ANNUAL REPORT

2016

MAGNUM
GAS & POWER

CORPORATE INFORMATION

ACN 107 708 305

Directors

Mr T Fontaine	Non-Executive Chairman
Mr T Wheeler	Managing Director
Mr R Wheeler	Non-Executive Director
Mr N Featherby	Non-Executive Director

Company secretary
Ms B Nichols

Registered office
Suite 9, 5 Centro Avenue
Subiaco WA 6008
Tel: (08) 9226 1356
Fax: (08) 9226 2027

Principal place of business
Suite 9, 5 Centro Avenue
Subiaco WA 6008
Tel: (08) 9226 1356
Fax: (08) 9226 2027

Corporate Governance Statement
The Corporate Governance Statement together with policies is available on the Company website www.magnumgpl.com/about-us/corporate-governance/

Share register
Computershare Investor Services
Level 11, 172 St Georges Terrace
Perth WA 6000
www.computershare.com
Tel: (08) 9323 2000
Fax: (08) 9323 2033

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange Listing
Magnum Gas & Power Limited shares are listed on:
Australian Securities Exchange (ASX: MPE)
Botswana Stock Exchange (BSE: MAGNUM)

TABLE OF CONTENTS

Chairmans' Letter

Dear Fellow Shareholder,

I'm pleased to report that the long-term efforts in Botswana are finally looking like they will provide for growth opportunities for your company.

The demand for power in Botswana and the surrounding countries remains strong. At a power and infrastructure conference in Gaborone in October 2015, it was forecast that Botswana's power demand would increase from 711 MW in 2015 to over 1,100 MW by 2025. The countries reliance on imported power is still strong, with 42% of its 2015 energy requirements being imported. Considerable opportunities exist for companies that can help meet the power needs of this growing region.

In July this year, the Government of Botswana committed to include 100 MW of power from coal bed methane ("CBM") into its future power plans. Magnum is in discussions with the Government as to what steps would be required for us to participate in providing a portion of this power. The primary steps include drilling wells, and certifying reserves. The company is currently raising the necessary capital, and plans to commence these activities early in 2017. Magnum is also considering potential farm-in opportunities to help fund and accelerate this programme. It is hoped that Magnum will then be included as a potential supplier for the 100 MW, however if we are not, we believe in this energy hungry market we will be able to find a commercial market for the gas.

In August 2015, Magnum submitted a proposal to the Government of Botswana to build a 100 MW solar power station. This was in response to an Expression of Interest from the Government. Magnum has established a strong network of international partners to build power projects from 1 MW to 1,000 MW. Formal letters of support were obtained from these companies. The Company has not had a response to the submission and will focus on its CBM activities.

Finally, Magnum is pleased to welcome a new major investor, and a new board member to the company. Nathan Featherby, Executive Chairman of Ochre Group Holdings Limited is joining the company to work with Magnum to look for new opportunities.

Your directors are pleased to have your support and are looking forward to an active 2017 building on Botswana opportunities, and looking for new ones for the benefit of all shareholders.

Tom Fontaine
Chairman

Managing Director's Report

During the past financial year;

- The Botswana Government announced steps initiated to support the development of the CBM gas industry and power self-sufficiency. Including the proposed development of 100MW of CBM fuelled pilot power plants as part of its Independent Power Producer Programme. Along with commitments to the development of a low carbon energy portfolio, including converting the 90MW Orapa power station to gas and the tendering and development of 100MW of solar power
- Magnum progressed the design, strategic relationships and offtake discussions for a pilot power generation project eg 10MW to help commercialise the Central CBM gas field.
- Magnum progressed discussions with industrial and commercial users regarding supply of their energy (eg. 0.5 - 5 MW) needs, with Solar power and/or Gas (CNG) fuel/power
- Magnum further developed its relationship with Sky Blue Capital with the signing of an MOU to source and supply Sky Blue Capital developments with gas
- Magnum made submissions to the Government of Botswana regarding building 100MW of solar power generation. This was in addition to the submissions Magnum previously made to the Government of Botswana for supply of CBM gas to the existing 90MW Orapa Power station.

