

5 June 2017

MAGNUM TO INVEST IN APPRAISAL OF CALIFORNIA GAS DISCOVERY

- Magnum has signed a binding Letter of Intent (**LOI**) to earn an economic interest via a 60% shareholding in Gasfields LLC (**Gasfields**), a limited liability company incorporated in the United States, that holds the rights to farm in to the Tulainyo high pressure, conventional gas project in the Sacramento Basin, California (**Tulainyo Project**). Other participants in the Tulainyo Project include one of California's largest independent oil and gas production companies.
- The Tulainyo Project covers the Sites Anticline that has some 130km² of closure mapped at surface with associated gas seeps and gas encountered by historic drilling.
- A drilling program in late 2014 encountered multiple, stacked gas bearing conventional reservoirs.
- The terms of the LOI provide for Magnum to provide funding to Gasfields to meet the main costs of the first well in a staged farmin program that can earn Gasfields up to a 33.33% interest in the project.
- To earn its full interests, Gasfields is required to fund up to 3 wells over the next 2 years, with options to continue exercisable between each of the 3 wells. After the first well, Magnum would contribute funding to Gasfields in line with its 60% shareholding in the Company.

Summary

Magnum Gas and Power Limited (ASX: MPE) (**Magnum**) is pleased to announce that it has entered into a Letter of Intent (**LOI**) with Gasfields LLC (**Gasfields**), a limited liability company incorporated in the United States of America, that holds rights to farmin to a 152 km² (over 40,000 net acre) – lease position over the large Sites Anticline structure on the west side of the gas prolific Sacramento Basin, California. **Refer Figure 1.** A major gas trunkline servicing California's vast, 90% - imported, domestic gas market is located approximately 8 km from that site.

Gasfields is currently a wholly owned subsidiary of Bombora Natural Energy Pty Ltd (**Bombora**), a private company based in Perth Western Australia. Bombora's shareholding in Gasfields and beneficially in the Tulainyo Project, will be reduced in line with the funding agreement with Magnum. By agreement with Magnum, Gasfields will continue to be managed by Bombora and its experienced oil and gas industry executive team of John Begg and Marie Malaxos.

The vendor group to the Tulainyo Farmin Agreement with Gasfields is comprised of California Resources Production Corporation, the project Operator and a subsidiary of a NYSE-listed, California focussed company that is one of California's largest oil and gas production companies and Cirque Resources LP, a private company based in Denver, Colorado.

The Sites Anticline is defined by a grid of 2D seismic matched to extensive surface and outcrop mapping and is interpreted to have up to 130 km² of four-way dip closure. **Refer Figure 2.** The structure was the subject of the Tulainyo-1 well program in late 2014 to early 2015 that encountered gas in a series of stacked sandstone units at relatively shallow depths (less than 1,800 m) that could not be tested due to mechanical difficulties. Gas shows of 1,000 to 5,000 units were recorded against high mud weights. Additional deeper conventional sand reservoirs that are prospective for gas remain untested.

Magnum's recently announced Dempsey Gas Project farmin will also target reservoirs of similar age in a large, fault bound structure, guided for the first time by mapping based on 3D seismic. The Dempsey-1 is scheduled to commence drilling in July 2017.

Key Terms

- Magnum will be required to provide to Gasfields, by way of equity subscription and shareholders loans, US\$3.4million towards satisfying conditions of the Tulainyo Farmin Agreement, the majority of funds necessary to complete the initial farmin well. Payment of the funds will be made in tranches in advance of the drilling of the initial well, as prescribed by the Tulainyo farmin agreement. Drilling of the well is to commence by not later than September 1, 2017.
- All obligations of Magnum to provide the abovementioned funds are conditional upon the prior satisfaction of certain conditions, including obtaining necessary shareholder approval, raising of US\$3,000,000 and Gasfields making the necessary amendments to its Articles of Organisation and signing of the related transaction documents.
- Typically, gas projects of the nature of the Tulainyo Project in California will attract average total royalties of between 15% and 20%. Further details of the commercial conditions expected to apply to the Tulainyo Project including the royalties payable by Gasfields, that will be consistent with these typical terms will be announced when finalised.

