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ASX Announcements Office
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MAGNUM SIGNS AGREEMENT TO ACQUIRE BOMBORA NATURAL ENERGY PTY LTD

HIGHLIGHTS:

➢ Agreement to purchase 100% of the issued capital of Bombora Natural Energy Pty Ltd.
➢ Acquisition brings substantial exposure to a high calibre portfolio of gas discovery, appraisal and exploration projects.
➢ MPE well poised to pursue an active gas-focussed drilling and work program in 2017.
➢ Further financing initiatives to be considered.

SUMMARY:

The Directors of Magnum Gas & Power Limited (‘MPE’ or ‘the Company’) are pleased to announce that the Company has signed a share sale and purchase agreement (“SPA”) with the major shareholder of Australian private company, Bombora Natural Energy Pty Ltd (‘Bombora’ or ‘Target Company’), under which it will acquire all of the issued capital of Bombora on the basis of 60 MPE shares for each Bombora share, which will result in the issue of approximately 2.4 billion shares at latest MPE closing price of $0.001 per share.

Bombora is a West-Australian, private company focused on building a high quality portfolio of gas assets in the onshore gas sector where there is a high demand for energy. Bombora was established in May 2016 and has a strong, well-credentialed management team. Bombora holds a number of interests in gas prone projects, that include a farm-in agreement with Sacgasco Limited (ASX:SGC) and another with UIL Energy Limited (ASX:UIL), Bombora is also in the process of negotiating and finalising a number of other potential interests, all targeting projects with discovered gas and further exploration potential on trend.
At the conclusion of the transaction, the Company will have a portfolio of assets, providing the versatility to direct resources, at any given time, to the projects most likely to deliver the greatest value to shareholders.

**NATURE OF TRANSACTION:**

The Company has entered a share sale and purchase agreement with the major shareholder of Bombora (‘SPA’) under which it will acquire, on the basis of 60 MPE shares for each Bombora share, all of the issued capital in Bombora (‘Transaction’). The agreement is subject to the following conditions precedent:

- Each party conducting and completing due diligence investigations to their satisfaction prior to 28 February 2017.
- MPE obtaining all such shareholder, ASX and regulatory approvals as are required for the transaction, including:
  - the issue and allotment of the transaction consideration shares for the purpose of ASX Listing Rule 7.1; and
  - if ASX determines that ASX Listing Rule 11.1.2 applies to the Transaction, the significant change in the scale of nature of MPE’s activities; and
  - if ASX determines that ASX Listing Rule 11.1.3 applies to the Transaction, a capital consolidation.
- MPE receiving a signed share sale agreement from each minor shareholder in Bombora.
- MPE entering into an executive services agreement with Mr John Begg under which Mr Begg will be appointed as Executive Chairman of the Company.
- MPE continuing to satisfy all such conditions of its farm-in agreement with Strata-X Energy Limited, until completion.
- If ASX advises that ASX Listing Rule 11.1.3 applies to the Transaction, MPE complying with ASX’s requirements, including any capital consolidation and receiving conditional approval to be readmitted to trading on the official list of ASX upon completion of the Transaction.

**Board changes:**

Upon completion of the transaction, the board of the Company will be constituted as follows:

*Mr John Begg – Executive Chairman:*

Mr Begg will be invited to join the Board of MPE as Executive Chairman, bringing a wealth of experience in growing and managing hydrocarbon exploration, development and production companies with assets based in Australia and internationally.

*Ms Marie Malaxos - Non-Executive Director:*

Ms Malaxos will join the board of MPE as a non-executive director, with oversight of major company operations. Ms Malaxos has previously been responsible for the cost-effective development of a number of oil and gas fields onshore in Australia.
Mr Nathan Featherby – Non-Executive Director:

Mr Featherby, current Executive Chairman of the Company, will transition to the position of non-executive director.

Mr David Scoggin – Non-Executive Director:

Current non-executive director, Mr Scoggin, who is located in Los Angeles and brings substantial commercial experience in attracting US based investment to Australian resource companies, will remain on the Board.

Mr Nicholas Halliday and Mr Saxon Ball have indicated their intention to step down from their positions as non-executive directors upon completion of the Transaction.

