

Issuer: Magnus Energy Group Ltd.

Security: Magnus Energy Group Ltd.

Meeting details:

Date: 30 October 2017

Time: 10:00 a.m.

Venue: Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516

Company Description

Magnus Energy Group Ltd., an investment holding company, distributes products and services for oil and gas, shipbuilding and offshore fabrication, petrochemicals plants, marine, and environmental waste treatment industries. The company supplies equipment, tools, and accessories used in the oil drilling business; distributes tubular products, equipment, and spares; provides environmental and waste management services; fabricates and installs control systems; tests valve actuation; offers management services; trades in energy and natural resources; trades in chemical materials; develops property and infrastructure; and sells and rents decanters. It distributes drilling equipment and spares, drilling consumables, handling tools, general hardware, safety equipment, production equipment and accessories, pipeline products, meters and gauges, and special steel products; oil country tubular goods; pipes for the transmission of oil and gas; and drill pipes for rotation in the drilling of the well. The company also provides drilling fluids systems, such as solid removal, barite recovery, and cutting wash. In addition, it engages in coal mining and marketing of coal products, as well as holds a warehouse property. It operates in Singapore, Australia, Malaysia, Indonesia, the United States, the United Arab Emirates, and Others. Magnus Energy Group Ltd. was incorporated in 1983 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=41S)

Q1. On 6 October 2017, the company announced that the auditors of the company, Moore Stephens LLP, has expressed a qualified opinion on the financial statements of the Company and its subsidiaries for the financial year ended 30 June 2017.

The Basis for Qualified Opinion is as follows:

The Auditor's Report dated 7 October 2016 on the consolidated financial statements for the previous year ended 30 June 2016 contained a qualified opinion with regards to the opening balance of the Group's investment in Coal Concession Rights of S\$21.8 million and related deferred tax liability of S\$6.3 million and the consequential effects on the impairment loss of S\$15.0 million recognised for the Group's investment in the Coal Concession Rights in the Group's profit or loss for the year ended 30 June 2016. Accordingly, our opinion is modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

For the financial year ended 30 June 2016, the Basis for Qualified opinion were:

(i) We were not able to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in the Coal Concession Rights of approximately S\$21.8 million and the related deferred tax liability of approximately S\$6.3 million as at 30 June 2015 because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT Batubara Selaras Saptas ("PT BSS"), which holds the Coal Concession Rights, was uncertain.

(ii) We were not able to satisfy ourselves as to the recoverability of the Company's investment in, and the amount due from APAC Coal Limited ("APAC"), the holding company of PT BSS, of approximately S\$492,000 and S\$1,054,000, respectively as at 30 June 2015 as 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 (i) above.

(iii) As at 30 June 2016, the Group's investment in the Coal Concession Rights, and the Company's investment in, and the amount due from APAC, have been classified as assets held for sale, for the reasons as explained in Note 20 to the financial statements. Consequently, an impairment loss of approximately S\$15.0 million was recognised for the Group's investment in the Coal Concession Rights in the Group's profit or loss for the current year. The impairment loss is net of the related deferred tax credit of approximately S\$6.1 million.

The Audit Committee (AC) comprises Mr. Ong Chin Chuan (as Chairman), Mr. Kushairi Bin Zaidel, Ms. Seet Chor Hoon and Mr. Ong Sing Huat.

Mr Ong Chin Chuan is a fellow member of the Association of Chartered Certified Accountants (UK), a Chartered Accountant of Malaysian Institute of Accountants and a CFA charterholder. Mr Zaidel graduated with a Bachelor of Business (Accountancy) from University of South Australia. He is a Certified Public Accountant registered with CPA Australia.

In the Director's Statement (page 58), the directors have stated that, in the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company 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 2017 and the financial performance, changes in equity and cash flows of the Group for the year then ended;

- a) In view of the basis for qualified opinion as noted by the Independent Auditors, can the board explain the basis for its opinion that the accompanying statements together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the group and the company as at 30 June 2017?**
- b) Would the audit committee (AC) explain its efforts and involvement in the audit of the financial statements for the financial year ended 31 March 2017? In particular, what were the efforts by the AC to facilitate the independent**

auditors to get “sufficient and appropriate audit evidence” to resolve the matter brought up in the basis for the qualified opinion?

Since the audit report dated 12 October 2011 on the financial statements for the financial year ended 30 June 2011, the auditors have included a modified opinion/qualified opinion in each and every of the Independent Auditors’ Report.

c) Can the audit committee explain its efforts to resolve the matters flagged out by the Independent Auditors?

Q2. As noted in the Director’s Profile, Ms Seet Chor Hoon joined the Board as an independent Director in August 2014. She is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

As disclosed on page 54, in the Interested Persons Transactions section, Ms Seet Chor Hoon, being an independent director of the Company, a member of the AC, NC and RC, has \$500,000 in aggregate value of all interested person transactions with the group during the financial year ended 30 June 2017.

a) Please disclose, in detail, the nature of the transaction between Ms Seet Chor Hoon and the group.

Guideline 2.3 calls for the evaluation of the independence of directors especially if there is a 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.

b) Can the company disclose the director’s fees for Ms Seet Chor Hoon?

c) Has the nominating committee evaluated the relationship Ms Seet Chor Hoon has with the company, taking into account the amount involved in the Interested persons transactions?

Q3. Further, as noted under Principle 9 of the Corporate Governance Report, it was disclosed that:

In FY2017, a total of 975,753,200 share awards (the “Awards”) have been granted to all the Directors and employees of the Company in accordance to the Magnus Energy PSP.

a) Can the remuneration committee (RC), which administers the Magnus Energy Performance Share Plan (the “Magnus Energy PSP”), justify awarding a total of 975,753,200 share award during the financial year?

b) As shown on page 60 (Directors’ Statement), all the directors received share awards during the financial year. As the RC members are also recipient of the PSP share awards, can each member of the RC confirm that no director was involved in the award of his/her own PSP shares?

Also, Luke Ho Khee Yong, the Chief Executive Officer received 695,102,000 share awards.

c) Can the RC justify the grant of 695,102,000 share awards to Luke Ho Khee Yong?

d) Can the RC clarify if there are limits to the maximum number of share awards given to any single individual under the PSP?