John Begg, Director and Technical Manager of Gasfields, commented:

"We welcome Magnum's investment in Gasfields and the Tulainyo Project. We look forward to participating in what we believe will be one of the most exciting junior company- involved drilling programs of 2017. Anywhere. The target is potentially a very large gas resource located near infrastructure that connects to one of the world's largest domestic gas markets".

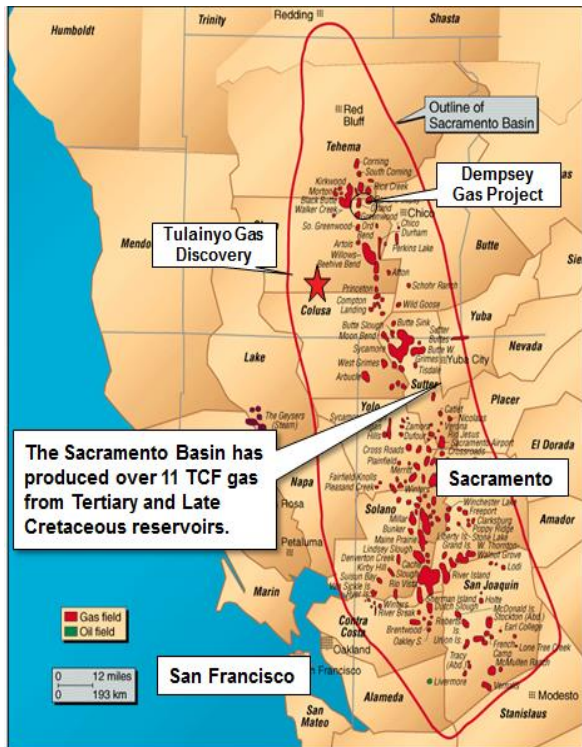


Figure 1 Location of the Tulainyo Gas Discovery

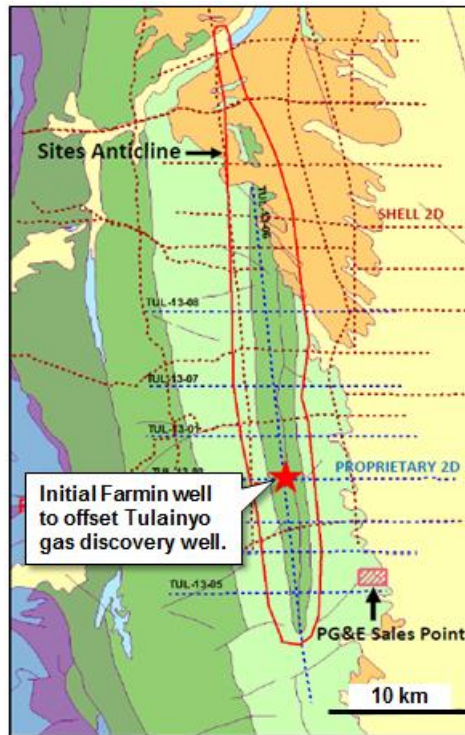


Figure 2 Surface Structure of the Sites Anticline

The Company is currently finalising its financing arrangements and expects that a request to lift the voluntary suspension in trading of the Company’s securities will be lodged on or before Wednesday, 7 June 2017.

Yours faithfully,

Kar Chua
Company Secretary
Magnum Gas & Power Limited

About Magnum Gas & Power Limited

Magnum Gas & Power Limited is an Australian-based energy and gas resources exploration and development company, working to develop gas exploration and production projects. The Company is currently focused on its Serowe Coal Seam Gas Project in Botswana, Africa, which is the subject of a farm-in agreement with Strata-X Energy Limited. The Company’s goal is to create exceptional value for shareholders through expanding and developing its energy and gas interests both in Australia and internationally.