PROJECTS:

Magnum Gas & Power:

As announced on 15 November 2016, the Company entered a farm-in agreement with Strata-X Energy Limited (ASX:SXA), which will cater to the 2017 work program commitments on the Serowe CSG project in the Kalahari Basin, Botswana. MPE currently holds this asset 100% under PLs 352/2008 and 353/2008 issued by the Ministry of Minerals and Water Resources, Botswana. The initial program will include drilling and desorption analysis of three coreholes into the large, unconventional gas resource. The desorption work is expected to commence within Q1 2017 and will be designed to assess the Measured Gas Content of the coal seams and composition of the gas. This would support planning for a subsequent testing program to determine potential flow capacity.

SXA will earn 25% of the project that is subject to total royalties of 6%, by carrying out the year one program, with rights to expand its funded activity in the following two years, to earn up to a 75% interest.

Bombora Natural Energy Pty Ltd:

At completion of the Transaction, MPE will acquire, via Bombora, the rights to acquire interests in a range of projects targeting already discovered gas and on-trend exploration in conventional sandstone reservoirs. These projects are part of an ongoing business development program, targeting additional conventional gas assets with similar, minimised technical and market risk characteristics.

Dempsey Gas Project:

The Dempsey Gas Project is located in the Sacramento Basin, California; a prolific gas producing region. Bombora has reached agreement with Saccasco Limited (ASX:SGC) to farm-in to the project by paying part of the costs, on a promoted basis, of the Dempsey-1 Well which is to be drilled in April to May of 2017.
Bombora may earn a 20% interest in the project by funding 32.5% of the planned 3,200m (10,500ft) to an agreed cost cap, estimated at $1.77 million net to Bombora, and thereafter if the well costs more than the cap, at its 20% earned interest level. If the well costs less than the cap and Bombora has funded 32.5%, it would earn its 20% interest.

The Dempsey prospect has been defined by SGC on 3D seismic with reference to regional well control. It is a large, 3-way dip, fault bound closure with conventional sandstone reservoir targets mapped at up to seven stacked levels. The main structure sits beneath a shallower producing gas field that is also owned by SGC and partners, in which Bombora will also earn an interest. The gas plant has available capacity that would be utilised for a fast track development of any gas reservoirs proved up by the Dempsey -1 well. Royalties of 17% to 25%, (mostly less than 20%), in keeping with standards for petroleum production activities in California, apply to the Dempsey Gas Project.

SGC maps seven target gas reservoir levels beginning with a small, seismic amplitude defined, extension of the shallow producing Forbes Sandstone reservoir system. The targets then extend down to total depth through a series of interpreted more broadly distributed older Cretaceous reservoirs as shown in Figure 1. Bombora considers that there is a high probability of encountering gas in the less material, shallow Forbes Sandstone system and that the probability of finding gas in the older, primary potential reservoirs is in the range of 40% to 10% for individual prospective zones. The principal technical risk relates to reservoir quality.

Individual, gross prospect, unrisked Undiscovered Best Estimate Prospective Resources for these primary targets range from 116 PJ to 352 PJ of recoverable gas. The estimates were reviewed on 5 January 2017 and have been made on a deterministic basis. At an earned interest level of 20% this would represent 23.2 PJ to 70.4 PJ net to Bombora. Should all the reservoirs be full of gas, the cumulative unrisked recoverable Prospective Resources within the prospect could approximate 1Tcf (refer SGC release dated 4 September, 2014) or approximately 200 PJ net to MPE.

The Dempsey Gas Project is located within an existing field administrative boundary (which assists permitting of activities) and has access to an under capacity gas producing facility already producing into the very strong California gas market that is based on import of some 90% of state demand. Accordingly, Bombora considers the chance of commercial development of a resource equivalent in volume to the estimates for any one of primary reservoir targets is >50%. The main qualifying factor remains the yet unproven ability of these reservoirs to flow at rates that would support commerciality.

**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”.

Bombora has also executed a farm-in agreement with UIL Energy Ltd providing it with the right to earn a 70%, operated interest in the southern part of exploration licence EP 447, within the onshore Perth Basin that covers the Walyering Gas Field. This gas field was discovered and originally placed on production for a limited period in the 1970’s by West Australian Petroleum Pty Ltd. The discovery well flowed naturally at up to 13.5 MMCFD from conventional sandstone reservoirs of Jurassic age and the field shares similar geology to the producing Gin Gin West – Red Gully gas field on trend to the south. Of three wells that encountered gas in the Jurassic reservoirs, the Walyering-1 discovery well had least mechanical difficulties and the lowest mud weights used, impacting less on the reservoirs during drilling and completion.

