

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)
(Registration no. 198301375M)

DISPOSAL OF A SUBSIDIARY, DEVELOPMENT BANK OF STRIKE

The Board of Directors of Magnus Energy Group Ltd. (the "Company" or "Magnus") wishes to announce that Magnus has entered into a novation agreement dated 1 March 2006 (the "Agreement") with Mr Goh Peng Tee (the "Purchaser") to dispose its entire 75% interest in Development Bank of Strike ("DBOS") for a cash consideration of S\$260,000 ("Disposal").

Information

Magnus had entered into a 20 years joint venture agreement dated 18 April 2002 (the "JV Agreement") with the Economic Committee of Myitkyina, State of Kachin, Union of Myanmar ("ECMK"), to engage in the activities of banking. The salient terms and conditions of the JV Agreement include, *inter alia*, the following:-

- (a) the setting-up of a full licensed bank, named DBOS, with limited liability wherein the Company shall have a 75% interest; and
- (b) the initial funding of US\$600,000 (equivalent to approximately S\$1.11 million) for the infrastructure and working capital of the bank shall be provided by the Company.

DBOS was granted a licence by ECMK to operate in Myitkyina on 1 May 2002 and it commenced operations in December 2002. As of today, Magnus has invested S\$894,662.34 in DBOS.

Consideration

The consideration for the Disposal is S\$260,000 ("Consideration") and shall be satisfied by the Purchaser in cash upon execution of the Agreement.

The Consideration was negotiated at arm's length and on a willing-buyer and willing-seller basis.

Rule 1006 Bases

In accordance with Rule 1006 of the Listing Manual, the bases of computation of the Disposal is as follows:-

(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value as at 31 December 2005	-2.01%
(b)	The net losses attributable to the assets disposed of, compared with the Group's net profit for the period ended 31 December 2005	-%
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation as at 28 February 2006	0.41%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable

Though the Disposal constitutes a non-discloseable transaction under Rule 1008, the Company wishes to announce it as it is a disposal of a subsidiary under Rule 704(16).

Completion

Pursuant to the Agreement, the disposal of DBOS shall be completed upon execution of the Agreement. There are no material conditions attached to disposal of DBOS.

Based on the unaudited financial statements of Magnus and its subsidiaries (the "Group") for the six months ended 31 December 2005, the Group had recorded post-acquisition losses from DBOS of approximately S\$701,241.17 and assumed a net current liability position of DBOS approximating S\$510,829.08. Upon completion of the Disposal, the Group expects to record a gain of approximately S\$66,578.83.

Rationale

It is the Company's vision and strategies to diversify itself with a broad-based focus on the energy and resource sector. In line with this, and considering that the DBOS has under-performed since the commencement of its operations in December 2002, the Board of Directors has decided that the disposal of DBOS would be a preferred option.

Financial Effects

The above Disposal is expected to have a positive effect on the consolidated net tangible assets and consolidated earnings per share of Magnus for the current financial year ending 30 June 2006.

For illustrative purposes,

- (a) assuming that the Disposal were successful and to be effected on 30 June 2005, the consolidated net tangible assets per share of Magnus would be increased from 2.097 cents to 2.105 cents for the financial year ended 30 June 2005; and
- (b) assuming that the Disposal were successful and to be effected on 1 July 2004, the consolidated loss per share of Magnus of 0.766 cents for the financial year ended 30 June 2005 would be reduced to 0.682 cents.

Directors' and Substantial Shareholders' Interest

None of the directors or substantial shareholders of Magnus has any interest, direct or indirect, in the above transaction.

By Order of the Board
MAGNUS ENERGY GROUP LTD.

Submitted by Wong Siew Chuan, Company Secretary on 01/03/2006 to the SGX