Overview

This year, Magnum focused on becoming an integrated energy supplier in Botswana, by developing and progressing potential solar and gas projects. The company progressed preliminary design work on large scale gas and solar projects aimed at both the domestic and export markets. Magnum also worked to expedite small scale power generation and a revenue stream for the company from smaller industrial and commercial scale projects.

Magnum was motivated to become a more integrated energy company as it was difficult to progress the exploration and commercialisation of the CBM acreage without a well-defined local commercial gas offtake. It was recognized that what is required in the region is not 'gas' but is 'energy', which could include a gas component. By broadening its focus, the company could look at commercial energy opportunities which may also lead to defining a more specific market for our own CBM. During this time, the company and others continued to lobby the government to commit to a gas offtake.

In July this year, the government committed to buy 100 MW of power from Botswana CBM producers. This outcome was hoped for and expected, but there was no forewarning of the timing of this decision. It is however a very positive development and, as a result, the company will return its primary focus to the development of its CBM assets.

These announced Government support initiatives for the Botswana CBM gas industry provides a mechanism to show/provide the availability of commercial government offtakes and path to Power Purchase Agreement ("PPA") with the Botswana Power Corporation for pilot projects. Whilst this has been a long time coming, the Government is documenting the requirements for Magnum to work towards a PPA for a pilot project. Magnum has also been awaiting clarity regarding the Botswana Governments path to procure gas for the Orapa 90MW power station (for which Magnum has previously made submissions).

Magnum is now able to plan to undertake drilling operations to develop pilot production to meet government requirements and proceed toward a potential offtake and PPA for a pilot project. Therefore Magnum has focussed on progressing the Botswana gas projects and is considering various options available to undertake the next phases of exploration and pilot production to move to commercialisation.

Additionally, Magnum will continue to evaluate other opportunities in order to diversify the Companies portfolio of projects. The Company has been hampered initially by the inability to progress the former NSW projects, and then the stalled Botswana offtake market, along with impact from the low energy prices over the period. The Company is working to connect with existing projects with value and revenue streams, whilst still building value as early stage projects are developed. The Company teams has significant experience in both Africa and Australia, and are reviewing opportunities in these regions, and elsewhere.

Magnum is listed on both the ASX (Australian Securities Exchange) and the BSE (Botswana Stock Exchange) to enable both local Botswana participation and international investment.

Review of Operations

To support the company's broader focus on energy, Magnum has been working to secure experienced regional & international capability, through partnering, to define and develop a complete and robust energy supply chain solution for both domestic and export markets.

During the year Magnum made submissions to the Government of Botswana regarding building 100MW of solar power generation. Magnum has the support of significant international technical and financial partners for such an endeavour.

Further, Magnum has been supporting the Government of Botswana call for supply of CBM gas to the existing 90MW Orapa Power station and is expecting the Government to make further progress this year.

Magnum was also working on smaller scale solar and gas power solutions for mining operations, along with industrial and commercial operations which are currently being adversely impacted on by the lack of electricity and the cost of diesel generation. These projects enable proof of concept and are expected to alleviate some power supply issues for key users and provide the Company with a revenue stream to support ongoing projects.

