

31 July 2017

QUARTERLY ACTIVITIES REPORT

1 APRIL 2017 – 30 JUNE 2017

Highlights:

- Investment in Tulainyo Gas Discovery
- Placement conducted raising A\$1.118 million
- Botswana farm-in agreement progressing
- Termination of acquisition of Bombora Natural Energy
- Continued evaluation of energy opportunities

Magnum Gas & Power Limited (**Magnum** or the **Company**) is pleased to provide its quarterly activities report for the quarter ending 30 June 2017.

Investment in Tulainyo Gas Discovery

As announced to the market on 5 June 2017, during the quarter, the Company signed an agreement to invest in the Tulainyo Gas Discovery in the Sacramento Basin in California, United States of America. The Company has signed a binding letter of intent (**LOI**) with Gasfields LLC (**Gasfields**), Bombora Natural Energy Pty Ltd (a subsidiary of Pancontinental Oil & Gas NL), and United Energy Royalties Pty Ltd, pursuant to which the Company will have the opportunity to earn up to a 60% economic interest in Gasfields. Gasfields has the rights to farm-in to the Tulainyo Gas Discovery (**Tulainyo Project**), to earn up to 33.33% of that project.

The key terms of the LOI are as follows:

- Magnum will be required to provide to Gasfields, by way of equity subscription and shareholder loans, US\$3.4 million towards satisfying the conditions of Gasfields' farm-in agreement for the Tulainyo Project. These funds will cover the majority of the costs of the initial farm-in well, drilling of which is to commence by not later than 1 September 2017.
- The obligations of Magnum to provide such funds are subject to the satisfaction of certain conditions, such as the execution of transaction documentation, the Company raising US\$3 million and Gasfields making required changes to its Articles of Organisation. The parties are currently advancing in satisfying these conditions.

For personal use only

- Gasfields is also required to pay a royalty to United Energy Royalties Pty Ltd in respect of Gasfields' potential 33.33% interest in Tulainyo. This royalty is equal to 3.5% of the wellhead value of all hydrocarbons and other valuable product produced at or from the exploration or production leases that Gasfields acquires and is net of the joint venture ownership of the leases and net of Gasfields earned position.

Capital Raising

During the quarter and as announced on 19 June 2017, the Company conducted a placement to sophisticated and professional investors raising approximately A\$1.118 million (before costs) (**June Placement**). The June Placement was to be issued in two tranches; 723,140,884 shares using the Company's capacity under Listing Rule 7.1, and the remainder to be issued following shareholder approval at an extraordinary general meeting which is scheduled for 31 July 2017.

The funds raised under the June Placement will be used to further the Company's investment in the Tulainyo Project, for ongoing review of existing projects in Botswana and for working capital purposes.

Subsequent to the end of the quarter, the Company has also announced a further placement to sophisticated and professional investors, to raise an additional A\$4.0 million, to meet the Company's commitments in respect of the drilling of the first well in the Tulainyo Project.

Botswana & Farm-In Agreement

As announced on 15 November 2016, Magnum entered a farm-in agreement with Strata-X Energy Ltd (ASX:SXA) relating to its Serowe Coal Seam Gas Project in Botswana (**Botswana Project**). Pursuant to this farm-in agreement, the Company and SXA have established a Botswana based operating subsidiary, Rhino CBM Pty Ltd (**Rhino**) which will carry out the farm-in.

The first stage of this farm-in, which is currently being undertaken by Rhino under the guidance of SXA director, Ron Prefontaine, involves the desorption analysis of three core wells as required for continued gas resource certification. These three wells include a well which has previously been cored by Magnum and only requires final analysis, a second well which has been top holed and will be re-entered to core the coal section, and a third, new well.

The Company's regional director, Mr Modisana Botsile, is working with Rhino in relation to the regulatory management of the Botswana Project.

Other energy related opportunities

Bombora Natural Energy Pty Ltd (**Bombora**) - As announced on 19 April 2017, the Company terminated the sale and purchase agreement with Bombora by mutual agreement. This has provided the opportunity for the Company to gain exposure to the Tulainyo project without dilution of the shares in the Company that was contemplated under the SPA.

Sacgasco Limited – As announced on 22 June 2017, the previously announced farm-in agreement with Sacgasco Limited, for the Dempsey Gas Project (also in the Sacramento Basin in California) was terminated. This allows the Company to focus its efforts, both strategically and financially, on the Tulainyo Project investment.

For personal use only

Further opportunities

The Board continues to evaluate a number of prospects in line with its strategy of pursuing energy opportunities within both Australia and abroad.

Yours faithfully,



Nathan Featherby
Director

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MAGNUM GAS & POWER LIMITED

ABN

96 107 708 305

Quarter ended ("current quarter")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 12 Month \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(20)	(101)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(327)	(1,652)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	26	29
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Transaction cost)	(123)	(519)
1.9 Net cash from / (used in) operating activities	(444)	(2,244)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(150)	(450)
(d) other non-current assets	(874)	(874)

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date 12 Month \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	78	88
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	315	(99)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(631)	(1,335)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	914	4,391
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(220)	(740)
3.5	Proceeds from borrowings	5	460
3.6	Repayment of borrowings	(15)	(417)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (transfer for June capital raising)	-	-
3.10	Net cash from / (used in) financing activities	684	3,694

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	449	4
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(444)	(2,244)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(631)	(1,335)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	684	3,694
4.5	Effect of movement in exchange rates on cash held	-	(61)
4.6	Cash and cash equivalents at end of period	58	58

For personal use only

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	58	449
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	58	449

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	58
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors remuneration and fees for consulting services.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	212
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Consultancy services

For personal use only

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

--	--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	50
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	150
9.6 Other (Tulainyo Project)	3,000
9.7 Total estimated cash outflows	3,200

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	PL 352/2008 PL 353/2008	Farm-in agreement with Strata-X as per announcement dated 05/12/2016	100%	Subject to Farm-in Agreement under which Strata X will earn up to 75%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

For personal use only

