7,578,189
Cash and cash equivalents		18,638,075	10,901,138

The accompanying notes form an integral part of the financial statements

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

1 Corporate Information

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

The address of the Company's registered office and principal place of business is at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875.

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

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

Adoption of New/Revised FRS

For the financial year ended 30 June 2015, the Group has adopted the following new or revised standards which are effective and mandatory for application for the year, and relevant to the Group:

		Effective for accounting periods beginning on or after
FRS 24 (Improvements)	*Related Party Disclosures*	1 July 2014
FRS 27 (Revised)	*Separate Financial Statements*	1 January 2014
FRS 28 (Revised)	*Investment in Associates and Joint Ventures*	1 January 2014
FRS 36 (Amendment)	*Recoverable Amount Disclosure for Non-Financial Assets*	1 January 2014
FRS 108 (Improvements)	*Operating Segments*	1 July 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 111	*Joint Arrangements*	1 January 2014
FRS 112	*Disclosure of Interest in Other Entities*	1 January 2014

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

FRS 24 (Improvements) *Related Party Disclosures*

FRS 24 (Improvements) clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, there was no material impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this revised standard.

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. There was no material impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this revised standard.

FRS 28 (Revised) *Investment in Associates and Joint Ventures*

FRS 28 (Revised) changes in scope as a result of the issuance of FRS 111 Joint Arrangements. It continues to prescribe the mechanics of equity accounting. The impact on the financial performance of the Group and the financial positions of the Group and the Company on adoption of this revised standard is further discussed below under FRS 111 Joint Arrangements.

FRS 36 (Amendment) *Recoverable Amount Disclosure for Non-Financial Assets*

FRS 36 (Amendment) restricts the requirement to disclose the recoverable amount of an asset or cash-generating unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. As this is a disclosure standard, there was no material impact on the financial performance of the Group or the financial positions of the Group and Company on adoption of this revised standard.

FRS 108 (Improvements) *Operating Segments*

FRS 108 (Improvements) requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments. The improvements also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. As this is a disclosure standard, there was no material impact on the financial performance of the Group or the financial positions of the Group and Company on adoption of this revised standard.

FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities. The standard 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. It requires an investor to reassess the decision 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 has reassessed which entities the Group controls and there was no change on adoption of this standard.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

FRS 111 *Joint Arrangements*

FRS 111 supersedes FRS 31 Interests in Joint Venture Arrangements, eliminates the option of using proportionate consolidation for joint ventures and FRS 31's 'jointly controlled operations' and 'jointly controlled assets' categories. These categories will fall into the newly defined category 'joint arrangement'. Under FRS 111, interests in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Interests in joint operations are accounted for by the Group recognising its own assets, liabilities, income and expenses relating to the joint operation. Interests in joint ventures are recognised as a single investment and accounted for using the equity method of accounting as per FRS 28 (Revised) Investment in Associates and Joint Ventures.

The Group has applied FRS 111 retrospectively from 1 July 2013 and resulted in the Group changing its accounting policy for its investment in joint ventures. In prior years, the Group's investments in joint ventures were accounted for by proportionate consolidation. The Group combined its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. On adoption of this new standard, the Group recognised its investments in joint ventures at 1 July 2013 at the net carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. The Group has applied equity accounting as described in its accounting policy Note 2(b)(ii) from 1 July 2013.

The effects of the change of accounting policy on the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows of the Group at 1 July 2013 and 30 June 2014 are summarised below. The change in accounting policy had no impact on earnings per share.

1) Impact on consolidated statement of comprehensive income on adoption of FRS 111

	Year ended 30.06.2014 (previously reported) S$	Impact S$	Year ended 30.06.2014 (restated) S$
Revenue	49,829,603	(4,431,717)	45,397,886
Cost of sales	(40,210,364)	4,406,262	(35,804,102)
Gross profit	9,619,239	(25,455)	9,593,784
Other operating income	1,587,729	207,844	1,795,573
Other operating expenses	(10,446,799)	116,663	(10,330,136)
Distribution and selling expenses	(151,609)	10,132	(141,477)
Administrative expenses	(9,802,932)	477,692	(9,325,240)
Finance income	2,027,352	(5,174)	2,022,178
Finance costs	(334,637)	53,147	(281,490)
Share of loss from joint venture entities	–	(833,422)	(833,422)
Loss before income tax	(7,501,657)	1,427	(7,500,230)
Income tax	(477,338)	(1,427)	(478,765)
Net loss for the year	**(7,978,995)**	**–**	**(7,978,995)**
Other comprehensive income	(39,720,183)	–	(39,720,183)
Total comprehensive loss for the year	**(47,699,178)**	**–**	**(47,699,178)**

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

2) Impact on consolidated statement of financial position at 30 June 2014 on adoption of FRS 111

	As at 30.06.2014 (previously reported) S$	Impact S$	As at 30.06.2014 (restated) S$
ASSETS			
Non-current Assets	**41,588,355**	**3,474,931**	**45,063,286**
Includes:			
Property, plant and equipment	6,194,786	(521,667)	5,673,119
Investments in joint venture entities	–	3,996,598	3,996,598
Current Assets	**36,324,047**	**(3,621,456)**	**32,702,591**
Includes:			
Inventories	7,575,684	(160,163)	7,415,521
Trade and other receivables	8,394,070	(436,823)	7,957,247
Related parties balances	219,968	201,200	421,168
Cash and bank deposits	4,681,534	(603,865)	4,077,669
Fixed deposits	15,452,791	(2,621,805)	12,830,986
Total Assets	**77,912,402**	**(146,525)**	**77,765,877**
LIABILITIES AND EQUITY			
Current Liabilities	**10,526,275**	**(66,434)**	**10,459,841**
Includes:			
Trade and other payables	8,649,526	(102,621)	8,546,905
Bank overdrafts	809,469	(54,749)	754,720
Related parties balances	426,871	139,402	566,273
Borrowings	48,374	(48,374)	–
Income tax liabilities	582,081	(92)	581,989
Non-Current Liabilities	**7,365,315**	**(80,091)**	**7,285,224**
Includes:			
Borrowings	68,096	(68,096)	–
Deferred tax liabilities	7,265,426	(11,995)	7,253,431
Total Liabilities	**17,891,590**	**(146,525)**	**17,745,065**
Total Equity	**60,020,812**	**–**	**60,020,812**
Total Liabilities and Equity	**77,912,402**	**(146,525)**	**77,765,877**

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

3) Impact on consolidated statement of financial position at 1 July 2013 on adoption of FRS 111

	As at 01.07.2013 (previously reported) S$	Impact S$	As at 01.07.2013 (restated) S$
ASSETS			
Non-current Assets	**87,791,670**	**4,289,618**	**92,081,288**
Includes:			
Property, plant and equipment	6,690,288	(624,974)	6,065,314
Investments in joint venture entities	–	4,914,592	4,914,592
Current Assets	**41,406,031**	**(6,335,615)**	**35,070,416**
Includes:			
Inventories	7,122,949	(2,492,629)	4,630,320
Trade and other receivables	9,228,511	(1,244,447)	7,984,064
Related parties balances	2,025,903	2,041,905	4,067,808
Cash and bank deposits	6,391,162	(801,950)	5,589,212
Fixed deposits	16,097,506	(3,838,494)	12,259,012
Total Assets	**129,197,701**	**(2,045,997)**	**127,151,704**
LIABILITIES AND EQUITY			
Current Liabilities	**13,239,761**	**(1,927,193)**	**11,312,568**
Includes:			
Trade and other payables	8,972,748	(444,208)	8,528,540
Bank overdrafts	699,676	(45,842)	653,834
Related parties balances	2,878,802	(1,403,045)	1,475,757
Borrowings	32,455	(32,455)	–
Income tax liabilities	643,813	(1,643)	642,170
Non-Current Liabilities	**7,486,940**	**(118,804)**	**7,368,136**
Includes:			
Borrowings	103,495	(103,495)	–
Deferred tax liabilities	7,383,445	(15,309)	7,368,136
Total Liabilities	**20,726,701**	**(2,045,997)**	**18,680,704**
Total Equity	**108,471,000**	**–**	**108,471,000**
Total Liabilities and Equity	**129,197,701**	**(2,045,997)**	**127,151,704**

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

4) Impact on consolidated statement of cash flows on the adoption of FRS 111

	Year ended 30.06.2014 (previously reported) S$	Impact S$	Year ended 30.06.2014 (restated) S$
Net cash generated from operating activities	**1,533,868**	**1,969,464**	**3,503,332**
Includes:			
Loss before income tax	(7,501,657)	1,427	(7,500,230)
Adjustments:			
Reversal of allowance for impairment loss on trade receivables	(12,236)	12,236	–
Depreciation of plant and equipment	673,437	(140,666)	532,771
Inventories written-off	167,416	(167,416)	–
Allowance for inventory obsolescence	230,833	67,639	298,472
Foreign exchange loss - unrealised	503,977	45,559	549,536
Interest expense	198,359	(23,258)	175,101
Interest income	(2,027,352)	5,174	(2,022,178)
Share of loss from joint ventures	–	833,422	833,422
Changes in operating assets and liabilities:			
Inventories	(950,508)	(2,197,858)	(3,148,366)
Trade and other receivables	576,310	(810,560)	(234,250)
Trade and other payables	1,756,426	337,887	2,094,313
Related parties balances (net)	(1,353,404)	4,004,034	2,650,630
Interest income received	1,985,664	(5,174)	1,980,490
Interest paid	(198,359)	23,258	(175,101)
Income taxes paid	(730,617)	(16,240)	(746,857)
Net effect on cash flows used in investing activities	**(3,440,325)**	**103,694**	**(3,336,631)**
Includes:			
Purchase of plant and equipment	(384,083)	118,663	(265,420)
Proceeds from sale of plant and equipment	363,568	(569)	362,999
Fixed deposits pledged to banks	(43,365)	(14,400)	(57,765)
Net effect on cash flows used in financing activities	**(784,613)**	**17,580**	**(767,033)**
Includes:			
Proceeds from borrowings	42,030	(42,030)	–
Repayment of borrowings	(59,610)	59,610	–
Net decrease in cash and cash equivalents	**(2,691,070)**	**2,090,738**	**(600,332)**

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS (cont'd)

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 includes all of the disclosures that were previously in FRS 27 and related to consolidated financial statements, as well as all of the disclosures that were previously included in FRS 31 and FRS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. As this is a disclosure standard, there was no material impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this standard.

New/Revised FRS which are not yet effective

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

		Effective for accounting periods beginning on or after
FRS 27 (Amendment)	*Equity Method in Separate Financial Statements*	1 January 2016
FRS 115	*Revenue from Contracts with Customers*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
Amendments to FRS 1	*Presentation of Financial Statements: Disclosure Initiative*	1 January 2016

FRS 27 (Amendment) *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available. The Group is in the process of assessing the impact on the financial statements.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 Revenue from Contracts with Customers sets out the requirements for recognising revenue that apply to all contracts with customers (except for contract that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 Revenue and FRS 11 Construction Contracts, and the related interpretations on revenue recognition; INT FRS 115 Agreements for the Construction of Real Estate; INT FRS 118 Transfers of Assets from Customers; and INT FRS 31 Revenue - Barter Transactions Involving Advertising Services. The Group is in the process of assessing the impact on the financial statements.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

<u>*New/Revised FRS which are not yet effective*</u> *(cont'd)*

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently be reclassified to profit or loss. The Group is in the process of assessing the impact on the financial statements.

(b) Group Accounting

(i) Subsidiaries

<u>*Consolidation*</u>

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

<u>Consolidation</u> *(cont'd)*

– rights arising from other contractual agreements; and

– any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

<u>Change in ownership interests in subsidiaries without change of control</u>

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights.

Joint venture entities are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting less accumulated impairment losses, if any.

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

In applying the equity method of accounting, the Group's share of its associated companies and joint venture entities' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(ii) Associates and Joint Ventures (cont'd)

Investments in associated companies and joint venture entities are derecognised when the Group loses significant influence or joint control. If the retained interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when significant influence or joint control is lost, and its fair value and partial disposal proceeds, is recognised in profit or loss.

Gains or losses arising from partial disposals or dilutions in investments in associated companies and joint ventures in which significant influence or joint control is retained are recognised in profit or loss.

(c) Foreign Currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the financial performance and financial position of each group entity are expressed in Singapore Dollars ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the statement of financial position date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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

2 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currencies (cont'd)

Translation of Group entities' financial statements

The financial performance 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 are translated into the presentation currency as follows:

– assets and liabilities are translated at the closing exchange rates at the date of that statement of financial position;

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

– all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or joint ventures not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(d) Revenue Recognition

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

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

Sale of goods

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

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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

Revenue from rental of equipment

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

Interest income

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

Dividend income

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

(e) Employee Benefits

(i) Defined contribution plans

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

(ii) Employee leave entitlements

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

(f) Property, Plant and Equipment

Measurement

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

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

2 Summary of Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipmen (cont'd)

Depreciation

Freehold land has unlimited useful life and is therefore not depreciated.