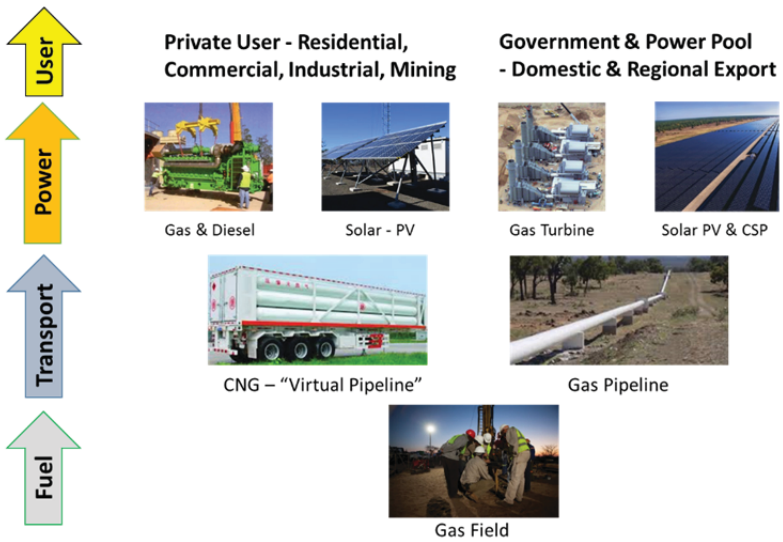
Magnum signed an agreement with Sky Blue Capital Proprietary Limited to develop Social Housing projects with their own independent power supply (integrated Gas and Solar micro-grid). Such projects would help Botswana develop affordable, clean and sustainable communities with reliable power supplies, whilst also generating an offtake for Magnum's gas resource, integrating solar power generation and utilizing Sky Blue's expertise in Net Zero Energy Developments. Net Zero Energy Buildings and Developments are designed to produce as much energy as they consume, by combining demand side energy reductions with on-site power generation, enabling sustainable, affordable, off grid community developments.

Integrated/Hybrid Solar and Gas power generation provides a clean and practical solution, and are key to the energy mix for the future, while also helping to develop the required offtakes for Magnums gas field projects.

Strategy

The Magnum exploration acreage in Botswana is significant and holds a potentially valuable gas resource in situ, however there is no existing infrastructure or market in place for it's use and development of such has been slow. Therefore, last year Magnum repositioned itself as an integrated energy provider, rather than being just a gas exploration-production company, with the aim of creating a commercial offtake and hence a self-fulfilling solution. Magnum has since been working to progress power generation projects, both large and small, that will provide an offtake for the Magnum gas resource (and ideally neighbours') and hence assist the process to reserve certification and production of the gas field.

This has meant building a team of full supply chain capability, from sub-surface, through production, processing, transport (CNG, LNG & pipeline), power generation to connection to the end user. This is not executed just from and using Australian expertise and team internally, but by building relationships with significant international companies that have been operating in South Africa and have regional understanding, capability, experience and success.



While Botswana has focussed on the Coal industry development and Coal fired power generation, this does not address mid-merit and peaking power requirements, for which gas fired power generation is ideally suited. Currently, the Botswana Government is running some 195kW of power generation on expensive and imported Diesel. Gas fired power generation would be the ideal solution to offset this expensive and dirty Diesel power generation.

Finally, while Magnum is focussed on developing value for shareholders, the Company also continues to progress the energy projects in Botswana for the benefit of its stakeholders; to help Botswana achieve domestic energy sufficiency and help the people of the Country. Energy is such a fundamental pillar for development and growth, not just economically but educationally and socially.

Magnum works to help being technology transfer and intangible benefits to the Botswana community.

Hence Magnum has seen benefit in the opportunity to help enable "Social Housing" community projects in Botswana. Magnum has partnered with Sky Bly Capital to develop Social Housing projects with their own independent power supply (integrated Gas and Solar micro-grid). Such projects would help Botswana develop affordable, clean and sustainable communities with reliable power supplies, whilst also generating an offtake for Magnum's gas, integrating solar power generation and utilizing Sky Blue's expertise in Net Zero Energy Developments.



Magnum believes in the potential for the gas fields and power generation (and other gas-associated markets later) in Botswana and is working to commercialise such. However, the Company is currently focussed on Solar power generation projects to potentially realise value more immediately, and then may also enable integrated/hybrid power supply solutions (ie. both Solar and Gas fired power generation giving a complete and clean solution).

Botswana Operations

Magnum's operations are focused on Botswana, a country which has a low sovereign risk and is a highly regarded country to operate in; however Botswana (and the Southern Africa Region in general) has significant power supply issues. Magnum is focused on bringing cleaner energy to the people of Botswana, who wish to have a domestic gas market and power generation facilities for the ongoing development of their country and people. Magnum is also working to progress larger power generation projects for regional export markets.

