HUNTER CAPITAL ADVISORS

ASX: MPE

MAGNUM GAS & POWER LIMITED

Research Analyst: J-François Bertincourt

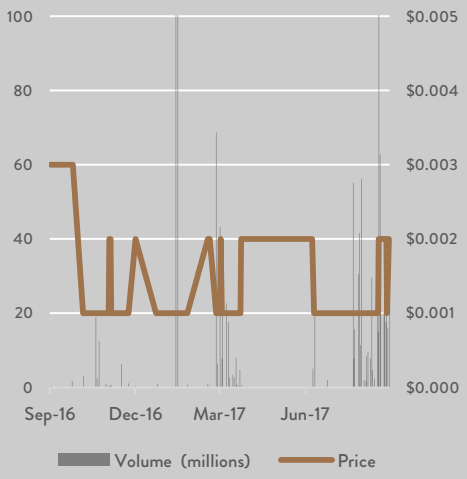
Equity Research

12th September 2017

SPECULATIVE BUY

Price Target	$0.014
Share Price	$0.002

52-week range	$0.001 - $0.003
Market capitalisation	$17.8m
Shares Outstanding	8,915.3m
Options	
Listed, ex. price $0.003, exp. 31/10/20	2,417.1m
Unlisted, ex. price $0.0025, exp. 2/8/19	4,200.0m
Unlisted, ex. price $0.002, exp. 21/10/20	300.0m
Debt	Nil
Cash (post placement)	~$4.0m
Enterprise Value	$13.8m
Major Shareholders:	
Avatar Energy Pty Ltd	5.14%
Pershing Aust. Nom. Pty Ltd	4.94%
DJ Carmichael Pty Ltd	3.12%
JP Morgan Nominees	2.92%
Mr Jonathan Ronald Busing	2.24%



Magnum Gas & Power Limited is an Australian-based energy and gas exploration and development company with a focus on the Sacramento Basin, California, which has produced over 11 TCF of gas from conventional reservoirs.

Initiation of Coverage

Recent transactions and strategy: Over the last few months, Magnum Gas & Power has completed a few corporate transactions to build a portfolio of interests in various conventional gas plays in the Sacramento Basin, California, USA.

Excellent location: Magnum's key project interest sits in the Sacramento Basin, which has produced over 11 TCF of gas from Tertiary and Late Cretaceous conventional reservoirs. These resources are ideally located in California, which imports over 90% of its gas and pays a premium with prices likely to trend up. MPE is focused on the rapid appraisal and commercialisation of its gas resource contained within its permit to meet this demand.

Infrastructure: MPE's proposed well is located next to existing under-utilised infrastructure and provide access to California's huge gas market through the extensive gas pipeline network running through the State providing a quick path to monetisation.

Favorable gas market: Higher price forecasts and current spot pricing illustrate market need for new gas projects and future increases in gas prices.

JV Discovery: Magnum Gas & Power JV partner has made a conventional gas discovery in the Sacramento Basin. The Tulainyo Gas Discovery structure is a large anticline with up to 130km^2 of closure. It has a strong surface expression, gas seeps and gas encountered by historic drilling.

Timing: exploring and developing US gas is currently an excellent opportunity considering the low cost of drilling and engineering services and the declining overhang of gas supply nation-wide as US drilling activity has collapsed and the US new LNG export industry expands.

Tulainyo-2 well: MPE is planning to drill the Tulainyo-2 well at a minimal cost (US$3m, US$0.5m already paid)) to validate the concept and the findings to date.

Relatively tight register: The top five shareholders including MPE director & management represent about 18% of the share register.

Strong news flow is expected in the next six months: We anticipate several share price catalysts including drilling of Tulainyo-2 well, log results and gas flow-rate data.

Valuation: Our current valuation of A$0.014/share is based on a highly risked resource development case of 175 Bcf. As the company matures its 2C resource into reserves we believe the stock will re-rate significantly with the valuation increasing on metric of ~A$1.05m per recoverable Bcf, meaning that, should a recoverable Tcf be found, the NPV value to MPE would be ~A$1,050m. MPE has about A$4.0m cash and nil debt.

Risk and Upside: We believe the investment opportunity is proportionally de-risked and offers tremendous upside should the results of the Tulainyo-2 well be positive.

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1. MPE Valuation

Permit Summary

The table below highlights the key details of each project owned by MPE.

Project	Size km^2	Seismic coverage	Previous wells drilled	Geological formation	Prospectivity	Discoveries	Indicative flow rates
Tulainyo	152 91 of closure	Fair (2D)	2 Tulainyo 1 & James-1	Sacramento Basin: Early Cretaceous	Conventional Gas	Gas discovered in sandstone reservoirs	n/a

Tulainyo development base case

Due to the high probability of success of the Tulainyo structure we have constructed a development scenario, which assumes a gas field development.

Tulainyo Development assumptions and valuation:

1) Our Base Case assumes spot AUD/USD $0.76 and spot Henry Hub gas price of US$3.1/MMBtu flat to 2060, then rising at the inflation rate of 2% pa. Californian producers generally receive around the Henry Hub gas price.