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	2 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Subsequent expenditure

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

Disposal

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(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 accumulated impairment losses, if any.

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 recognised in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary 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 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 subsidiaries include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of associated companies and joint venture entities are described under "Associates and Joint Ventures" in Notes 2(b)(ii).

Gain on bargain purchase 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

<u>*Exploration, evaluation and development expenditure*</u>

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

– the rights to tenure of the area of interest are current; and

– at least one of the following conditions is also met:

  (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

  (ii) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. All other expenses are expensed to profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(i) Intangible Assets (cont'd)

Exploration, evaluation and development expenditure (cont'd)

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

Exploration, evaluation and development assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

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

Coal concession rights

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

(j) Financial Assets

Classification

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

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

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

  Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

<u>*Classification*</u> *(cont'd)*

- *Loans and receivables*

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

- *Financial assets, available-for-sale*

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

<u>*Recognition and derecognition*</u>

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are carried at cost.

The Group derecognises a financial asset only when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Group transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

<u>*Initial measurement*</u>

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

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

<u>*Subsequent measurement*</u>

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are carried at cost less impairment losses.

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

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

<u>*Impairment*</u>

- *Loans and receivables*

  The Group assesses at the statement of financial position date whether there is objective evidence that the loans and receivables is impaired and recognises an allowance for impairment when such evidence exists.

  Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

  The carrying amount of these loans and receivables is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

  The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

Impairment (cont'd)

- *Financial assets, available-for-sale*

  The Group assesses at the statement of financial position date whether there is objective evidence that the financial assets, available-for-sale is impaired and recognises an impairment when such evidence exists.

  In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the equity security below its cost is considered an indicator that the investment is impaired. The cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense.

  The impairment losses recognised as an expense on equity securities are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(k) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, less bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(l) Impairment of Non-Financial Assets (Excluding Goodwill)

Non-financial assets (excluding goodwill) are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired.

At the statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

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

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(m) Inventories

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

Finished goods

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

Work in progress

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

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

(n) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

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

Borrowings

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

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

2 Summary of Significant Accounting Policies (cont'd)

(n) Financial Liabilities (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) Borrowing Costs

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

(p) Share Capital

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

(q) Dividends to Company's Shareholders

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

(r) Share-based Payments

The Group issues share awards to certain employees. The fair value of these equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight–line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(s) Compound Instruments (Convertible Notes)

The component parts of compound instruments issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2 Summary of Significant Accounting Policies (cont'd)

(s) Compound Instruments (Convertible Notes) (cont'd)

At the date of issue, the fair value of the financial liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The financial liability component is presented as a non-current liability if the remaining maturity of the financial instrument is more than twelve months after the statement of financial position date.

The equity component is determined by deducting the amount of the financial liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

(t) Leases

Lessee - Finance leases

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

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

Lessee - Operating leases

Leases of office premises and warehouses where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the leases.

Lessor - Operating leases

Leases of equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the period of the leases.

(u) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

2 Summary of Significant Accounting Policies (cont'd)

(u) Income Tax (cont'd)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amount of its tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at the date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

2 Summary of Significant Accounting Policies (cont'd)

(u) Income Tax (cont'd)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(v) Segment Reporting

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

3 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the financial year. Although these judgements and estimates are based on historical experience and other relevant factors, including management's expectation of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

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.

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

Management 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 the goodwill has been allocated. Estimating the value in use requires management 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 the present value of those cash flows. Further details are disclosed in Note 17.

3 Critical Accounting Estimates and Judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

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

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 2 to 40 years. The carrying amount of the Group's property, plant and equipment as at 30 June 2015 is disclosed in Note 13. Management assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's loss after tax will increase/decrease by approximately S$33,400 (2014: S$44,200).

(c) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution of its 20% participating interest in PRL 173 and 174 (formerly known as PEL 101) granted under the Petroleum Act 2000 of South Australia. The Group's policy for exploration and evaluation is discussed in Note 2(i). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available.

The recoverable amount of the Group's interest in PRL 173 and 174 is determined from a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the estimated reserves, gas price assumptions and discount rates. Management has obtained the 5 year business plan prepared by the major partner (80% participating interest) that include amongst other estimates and assumptions, gas prices ranging from S$3.5 per gigajoule to S$3.9 per gigajoule that are within market analysts' estimated ranges for the relevant years. The rate used to discount the cash flows forecasts was 5.9%.

Management has considered the possibility of an decrease/increase in the gas price assumptions and the discount rate used. Based on management's assessment, the recoverable amount of the Group's interest in PRL 173 and 174 is in excess of its carrying amount, and accordingly, no impairment of the petroleum exploration rights is required as at 30 June 2015.

The carrying amount of the Group's interest in PRL 173 and 174 as at 30 June 2015 is disclosed in Note 18.

Critical judgements in applying accounting policies

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

(a) 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 approximately S$21.8 million (2014: S$24.8 million) as at 30 June 2015. Neither is it possible to determine the quantum of potential impairment losses, if any. As a result of the uncertainty surrounding the ownership of PT BSS, it is not possible to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. Accordingly, the investment has been included in the Group's consolidated statement of financial position at its carrying amount as disclosed above.

3 Critical Accounting Estimates and Judgements (cont'd)

Critical judgments in applying accounting policies (cont'd)

(b) Allowance for inventories

Management writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. During the current financial year, management made an allowance for inventory obsolescence of S$1,215 (2014: S$298,472). As at 30 June 2015, management has assessed that no additional allowance for inventory obsolescence is required on the inventories after considering the following factors:

– Age of the majority inventories is less than 2 years and are non-perishable;

– The inventories are in good and saleable conditions;

– The inventories are currently in use in the industry and are not obsolete.

The carrying amount of the Group's inventories as at 30 June 2015 is disclosed in Note 20.

(c) Allowance for impairment of receivables

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

For the financial year ended 30 June 2015, the Group made an allowance for impairment loss on trade receivables of S$81,122 (2014: Nil). The carrying amount of the Group's trade and other receivables is disclosed in Note 21.

(d) 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 Group's current income tax liabilities as at 30 June 2015 amounted to S$465,314 (2014: S$581,989). The carrying amount of the Group's deferred tax assets/liabilities as at 30 June 2015 is disclosed in Note 11.

(e) Impairment of financial assets, available-for-sale

Management reviews the financial assets, available-for sale for objective evidence of impairment as at the statement of financial position date. A significant or prolonged decline in the fair value of financial assets, available-for sale below its cost is considered as an indicator that the financial asset, available-for-sale is impaired. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, management evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of financial asset, available-for-sale is less than its cost.

3 Critical Accounting Estimates and Judgements (cont'd)

Critical judgments in applying accounting policies (cont'd)

(e) Impairment of financial assets, available-for-sale (cont'd)

As at 30 June 2015, the amount of cumulative loss recognised directly in the fair value reserve is removed from the fair value reserve within equity and an impairment loss of S$984,475 (2014: Nil) was recognised in profit or loss as a result of a significant decline in the fair value of the Group's financial assets, available-for-sale below their cost. Further details are disclosed in Note 19.

4 Revenue

	Group	
		(Restated)
	2015	2014
	S$	S$
Revenue from sale of goods	43,023,119	44,328,610
Revenue from maintenance services	833,635	318,978
Revenue from rental of equipment	645,091	750,298
	44,501,845	45,397,886

5 Other Operating Income/(Expenses)

	Group	
		(Restated)
	2015	2014
	S$	S$
The following items have been included in arriving at other operating income:		
Gain on disposal of a subsidiary (Note 14(g))	–	967,368
Reversal of allowance for impairment loss on trade receivables	–	17,409
Gain on disposal of plant and equipment	209,946	272,751
Service fee income	39,198	443,859
Gain on bargain purchase from acquisition of a subsidiary (Note 14(f)(ii))	508,764	–
Other income	114,633	94,186
	872,541	1,795,573

5 Other Operating Income/(Expenses) (cont'd)

	Group 2015 S$	(Restated) 2014 S$
The following items have been included in arriving at other operating expenses:		
Bad debts written off	–	(988)
Allowance for impairment loss on trade receivables (Note 21)	(81,122)	–
Loss on disposal of financial assets held for trading	–	(7,095,852)
Loss on disposal of available-for-sale financial assets	(8,070)	(1,700,347)
Fair value loss transferred from fair value reserve upon disposal of available-for-sale financial assets	–	(392,038)
Foreign exchange loss - unrealised	(1,320,892)	(549,536)
Foreign exchange loss - realised	(311,249)	(1,227)
Inventories written-off	–	(3)
Allowance for inventory obsolescence	(1,215)	(298,472)
Expenditure for PRL 173 and 174 (formerly known as PEL 101)	(22,020)	(24,212)
Impairment loss of available-for-sale financial assets	(985,475)	(178,556)
Fair value loss of financial assets held for trading	(4,675)	(88,905)
Plant and equipment written-off	(6,979)	–
	(2,741,697)	(10,330,136)

6 Distribution and Selling Expenses

	Group 2015 S$	(Restated) 2014 S$
Entertainment expenses	54,642	44,712
Public relation expenses	8,576	11,517
Travelling expenses	57,794	85,248
	121,012	141,477

7 Administrative Expenses

	Group 2015 S$	(Restated) 2014 S$
The following key items have been included in arriving at administrative expenses:		
Audit fees		
- Company auditors	136,601	145,898
- Other auditors	100,984	106,416
Non-audit fees		
- Company auditors	–	–
- Other auditors	29,947	15,291
Depreciation of property, plant and equipment (Note 13)	402,494	532,771
Personnel expenses (Note 8)	5,905,127	6,279,915
Insurance expenses	241,604	368,330
Operating lease expenses	306,069	243,490

8 Personnel Expenses

	Group 2015 S$	(Restated) 2014 S$
Staff costs:		
- wages, salaries and bonuses	4,071,332	4,419,388
- defined contribution plans	276,647	284,332
- equity-settled share-based payments	271,620	–
- other personnel expenses	41,908	70,064
	4,661,507	4,773,784
Directors' wages, salaries and bonuses:		
- directors of the Company	148,804	526,045
- directors of subsidiaries	774,533	771,567
Directors' defined contribution plans:		
- directors of the Company	–	6,736
- directors of subsidiaries	24,887	24,035
Directors' fees:		
- directors of the Company	89,300	73,500
- directors of subsidiaries	127,106	104,248
Equity-settled share-based payments		
- directors of the Company	78,990	–
Total directors' remuneration	1,243,620	1,506,131
Total personnel expenses (Note 7)	5,905,127	6,279,915

9 Finance Income

	Group	
		(Restated)
	2015	2014
	S$	S$
Interest income:		
- bank and fixed deposits and others	264,360	255,553
- Loaned Shares (Note 19)	–	1,766,625
	264,360	2,022,178

10 Finance Costs

	Group	
		(Restated)
	2015	2014
	S$	S$
Interest expense:		
- bank overdrafts	16,226	46,158
- finance leases	1,482	241
- borrowings	35,520	128,702
	53,228	175,101
Bank charges	81,072	106,389
	134,300	281,490

11 Income Tax

(a) Income tax expense

	Group	
		(Restated)
	2015	2014
	S$	S$
Current income tax		
- current year	599,006	689,159
- (over)/under provision in respect of prior years	(65,170)	4,612
	533,836	693,771
Deferred tax		
- current year	(142,413)	(266,900)
- under provision in respect of prior years	2,203	51,894
	393,626	478,765

11 Income Tax (cont'd)

(a) Income tax expense (cont'd)

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

	Group	
		(Restated)
	2015	2014
	S$	S$
Loss before income tax	(1,871,300)	(7,500,230)
(Less)/Add: Share of (profit)/loss of joint ventures	(227,467)	833,422
	(2,098,767)	(6,666,808)
Tax at the statutory tax rate	(356,790)	(1,133,357)
Tax effect of non-deductible expenses*	1,037,658	3,869,075
Tax effect of non-taxable income*	(296,923)	(2,199,238)
(Under)/Over provision in respect of current and deferred taxes in prior years, net	(62,967)	56,506
Deferred tax assets not recognised	80,000	97,917
Utilisation of deferred tax benefits not recognised in previous years	–	(62,029)
Statutory exemption	(54,364)	(57,334)
Effect of different tax rates in other countries	47,012	(92,775)
	393,626	478,765

* *Mainly relates to expenses/income derived by those entities of the Group, whose principal activities are those of investment holding that, do not qualify for deduction/are not taxable as they are capital in nature, in accordance with the relevant tax regulations.*

The statutory tax rate used above is the corporate tax rate of 17% (2014: 17%) payable by corporate entities in Singapore on taxable profits under tax laws in that jurisdiction. The corporate tax rate applicable to those entities of the Group incorporated in Australia is 30% (2014: 30%). The remaining entities of the Group operating in other tax jurisdictions are considered not material.

