

22 June 2017

GIANT SCALE CONVENTIONAL GAS RESOURCE POTENTIAL IN MAGNUM'S TULAINYO GAS PROJECT

Highlights

- As announced on 5 June 2017, Magnum has signed an agreement to take an interest in Gasfields LLC, a US registered company that holds the rights to acquire, via farm-in, up to a 33.33% interest in the potential giant-scale untested, Tulainyo Gas Discovery in the Sacramento Gas Basin, California.
- An appraisal well is planned to commence in September, 2017.
- If appraisal drilling is successful, the Tulainyo project is well placed for a commercial development, with good proximity to gas markets and infrastructure, and moderate onshore California development costs.
- The Tulainyo Gas Discovery structure is a large anticline with up to 91km² of closure. It has a strong surface expression, gas seeps and gas encountered by historic drilling.
- Drilling in 2014 by the joint venture encountered multiple, stacked gas bearing conventional reservoirs that were not tested due to mechanical difficulties.
- Magnum estimates recoverable Prospective Resources net to its interest to be in the range:

Net Prospective Resource Magnum	P90	P50	Mean	P10
	101 Bcf	349 Bcf	507 Bcf	1.04 Tcf

Cautionary Statement:

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of petroleum.

Magnum Gas and Power Limited (ASX: MPE) ("Magnum"), is pleased to release the results of an internal assessment of the potential recoverable gas resources for the Tulainyo Gas Project ("Project") in the Sacramento Basin in California.

Gasfields LLC ("Gasfields"), a US registered subsidiary of Bombora Natural Energy Pty Ltd ("Bombora"), holds rights to acquire an interest in the Project through a farm-in agreement.

As announced on 5 June 2017, Magnum has agreed to invest in Gasfields to assist with funding the first well in the farm-in program that is estimated to cost approximately A \$4.0

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million. As a result, subject to raising the necessary capital, Magnum will take up a 60% shareholding in Gasfields.

The Tulainyo Farm-in Agreement (“FIA”) was executed by Gasfields on 21 March 2017 with the parties holding a 152 km² (close to 40,000 acres) net leasehold position over the large Sites (Tulainyo) Anticline on the west side of the prolific Sacramento Basin in California. See *Figures 1 and 2*.

The joint venture includes Project operator California Resources Production Corporation a subsidiary of California Resources Corporation (NYSE: CRC) and Cirque Resources LP, a private company based in Denver, Colorado. California Resources is the largest oil and gas producer in California on a gross-operated basis.

The Company has agreed that Bombora will continue to manage Gasfields participation in the project on behalf of Bombora and Magnum.

The Tulainyo-1 discovery well was drilled on the Sites Anticline in 2014 to 2015, discovering gas in a series of stacked sandstone reservoirs at relatively shallow depths of less than 1,700 metres. High gas shows of 1,000 to 5,000 units were recorded against elevated mud weights. The sands could not be tested due to mechanical difficulties.

Historic drilling, including the most recent well, indicates that the entire anticline could be gas charged.

To assess the commercial gas potential, the joint venture is planning the Tulainyo-2 appraisal well, to be funded by Gasfields, with drilling due to commence in September 2017.

