

COMPANY UPDATE

3rd October 2013

HIGHLIGHTS

- **Magnum has successfully completed CBM coring operations in Botswana, with coal discovered, core samples being tested and gas samples taken for analysis.**
- **Core samples are undergoing testing and analysis, including gas desorption¹. Initial results to be announced over coming weeks.**
- **NSW energy issues given urgent attention by new Federal Government.**



Magnum Gas & Power Limited (ASX: MPE, “Magnum”) is pleased with recent developments in both Botswana and NSW and looks forward to growth from the current market position.

Botswana: Magnum successfully completed the current phase of the Botswana CBM² exploration programme. The results will provide Magnum with significant data to support prospectivity and basin models, including information on gas properties such as gas content and composition. The next phase of exploration drilling is now being planned.

The carbonaceous package included coal, carbonaceous mudstone and shale. The total carbonaceous intersection was 90m, with a clean coal thickness of 16m. Magnum has informed the Botswana Ministry that a discovery of Coal has been made on the Company prospecting licences. A total of 14 HQ core³ samples are being desorbed and gas samples taken for analysis. Results from the testing and analysis will be completed and released over the coming months, with initial results expected to be announced shortly.

Magnum’s CBM acreage is located in the Central region of Botswana and is held 100% by Magnum.

Major CBM exploration programmes are underway in the basin by significant peers, including Kubu Energy (Sasol and Origin Energy), Exxaro and Tlou Energy. Existing power generation facilities in Botswana’s critical power market are currently awaiting CBM gas supply.

New South Wales: Magnum is pleased to see fresh focus and steps being taken to address the NSW energy security and pricing issues after the recent Australian Federal election. Recent comments by new Federal Industry Minister Ian Macfarlane emphasise the importance and urgency of addressing and supporting the NSW natural gas industry to help resolve the state's looming energy crisis. Further, former federal resources minister Martin Ferguson has been called on by NSW Resources and Energy Minister Chris Hartcher to broker a breakthrough in the crisis in natural gas supply that is threatening the state and Mr Ferguson said he would personally drive the push to remove impediments to gas extraction in NSW. A summit was held last week in Sydney, NSW regarding tackling NSW's energy security problem, with CSG being a key priority and focus.

For further information please contact:



Trent Wheeler, Managing Director

Glossary:

1 Desorption – A process to determine the desorb-able gas content of the core sample. The direct method involves taking the core sample as it is brought to surface during drilling, immediately placing it in desorption canisters (capped airtight aluminium tube with testing connection) and connecting it to measuring equipment. The canister is kept at a fixed temperature matching the in seam temperature (below surface) while the gas is allowed to desorb. The volume of gas produced over time is then measured and recorded, with samples taken, until such time that no further gas is desorbing. The gas samples are then tested, including gas composition analysis. The core sample is then removed from the canister and further testing of the core sample conducted, including residual gas content and proximate analysis.

2 CBM – Coal Bed Methane refers to a form of natural gas extracted from coal beds. In Australia, CBM has become known as Coal Seam Gas “CSG”. While the two are typically used interchangeably, the carbonaceous interval in Botswana is composed of not just Coal Seams, but also carbonaceous shale and mudstones which contain gas. Hence, there is potential for recovery of methane from both the Coal Seams and the surrounding Coal Beds.

3 HQ Core – HQ Core refers to a particular size of core, and associated drilling equipment, recovered during a core drilling operation. The core drilling operation utilised a drill bit and drill string (drill pipe) which has hollow centre (hollow core) so that as it drills into the formation, a portion of the formation is captured in the center (hollow core) of the drill string, this captured portion of the formation is the “Core”. The Core is then recovered to the surface, in our case by wireline retrieval and in approximately 3m lengths at a time. HQ coring equipment consists has a 96mm outside diameter, and a 63.5mm inside diameter, so the HQ Core samples recovered are cylinders of the formation, of approximately 60mm diameter.

About Magnum Gas & Power

Magnum Gas & Power is an ASX listed energy exploration and development company with a portfolio of projects including Coal Bed Methane (CBM) and Petroleum exploration in Botswana and Coal Seam Gas (CSG) exploration in New South Wales, Australia.

Magnum's priority is exploration drilling in the Central Project Area of its highly prospective CBM projects in Botswana. A combination of exploration wells and desktop studies will seek to add value by defining and converting resources to reserves. Magnum's prospecting licences are strategically placed in the Kalahari Karoo basin which is in the early stages of field development with significant exploration programmes being conducted by neighbouring global energy majors.

Existing power generation facilities in Botswana's critical power market are currently awaiting CBM gas supply. Magnum will look to vertical integration by developing partnering opportunities to provide incremental phases of gas off takes to downstream projects as Reserves are booked.

Magnum is also strategically placed with gas reserves in NSW, ready for further definition and development within a state of looming energy crisis.