Deferred income taxes are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has certain unutilised tax losses of approximately S$12,721,000 (2014: S$11,259,000) as at 30 June 2015 available for offset against future taxable profits of the companies in which the losses arose. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the entities of the Group operate. The tax losses have no expiry date. The deferred tax assets of approximately S$1,397,000 (2014: S$1,317,000) arising from these unutilised tax losses are not recognised in the financial statements in accordance with the Group's accounting policy in Note 2(u).

11 Income Tax (cont'd)

(b) Deferred tax (assets)/liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
		(Restated)
	2015	2014
	S$	S$
Deferred tax assets	(165,721)	–
Deferred tax liabilities	6,378,738	7,253,431

Deferred tax (assets)/liabilities arise from and the movements in the accounts (prior to offsetting of balance with the same tax jurisdiction) during the financial year are as follows:

	Balance at 1 July S$	Recognised in profit or loss S$	Recognised in other comprehensive income S$	Currency realignment S$	Balance at 30 June S$
Group					
2015					
Deferred tax (assets)					
Provisions	(283,673)	239,727	–	(4,903)	(48,849)
Available-for-sale financial assets	(173,206)	–	(7,276)	1,253	(179,229)
Unutilised tax benefits	(901,474)	(750,645)	–	190,390	(1,461,729)
	(1,358,353)	(510,918)	(7,276)	186,740	(1,689,807)
Deferred tax liabilities					
Property, plant and equipment	34,530	(7,503)	–	1,058	28,085
Intangible assets*	8,577,254	378,211	–	(1,080,726)	7,874,739
	8,611,784	370,708	–	(1,079,668)	7,902,824
(Restated)					
2014					
Deferred tax (assets)					
Provisions	(337,471)	84,326	–	(30,528)	(283,673)
Available-for-sale financial assets	(175,424)	–	234	1,984	(173,206)
Unutilised tax benefits	(587,659)	(313,149)	–	(666)	(901,474)
	(1,100,554)	(228,823)	234	(29,210)	(1,358,353)
Deferred tax liabilities					
Property, plant and equipment	(13,385)	47,656	–	259	34,530
Intangible assets*	8,482,075	(33,839)	–	129,018	8,577,254
	8,468,690	13,817	–	129,277	8,611,784

* *Includes a deferred tax liability of approximately S$6.3 million (2014: approximately S$7.2 million) in respect of the Coal Concession Rights (Note 18).*

12 Loss per Share

	Group 2015 S$	Group (Restated) 2014 S$
Loss attributable to equity holders of the Company	(2,662,443)	(8,146,748)
Weighted average number of ordinary shares outstanding for basic and diluted loss per ordinary share(1)	54,050,415	40,973,561
Loss per share (S$ cents)		
Attributable to the equity holders of the Company		
- Basic and diluted(1)	(4.93)	(19.88)

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

For the purpose of calculating diluted earnings per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Diluted loss per share as at 30 June 2015 and 2014 is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share.

The Company has 2 categories of anti-dilutive potential ordinary shares, which pertains to convertible notes (Note 27) and share awards under the Magnus Energy PSP (Note 37(a)). Convertible notes are assumed to have been converted into ordinary shares at issuance and the net loss is adjusted to eliminate the interest expense, net of tax.

(1) On 21 April 2015, the Company completed a share consolidation of every 50 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the calculation of loss per share for FY2014 had been adjusted for the effect of the share consolidation.

13 Property, Plant and Equipment

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group										
2015										
Cost										
Balance at 1 July 2014	469,763	604,170	4,516,957	5,855,044	244,871	329,910	68,617	700,930	56,641	12,846,903
Additions	–	–	2,155	4,117	82,143	34,149	–	4,962	–	127,526
Arising from acquisition of subsidiary (Note 14(f)(ii))	–	–	–	–	–	3,733	–	1,584	–	5,317
Disposals	–	–	–	(1,361,164)	(133,111)	–	–	–	–	(1,494,275)
Written off	–	–	–	–	–	(8,220)	(4,137)	(31,267)	(43,841)	(87,465)
Translation differences	(23,997)	(30,863)	346,789	(488,194)	11,687	17,543	2,347	(1,028)	–	(165,716)
Balance at 30 June 2015	445,766	573,307	4,865,901	4,009,803	205,590	377,115	66,827	675,181	12,800	11,232,290
Accumulated depreciation and impairment										
Balance at 1 July 2014	–	134,255	448,670	5,414,298	243,759	255,903	51,505	581,614	43,780	7,173,784
Charge for the year	–	11,033	113,734	188,281	17,936	30,544	2,532	32,034	6,400	402,494
Disposals	–	–	–	(1,163,196)	(133,111)	–	–	–	–	(1,296,307)
Written off	–	–	–	–	–	(8,220)	(3,562)	(24,926)	(43,778)	(80,486)
Translation differences	–	(16,826)	37,789	(432,040)	7,644	17,054	2,170	1,762	–	(382,447)
Balance at 30 June 2015	–	128,462	600,193	4,007,343	136,228	295,281	52,645	590,484	6,402	5,817,038
Net book value										
Balance at 30 June 2015	445,766	444,845	4,265,708	2,460	69,362	81,834	14,182	84,697	6,398	5,415,252

13 Property, Plant and Equipment (cont'd)

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group										
(Restated)										
2014										
Cost										
Balance at 1 July 2013	484,861	619,329	4,572,937	6,218,424	441,963	274,321	66,241	657,314	43,841	13,379,231
Additions	–	–	7,914	163,841	–	62,656	5,874	57,839	12,800	310,924
Disposals	–	–	–	(343,596)	(197,648)	–	(82)	(1,000)	–	(542,326)
Translation differences	(15,098)	(15,159)	(63,894)	(183,625)	556	(7,067)	(3,416)	(13,223)	–	(300,926)
Balance at 30 June 2014	469,763	604,170	4,516,957	5,855,044	244,871	329,910	68,617	700,930	56,641	12,846,903
Accumulated depreciation and impairment										
Balance at 1 July 2013	–	102,310	344,809	5,521,810	429,746	270,842	48,500	559,428	36,472	7,313,917
Charge for the year	–	34,768	109,626	307,774	10,881	23,400	5,468	33,546	7,308	532,771
Disposals	–	–	–	(258,398)	(193,180)	–	–	(500)	–	(452,078)
Translation differences	–	(2,823)	(5,765)	(156,888)	(3,688)	(38,339)	(2,463)	(10,860)	–	(220,826)
Balance at 30 June 2014	–	134,255	448,670	5,414,298	243,759	255,903	51,505	581,614	43,780	7,173,784
Net book value										
Balance at 30 June 2014	469,763	469,915	4,068,287	440,746	1,112	74,007	17,112	119,316	12,861	5,673,119

13 Property, Plant and Equipment (cont'd)

	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Company						
2015						
Cost						
Balance at 1 July 2014	–	46,711	32,702	33,665	56,641	169,719
Additions	–	7,446	–	1,965	–	9,411
Disposals	–	(8,220)	(14,713)	(20,721)	(43,841)	(87,495)
Balance at 30 June 2015	–	45,937	17,989	14,909	12,800	91,635
Accumulated depreciation						
Balance at 1 July 2014	–	29,985	19,037	24,322	43,780	117,124
Charge for the year	–	7,580	2,096	1,410	6,400	17,486
Disposals	–	(8,220)	(14,129)	(14,389)	(43,778)	(80,516)
Balance at 30 June 2015	–	29,345	7,004	11,343	6,402	54,094
Net book value						
Balance at 30 June 2015	–	16,592	10,985	3,566	6,398	37,541
2014						
Cost						
Balance at 1 July 2013	188,644	26,269	32,702	33,665	43,841	325,121
Additions	–	20,442	–	–	12,800	33,242
Disposals	(188,644)	–	–	–	–	(188,644)
Balance at 30 June 2014	–	46,711	32,702	33,665	56,641	169,719
Accumulated depreciation						
Balance at 1 July 2013	188,644	25,156	14,513	20,956	36,472	285,741
Charge for the year	–	4,829	4,524	3,366	7,308	20,027
Disposals	(188,644)	–	–	–	–	(188,644)
Balance at 30 June 2014	–	29,985	19,037	24,322	43,780	117,124
Net book value						
Balance at 30 June 2014	–	16,726	13,665	9,343	12,861	52,595

During the financial year, other plant and equipment were acquired by cash payments of S$127,526 (2014: S$265,420). In the previous financial year ended 30 June 2014, the Group acquired certain plant and equipment by means of finance leases totalling S$45,504.

As at 30 June 2015, the Group has certain furniture and fittings under finance leases with a net book value of S$31,058 (2014: S$37,286). In the previous financial year ended 30 June 2014, the Group had certain motor vehicles under finance leases with a net book value S$1,110.

13 Property, Plant and Equipment (cont'd)

Details of land and buildings owned by the Group as at 30 June 2015 and 2014 are as follows:

Location	Description	Area (sqm)	Title
5234 Brittmoore-North Road Harris County, Texas 77041 (KM 449C), USA	Office/Warehouse facility	Land: 6,494 Building: 795	Freehold
130 Mills Street, Welshpool Western Australia	Office/Warehouse facility	Land: 2,521 Building: 300	Freehold
9 Barfield Crescent, Elizabeth West, Adelaide South Australia	Single storey industrial building	Land: 2,044 Building: 196	Freehold
Unit 8, 47 Musgrove Road, Coopers Plains, Queensland South Australia	Terrace unit with office and warehouse building	Land: 190 Building: 190	Freehold
32 Loyang Crescent Singapore 508992	Office and warehouse building	Land: 4,222 Building: 3,428	Leasehold (expiring in 2051)

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprised:

	Company	
	2015 S$	2014 S$
Equity investments, at cost		
Balance at 1 July	50,220,102	50,220,100
Additions	406,577	2
	50,626,679	50,220,102
Less: Impairment loss	(35,771,133)	(35,771,133)
Balance at 30 June*	14,855,546	14,448,969

* *Includes the investment in APAC Coal Limited ("APAC") with a carrying amount of approximately S$492,000 (2014: S$492,000) after the allowance for impairment loss of approximately S$35.8 million (2014: S$35.8 million).*

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

	Company	
	2015 S$	2014 S$
Balance at 1 July	(35,771,133)	(35,618,112)
Allowance for the year	–	(153,021)
Balance at 30 June	(35,771,133)	(35,771,133)

14 Investments in Subsidiaries (cont'd)

(a) Investments in subsidiaries comprised: (cont'd)

As at 30 June 2015, management carried out an assessment on the recoverable amount of the Company's investments in subsidiaries, and concluded that no additional allowance for impairment loss is required. For the financial year ended 30 June 2014, the Group recognised an additional allowance for impairment of approximately S$0.15 million. The investment that gave rise to the additional allowance for impairment loss relates to the quoted shares of one of the subsidiaries of the Company of which the directors of the Company had determined the recoverable amount based on fair value less costs to sell based on the market value of those quoted shares, which was less than the carrying amount of its investment as at 30 June 2014.