About 35% of the gross prospective resource recovered and sold

2) We assume a gross prospective resource of 507 Bcf would produce ~175 Bcf of sales over a 44-year project life, this takes into account long production rates of gas production.

3) Initial flow rate of 8 mmscf/d per well with decline rate of 20% per annum.

4) The initial 4 wells will be drilled in Year 1, the next 6 wells drilled in year 2 and the final 2 wells drilled in Year 3.

5) Total well costs of US$45.6m, ongoing capex of US$35m and an abandonment liability of US$40m giving life-of-field capex costs of US$121m. We assumed the majority of the funding in the form of equity with a capital raising of A$50m at a price of 0.5 cents.

Low operating costs

6) Cash operating costs are expected to be modest at US$0.35/Mcf given little processing of high methane content gas should be required.

Very modest corporate tax rate.

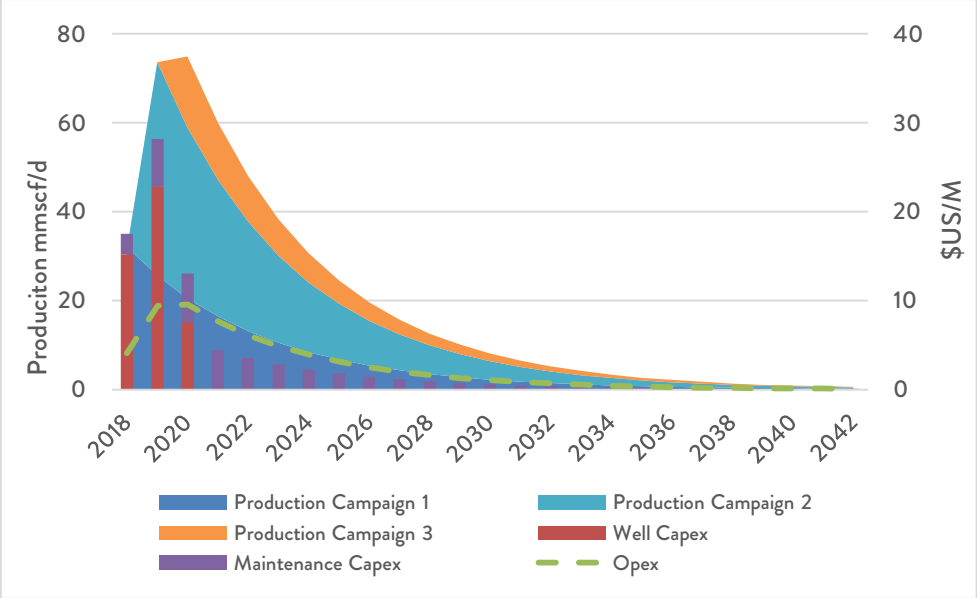
7) Royalties to landholders are the highest cost anticipated to be around 20% of well-head prices or ~US$0.62/Mcf.

8) Corporate tax of 8.84% off gross revenue is used. Note California has a flat corporate income tax rate of 8.84% of gross income.

9) Discount rate of 10% pa assumed.

The graph below highlights out Tulainyo development case. Notice the initial large volume of gas delivered due to the early drilling campaign and the long production life, which is typical of gas projects.

Tulainyo development case



Source: Terra Studio estimates

Our base case NPV for the Tulainyo development case, based on the assumptions above, returns an NPV to MPE of US$140m / A$184.6m or A$1.05m per recoverable Bcf on an un-risked basis. On a per share basis, the base case development is valued at 1.4 cents per share.

Local under-utilised infrastructure and a huge gas market paying premium prices mean that drilling success at its conventional gas plays can be quickly turned into cash flow.

If Tulainyo-2 well is successful, there is considerable upside potential

Once a successful well demonstration is performed (Tulainyo-2 well) we anticipate there will be renewed interest in the stock as the results will be significant. Whilst our valuation is based on the independent geologist estimates of a mean case scenario of 4.3 TCF gross prospective resource with 507 BCF net prospective resource net to Magnum and 175 Bcf produced, there is significant scope for this number to be risked towards the upside.

Upside Tulainyo development case

In addition to the base development case highlighted above, we have constructed an upside case to show the possible total value of the field to MPE. This case assumes the Tulainyo structure is highly gas saturated, highly pressurised and easy to develop resulting in the JV partners accelerating full field development with an aggressive drilling program.

Tulainyo Upside Development assumptions and valuation:

Upside case: 100% of the gross prospective resource recovered and sold

1) Our Base Case assumes spot AUD/USD $0.76 and spot Henry Hub gas price of US$3.1/MMBtu flat to 2060, then rising at the inflation rate of 2% pa. Californian producers generally receive around the Henry Hub gas price.

2) We assume the full gross prospective resource of 507 Bcf is produced with an aggressive drilling campaign between 2018 – 2024 with sales over a 44-year project life.

3) Initial flow rate of 9.3 mmscf/d per well with decline rate of 20% per annum.

4) The initial 4 wells drilled in Year 1, 6 wells in year 2, with 4 wells drilled in year 3, 4, 5, 6, 7 respectively.

5) Total well costs of US$114m, ongoing capex of US$101m and an abandonment liability of US$100m giving life-of-field capex costs of US$315m. We assumed the majority of the funding in the form of equity with a capital raising of A$65m at a price of 0.5 cents.