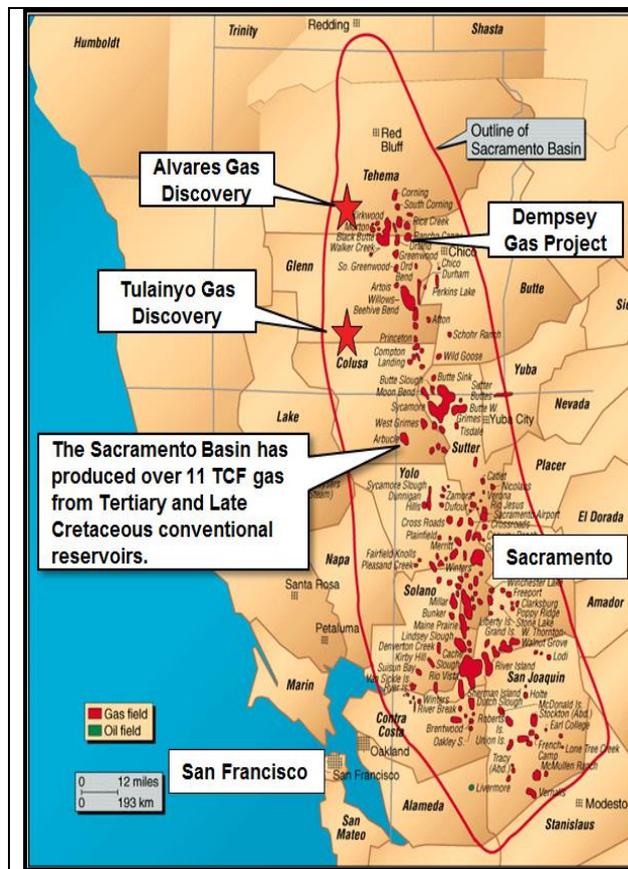


Figure 1 Location of the Tulainyo Gas Discovery Anticline

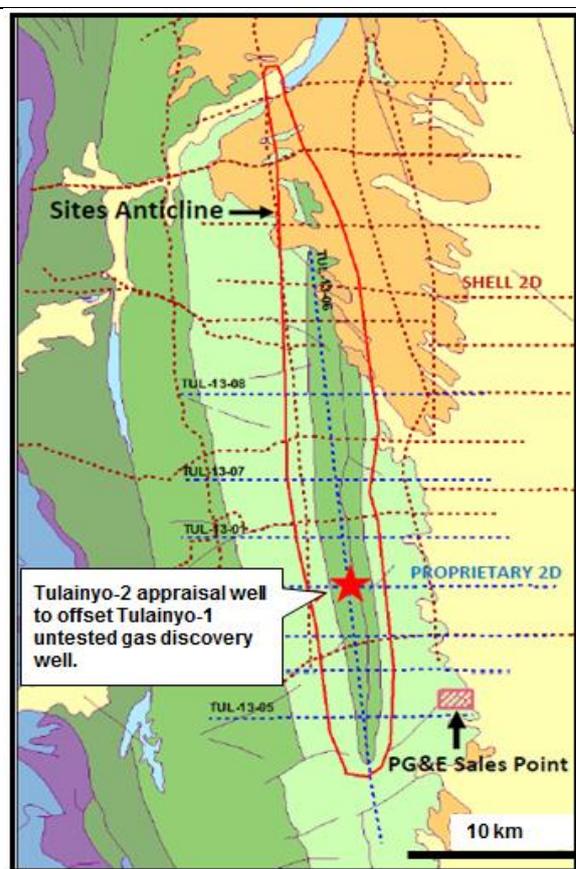


Figure 2 Surface structure of the Sites Anticline

Under the terms of the FIA, Gasfields will earn a 10% interest in the southern half of the very large, 152 km² leased land position by funding Tulainyo-2. Gasfields' interest will increase to 33.33% if it decides to drill a second, deeper well in the area.

Gasfields would also have the option to drill a third well in the northern half of the land position to earn up to 33.33% in the entire leased area.

Under the FIA, the committed cost exposure of Gasfields to the earning phase of each well in the earning drilling program will be capped, based on joint venture agreed estimates.

Tulainyo-2 will be a "proof of concept well" to evaluate and flow test the gas sands penetrated at depths less than 1,700m (c. 5,500 feet) by the Tulainyo-1 discovery. Bombora has worked closely with the Tulainyo joint venture to prepare a robust well plan for Tulainyo-2, incorporating standard industry techniques and expertise from similar over pressured, gassy operating environments.