Magnum is working to develop Solar power generation projects to provide a clean, practical and cost effective solution for industry and communities in the region. While integration of gas fired power generation provides a clean and flexible energy source (particularly more so than coal, diesel and wood which are the primary sources of energy in Botswana), addressing the issue of mid-merit, peaking and in-fill power requirements. Magnum will endeavour to make use of it's own potential CBM gas resource for the supply of such gas offtakes.

Power Generation Projects

Magnum has been progressed partnering discussions and investigating opportunities for integrated hybrid Solar/Gas fired power generation facilities to address some of the issues with the current Botswana energy market. Magnum has been working to be a vertically integrated energy supplier in Botswana. To help create solutions for the desperate Botswana power market, facilitate potential gas offtakes for the gas exploration projects and provide other paths to potential revenue streams and value for Magnum shareholders. As such, Magnum has been focussed on partnering and facilitating possible solar power projects, particularly where benefits exist for Hybrid Solar & Gas power generation facilities. Magnum is reviewing power supply opportunities for both the domestic Botswana power market, but also export to the regional Southern Africa power market.

Magnum has also been progressing discussions with a number of industrial and commercial power users, who are regularly impacted upon by the unreliable grid power supply and are looking for a clean, cost effective reliable power supply for their operations. Installation of on-site solar power generation can help alleviate their issues. Such projects help make Magnum a power producer in country, demonstrate to the Government and community the value of such facilities, can be executed relatively quickly, are low technical risk and provide Magnum with an operational revenue stream enabling fund participation.

Gas Power Generation

The Magnum CBM (Coal Bed Methane) project acreage has a significant potential gas resource which has been drilled and discovered, but awaits a commercial offtake to enable progress and conversion from a resource to reserve, completion of a BFS (Bankable Feasibility Study) and on to production of the field. Botswana lacks existing gas infrastructure, network and market to enable such offtakes, however they need electricity and understand Power Purchase Agreements. The recent announcement from the Government of Botswana committing to buy power from CBM is a very significant step forward, and the company now has a potential market for its CBM gas. This will become a primary focus for the company in 2017.

As a result Magnum is working to create its own offtake for the potential gas resource by progressing the power generation infrastructure required to execute a Gas to Wire model, similar to early Australian CBM developments. Initially Magnum expects to generate power as a small pilot gas fired power generation facility of eg 10MW. Magnum has progressed significantly with partners for each component of such projects and is working on possible development scenarios. Whilst a peer has made recent announcements to the market, Magnum is awaiting formal correspondence from the Botswana Government.

As the field is further drilled and certified, more significant power generation project may be enabled. This is also expected to be executed in a phased, incremental approach eg. 20MW, 50MW, 100MW, etc and possibly to some 300+MW for export to regional power markets.

Further, Magnum awaits the next steps from the Botswana Government regarding the submission made by Magnum for the CBM fuel supply to the Orapa 90MW power generation facility in Botswana.

Gas Supply Projects

During the year Magnum signed a second MOU with Sky Blue Capital Proprietary Limited (“Sky Blue”). in which Sky Blue or it’s appropriate development company or subsidiary(s), shall provide Magnum with an offtake for gas to supply to its Net Zero community developments (provided it is technically and economically viable).While Magnum shall supply gas per the offtake agreement(s) regarding the supply and offtake of gas for the Sky Blue Net Zero developments. This agreement is in addition to the existing MOU regarding potential Botswana Net Zero community projects.

Magnum is still pursuing and working to develop gas offtake markets. Magnum is investigating various Compressed Natural Gas (“CNG”) and micro-LNG (Liquefied Natural Gas) solutions to create a virtual pipeline using road transport to initial offtake facilities and potentially creating a flexible distribution network for Botswana.

Community Energy Projects

Magnum previously signed a memorandum of understanding with Sky Blue , agreeing to form a new company in Botswana seeking to develop Social Housing projects with their own independent power supply (integrated Gas and Solar micro-grid). Such projects would help Botswana develop affordable, clean and sustainable communities with reliable power supplies, whilst importantly generating an offtake for Magnum’s gas, integrating solar power generation and utilizing Sky Blue’s expertise in Net Zero Energy Developments.

Further Magnum has been progressing discussions regarding being the gas supplier to the Sky Blue Capital community developments.