6) Cash operating costs are expected to be modest at US$0.35/Mcf given little processing of high methane content gas should be required.

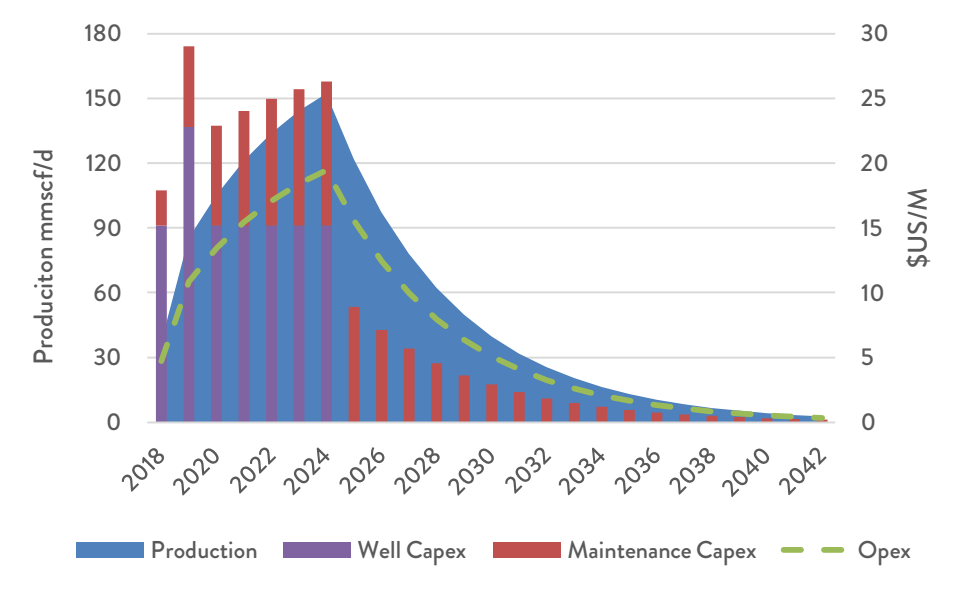
7) Royalties to landholders are the highest cost anticipated to be around 20% of well-head prices or ~US$0.62/Mcf.

8) Corporate tax of 8.84% off gross revenue is used.

9) Discount rate of 10% pa assumed.

The graph below highlights the Tulainyo upside development case. Notice the large volume of gas delivered over a much larger period of time due to the extended drilling campaign and the long production life, which is typical of gas projects.

Upside Tulainyo development case



Source: Terra Studio estimates

The NPV for the upside Tulainyo development case, based on the assumptions above, returns an NPV to MPE of US$352m / A$463m or A$0.92m per recoverable Bcf on an un-risked basis. On a per share basis, this upside scenario is valued at 3 cents per share.

Findings to Date

To date MPE has delivered a number of key appraisal observations, these include:

- large anticline with up to 91km^2 of closure
- anticline has a clear surface expression and has active gas seeps along the crest to the south
- 2D seismic matched to extensive surface and outcrop mapping
- presence of gas encountered by historic drilling in a series of stacked sandstones units at relatively shallow depths (less than 1,800 m)
- gas shows of 1,000 to 5,000 units were recorded against high mud weights
- petrophysical analyses show likely gas saturations between 45 and 70%
- gas samples recovered show a sales ready gas composition with 96% methane and 1.06 BTU/cf

Financial

Cash stands $4.0m post placement and the company has no debt.

2. California Gas Market

Demand

Magnum is expected to become a supplier of gas to California which suffers chronic local supply deficit.

Local gas producers enjoy favourable pricing compared to interstate providers due to lower transportation costs.

One of the world's largest domestic gas market.

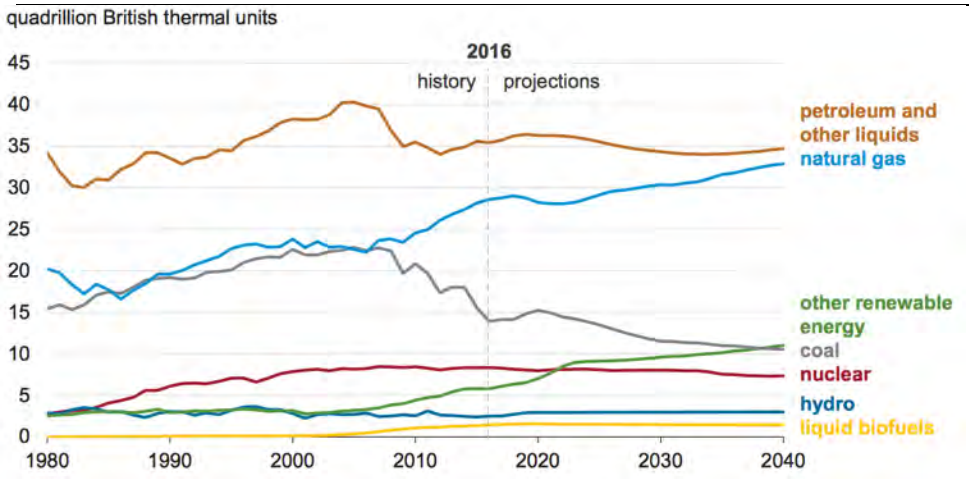
California imports more than 90% of its natural gas requirements from other parts of the US. As a result, local producers enjoy favorable pricing since they can deliver gas for much lower transportation costs.