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2015	2014
			%	%
Held by the Company				
Antig Investments Pte. Ltd. ("Antig")	Investment holding	Singapore	100.00	100.00
MEG Global Ventures Pte. Ltd. ("MGV")	Investment holding	Singapore	100.00	100.00
Mid-Continent Equipment Group Pte Ltd. ("MEG")[1]	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	55.89	54.35
MEG Management Sdn Bhd[2]	Providing management services	Malaysia	100.00	100.00
APAC[3]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.91	56.87

14 Investments in Subsidiaries (cont'd)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2015 %	2014 %
Held by the Company				
MEG Global Resources Limited ("MEGGR")[4, 5]	Trading of energy and natural resources	British Virgin Islands	100.00	–
Held by APAC				
PT Deefu Chemical Indonesia ("PT Deefu")[6]	Trading in chemical materials	Indonesia	56.91	56.87
Held by PT Deefu				
PT Batubara Selaras Sapta[6]	Coal mining and marketing of coal products	Indonesia	56.91	56.87
Held by MEG				
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia")[1, 3]	Supply of oilfield and mining equipment	Australia	55.89	54.35
Mid-Continent Enterprises, LLC[1,7]	Holding of warehouse property	United States of America	55.89	54.35
Mid-Continent Equipment, Inc. ("MEI)[1,8]	Supply of oilfield equipment	United States of America	44.71	43.48
Mid-Continent Environmental Project Pte Ltd ("MEP")[1]	Sale and rental of decanters and provision of environmental and waste management services	Singapore	55.89	54.35
Mid-Continent Tubular Pte Ltd ("MTS")[1]	Trading in oilfield tubular products and the provision of related services	Singapore	55.89	–
Held by ME Australia				
Tubular Leasing Australia Pty Ltd[1,3,9]	Renting or leasing drill pipes and drilling accessories	Australia	28.50	27.72
Mid-Continent Equipment NZ Limited[1,3]	Supply of oilfield and mining equipment	New Zealand	55.89	54.35

14 Investments in Subsidiaries (cont'd)

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

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

1 *Acquisition of interest in subsidiary (see Note 14(f)).*

2 *Audited by Moore Stephens AC, Johor Bahru, Malaysia.*

3 *Audited by Moore Stephens, Perth, Australia.*

4 *Incorporated during the year (see Note 14(e)).*

5 *Not required to be audited under the laws of its country of incorporation but was audited by Moore Stephens LLP, Singapore for group consolidation purposes.*

6 *Exempted from audit under the laws of its country of incorporation.*

7 *Not required to be audited under the laws of its country of incorporation.*

8 *Audited by LaPorte CPA's and Business Advisors. Not considered significant to the Group in accordance with Rule 718 of the SGX-ST Listing Manual.*

9 *The entity is considered a subsidiary as the Group has control of this entity.*

(c) Interest in subsidiaries with material non-controlling interests

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive (loss)/income allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
		%	%	S$	S$	S$	S$
MEG	Singapore	44.11	45.65	(367,150)	1,010,504	(1,761,102)	(1,343,994)
APAC	Australia	43.09	43.13	(506,038)	(395,854)	–	–

During the current financial year ended 30 June 2015, dividends paid by MEG to non-controlling shareholders amounted to S$583,564 (2014: S$751,010).

14 Investments in Subsidiaries (cont'd)

(d) Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	MEG		APAC	
	2015	2014	2015	2014
	S$	S$	S$	S$
Summarised statement of financial position				
Current assets	34,849,897	32,018,209	1,037,810	1,859,228
Non-current assets	11,656,295	14,542,071	21,804,439	24,765,058
Current liabilities	(6,553,732)	(7,843,456)	(143,370)	(236,268)
Non-current liabilities	(116,684)	(120,339)	(6,284,880)	(7,164,885)
Equity attributable to owners of the Company	(38,074,674)	(37,252,491)	(16,413,999)	(19,223,133)
Non-controlling interests	(1,761,102)	(1,343,994)	–	–
Summarised statement of comprehensive income				
Revenue	43,996,932	45,397,886	–	–
Profit/(Loss) for the year	591,928	1,202,031	(286,581)	(905,442)
Total comprehensive (loss)/income for the year	(367,150)	1,010,504	(506,038)	(395,854)
Profit/(Loss) attributable to equity holders of the Company	330,829	653,304	(163,093)	(514,925)
Profit/(Loss) attributable to non-controlling interests	261,099	548,727	(123,488)	(390,517)
Profit/(Loss) for the year	591,928	1,202,031	(286,581)	(905,442)
Total comprehensive (loss)/income attributable to equity holders of the Company	(205,200)	549,209	(287,986)	(225,122)
Total comprehensive (loss)/income attributable to non-controlling interests	(161,950)	461,295	(218,052)	(170,732)
Total comprehensive (loss)/income for the year	(367,150)	1,010,504	(506,038)	(395,854)
Summarised statement of cash flows				
Net cash inflow/(outflow) from operating activities	3,930,203	(2,034,868)	50,163	(204,451)
Net cash inflow from investing activities	2,643,218	3,217,989	–	–
Net cash (outflow)/inflow from financing activities	(1,459,454)	1,385,978	–	28,216
Net cash inflow/(outflow)	5,113,967	2,569,099	50,163	(176,235)

14 Investments in Subsidiaries (cont'd)

(e) Incorporation of a subsidiary

During the current financial year, the Company incorporated a wholly owned subsidiary, MEGGR, in the British Virgin Islands with an authorised capital of US$50,000 and a paid-up share capital of US$10,000. The principal activity of MEGGR is that of trading of energy and natural resources.

In the previous financial year ended 30 June 2014, the Company had incorporated a wholly owned subsidiary, MGV, in Singapore with an initial paid-up share capital of S$2.

(f) Acquisition of interest in subsidiary

(i) During the current financial year, the Group acquired an additional 1.54% equity interest in MEG for a consideration of S$393,254. Following the additional acquisition, the Group has increased its equity interest in MEG from 54.35% to 55.89%.

Consequently, the Group's effective equity interest in associated companies and joint venture entitles under MEG was increased as follows:

Associated Companies

- Mohebi – Midcontinent Oilfield Supply Limited Liability Company from 26.63% to 27.39%
- MEP Environmental Services Sdn Bhd from 27.18% to 27.95%

Joint Venture Entities

- GSO Pte. Ltd. from 27.18% to 27.95%
- Plant Tech Mid-Continent (India) Pvt. Ltd. from 27.18% to 27.95%
- MEP Waste Management (M) Sdn Bhd from 27.18% to 27.95%

The effect of changes in the ownership interest of MEG on the equity attributable to equity holders of the Company during the financial year is summarised as follows:

	2015 **S$**
Carrying amount of non-controlling interests acquired	574,156
Consideration paid to non-controlling interests	(393,254)
Change in interest in a subsidiary recognised in equity	180,902

14 Investments in Subsidiaries (cont'd)

(f) Acquisition of interest in subsidiary (cont'd)

(ii) During the current financial year, MEG, a subsidiary of the Group, acquired an additional 50% equity interest in MTS for a consideration of US$400,000 (equivalent to S$549,520). Following the additional acquisition, MEG now holds a 100% equity interest in MTS. The Group's effective interest in MTS was accordingly increased from 27.18% to 55.89%.

The fair value of the identifiable assets and liabilities of the acquired subsidiary as at the acquisition date were:

	2015 S$
Cash and bank deposits	2,150,582
Property, plant and equipment (Note 13)	5,317
Trade and other payables	(39,331)
Total identifiable net assets	2,116,568
Less: Consideration paid in cash	(549,520)
Fair value of previously held equity interest	(1,058,284)
Gain on bargain purchase on acquisition of a subsidiary*	508,764

The net cash inflow arising from the acquisition of the subsidiary is as follows:

	S$
Cash and bank deposits acquired	2,150,582
Less: Consideration paid in cash	(549,520)
Net cash inflow on acquisition of the subsidiary	1,601,062

* *The Group recognised a gain on bargain purchase on acquisition of a subsidiary as a result of the fair value of net identifiable assets acquired exceeding the cash consideration paid. Gain on bargain purchase on acquisition of a subsidiary is included under other operating income (Note 5).*

Impact of acquisition on the results of the Group

From the date of acquisition to 30 June 2015, MTS did not generate any revenue and remained inactive. The revenue and results of MTS from 1 July 2014 to prior the date of acquisition was considered not material to the Group.

14 Investments in Subsidiaries (cont'd)

(g) Disposal of a subsidiary

In the previous financial year ended 30 June 2014, Antig, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Enchante Services Inc. (the "Purchaser") for the disposal of its 100% equity interest in Wallmans Limited ("Wallmans") for a cash consideration of S$10,045.

Details of the assets and liabilities disposed of at the date of disposal, the date of which the control was passed to the Purchaser, the calculation of the gain or loss on disposal and the effects of the disposal on the cash flows of the Group were as follows:

	2014
	S$
Carrying amounts of assets and liabilities disposed:	
Other financial assets	2,866,000
Trade and other receivables	1,100
Cash and bank deposits	10,078
Total assets	2,877,178
Other payables	3,834,501
Total liabilities	3,834,501
Net liabilities disposed	(957,323)

The net cash outflow arising from the disposal of the subsidiary was as follows:

Net liabilities disposed of (as above)	(957,323)
Gain on disposal of a subsidiary	967,368
Cash consideration from disposal	10,045
Less: Cash and bank deposits in the subsidiary disposed	(10,078)
Net cash outflow on disposal of the subsidiary	(33)

15 Investments in Associated Companies

(a) Investments in associated companies comprised:

	Group	
	2015	**2014**
	S$	**S$**
Equity investments, at cost	22,350	22,350
Share of post-acquisition losses:		
Balance at 1 July	(20,641)	(20,617)
Currency realignment	131	(24)
Balance at 30 June	(20,510)	(20,641)
	1,840	1,709

15 Investments in Associated Companies (cont'd)

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment		Effective Equity Interest Held by the Group	
		2015	2014	2015	2014
		S$	S$	%	%
Held by MEG					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company ("Mohebi")[1, 3] United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	27.39	26.63
Held by MEP					
MEP Environmental Services Sdn Bhd ("MESSB")[2, 3] Malaysia	Provision of environmental and waste management services	22,000	22,000	27.95	27.18
		22,350	22,350		

1 *Audited by Ernst & Young, United Arab Emirates.*

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

3 *Acquisition of additional interest in associated companies (see Note 14(f)(i)).*

(c) Summarised financial information of the associated companies

As at 30 June 2015 and 2014, no associated company was considered individually material to the Group. The summarised financial information of the associated companies, not adjusted for the percentage of equity interest held by the Group, is as follows:

	Group	
	2015	2014
	S$	S$
Current assets	9,220	7,528
Current liabilities	2,690	1,264
Net loss for the year	–	–
Other comprehensive loss for the year	–	–
Total comprehensive loss for the year	–	–

The associated companies have remained inactive for the financial year ended 30 June 2015 and 2014.

16 Investments in Joint Venture Entities

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

	Group 2015 S$	Group (Restated) 2014 S$
Balance at 1 July	3,996,598	4,891,163
Share of the profit/(loss) for the year	227,467	(833,422)
Dividend received from joint venture entities	(2,677,236)	–
Foreign exchange difference	287,091	(61,143)
Reclassification of joint venture entity to a subsidiary following the additional acquisition during the year (Note14(f)(ii))	(1,058,284)	–
	775,636	3,996,598

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective Equity Interest Held by the Group 2015 %	Effective Equity Interest Held by the Group 2014 %
Held by MEG			
Mid-Continent Tubular Pte Ltd[1, 5] Singapore	Trading in oilfield tubular products and the provision of related services	–	27.18
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	27.95	27.18
Held by MEP			
Plant Tech Mid-Continent (India) Pvt. Ltd.[2, 4] India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	27.95	27.18
MEP Waste Management (M) Sdn Bhd [3, 4] Malaysia	Provision of environmental and waste management services	27.95	27.18

1 *Audited by Moore Stephens LLP, Singapore.*

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

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

4 *Acquisition of additional interest in joint venture entities (see Note 14(f)(i)).*

5 *Reclassification of joint venture entity to subsidiary (see Note 14(f)(ii)).*

16 Investments in Joint Venture Entities (cont'd)

As at 30 June 2015 and 2014, no joint venture entity was considered individually material to the Group. The summarised financial information of the joint venture entitles, not adjusted for the percentage of equity interest held by the Group, is as follows:

	Group	
	2015	**2014**
	S$	**S$**
Current assets	1,323,862	8,059,162
Non-current assets	1,020,724	1,195,754
Current liabilities	(716,374)	(1,101,538)
Non-current liabilities	(76,940)	(160,182)
Revenue	2,336,244	10,459,298
Profit/(Loss) for the year	454,934	(1,666,844)
Other comprehensive income for the year	–	–
Total comprehensive income/(loss) for the year	454,934	(1,666,844)

17 Goodwill

	Group	
	2015	**2014**
	S$	**S$**
Cost		
Balance at 1 July and 30 June	1,569,703	1,569,703

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

	Group	
	2015	**2014**
	S$	**S$**
MEG	1,569,703	1,569,703

The recoverable amount of a CGU is determined from a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the revenue growth, gross profit margin, discount rates and growth rates during the relevant years. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU. MEG prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management has assumed an estimated 0% growth in the first and second year and 1% growth in the next 3 years (2014: revenue growth of 1% for the next 5 years) and an average gross profit margin of 20.2% (2014: 20.0%). Management has also used a 1% (2014: 3%) growth rate to calculate the terminal value for periods beyond the 5 years. The rate used to discount the cash flow forecasts of the CGU was 5.9% (2014: 5.1%).

17 Goodwill (cont'd)

Sensitivity analysis

Management has considered the possibility of a decrease/increase in the estimated growth rate/terminal value and the discount rate used. Based on management's assessment, the recoverable amount of the CGU is in excess of its carrying amount, and accordingly, no impairment of goodwill is required as at 30 June 2015 (2014: Nil). Notwithstanding this, management's estimates used in the value-in-use calculation were based on historical experience and their expectation of future events that are believed to be reasonable under the circumstances. In the event there is a significant change in those estimates used, actual results may ultimately differ and may materially affect the recoverable amount of the CGU.