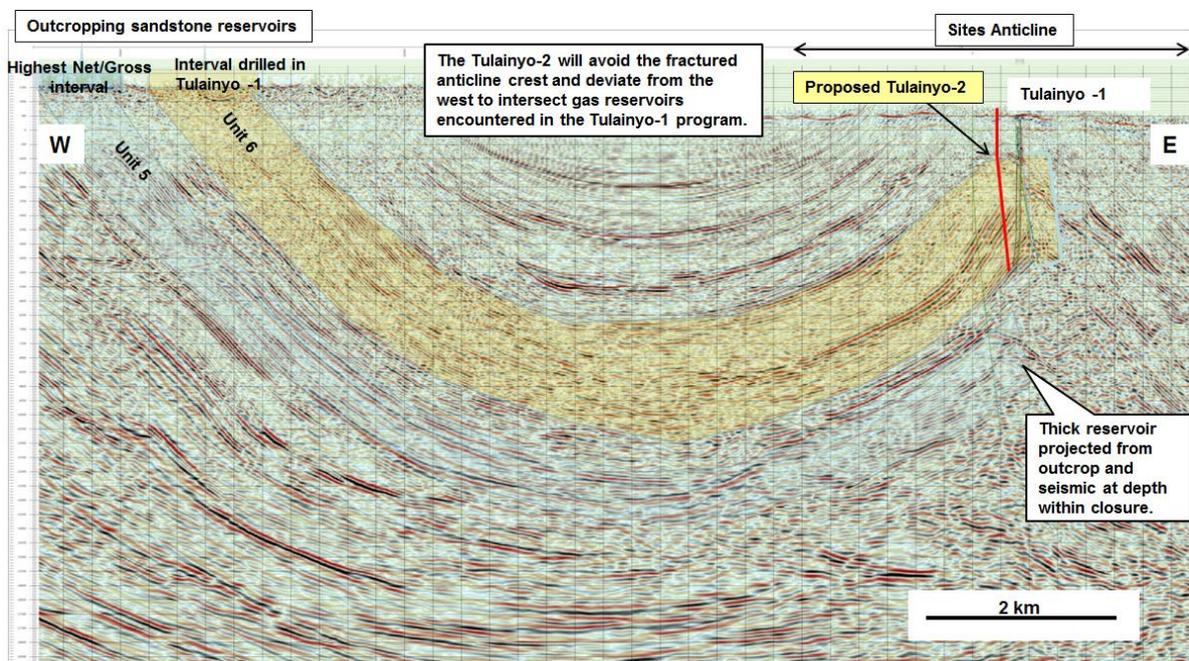


Figure 3 Regional W-E dip seismic Line from Outcrop across the Tulainyo Gas Discovery structure

The Company's investment in Gasfields is subject to obtaining an extension in respect of payment, to allow the Company to obtain approval and release a notice of meeting to the market.

Recoverable Prospective Gas Resource Estimates

Prospective recoverable gas resource estimates have been calculated on a probabilistic basis for Gasfields' net interest in the project, assuming completion of the FIA three well earning program. Magnum's potential net gas resource ownership, as required by SPE PRMS standards for prospective resource estimation, is also net of lease ownership percentages and applicable royalties.

The net figures shown in the table below derive from unrisks Gross Prospective Resources that range in excess of 600 Bcf, 2.1 Tcf, 3.1 Tcf and 6.3 Tcf for P90, P50, Mean and P10 recoverable resource categories respectively.

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Net Prospective Resource Gasfields	P90 169 Bcf	P50 582 Bcf	Mean 845 Bcf	P10 1.73 Tcf
Net Prospective Resource Magnum	P90 101 Bcf	P50 349 Bcf	Mean 507 Bcf	P10 1.04 Tcf
Related Area of Closure	29.4 km ² (7,250 acres)	51 km ² (12,570 acres)	54.5 km ² (13,470 acres)	91 km ² (22,440 acres)

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Background Information to Resource Estimations

The Tulainyo Gas Discovery contains conventional early cretaceous sandstone reservoirs in the Sites Anticline. The reservoirs have been uplifted into a large fold structure associated with the California Coastal Ranges on the northwest flank of the Sacramento Basin. These rocks generally plunge to the east beneath the traditional, younger producing reservoirs of the Sacramento Basin from which over 11 Tcf of gas have been produced.