In 2012, total natural gas demand in California for industrial, residential, commercial, and electric power generation was 2,313 billion cubic feet per year (Bcf/year). Nearly 45% of the natural gas burned in California was used for electricity generation, and much of the remainder consumed in the residential (21%), industrial (25%), and commercial (9%) sectors.[1]

Similarly to the overall US market, demand for natural is expected to increase both in absolute and relative terms, led by demand from the industrial and electric power sectors.

Increasing part of gas in the US domestic gas consumption.

US Domestic Energy Consumption



Source: U.S. Energy Information Administration, Annual Energy Outlook, January 2017

[1] *California Energy Commission, www.energy.ca.gov*

Supply

California is one of the most prolific oil and natural gas producing regions in the world and is the third largest oil producing state in the US.

Unlike other basins in the United States, California has not been fully explored or developed, and has great untapped potential. While major oil companies invested actively in California into the 1980s, new development halted as ownership transferred to fewer players and the majors turned their attention to international opportunities.

California Resources Corporation (NYSE: CRC) exclusively operates and is California's largest oil and natural gas producer with production of 140 MBoe/d in 2016 (-13% y/y), including 197 MMcf/d of natural gas (-14% y/y). CRC has a large portfolio of lower-risk conventional opportunities in each of California's four major oil and gas basins: San Joaquin, Los Angeles, Ventura and Sacramento.

Low oil and gas prices and a big debt position in excess of U$5 billion has seen CRC reduce capital investments by 81% in 2016 compared to the previous year and reduce drilling activity dramatically.

Focus on Sacramento Basin

Northern California gas pipeline network

Source: PG&E

The hydrocarbon rich Sacramento Basin has produced 11 TCF of gas from small to very large fields up to 3.5 trillion cubic feet (TCF).

California Resources Corporation (CRC) produces 85% of the Sacramento Basin gas with 31 MMcf/d (1Q 2017) and had 68 BCF of proved reserves as at 31 December 2016.

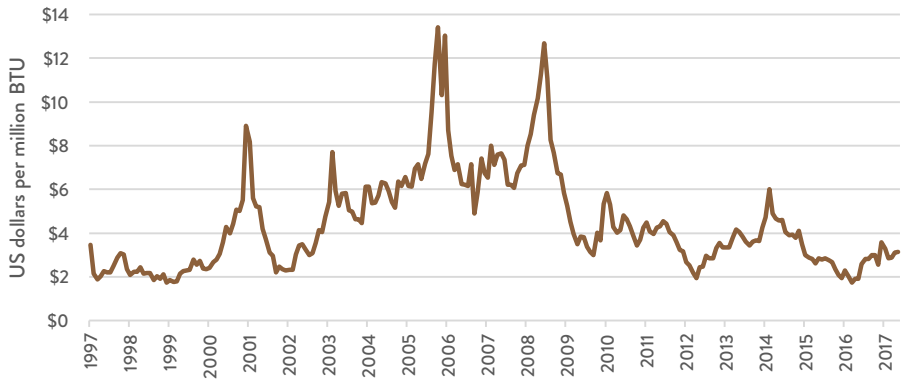
The Sacramento Basin has significant development upside because operating companies have overlooked adjacent and underlying gas potential; they instead produce from more widely recognised younger or shallower petroleum reservoirs.

MPE's fields are located close to California's intra-state gas pipeline network which is under-utilised due to field depletion.

Prices

Gas prices have recovered from their March 2016 low:

Henry Hub Natural Gas Spot Price



Source: Thomson Reuters, monthly data

The growth of gas in the US power mix and the rise of US exports of LNG provides a platform for a recovery in US whole gas prices over time.

3. Magnum Strategy

Magnum Gas & Power strategy is to achieve superior shareholder returns targeting large hydrocarbon exploration plays which are currently underappreciated and as such present low cost acquisition opportunities. Magnum is also looking to enter into joint ventures and engaging in farm-ins to assist in managing financial risks.

With its recent interests acquired in the Sacramento Basin, MPE is aiming at substantial gas production to supply the large 2.5 TCF per year demand of the California gas market.

MPE has a portfolio of appraisal and exploration stage gas projects, including at least two multi-TCF opportunities in the proven Sacramento Basin. The plays in which MPE has secured interest are interpreted to be hosted within conventional producing reservoirs with potentially high gas flows, avoiding the need for costly horizontal wells or fracking.