18 Other Intangible Assets

	Group Cost and Carrying Amount	
	2015	2014
	S$	S$
Petroleum Retention License		
- 20% (2014: 20%) participating interest for the exploration of an area covered by the PRL 173 and 174 (formerly known as PEL 101) granted under the Petroleum Act 2000 of South Australia		
Balance at 1 July	4,259,577	4,431,893
Additions	999,057	2,348
Currency realignment	(587,828)	(174,664)
Balance at 30 June	4,670,806	4,259,577
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		
Balance at 1 July	23,882,950	23,487,100
Currency realignment	(2,933,350)	395,850
Balance at 30 June	20,949,600	23,882,950
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia		
Balance at 1 July	881,112	1,030,271
Currency realignment	(26,836)	(149,159)
Balance at 30 June	854,276	881,112
	21,803,876	24,764,062
Total other intangible assets	26,474,682	29,023,639

18 Other Intangible Assets (cont'd)

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

	Group	
	2015	2014
	S$	S$
Cost		
Balance at 1 July	62,713,621	62,639,246
Additions:		
- Petroleum Retention License	999,057	2,348
Currency alignment	(3,548,014)	72,027
Balance at 30 June	60,164,664	62,713,621
Accumulated impairment loss		
Balance at 1 July and 30 June - Coal Concession Rights	(33,689,982)	(33,689,982)
Balance at 30 June	26,474,682	29,023,639

Coal Concession Rights

The Coal Concession Rights, included in the Group's consolidated statement of financial position, at a carrying amount of approximately S$21.8 million (2014: S$24.8 million) with a corresponding deferred tax liability of approximately S$6.3 million (2014: S$7.2 million) (Note 11) included in intangible assets are held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group.

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

On the advice of the Indonesian legal counsel, the Group 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. In May 2012, the Indonesian legal counsel advised that the Judicial Review had been concluded, and that the Administrative Court does not have the authority to examine the title of ownership of the shares of PT BSS. Instead, only a District Court has such an authority.

Subsequently, a fresh civil suit was filed by the Group with the District Court of Southern Jakarta. In accordance with the Indonesian Rules of Civil Procedure, the disputing parties have to conduct mediation before a trial. In June 2013, the Group received the judgement on the aforesaid civil suit. The District Court of Southern Jakarta had dismissed the lawsuit on the grounds that several individuals or parties named in the civil suit were not involved in the dispute.

Consequently, after consultation with the Group's legal advisors, the Group served a Notice of Intent ("Notice") to Resolve Investment Dispute to the Government of the Republic Indonesia on 25 June 2013. In February 2015, APAC appointed an attorney to pursue the Company's claim against the Government of the Republic of Indonesia via arbitration of the International Centre for Settlement of Investment Dispute ("ICSID"). In March 2015, a request to resolve the investment dispute through consultations and negotiations was sent to the Government of the Republic of Indonesia by the attorney. As at the date of authorisation of these financial statements, the Government of the Republic of Indonesia has not responded to the request.

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

18 Other Intangible Assets (cont'd)

Impairment loss - Coal Concession Rights

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

As the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS, as described in the preceding paragraphs of this note, is uncertain, the directors of the Company were unable to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. For these reasons, it is not possible with any degree of reliability to assess the fair value of the Group's investment in the Coal Concession Rights as at 30 June 2015. Accordingly, the investment has been included in the Group's consolidated statement of financial position at its carrying amount as disclosed in this note.

19 Other Financial Assets

	Group		Company	
	2015	2014	2015	2014
	S$	S$	S$	S$
Available-for-sale financial assets				
Quoted equity shares, at fair value	2,786,123	4,791,110	321	20,192
Financial assets held for trading				
Quoted warrants, at fair value	1,168	7,408	1,168	5,844
Total other non-current financial assets	2,787,291	4,798,518	1,489	26,036

During the financial year, the Group recognised an impairment loss of S$985,475 (2014: S$178,556) against certain available-for-sale financial assets as a result of a significant decline in the fair value of these available-for-sale financial assets.

In the previous financial year ended 30 June 2014, the Company entered into two share lending agreements (the "Share Lending Agreements") with a third party individual (the "Borrower") whereby the Company agreed to lend certain of its investment in quoted equity shares (the "Loaned Shares"), classified above as available-for-sale financial assets, to the Borrower. The Loaned Shares had a fair value of S$23.3 million on the date of transfer and incurred interest of 6% per annum. The Lending Agreements were to mature not later than 12 months from the date of the agreements and are collateralised by a pledge of the Borrower's investment in other quoted equity shares (the "Pledged Shares").

Pursuant to the terms of the Share Lending Agreements, notwithstanding the legal titles of the Loaned Shares had been passed from the Company/Antig to the respective Borrowers on transfer of the Loaned Shares, the Company/Antig retained substantially all the risks and rewards of ownership of the Loaned Shares, and accordingly, the Group continued to account for the Loaned Shares as its available-for-sale financial assets prior to the settlement arrangements as further described below.

19 Other Financial Assets (cont'd)

On 30 April 2014, all the Share Lending Agreements mentioned above were terminated and each party had possessed and retained the Loan Securities and Pledged Securities accordingly. However, the fair value of the Pledged Securities were insufficient and fell short of the fair value of the Loan Securities held by the respective Borrowers, and accordingly, a director of the Company agreed for the said shortfall owing by the Borrowers to the Company/Antig including interest arrears totalling S$2.48 million to be offsetted against the advances from him to the Company, which amounted to S$2.53 million (see Note 36).

20 Inventories

	Group	
		(Restated)
	2015	2014
	S$	S$
At cost		
Finished goods	5,826,759	6,026,725
Goods-in-transit	661,928	978,888
Work-in-progress	7,640	30,783
	6,496,327	7,036,396
At net realisable value		
Finished goods	37,348	379,125
Total inventories	6,533,675	7,415,521
Cost of inventories sold included in cost of sales amounted to:	34,993,873	35,681,239

During the financial year ended 30 June 2015, the Group made an allowance for inventory obsolescence of S$1,215 (2014: S$298,472).

21 Trade and Other Receivables

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Current				
Trade receivables	6,271,953	6,573,524	–	–
Less: Impairment loss	(66,085)	(12,895)	–	–
	6,205,868	6,560,629	–	–
Advance to suppliers	64,179	294,621	–	–
Other receivables	91,211	322,686	18,711	6,697
Deposits	322,974	648,234	302,934	587,953
Prepayments	69,868	72,380	8,571	27,291
Other interest receivable	85,806	41,688	–	–
Other taxes recoverable	57,157	17,009	–	–
	6,897,063	7,957,247	330,216	621,941
Non-current				
Other receivable	1,500,000	–	–	–

21 Trade and Other Receivables (cont'd)

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

Included in deposits are legal fee deposits amounting to approximately S$291,000 (2014: S$563,000) incurred by the Group mainly in relation to the Arbitration (Note 33) the Group was involved in, which has concluded during the current financial year. Subsequent to the financial year, the excess legal fee deposits was refunded.

Non-current other receivable pertains to a secured redeemable convertible loan ("RCL"). On 22 May 2015, MEGGR entered into a RCL agreement ("Agreement") with PT Hanjungin ("PTH"), a company incorporated in Indonesia, for an aggregate amount of up to S$5,000,000. PTH is principally engaged in property and infrastructure development in Indonesia. The RCL bears interest at a rate of 9.0% per annum and is collaterised by a land beneficially owned by PTH.

Under the terms of the Agreement, the RCL shall be drawn down in 50 tranches of S$100,000 each and shall be convertible into fully paid ordinary shares in the share capital of PTH at a conversion price based on the net assets value of PTH at the intended date of conversion, subject to the mutual agreement by PTH and MEGGR. Unless converted, PTH shall redeem 100% of the principal amount of the drawn down RCL by 31 December 2017. Management is of the view that the equity conversion feature in the RCL has no significant value as it can be only exercised with the mutual agreement of both contracting parties.

As at 30 June 2015, PTH has drawn down S$1,500,000 of the RCL. The carrying amount of the RCL approximates its fair value based on the discounted expected future principal and interest cash flows. The discount rate used is based on market interest rates for similar instruments as at the reporting date.

Impairment loss – trade receivables

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

	Group	
	2015	**2014**
	S$	**S$**
Balance at 1 July	12,895	43,660
Reversal of allowance	–	(17,409)
Allowance written off	(26,372)	(12,236)
Allowance for the year	81,122	–
Currency alignment	(1,560)	(1,120)
Balance at 30 June	66,085	12,895

22 Related Parties Balances

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

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Due from:				
- Subsidiaries* (non-trade)	–	–	5,915,364	4,432,086
- Joint venture entities (trade)	46,494	74,838	–	–
- Joint venture entities (non-trade)	228,112	327,564	–	–
- Related party (non-trade)	–	18,766	–	–
	274,606	421,168	5,915,364	4,432,086

* *Includes an amount due from APAC Coal Limited (“APAC”) of approximately S$1,054,000 (2014: S$646,000).*

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Due (to):				
- Subsidiaries** (non-trade)	–	–	(2,021,113)	(2,468,282)
- Joint venture entities (trade)	(989)	(528,800)	–	–
- Joint venture entities (non-trade)	–	(37,473)	–	–
	(989)	(566,273)	(2,021,113)	(2,468,282)

** *Includes a term loan amount due to APAC of A$1.9 million (2014: A$2.1 million) (approximately S$2.0 million) (2014: approximately S$2.5 million) which is secured by a charge of all monies which are acceptable to the Lender with a combined value of not less than A$1.5 million (2014: A$2.1 million), carries a 7% (2014: 7%) interest per annum and is repayable in full on maturity or extended as may be mutually agreed between the parties.*

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

23 Cash and Bank Deposits

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Cash and bank balances	10,094,135	4,077,669	2,219,569	25,177

24 Fixed Deposits

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Fixed deposits (restricted)	5,371,447	5,252,797	300,000	–
Fixed deposits (unrestricted)	9,220,701	7,578,189	–	–
	14,592,148	12,830,986	300,000	–

Fixed deposits bear interest ranging from 0.07% to 2.73% (2014: 0.07% to 3.25%) per annum and have maturity periods ranging from 1 to 12 months (2014: 1 to 12 months).

The above restricted fixed deposits are pledged as security against bank overdrafts as disclosed in Note 26.

25 Trade and Other Payables

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Trade payables	2,718,468	2,463,219	–	336
Other payables	1,082,070	2,684,782	137,159	329,303
Amount due to Phillip Securities	–	1,720,000	–	1,720,000
Amount due to a director	–	158,891	–	153,891
Accrued operating expenses	2,030,112	1,520,013	137,388	152,806
	5,830,650	8,546,905	274,547	2,356,336

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

In the previous financial year ended 30 June 2014, the Company entered into an agreement with Phillip Securities Pte Ltd ("Phillip Securities") for the repayment of debts outstanding which amounted to S$1,720,000 (the "Debt"). The Debt bore interest at a rate of 4.5% per annum, repayable in tranches over a term of one year which commenced on 23 June 2014 at the request of Phillip Securities.

Under the terms of the agreement, the Company had the option to repay the entire Debt in cash or to issue up to 110,950,617 new ordinary shares ("Shares") in the capital of the Company at an issue price equal to 90% of the volume weighted average price of the Shares for the full market day preceding the date of the repayment demand from Phillip Securities. During the current financial year, the Debt was fully redeemed by the issuance of 64,986,000 Shares (Note 29) and the balance by cash amounted to S$770,017.

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

26 Bank Overdrafts

The effective interest rates of the secured bank overdrafts are 6.25% (2014: 6.25%) per annum.

27 Borrowings

	Group		Company	
	2015 S$	2014 S$	2015 S$	2014 S$
Unsecured convertible notes				
Balance as at 1 July	–	–	–	–
Convertible notes issued	7,500,000	–	7,500,000	–
Conversion to shares (Note 29)	(7,200,000)	–	(7,200,000)	–
Balance as at 30 June	300,000	–	300,000	–

On 3 September 2014, the Company entered into a subscription agreement with Premier Equity Fund (the "Subscriber"), a company incorporated in the Cayman Islands and Value Capital Asset Management Private Limited (the investment manager for the Subscriber) pursuant to which the Company will issue up to S$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S$10,000,000 each and a final tranche of a principal amount of S$15,000,000, on the terms and subject to the conditions of the subscription agreement. The convertible notes bear interest at a rate of 2.0% per annum and are unsecured.

The issue price of the convertible notes is 100% of the principal amount and may be converted into fully paid ordinary shares in the share capital of the Company at the option of the Subscriber on the terms and subject to the conditions of the subscription agreement. Any convertible notes not converted will be redeemed by the Company at 100% of their principal amount at 36 months after the closing date for the first issue of the convertible notes.