Only a limited number of wells have ever targeted the older Cretaceous reservoirs, most not on structure. A number of attempts have been made to drill and test the Sites Anticline, with the 2014-2015 Tulainyo-1 drilling program being the first in over 50 years. All wells have been characterised by high gas shows, and over pressured reservoirs.

Data from the Tulainyo-1 drilling program resulted in a better understanding of the petroleum system and pressure regime. Gas samples show that the gas is of sufficient quality for pipeline entry.

A major gas trunkline is located just 8km away and there is a ready gas market in California where approximately 90% of its huge daily gas requirement is imported, averaging some 7 Bcf per day and up to 11 Bcf per day during peak periods.

The Tulainyo drilling, for the first time, provided high quality wireline logs and subsurface data to support an estimation of prospective gas resources. In particular, the wireline and seismic data (Figure 3) can be correlated to the Early Cretaceous sandstone reservoirs of the Lodoga Formation seen in outcrop to the west.

The seismic and well data show a very thick section of repeated sequences of moderate quality sandstone reservoirs that are potentially gas charged.

Outcrop sampling indicates relatively low permeabilities (at <= 3Md from limited samples), but these permeabilities should be sufficient to support natural gas flow, particularly in the over pressured reservoir within the anticlinal closure.

Notably, Magnum interprets that the wireline log data indicate superior reservoir quality compared to the weathered outcrop samples.

Project royalties are favourable, averaging less than 20%.

The subsurface interpretation of the Sites / Tulainyo structure is based on a grid of 2D seismic data and high quality surface mapping.

The mapping shows a structural closure from near surface to below 3,000m (c. 10,000 feet), with the closure ranging from some 29 km² at the P90 map level to over 90km² at the P10 level. The seismic coverage is shown in Figure 2.

High gas shows and petrophysical analysis of wireline log data and mud log data strongly support the presence of multiple gas-saturated sands. It is expected that deeper additional gas saturated sands will also be present within closure.

Magnum considers the principal risks to the project are associated with mechanical execution and to a lesser extent reservoir quality.

Based on the advanced planning for the Tulainyo-2 appraisal well, Magnum believes the chance of achieving a successful flow of gas to surface at potentially commercial rates is better than 50%. If this is achieved, Magnum believes that the proximity to gas markets and related infrastructure, and the moderate onshore California development costs, mean that a commercial development is virtually certain.

Nathan Featherby Executive Chairman of Magnum said:

“Through this investment in Gasfields, we are thrilled to have secured the opportunity to participate in the appraisal of a potentially giant- scale conventional gas resource. Not only is it located onshore near extensive gas infrastructure, it is operated by one of the premier oil and gas exploration and production companies in California”.

Additionally, the Company advises that its farm-in agreement with Sacgasco Limited (ASX:SGC) has been terminated; allowing the Company to focus on its efforts in Botswana and in relation to the Tulainyo project.

Yours faithfully,



Nathan Featherby
Executive Chairman

QRRE Person (Qualified Petroleum Resources Evaluator)

The information relating to the Tulainyo Gas Discovery project is based on information compiled by Mr Brian Diamond who holds a BSc Geology and an MSc in Geophysics and is a member of the American Association of Petroleum Geologists.

Mr Diamond has over 20 years of experience in petroleum exploration, development and production and is satisfied that the estimated resources mentioned in this press release have been classified in accordance with +SPE-PRMS.

Mr Diamond is not aware of any new information or data that would materially affect the information relating to the Tulainyo Gas Discovery that is included in this announcement. All material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed.

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Mr Diamond has consented in writing to the inclusion of the information stated in the form and context in which it appears.

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.

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