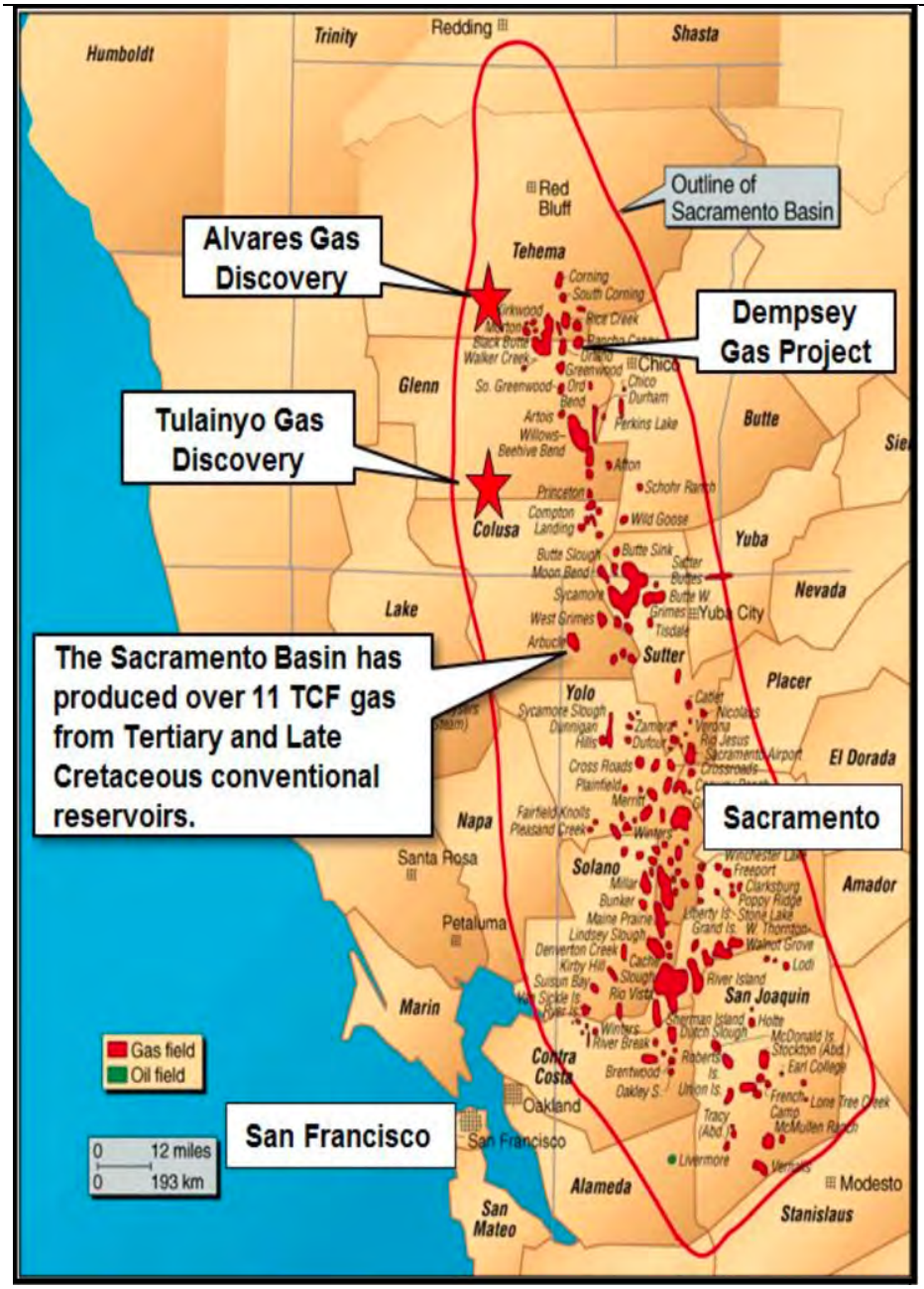
Magnum Gas & Power is actively pursuing investment opportunities to increase the size of its portfolio of oil and gas projects in California.

4. Tulainyo Gas Project

Location

The Tulainyo Project covers the Sites Anticline that has some 130km^2 of closure mapped at surface with associated gas seeps and gas encountered by historic drilling.

Location of the Tulainyo Discovery



Source: MPE

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.

Typically, gas projects of the nature of the Tulainyo Project in California will attract average total royalties of between 15% and 20%.

Farm-in to the Tulainyo Gas Project

On 5 June 2017, Magnum announced it had 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. Other participants in the Tulainyo Project include one of California's largest independent oil and gas production companies, California Resources Corporation (NYSE: CRC).

According to the LOI, Magnum is to provide funding to Gasfields to meet the main costs of the first well in a staged farm-in 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.

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

The vendor group to the Tulainyo Farmin Agreement with Gasfields is comprised of California Resources Production Corporation, the project Operator and a subsidiary of CRC, 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.

Geology & Structure

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.