As at 30 June 2015, the Company has issued several sub-tranches of S$500,000 each of the first initial tranche of a principal amount of S$10,000,000 in accordance with the subscription agreement amounting to S$7,500,000, of which S$7,200,000 has been converted by the Subscriber on the terms of the subscription agreement (see Note 29). Management has assessed that the fair value of the convertible option of the convertible notes issued was not material. Accordingly, no derivative has been recognised for the convertible notes during the year and as at 30 June 2015.

28 Finance Lease Obligations

	Group		Company	
	2015 S$	2014 S$	2015 S$	2014 S$
Minimum lease payments payable:				
Due not later than one year	10,446	11,315	–	–
Due later than one year and not later than five years	26,229	36,557	–	–
	36,675	47,872	–	–
Finance charges allocated to future years	(4,764)	(6,125)	–	–
Present value of minimum lease payments	31,911	41,747	–	–
Classified as:				
- Non-current	22,826	31,793	–	–
- Current	9,085	9,954	–	–

The effective interest rate of the finance lease obligations is 5.61% (2014: 5.61%) per annum.

29 Share Capital

	Group and Company			
	2015		2014	
	Number of shares	S$	Number of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	2,048,678,060	120,126,816	2,048,678,060	120,126,816
Settlement of amount due to Phillip Securities (Note 25)*	64,986,000	949,983	–	–
Shares awarded to employees under Magnus Energy PSP (Note 8)*	35,061,000	350,610	–	–
Conversion from convertible notes (Note 27)*	1,302,139,152	3,600,000	–	–
Shares consolidation	(3,381,846,937)	–	–	–
Conversion from convertible notes (Note 27)#	101,415,948	3,600,000	–	–
Share issue expenses	–	(349,055)	–	–
Balance at 30 June	170,433,223	128,278,354	2,048,678,060	120,126,816

* *before share consolidation*
\# *after share consolidation*

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

As a result of the share consolidation of every 50 existing issued ordinary shares into 1 ordinary share on 21 April 2015, the number of issued shares of the Group and Company has been reduced to 170,433,223 as at 30 June 2015.

30 Reserves

	Group		Company	
	2015	2014	2015	2014
	S$	S$	S$	S$
Fair value reserve (a)	–	962,107	–	–
Translation reserve (b)	(8,005,215)	(7,669,897)	–	–
Accumulated losses	(82,592,047)	(80,110,506)	(107,214,289)	(105,344,630)
	(90,597,262)	(86,818,296)	(107,214,289)	(105,344,630)

30 Reserves (cont'd)

(a) Fair value reserve

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

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

	Group	
	2015	**2014**
	S$	**S$**
Balance at 1 July	962,107	40,840,219
Fair value loss on revaluation of available-for-sale financial assets during the year	(1,922,942)	(40,268,729)
Impairment loss reclassified to profit or loss	984,755	–
Reversal of fair value loss to profit or loss on disposal of available-for-sale financial assets during the year	–	392,038
Deferred tax on fair value changes to available-for-sale financial assets	(4,066)	127
Foreign currency translation differences	(19,854)	(1,548)
Balance at 30 June	–	962,107

(b) Translation reserve

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

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

	Group	
	2015	**2014**
	S$	**S$**
Balance at 1 July	(7,669,897)	(7,806,642)
Exchange difference arising on translating the net assets of foreign operations	(335,318)	136,745
Balance at 30 June	(8,005,215)	(7,669,897)

31 Commitments

(a) Operating lease commitments

The Group leases certain of its office premises and other operating facilities 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 as at the reporting date not recognised as liabilities in the financial statements are as follows:

	Group	
	2015	2014
	S$	S$
Within 1 year	202,209	184,199
After 1 year to 5 years	460,494	452,573
After 5 years	3,355,781	3,284,446
	4,018,484	3,921,218

(b) Capital expenditure commitments

The Group has capital expenditure commitments contracted for as at the reporting date but not recognised as liabilities in the financial statements as follows:

	Group	
	2015	2014
	S$	S$
Investment in PRL 173 and 174 (formerly known as PEL 101)	4,395,000	3,386,000

32 Warranty and Guarantees

	Group		Company	
	2015	2014	2015	2014
	S$	S$	S$	S$
Product warranty	14,500	14,500	14,500	14,500
Bankers' guarantees (a)	114,998	106,798	–	–

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

33 The Arbitration

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

33 The Arbitration (cont'd)

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

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

Subsequently in June 2011, the Company and Antig (collectively the "Claimants") initiated arbitration proceedings (the "Arbitration") against Tjong Very Sumito, Iman Haryanto and Hermen Aries Tintowo (collectively the "Respondents") for various breaches of the above mentioned SPA. The Claimants are seeking rescission of the SPA in the Arbitration or damages in lieu thereof. Alternatively, the sum of A$24,624,000 is claimed for loss and damage suffered.

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

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

During the current financial year, the arbitration proceedings were terminated as both parties have withdrawn their claims. Total costs of the arbitration incurred by the Group amounted to approximately S$285,000.

34 Investigation in a Subsidiary (previously a Joint Venture Entity)

On 13 March 2013, the Company announced that it had been notified by the management of Mid-Continent Tubular Pte Ltd ("MTS"), a subsidiary (previously a joint venture entity) of the Group, that the Corrupt Practices Investigation Bureau of Singapore is conducting an investigation into MTS for plausible inappropriate gratification, which is an offence chargeable under Chapter 241 of the Prevention of Corruption Act. At the date of these financial statements, the directors of the Company are unable to assess the impact of the investigation on the Group as the investigation is still on-going.

35 Assistance in the Investigations of the Commercial Affairs Department

On 2 April 2014, MEG Global Ventures Pte. Ltd. ("MGV") and APAC Coal Limited ("APAC"), wholly owned subsidiaries of the Group, together with Wallmans Limited ("Wallmans"), the former subsidiary of the Group, received Notices from the Commercial Affairs Department of the Singapore Police Force ("CAD") requiring MGV, APAC and Wallmans' assistance with the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289 (the "SFA").

Further, on 29 April 2014, the Company and Antig Investments Pte. Ltd. ("Antig"), a wholly owned subsidiary of the Company, also each received a notice from the CAD requiring the Company's and Antig's assistance with the foregoing CAD's investigations.

35 Assistance in the Investigations of the Commercial Affairs Department (cont'd)

The CAD had requested for access to the followings for the period from 1 July 2010 to 31 March 2014:

i) All accounting records;

ii) All minutes of meetings and resolutions;

iii) All corporate electronic data, information technology equipment and data storage devices belonging to Luke Ho Khee Yong ("Luke"), the Chief Executive Officer of the Company; and

iv) Any other relevant documents.

The Company had also been informed that Luke has been notified in the course of the investigations by the CAD that there have arisen reasonable grounds to believe that he has committed an offence under Section 197 of the SFA on false trading and market rigging and has been requested to assist the CAD in its investigations. Luke had indicated that he will fully cooperate with the CAD in its investigations.

The directors of the Company understand that the investigations may be protracted and until such time as the results of the investigations are provided, the employee who is assisting in the investigations shall continue to serve and function in respective roles in the Company.

The directors of the Company are of the opinion that the business and operations of the Group are not affected by the above investigations and the Company will continue to monitor the progress of the investigations.

36 Related Party Transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of one third entity.

36 Related Party Transactions (cont'd)

(b) An entity is related to the Company if any of the following conditions apply: (cont'd)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transactions with related parties

	Group	
	2015	2014
	S$	S$
Joint venture entities:		
- Sales	59,899	240,206
- Purchases	(130,658)	(1,135,426)
- Service fee income	–	443,633
Others:		
- Advances from a former director	55,000	2,530,000
- Settlement of Shares Lending Agreements (Note 19)	–	(2,482,688)

Outstanding balances with related parties at the statement of financial position date are disclosed in Note 22.

Key management personnel compensation

	Group		Company	
	2015	2014	2015	2014
	S$	S$	S$	S$
Wages, salaries and bonuses	1,087,579	1,271,825	486,204	654,826
Defined contribution plans	39,637	35,495	14,750	16,336
Equity-settled share-based payments	290,190	–	290,190	–
Consultancy fees	332,626	360,198	–	–
	1,750,032	1,667,518	791,144	671,162

As at 30 June 2015, the number of outstanding share awards granted to certain directors of the Company and key management personnel of the Group amounts to 177,280 (2014: Nil) and 1,022,080 (2014: Nil), respectively.

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

37 Share Options and Awards

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

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

The Remuneration Committee (the "RC") of the Company has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Seet Chor Hoon (Chairman), Kushairi Bin Zaidel and Ong Chin Chuan.

The Share Schemes shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Share Schemes were adopted by the Company in the EGM held. Under the Share Schemes, share options or share awards are granted to the following persons at the absolute discretion of the Committee:

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

(ii) non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and 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 the expiry of the prescribed vesting periods.

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

Share Options

No share options were granted during the current and previous financial years. At the end of the financial year, there were no outstanding share options. There were also no discounted share options granted since the commencement of the Share Schemes.

Share Awards

During the current financial year, share awards were granted to the non-executive directors of the Company and certain Group executives under the Magnus Energy PSP. These share awards granted awards to eligible participants fully paid ordinary shares of the Company upon the expiry of the prescribed vesting periods. The Committee has granted the share awards after taking into consideration of the loyalty and long term commitment of the non-executive directors of the Company and the Group executives.

37 Share Options and Awards (cont'd)

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

Share Awards (cont'd)

There were no share awards granted in the previous financial years.

Details of share awards granted to eligible participants as at the statement of financial position date are as follows:

Eligible participants	Date of grant	As at 1.7.2014	Granted	Vested	Lapsed/ Cancelled	As at 30.6.2015[(1)]
		Number of shares				
Non-executive directors						
Goh Boon Kok (resigned on 2 July 2015)	8.10.2014	–	10,401,000	(3,467,000)	–	138,680
Kushairi Bin Zaidel	8.10.2014	–	7,671,000	(2,557,000)	–	102,280
Seet Chor Hoon	8.10.2014	–	5,625,000	(1,875,000)	–	75,000
		–	23,697,000	(7,899,000)	–	315,960
Group executives						
Luke Ho Khee Yong	8.10.2014	–	63,360,000	(21,120,000)	–	844,800
Angeline Chow Yin Nei	8.10.2014	–	12,960,000	(4,320,000)	–	172,800
Executives	8.10.2014	–	5,166,000	(1,722,000)	(2,196,000)	24,960
		–	105,183,000	(35,061,000)	(2,196,000)	1,358,520

(1) On 21 April 2015, the Company completed a share consolidation of every 50 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company and the number of outstanding share awards has been adjusted for the effect of the share consolidation.

The first tranche of the share awards was granted and vested on 8 October 2014, and was issued to the eligible participants at a fair value of S$0.010 per share based on the market value of the Company's shares as at that date. The remaining 1,358,520 share awards are expected to vest on 8 October 2015. Management has determined that the expense for these share awards expected to vest up to 30 June 2015 is not material, and accordingly, not recognised in these financial statements.

(b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC"), adopted the APAC Coal Employee Share Option Plan ("APAC ESOP") in October 2007. In accordance with the provisions of the APAC ESOP, employees, directors and consultants may be granted options at the discretion of the directors of APAC. The purpose of the APAC ESOP is to retain and attract skilled and experienced employees, directors and consultants and provide them with the motivation to make APAC more successful. Each APAC ESOP converts into one ordinary share of APAC on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

37 Share Options and Awards (cont'd)

(b) APAC Coal Employee Share Option Plan (cont'd)

The number of options granted is at the sole discretion of the directors of APAC subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5.0% of APAC's issued share capital at any one time. The exercise price is calculated with reference to a formula contained within the rules governing the APAC ESOP and which rewards employees against the extent of APAC's performance on the capital markets. Where appropriate the directors of APAC have established appropriate vesting conditions to incentivise employees to remain in the employment of APAC.

There were no share options granted since the commencement of the APAC ESOP.