The Walyering Gas Field is crossed by the Parmelia gas trunk line and the Brand Highway, giving it an excellent position relative to infrastructure as shown in Figure 2. The project is subject to standard onshore Australia, PRRT fiscal conditions.

Bombora believes that most of the structure remains untapped by the early drilling that was poorly positioned, due to inaccurate mapping based on vintage 2D seismic. Bombora’s structural map of the Central High of the field shows that it is undrilled. Given that gas was encountered in wells on both the east and west flanks of the anticline structure, Bombora assesses the chance of finding gas in the Central High at 57%. Gross prospect, unrisked Undiscovered Prospective Resources of Low 3.7 PJ, Best Estimate 16.6 and High 76.7 PJ of recoverable gas are estimated for the Central High. These resource estimates date from December 10, 2016 and were made after remapping.
the 2D seismic grid and tying this to well control that comprises four wells, three of which tested gas to surface. Core data was also available and used in the analyses. The resources have been calculated on a probabilistic basis. At a 70% earned interest level, the net resource could represent P90 2.6 PJ, P50 11.6PJ and P10 53.7 PJ net to Bombora. Additionally, other mapped compartments offer the opportunity to significantly increase the gas resource. This includes at least one closure up dip from known gas intersected in the prior drilling.

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![Map of Walyering Gas Field structure based on 2D Seismic data](image)

*Figure 2 - Schematic Map of the Walyering Gas Field structure based on 2D Seismic data*

Bombora is actively permitting for a circa 90km², modern 3D seismic survey to better image the faulted anticline structure and the largest compartments for future appraisal drilling. By completing required permitting, which is challenging in such onshore environments, Bombora will be entitled to acquire the 70% interest by funding and managing acquisition, processing and interpretation of the 3D survey.
If the planned 3D data is acquired and supports Bombora’s structural and gas resource mapping, Bombora considers the principle risk to commercial development will be the effective drilling and completion of producing wells without damage to the reservoirs, allowing the reservoirs to flow naturally as in the Walyering-1. Bombora’s assessed chance of development is 30%.

**POST-TRANSACTION**

If the Company is required by ASX to re-comply with Chapters 1 and 2 of the ASX Listing Rules post-Transaction, the Company may be required to conduct a consolidation of capital concurrently with completion. Any consolidation of capital will be communicated to shareholders, and subject to shareholder approval upon determination by ASX.

Mr John Begg, director of Bombora, said: “The boards of MPE and Bombora are like minded and enthusiastic about the development of natural gas assets in locations where there is high demand for energy and the ability to utilise existing facilities, or participate in the creation of new gas infrastructure. In the emerging Botswana CSG industry, MPE is well positioned with a potentially large resource and a farm-in partner, Strata-X Energy Limited, led by Ron Prefontaine who is an expert in CSG.

The assets brought to the table by Bombora are just part of an ongoing growth strategy, having been selected because of the known presence of gas and direct access to infrastructure. This minimises drill risk and offers the opportunity to quickly develop and produce. With the technical and financing skillsets that will be in the combined entity, including our broking support, MPE will be positioned to deliver multiple opportunities for shareholder value creation in 2017.”

The Company expects to remain in voluntary suspension until ASX has provided a determination in relation to Chapter 11 of the Listing Rules. The Company expects to provide an update to the market in respect of the Transaction following such determination.

Yours faithfully,

Ellen O’Neil
Company Secretary
Magnum Gas & Power Limited

*QRRE Person (Qualified Petroleum Resources Evaluator)*

The information relating to the Walyering and Dempsey Projects is based on information compiled by Mr John Begg a Director of Bombora Natural Energy Pty Ltd. Mr Begg holds a Bachelor of Science Degree (Geology) and is a member of the American Association of Petroleum Geologists. Mr. Begg has over 35 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 Begg is not aware of any new information or data that would materially affect the information relating to the Dempsey Project which 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.

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