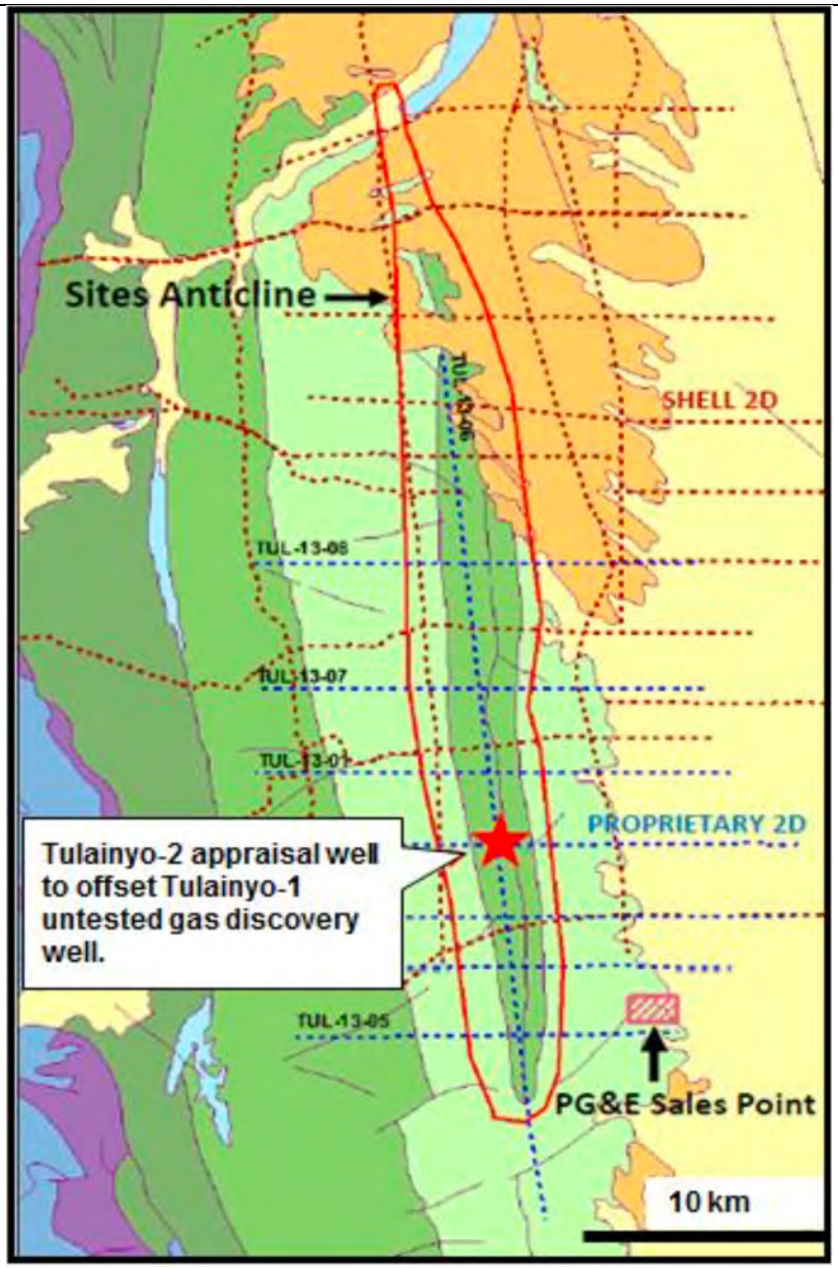
The Tulainyo Structure is a tightly folded anticline comprising mainly Early Cretaceous age rocks. The eastern side of the anticline is closed by a reverse thrust, the Salt Creek Fault. The western side dips deeply into the Fruto syncline before rising to outcrop in the ranges along the western flank of the structure.

Previous Exploration

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 km^2 of four–way dip closure.

The seismic coverage is shown in the figure below.

