27 February 2017

MAGNUM GAS & POWER - ACQUISITION UPDATE

BOMBORA NATURAL ENERGY SIGNS HOA FOR CALIFORNIA GAS DISCOVERY

Highlights

- Bombora has signed a Heads of Agreement (HOA) to farm-in to the Tulainyo high pressure, conventional gas project in the Sacramento Basin, California.
- The Tulainyo discovery is a test of 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 HOA provides exclusivity for Bombora to negotiate a formal farm-in agreement with the Vendor group that includes one of California’s largest independent oil and gas production companies.
- The farm-in terms contemplate a staged entry by Bombora to earn up to a 33.33% working interest in the project.
- To earn its interests, Bombora would fund up to three wells over the next two years, with options to continue exercisable between each well.

Summary

Magnum Gas and Power (MPE or the Company) is pleased to announce that Bombora Natural Energy Pty Ltd (Bombora), the subject of MPE’s all scrip acquisition offer (as announced to the market on 13 February 2017) has executed a Heads of Agreement with two parties that hold a 152 km² (over 40,000) net acre lease position on the large Sites Anticline structure on the west side of the gas prolific Sacramento Basin, California. Refer to Figure 1. A major gas trunkline servicing California’s vast, 90% imported, domestic gas market is located just 8 km away.

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 to 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.
Bombora’s recently announced (MPE announcement dated 13 February 2017) Dempsey Gas Project farm-in 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 for April-May 2017.

The HOA provides for a period of exclusivity within which the parties may enter a formal Farm-in Agreement (FIA) based on the terms of the HOA, subject to respective board approvals.

Subject to execution of the FIA, Bombora will fund 100% of up to three wells on the Tulainyo Project. The initial well has an estimated cost of less than A$4.0 million and must commence drilling not later than 1 September 2017. The initial well will earn a 10% interest in the southern half of the land position, increasing to 33.33% if Bombora decides, based on results of the initial well, to drill a second, deeper well in the South area. Bombora 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.

The Vendor group is comprised of California Resources Production Corporation, 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.

More details of the potential resource, Vendor group and farm-in structure are planned to be released once an FIA is in place and final terms are established.

John Begg, Executive Chairman of Bombora and proposed future Executive Chairman of the Company, commented:
“We look forward to concluding a farm-in to this potentially very large gas resource located near infrastructure that connects to one of the world’s largest domestic gas markets. Now that we are up and running with our business strategy, it’s gratifying to find that an onshore project of this quality, and with strong partners, remains available.

Yours faithfully,

Ellen O’Neil
Company Secretary