Coal Bed Methane Projects

The Magnum CBM exploration portfolio consists of multiple Coal Bed Methane Prospecting Licences focused on two separate project areas, Central and Northern CBM project areas, within the overall central Kalahari Karoo basin of Botswana, Africa.

Magnums' CBM acreage is located in the Central region of Botswana and is held 100% by Magnums' wholly owned Botswana subsidiary, Nata Energy (Pty) Ltd.

The Central CBM project consists of six blocks totalling 1,205 km² of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region. The Northern CBM Project consists of 1,132 km² of prospecting licences (PL 644/2009 and PL645/2009) over prospective CBM acreage across the "Ngwasha" basin in the Nata Region. The CBM prospecting licenses are due to expire 31st December 2016, but Magnum will be applying for renewal of the acreage.

The CBM exploration programmes underway in the basin are providing positive results. Existing power generation facilities in Botswana's critical power market are currently awaiting CBM gas supply.

Petroleum Projects

Magnums' wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd holds Petroleum Exploration Licence ("PEL") No. 154/2012 issued by the Department of Geological Surveys in the Republic of Botswana in October 2012. The PEL 154/2012 covers approximately 23,700 km2 and is located in the Ngamiland and Central districts of Botswana. The PEL expired on the 30th September 2016, Magnum has not renewed the acreage as the Company currently focusses on the CBM projects.

Southern Africa Regional Operations

Magnum has also been investigating and reviewing other CBM and Gas project opportunities in the Southern Africa region, looking to leverage off existing experience, capability and networks in the region.

Exploration

Subsequent to the end of the year, the exploration licences are due to expire. Magnum is starting to make application for renewal of its prospecting licences from the Botswana Ministry of Minerals, Energy and Water Affairs. Magnum has previously made the discovery of Coal and Coal Bed Methane on the Company's prospecting licences. The Company continues with the review and integration of data from the exploration program and is prepared for the next phase.

The carbonaceous package includes coal, carbonaceous mudstone and shale. The total carbonaceous intersection was 90m, with a clean coal thickness of 16m. A total of 14 HQ core samples were desorbed and gas samples taken for analysis. Laboratory testing of the gas samples taken has shown that the gas composition is dominated by methane (95+%).

These results are very important to Magnum as it is a significant step towards the company's goal of certifying gas reserves within the Karoo Basin. The coals of the Karoo Basin are known to potentially contain significant quantities of CBM. The results help confirm Magnums expectations of the basin and the Company's exploration acreage. The results support Magnums plans to progress additional exploration drilling, particularly focusing on two of the nearby Central Project Area blocks. Exploration activities by immediate neighbours has also been very positive.

Despite such encouraging results the next phases of planned field work has not proceeded at the desired rate as a result of the difficult state of the capital markets. Throughout the year your Board and management have exercised prudence with regards to expenditure but have remained focused on moving the Company forward.

Existing power generation facilities in Botswana's critical power market are currently awaiting CBM gas supply. The first reserve certification will be a significant milestone for the basin and a hopefully a major trigger for the commercialisation of the industry in Botswana.

Permits

Prospecting Licence	Botswana Project Area	Size (km^2)	Magnum Interest	Status
352/2008	Central CBM Project	694	100%	Expire 31 Dec 2016, Renewal Planned
353/2008	Central CBM Project	511	100%	Expire 31 Dec 2016, Renewal Planned
644/2009	Northern CBM Project	479	100%	Expire 31 Dec 2016, Renewal Planned
645/2009	Northern CBM Project	653	100%	Expire 31 Dec 2016, Renewal Planned

DIRECTORS' REPORT

The Directors of Magnum Gas & Power Limited submit herewith the annual financial report of the Group for the financial year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names and particulars of the Directors of the Group during or since the end of the financial year are:

Thomas Fontaine – Non-Executive Chairman

Tom Fontaine is a professional engineer who has considerable experience in the Oil and Gas Industry including Coal Seam Methane. He was one of the original founders of Pure Energy Resources Limited which was a Coal Seam Methane focussed company which listed on the ASX and was subsequently bought by British Gas.