38 Segment Information

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

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

(a) Business segments

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

- Oilfield equipment supply and services
- Coal mining
- Trading of renewable energy and natural resources
- Investment holding

38 Segment Information (cont'd)

(a) Business segments (cont'd)

	Oilfield equipment supply and services S$	Coal mining S$	Trading of renewable energy and natural resources S$	Investment holding S$	Total S$
Group					
2015					
Segment revenue and results					
External revenue	43,996,932	–	504,913	–	44,501,845
Profit/(Loss) from operations before interest, income tax, share of joint ventures profit and depreciation	487,810	(160,422)	20,756	(2,174,477)	(1,826,333)
Depreciation	(383,495)	(422)	–	(18,577)	(402,494)
Profit/(Loss) from operations before interest and income tax	104,315	(160,844)	20,756	(2,193,054)	(2,228,827)
Share of profit from joint ventures					227,467
Unallocated finance income					264,360
Unallocated finance costs					(134,300)
Loss before income tax					(1,871,300)
Unallocated income tax					(393,626)
Loss after income tax					(2,264,926)
Segment assets and liabilities					
Current assets	34,849,897	70,544	580,976	2,890,210	38,391,627
Property, plant and equipment	5,377,149	562	–	37,541	5,415,252
Intangible assets and goodwill	4,670,806*	21,803,876	–	1,569,703	28,044,385
Other financial assets	–	–	–	2,787,291	2,787,291
Unallocated deferred income tax assets					165,721
Unallocated non-current assets					2,277,476
Consolidated assets					77,081,752
Current liabilities	6,079,333	143,371	–	585,696	6,808,400
Unallocated current and non-current liabilities:					
Finance lease obligations					31,911
Income tax liabilities					465,314
Deferred tax liabilities					6,378,738
Consolidated liabilities					13,684,363
Other segment information					
Capital expenditure	118,115	–	–	9,411	127,526
Other non-cash items**	127,609	–	–	(496,435)	(368,826)

38 Segment Information (cont'd)

(a) Business segments (cont'd)

	Oilfield equipment supply and services S$	Coal mining S$	Investment holding S$	Total S$
Group				
(Restated)				
2014				
Segment revenue and results				
External revenue	45,397,886	–	–	45,397,886
Profit/(Loss) from operations before interest, income tax, share of joint ventures profit and depreciation	2,918,181	(927,897)	(9,865,009)	(7,874,725)
Depreciation	(506,954)	(1,364)	(24,453)	(532,771)
Profit/(Loss) from operations before interest and income tax	2,411,227	(929,261)	(9,889,462)	(8,407,496)
Share of loss from joint ventures				(833,422)
Unallocated finance income				2,022,178
Unallocated finance costs				(281,490)
Loss before income tax				(7,500,230)
Unallocated income tax				(478,765)
Loss after income tax				(7,978,995)
Segment assets and liabilities				
Current assets	32,018,209	25,026	659,356	32,702,591
Property, plant and equipment	5,618,417	996	53,706	5,673,119
Intangible assets and goodwill	4,259,577*	24,764,062	1,569,703	30,593,342
Other financial assets	–	–	4,798,518	4,798,518
Unallocated non-current assets				3,998,307
Consolidated assets				77,765,877
Current liabilities	7,251,513	236,268	2,380,117	9,867,898
Unallocated current and non-current liabilities:				
Finance lease obligations				41,747
Income tax liabilities				581,989
Deferred tax liabilities				7,253,431
Consolidated liabilities				17,745,065
Other segment information				
Capital expenditure	277,683	–	33,241	310,924
Other non-cash items**	(71,316)	–	(8,425,330)	(8,496,646)

* *PRL 173 and 174 is held under ME Australia and is currently a non-revenue and non-producing asset. The Group holds an effective interest of 11.2% in PRL 173 and 174. Management continues to report the asset under the oilfield equipment supply and services segment at least until PRL 173 and 174 enters into the production stage.*

** *Other non-cash items mainly include the net effects of loss on disposal of available-for-sale financial assets, loss on disposal of financial assets held for trading, fair value loss of financial assets held for trading, gain on disposal of property, plant and equipment, allowances for inventory obsolescence, inventories and plant and equipment written off, impairment loss on trade receivables, impairment loss on available-for-sale financial assets and reversal of fair value gain from equity upon disposal of available-for-sale financial assets.*

38 Segment Information (cont'd)

(b) Geographical segments

	Singapore S$	Australia S$	Malaysia S$	Indonesia S$	United States of America S$	United Arab Emirates S$	Others* S$	Total S$
Group								
2015								
Revenue	10,682,084	4,696,725	3,749,385	2,955,043	6,330,344	4,956,498	11,131,766	44,501,845
Non-current assets**	6,145,293	5,979,683	1,840	20,950,163	420,088	–	2,240,046	35,737,113
2014								
Revenue	15,940,297	7,658,413	4,043,949	3,579,708	5,786,827	2,818,617	5,570,075	45,397,886
Non-current assets**	9,495,060	5,237,596	2,822	24,765,058	391,423	–	372,809	40,264,768

* *Others includes different countries whose individual contribution is not more than 5%.*

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

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

(c) Information about Major Customers

Included in revenues arising from oilfield equipment supply and services are revenues of approximately S$2,079,086 (2014: S$2,026,000) which arose from sales to the Group's largest customer.

39 Financial Instruments

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

(a) Market risk

Currency risk

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

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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

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

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Sterling Pound S$	Others S$	Total S$
Group						
2015						
Financial assets						
Other financial assets	–	–	22,417	2,764,874	–	2,787,291
Trade and other receivables (excluding prepayments and other taxes recoverable)	5,396,537	202,882	2,656,856	–	13,763	8,270,038
Related parties balances	–	–	46,494	–	228,112	274,606
Cash and bank deposits	5,212,574	2,050,478	2,752,249	–	78,834	10,094,135
Fixed deposits	5,357,148	6,614,060	2,620,940	–	–	14,592,148
	15,966,259	8,867,420	8,098,956	2,764,874	320,709	36,018,218
Financial liabilities						
Trade and other payables	(3,872,961)	(730,015)	(1,109,856)	–	(117,818)	(5,830,650)
Bank overdrafts	(676,761)	–	–	–	–	(676,761)
Related parties balances	(989)	–	–	–	–	(989)
Borrowings	–	–	(300,000)	–	–	(300,000)
Finance lease obligations	–	–	(31,911)	–	–	(31,911)
	(4,550,711)	(730,015)	(1,441,767)	–	(117,818)	(6,840,311)
Currency exposure on net financial assets	11,415,548	8,137,405	6,657,189	2,764,874	202,891	29,177,907
Assets denominated in functional currencies	(9,966,689)	(973,030)	(7,665,712)	–	58,406	(18,547,025)
Net currency exposure	1,448,859	7,164,375	(1,008,523)	2,764,874	261,297	10,630,882

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Sterling Pound S$	Others S$	Total S$
Group (cont'd)						
2014						
Financial assets						
Other financial assets	–	19,436	67,347	4,711,735	–	4,798,518
Trade and other receivables (excluding prepayments and other taxes recoverable)	5,661,290	328,344	1,871,571	–	6,653	7,867,858
Related parties balances	40,096	–	93,604	–	287,468	421,168
Cash and bank deposits	3,006,107	572,216	444,917	–	54,429	4,077,669
Fixed deposits	1,842,275	8,692,236	2,296,475	–	–	12,830,986
	10,549,768	9,612,232	4,773,914	4,711,735	348,550	29,996,199
Financial liabilities						
Trade and other payables	(4,752,066)	(410,780)	(3,245,155)	–	(138,904)	(8,546,905)
Bank overdrafts	(754,720)	–	–	–	–	(754,720)
Related parties balances	(566,273)	–	–	–	–	(566,273)
Finance lease obligations	–	–	(41,747)	–	–	(41,747)
	(6,073,059)	(410,780)	(3,286,902)	–	(138,904)	(9,909,645)
Currency exposure on net financial assets	4,476,709	9,201,452	1,487,012	4,711,735	209,646	20,086,554
Assets denominated in functional currencies	(3,491,802)	(5,649,881)	(2,765,083)	–	–	(11,906,766)
Net currency exposure	984,907	3,551,571	(1,278,071)	4,711,735	209,646	8,179,788

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Total S$
Company				
2015				
Financial assets				
Other financial assets	–	–	1,489	1,489
Trade and other receivables (excluding prepayments)	–	–	321,645	321,645
Related parties balances	517,908	–	5,397,456	5,915,364
Cash and bank deposits	2,526	–	2,217,043	2,219,569
Fixed deposits	–	–	300,000	300,000
	520,434	–	8,237,633	8,758,067
Financial liabilities				
Trade and other payables	–	–	(274,547)	(274,547)
Related parties balances	–	(2,021,113)	–	(2,021,113)
Borrowings	–	–	(300,000)	(300,000)
	–	(2,021,113)	(574,547)	(2,595,660)
Currency exposure on net financial (liabilities)/assets	520,434	(2,021,113)	7,663,086	6,162,407
Assets denominated in functional currencies	–	–	(7,663,086)	(7,663,086)
Net currency exposure	520,434	(2,021,113)	–	(1,500,679)
2014				
Financial assets				
Other financial assets	–	–	26,036	26,036
Trade and other receivables (excluding prepayments)	–	–	594,650	594,650
Related parties balances	–	–	4,432,086	4,432,086
Cash and bank deposits	1,438	–	23,739	25,177
	1,438	–	5,076,511	5,077,949
Financial liabilities				
Trade and other payables	(11,052)	–	(2,345,284)	(2,356,336)
Related parties balances	–	(2,468,282)	–	(2,468,282)
	(11,052)	(2,468,282)	(2,345,284)	(4,824,618)
Currency exposure on net financial (liabilities)/assets	(9,614)	(2,468,282)	2,731,227	253,331
Assets denominated in functional currencies	–	–	(2,731,227)	(2,731,227)
Net currency exposure	(9,614)	(2,468,282)	–	(2,477,896)

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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

	2015		2014 (Restated)	
	Increase/(Decrease)			
	Loss before income tax S$	Equity S$	Loss before income tax S$	Equity S$
Group				
Australian Dollar against Singapore Dollar				
- strengthened	(358,219)	358,219	(177,579)	177,579
- weakened	358,219	(358,219)	177,579	(177,579)
United States Dollar against Singapore Dollar				
- strengthened	(72,443)	72,443	(49,245)	49,245
- weakened	72,443	(72,443)	49,245	(49,245)
Sterling Pound against Singapore Dollar				
- strengthened	(138,244)	138,244	(235,587)	235,587
- weakened	138,244	(138,244)	235,587	(235,587)
Company				
Australian Dollar against Singapore Dollar				
- strengthened	101,056	(101,056)	123,414	(123,414)
- weakened	(101,056)	101,056	(123,414)	123,414
United States Dollar against Singapore Dollar				
- strengthened	(26,022)	26,022	481	(481)
- weakened	26,022	(26,022)	(481)	481

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Price risk

The Group and the Company are exposed to equity securities market price risk from its investments which are classified in the statement of financial position as other financial assets. Certain of these financial instruments are quoted equity securities in United Kingdom and Singapore.

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

	2015 Equity S$	2014 Equity S$
Group		
Listed in United Kingdom:		
- increased by	65,425	235,587
- decreased by	(65,425)	(235,587)
Listed in Singapore:		
- increased by	74	3,367
- decreased by	(74)	(3,367)
Company		
Listed in Singapore:		
- increased by	74	1,302
- decreased by	(74)	(1,302)

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risk

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

The 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			
	Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group				
2015				
Financial assets				
Other financial assets	–	–	2,787,291	2,787,291
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	1,500,000	6,770,038	8,270,038
Related parties balances	–	–	274,606	274,606
Cash and bank deposits	–	–	10,094,135	10,094,135
Fixed deposits	14,592,148	–	–	14,592,148
Total financial assets	14,592,148	1,500,000	19,926,070	36,018,218
Financial liabilities				
Trade and other payables	–	–	(5,830,650)	(5,830,650)
Bank overdrafts	–	(676,761)	–	(676,761)
Related parties balances	–	–	(989)	(989)
Borrowings	–	(300,000)	–	(300,000)
Finance lease obligations	(9,085)	(22,826)	–	(31,911)
Total financial liabilities	(9,085)	(999,587)	(5,831,639)	(6,840,311)

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risk (cont'd)

	Fixed rates Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group				
(Restated)				
2014				
Financial assets				
Other financial assets	–	–	4,798,518	4,798,518
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	7,867,858	7,867,858
Related parties balances	–	–	421,168	421,168
Cash and bank deposits	–	–	4,077,669	4,077,669
Fixed deposits	12,830,986	–	–	12,830,986
Total financial assets	12,830,986	–	17,165,213	29,996,199
Financial liabilities				
Trade and other payables	–	–	(8,546,905)	(8,546,905)
Bank overdrafts	–	(754,720)	–	(754,720)
Related parties balances	–	–	(566,273)	(566,273)
Finance lease obligations	(9,954)	(31,793)	–	(41,747)
Total financial liabilities	(9,954)	(786,513)	(9,113,178)	(9,909,645)

39 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risk (cont'd)

	Fixed rates Less than 1 year S$	Fixed rates 1 to 5 years S$	Non-interest bearing S$	Total S$
Company				
2015				
Financial assets				
Other financial assets	–	–	1,489	1,489
Trade and other receivables (excluding prepayments)	–	–	321,645	321,645
Related parties balances	–	–	5,915,364	5,915,364
Cash and bank deposits	–	–	2,219,569	2,219,569
Fixed deposits	300,000	–	–	300,000
Total financial assets	300,000	–	8,458,067	8,758,067
Financial liabilities				
Trade and other payables	–	–	(274,547)	(274,547)
Borrowings	(300,000)	–	–	(300,000)
Related parties balances	(2,021,113)	–	–	(2,021,113)
Total financial liabilities	(2,321,113)	–	(274,547)	(2,595,660)
2014				
Financial assets				
Other financial assets	–	–	26,036	26,036
Trade and other receivables (excluding prepayments)	–	–	594,650	594,650
Related parties balances	–	–	4,432,086	4,432,086
Cash and bank deposits	–	–	25,177	25,177
Total financial assets	–	–	5,077,949	5,077,949
Financial liabilities				
Trade and other payables	–	–	(2,356,336)	(2,356,336)
Related parties balances	(2,468,282)	–	–	(2,468,282)
Total financial liabilities	(2,468,282)	–	(2,356,336)	(4,824,618)

(b) Credit risk

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

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

39 Financial Instruments (cont'd)

(b) Credit risk (cont'd)

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 fixed deposits, cash and bank deposits and trade and other receivables.