Surface Structure of the Sites Anticline and Seismic Coverage



Source: MPE

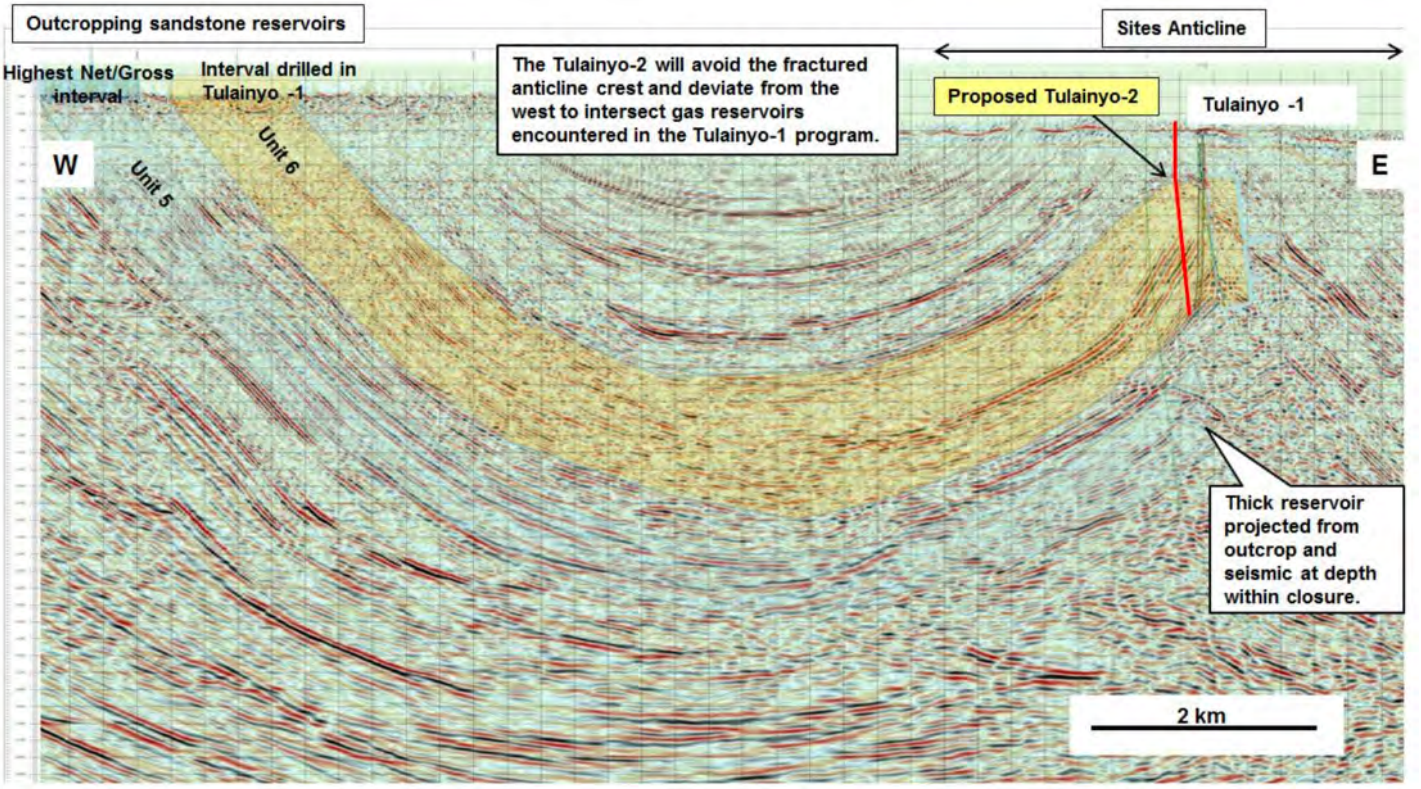
Only a limited number of wells have ever targeted the older Cretaceous reservoirs, most not on structure. A number of attempts have been made to drill and test the Sites Anticline, with the 2014-2015 Tulainyo-1 drilling program being the first in over 50 years. All wells have been characterised by high 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. In its 2015 annual report, CRC states that it drilled one well in the Sacramento Basin to test a 50 square mile four-way closure that was mapped on its proprietary 2D seismic data. This conventional exploration well encountered multiple stacked gas bearing reservoirs. The well is understood to have been abandoned due to operational

problems before fully evaluating the prospect by testing the gas-saturated sands.

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 below) can be correlated to the Early Cretaceous sandstone reservoirs of the Lodoga Formation seen in outcrop to the west.

Regional W-E dip seismic line from outcrop across the Tulainyo Gas Discovery structure



Source: MPE

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.

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 km^2 at the P90 map level to over 90km^2 at the P10 level. 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. Drilling undertaken in 2014 encountered multiple, stacked gas bearing conventional reservoirs that were not tested due to mechanical difficulties.

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

Prospective Resource Estimates

The Total Gas Initially-in-Place estimate breakdown for each permit is shown below.

Tulainyo Whole Structure	P90 *BCF*	P50 *BCF*	Mean *BCF*	P10 *BCF*
Gas Initially In Place	1,358	4,214	6,095	12,953
Prospective Resources	931	2,936	4,263	9,087
CRC JV Net Leasehold %	67%	73%	73%	70%
Un-risked Gross Prospective Resources	624	2,143	3,112	6,361
Net Prospective Resources Gasfields	169	582	845	1,730
Net Prospective Resources Magnum	101	349	507	1,004
Related Area of Closure	29.4 km^2	51 km^2	54.5 km^2	91 km^2

Source: Independent Geologist's Report – Mr Brian Diamond. 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.

Prospective recoverable gas resource estimates have been calculated on a probabilistic basis for Gasfields' net interest in the project, assuming completion of the Farm-In Agreement three well earning program. Magnum's potential net gas resource ownership, as required by SPE PRMS[2] standards for prospective resource estimation, is also net of lease ownership percentages and applicable royalties.

Proposed Tulainyo-2 Well

Tulainyo-2 will be a "proof of concept well" to evaluate and flow test the gas sands penetrated at depths less than 1,700m (circa 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.

According to the key terms of farm-in agreement, drilling of the well is to commence by not later than 1 September 2017. Drilling costs are estimated at US$3 million.

[2] *SPE = Society of Petroleum Engineers. PRMS = Petroleum Resources Management System*

5. Serowe Coal Seam Gas Project, Botswana

Farm Out to Strata-X

On 15 November 2016, MPE entered into a farm-in agreement with Strata-X Energy Limited (ASX: SXA) (Strata-X). Under the farm-in agreement, Strata-X may earn up to a 75% interest in the MPE's Serowe CSG project in the Kalahari Basin in Botswana, which covers approximately 273,000 acres in Botswana, and is subject to royalties totaling 6%.

The farm-in takes effect in three stages over a period of three years, and commenced in January 2017. Each stage will result in Strata-X earning 25%.

Stage 1

The first stage will involve the desorption analysis of three CSG core wells, as required for continued gas resource certification. In addition, one well will be completed and production tested. The first stage will cost Strata-X an estimated A$1.1 million.

Stage 2

Stage 2 is an optional stage, depending on the success of Stage 1, and will involve SXA conducting tests of three core wells, and completing and production testing a further two wells. This is estimated to cost SXA approximately A$1.5 million.

Stage 3

Stage 3 is an optional stage, and will depend on the success of Stages 1 and 2, and is estimated to cost SXA approximately A$3.5 million. The final 25% of the project will be earned by SXA when 100 PJ of 2P reserves are certified for the Project, which will be sufficient gas for a final investment decision in relation to a Gas Sales Agreement to supply a 50 megawatt power station near the Project.

Magnum and its farm in partner, Strata-X, have established a Botswana operating subsidiary, Rhino CBM Pty Ltd, which will hold the Serowe tenements for the purpose of the farm-in. The farm- in is underway.

The team behind Strata-X have been involved in some of the most successful CBM projects in Australia. Between 2001 and 2011, Ron Prefontaine, Executive Director of Strata-X was Executive and Managing Director of two successful ASX-listed companies, Arrow Energy (with CSG projects in the Surat and Bowen basins, 500 wells) and Bow Energy (with CSG fields under development in the Bowen basin). Arrow was taken over in 2010 for $3.5 billion and Bow Energy in late 2011 for $550 million.

Strata-X already have an independent report estimating Prospective Gas Resources in the Project area. This Farm-In arrangement will allow the Botswana CSG Project to proceed while freeing up capital for Magnum to pursue other opportunities."

Prospective Resources

The Project has a mean estimate of 1433 PJ of recoverable prospective resource on 100% basis. The prospective resource figure is Best Estimate –

undiscovered natural gas quantities and net of a 6% royalty and are shown at a 100% working interest in the project.

6. Directors & Management Team

Nathan Featherby, Executive Chairman

Mr Featherby was appointed as a non-executive director in September of 2016, and was appointed Executive Chairman in November 2016. Mr Featherby has a Bachelor of Commerce from Curtin University, and has spent most of his career in stockbroking and merchant banking, with a focus on small-to-medium mining and exploration companies. Mr Featherby is also a director of Ochre Group Holdings Limited and ATC Alloys Limited.

David Scoggin , Non-Executive Director

Mr Scoggin has a Bachelor of Arts from Princeton University, majoring in international relations and finance. He currently works in the international finance industry as a senior trader/ portfolio manager, specializing in mergers and acquisition analysis and risk assessment, with a particular focus on the Australian natural resources industry.

Saxon Ball, Non-Executive Director

Mr Ball is also a current non-executive director of Ochre Group Holdings Limited and ATC Alloys Limited, and his previous experience includes a non-executive directorship of Silver Mines Limited, as well as a directorship of STB Projects Pty Ltd, an Australian private company focused on infrastructure installation services and development within the natural resources sector.

Nicholas Halliday, Non-Executive Director

Mr Halliday has a Bachelor of Management and a Masters in Commerce from the University of Sydney, with a background in financial services and advisory. He is a director of listed company ATC Alloys Limited and has substantial experience in business development, risk management and finance, working with multiple listed resource companies in these capacities. The Board believes he will be integral to the Company in implementing future development strategies.

7. Investment Risks

MPE is exposed to a number of risks including:

- **Exploration risk:** Exploration is a speculative endeavour with an associated risk of discovery to find any oil and gas in commercial quantities and a risk of development. No assurances can be given that funds spent on exploration will result in discoveries that will be commercially viable. Future exploration activities, including drilling and seismic acquisition, may result in changes in current prospectivity perceptions of individual prospects, leads and permits. It may even lead to a relinquishment of the permit, or a portion of the permit
- **Reserve and Contingent Resource risk:** oil and gas reserves estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly or become uncertain when new information becomes available on the oil and gas reservoirs through additional drilling or reservoir engineering tests over the life of a field. In addition, reserve and contingent resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual Reserves or Contingent Resources may differ from those

estimated which may result in MPE altering its plans which could have either a positive or negative effect on MPE's operations.

- **Commodity price risk:** MPE's future value, growth and financial condition are dependent upon the prevailing prices for oil and gas. Prices for oil and gas are subject to fluctuations and are affected by numerous factors beyond the control of MPE. These factors include global consumer demand, national and international financial market conditions, uncertainty in commodity markets, political and economic conditions in oil producing countries, actions of the Organisation of the Petroleum Exporting Countries (OPEC), government pricing regulations, taxation and availability of alternative and competing fuel sources.
- **Development and Production risks:** Development and production of oil and gas projects may be exposed to low side reserve outcomes, cost overruns, production decrease or stoppage, which may be the result of facility shut- downs, mechanical or technical failure and other unforeseen events. A significant poor development outcome or failure to maintain production could result in MPE lowering reserve and production forecasts, loss of revenue and additional operating costs to restore production.
- **Infrastructure risks:** It is common in the oil and gas sector for industry participants to share transportation and operating infrastructure (such as gas processing facilities and gas pipelines). MPE relies on access to properly maintained operating infrastructure and shared facilities in order to deliver its production to the market. Any delay or failure to access such infrastructure or shared facilities may have a material adverse effect on MPE.
- **Management and labour risk**: The ability of MPE to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise for the development of its oil and gas projects.

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