Financial assets that are neither past due nor impaired

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

Financial assets that are past due and/or impaired

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

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

	Group	
		(Restated)
	2015	**2014**
	S$	**S$**
Not past due and not impaired[(1),(2)]	3,118,286	4,342,489
Past due but not impaired[(1),(2)]	3,153,667	2,231,035
	6,271,953	6,573,524
Less: Impairment loss[(3)]	(66,085)	(12,895)
Trade receivables, net (Note 21)	6,205,868	6,560,629

Aging of trade receivables that are past due but not impaired as at the statement of financial position date are as follows:

Not more than 3 months	2,735,767	1,932,719
3 to 6 months	417,900	295,805
Over 6 months	–	2,511
	3,153,667	2,231,035

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

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

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

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

39 Financial Instruments (cont'd)

(c) Liquidity risk

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

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

	Carrying amount S$	Contractual cash flows S$	Within one year S$	Within two to five years S$
Group				
2015				
Trade and other payables	5,830,650	5,830,650	5,830,650	–
Bank overdrafts	676,761	676,761	676,761	–
Related parties balances	989	989	989	–
Borrowings	300,000	300,000	300,000	–
Finance lease obligations	31,911	36,675	10,446	26,229
	6,840,311	6,845,075	6,818,846	26,229
(Restated)				
2014				
Trade and other payables	8,546,905	8,546,905	8,546,905	–
Bank overdrafts	754,720	754,720	754,720	–
Related parties balances	566,273	566,273	566,273	–
Finance lease obligations	41,747	47,872	11,315	36,557
	9,909,645	9,915,770	9,879,213	36,557
Company				
2015				
Trade and other payables	274,547	274,547	274,547	–
Related parties balances	2,021,113	2,021,113	2,021,113	–
Borrowings	300,000	300,000	300,000	–
	2,595,660	2,595,660	2,595,660	–
2014				
Trade and other payables	2,356,336	2,356,336	2,356,336	–
Related parties balances	2,468,282	2,468,282	2,468,282	–
	4,824,618	4,824,618	4,824,618	–

39 Financial Instruments (cont'd)

(d) Capital risk

The Group's objectives when managing capital are:

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

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

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

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

	Group		Company	
		(Restated)		
	2015	2014	2015	2014
	S$	S$	S$	S$
Net (cash)/debt	(3,253,824)	5,831,976	376,091	4,799,441
Total equity	37,681,092	33,308,520	21,064,065	14,782,186
Net debt to equity	N.M	17.50%	1.79%	32.47%

N.M. – Not meaningful as the Group has net cash as at the end of the financial year ended 30 June 2015.

The Group is not subject to any external capital requirements.

(e) Fair value of financial instruments

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

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (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).

39 Financial Instruments (cont'd)

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

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)

The fair values of financial assets and financial liabilities with a maturity of less than one year, which are primarily fixed deposits, cash and bank deposits, trade and other receivables (excluding prepayments and other taxes recoverable), trade and other payables, bank overdrafts, amounts due from/(to) related parties and borrowings (Note 27) approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

Management estimates that the fair value of the non-current other receivable (Note 21) is not materially different to its carrying amount as the other receivable bears interest that approximate market interest rates.

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

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The following table presents the financial assets and financial liabilities measurement at fair value as at the statement of financial position date by level of the fair value hierarchy:

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Group				
2015				
Available-for-sale financial assets:				
- Quoted equity investments	2,786,123	–	–	2,786,123
Financial assets held for trading:				
- Quoted warrants	1,168	–	–	1,168
	2,787,291	–	–	2,787,291
2014				
Available-for-sale financial assets:				
- Quoted equity investments	4,791,110	–	–	4,791,110
Financial assets held for trading:				
- Quoted warrants	7,408	–	–	7,408
	4,798,518	–	–	4,798,518

39 Financial Instruments (cont'd)

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

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (cont'd)

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

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

At the date of authorisation of these financial statements, based on the prevailing quoted market prices, the Group's quoted equity shares and warrants classified under financial assets, available-for-sale as at the statement of financial position date, are exposed to net fair value losses arising from changes in fair value amounting to approximately S$1.7 million.

40 Comparative Figures

Certain comparative figures in the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and the related notes to the financial statements have been restated following the adoption of FRS 111 Joint Arrangements that became effective for the year (see Note 2(a)).

41 Subsequent Events

(a) On 20 August 2015, the Company entered into a joint investment agreement with Yangtze Investment Partners Limited ("Yangtze") to invest US$1,000,000 (approximately S$1.4 million) ("Investment Amount") for an investment in a potential initial public offering ("IPO") of a renewable energy company on the London Stock Exchange. Yangtze is a company incorporated in Hong Kong that provides investment and advisory services. The Investment Amount shall be fully repaid to the Company without interest if no IPO takes place within 3 months from the date of the joint investment agreement.

(b) On 3 September 2015, the Company entered into a non-binding memorandum of understanding with Flagship Ecosystems Pte Ltd ("Flagship"), incorporated in Singapore, to invest S$1,000,000 in the enlarged capital of Flagship. Flagship currently owns businesses in the oilfield services and waste water treatment.

Subsequently on 22 September 2015, the Company entered into a subscription agreement with Flagship pursuant to which the Company shall subscribe for 2,700,000 new ordinary shares in the capital of Flagship at an issue price of approximately S$0.37 per share, for an aggregate cash consideration of S$1,000,000. Upon completion of the proposed subscription, the Company will hold 60% of the enlarged issued and paid-up share capital of Flagship. The subscription is subject to approval of the Company's shareholders.

41 Subsequent Events (cont'd)

(c) On 18 September 2015, Mid-Continent Equipment Group Pte Ltd. ("MEG"), a subsidiary of the Company, entered into a subscription agreement with Royal Energy Pty Ltd ("Royal") to subscribe for 8,000,000 shares in Royal at an average price of A$0.125 per share for a subscription consideration of approximately A$1 million (approximately S$1.0 million). Royal is a new unlisted company incorporated in Australia to acquire or participate in oil and gas investment opportunities in the Asia Pacific region and other international locations. Royal is currently in the process of fund-raising of up to A$10 million to fund its acquisition and participation plans. MEG expects to hold an equity stake of 11.3% in Royal following the completion of the subscription and subject to the maximum funds of A$10 million successfully raised by Royal.

(d) Subsequent to the financial year end, the Company issued additional S$4,500,000 in aggregate of convertible notes to the Subscriber pursuant to the subscription agreement. As at the date of authorisation of these financial statements, S$3,600,000 of the outstanding convertible notes (including the S$300,000 as at 30 June 2015 (Note 27)) were converted into ordinary shares of the Company totalling 205,606,638 ordinary shares of the Company, with a remaining balance of S$1,200,000 of the convertible notes outstanding.

(e) Subsequent to the financial year end, PTH has drawn down the remaining S$3,500,000 of the RCL from the Company pursuant to the RCL Agreement (Note 21).

42 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

SHAREHOLDERS' INFORMATION

As at 23 September 2015

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	368,897,004
Issued and fully paid-up capital	:	S$ 132,177,409
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 23 SEPTEMBER 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	853	8.95	49,065	0.01
100 - 1,000	4,404	46.24	2,326,731	0.63
1,001 - 10,000	3,104	32.59	10,867,718	2.95
10,001 - 1,000,000	1,096	11.51	154,017,357	41.75
1,000,001 AND ABOVE	68	0.71	201,636,133	54.66
TOTAL	**9,525**	**100.00**	**368,897,004**	**100.00**

SUBSTANTIAL SHAREHOLDERS

As at 23 September 2015, there is no substantial shareholder recorded in the Company's Register of Substantial Shareholders.

TWENTY LARGEST SHAREHOLDERS

AS AT 23 SEPTEMBER 2015

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES	%
1	OCBC SECURITIES PRIVATE LTD	22,332,257	6.05
2	CHUA HAN SWEE	14,490,000	3.93
3	PHILLIP SECURITIES PTE LTD	8,789,319	2.38
4	ZENG HANG CHENG	7,000,100	1.90
5	LIM CHEE WEE (LIN ZHIWEI)	5,300,000	1.44
6	LIN JIAWU	5,220,000	1.42
7	MD WIRA DANI BIN ABDUL DAIM	5,169,280	1.40
8	LIM HENG HUNG	5,000,000	1.36
9	NG SENG LIN	5,000,000	1.36
10	LEE TECK GEE	4,910,000	1.33
11	YEO KIM SENG	4,155,200	1.13
12	KNG MUI LIN IRENE	4,140,000	1.12
13	QUEK SIEW SUAH	4,051,560	1.10
14	OCBC NOMINEES SINGAPORE PTE LTD	3,679,786	1.00
15	CHEN JINSEN	3,580,520	0.97
16	DBS NOMINEES PTE LTD	3,575,804	0.97
17	LIAU SAI LANG	3,352,460	0.91
18	RAFFLES NOMINEES (PTE) LTD	3,290,820	0.89
19	CHUA KAR CHENG	3,224,280	0.87
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,202,512	0.87
	TOTAL	119,463,898	32.40

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 23 September 2015, approximately 98.58% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. (the "**Company**") will be held at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on Thursday, 29 October 2015 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 June 2015 together with the Directors' Report and Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 96(2) and 78 of the Articles of Association of the Company.

   Ms Seet Chor Hoon [Retiring under Article 96(2)] **(Resolution 2)**

   Mr Ong Chin Chuan [Retiring under Article 78] **(Resolution 3)**

   Ms Seet Chor Hoon shall, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Ms Seet will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

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

3. To approve the payment of Directors' fees of S$89,300 for the financial year ended 30 June 2015 (2014: S$73,500). **(Resolution 4)**

4. To approve the payment of Directors' fees of S$86,100 for the financial year ending 30 June 2016, to be paid quarterly in arrears (2015: S$89,300). **(Resolution 5)**

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 6)**

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 whether by way of rights, bonus or otherwise; or

   (b) convertible securities; or

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

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

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

provided that:

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

(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 7)**

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 Energy 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 (as defined below) collectively 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 8)**

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 offer and 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 collectively 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 (iii)]

(Resolution 9)

By Order of the Board

Ong Sing Huat
Company Secretary
Singapore, 14 October 2015

Explanatory Notes to Special Business:

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

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

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

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

Notes on Annual General Meeting:

(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 400 Orchard Road #19-06 Orchard Towers Singapore 238875 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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*This Notice has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Notice.*

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

The contact person for the Sponsor is Mr Bernard Lui whose details are set out below:
Tel: 6389 3000 Email: bernard.lui@stamfordlaw.com.sg

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

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

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

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

of ____(Address)

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

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

*and/or (delete as appropriate)

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

or failing *him/them, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf on a poll, at the Annual General Meeting (the "**Meeting**") of the Company to be held at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on Thursday, 29 October 2015 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions to be 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.

No.	Resolutions relating to:	Number of votes For[(1)]	Number of votes Against[(1)]
As Ordinary Business			
1.	Adoption of Audited Financial Statements, Directors' Report and Auditors' Report of the Company for the financial year ended 30 June 2015		
2.	Re-election of Ms Seet Chor Hoon as Director		
3.	Re-election of Mr Ong Chin Chuan as Director		
4.	Approval of Directors' fees of S$89,300 for the year ended 30 June 2015		
5.	Approval of Directors' fees of S$86,100 for the year ending 30 June 2016, to be paid quarterly in arrears		
6.	Re-appointment of Moore Stephens LLP as Auditors		
As Special Business			
7.	Authority to allot and issue shares		
8.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
9.	Authority to issue shares under the Magnus Energy Performance Share Plan		

(1) If you wish to exercise all your votes "For" or "Against", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ______________ 2015

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

____

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

* *Delete where inapplicable*

Notes to Proxy Form:

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

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

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

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

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 400 Orchard Road #19-06 Orchard Towers Singapore 238875 not less than forty-eight (48) hours before the time appointed for the Meeting.

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

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

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

General:

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2015.

MAGNUS ENERGY GROUP LTD.

400 Orchard Road
#19-06 Orchard Towers
Singapore 238875