During the past three years, Thomas Fontaine has not served as a Director of any other listed companies.

Trent Wheeler – Managing Director

Trent Wheeler is professional Engineer (Mechanical (Honours) and Oil & Gas), Manager and Director with over 18 years' experience in the energy and resources sector. He has been involved with or responsible for the successful initiation, definition, development, operation and expansion of significant upstream and downstream oil, gas, mineral, metal, chemical and power projects throughout Australia, Canada, America, South East Asia and Botswana.

Trent has been instrumental in co-founding and funding private and public companies, developing and executing business strategy, capital raising, corporate and commercial roles.

During the past three years, Trent Wheeler has not served as a director of any other listed companies.

Brett Montgomery – Non-Executive Director (resigned 19 August 2016)

Brett Montgomery has over 30 years' experience in the gold mining industry and management of public companies. Having been the Managing Director of Kalimantan Gold NL, a Director of Grants Patch Mining Limited, and Chairman and Joint Managing Director of Eurogold Limited. Brett is Chair of the Audit Committee.

Directorships of other listed companies in last 3 years for Brett Montgomery are as follows:

Company	Period of directorship
Tanami Gold NL	Appointed 6 February 2013 – to date

Raalin Wheeler – Non-Executive Director

A Fellow of the Australian Institute of Company Directors, Raalin Wheeler is a professional Director, with over 33 years of private and public company experiences. He has a broad range of experience in engineering and manufacturing for the resource industry, including oil and gas directional drilling technology, downstream process plants, remote area greenfields project establishment and services.

He has held senior executive management positions including Chairman, Vice-President (USA NASDAQ listed company), Managing Director, Project Manager and Business Development Manager. Raalin Wheeler is chair of the Remuneration Committee.

During the past three years, Raalin Wheeler has not served as a director of any other listed companies.

Nathan Featherby – Non-Executive Director (appointed 29 September 2016)

Nathan Featherby is currently the Executive Chairman of Ochre Group Holdings Limited. He holds a Bachelor of Commerce from Curtin University and has spent most of his working career in stockbroking and merchant banking with a focus on small-to-medium mining and exploration companies.

Directorships of other listed companies in last 3 years for Nathan Featherby are as follows:

Company	Period of directorship
Ochre Group Holdings Limited	Appointed 15 March 2011 – to date

Company Secretary

Mark Pitts BBus, FCA – Company Secretary (resigned 31 July 2016)

Mark Pitts is a Chartered Accountant with over 27 years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. He is a Partner in the corporate advisory firm Endeavour Corporate Pty Ltd providing secretarial support, corporate and compliance advice to a number of ASX listed public companies.

Beverley Nichols AGIA, CPA, ACMA – Company Secretary (appointed 1 August 2016)

Beverley Nichols has over 20 years experience in accounting, taxation and management in both Australia and the UK, in the manufacturing and resource industries. She is an Associate of the Institute of Chartered Secretaries and Administrators (ACIS), an Associate of Governance Institute of Australia (AGIA), a Certified Practising Accountant (CPA) and an Associate of the Chartered Institute of Management Accountants (ACMA).

Ms. Nichols is the Company Secretary/Chief Financial Officer of Overland Resources Limited (appointed 29 August 2012) and Birimian Limited (appointed 29 August 2012) as well as holding the position of Chief Financial Officer for a number of resources companies operating throughout Australia and Canada.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options in shares of the Group as at the date of this report:

Name	Number of shares	Number of options
Mr T. Fontaine – indirect	113,425,190	-
Mr R. Wheeler – direct & indirect	84,960,933	-
Mr T. Wheeler – direct & indirect	69,051,842	-
Mr N. Featherby	-	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of Key Management Personnel is set out below in the remuneration report which forms part of the Directors' Report.

SHARE OPTIONS GRANTED TO KEY MANAGEMENT PERSONNEL

No options to purchase shares have been issued to Key Management Personnel of the Group during the current financial year.

PRINCIPAL ACTIVITIES, REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS

Refer to the Operations Report preceding this Directors' Report.

Operating results for the year

The Group incurred an after tax loss for the year of $6,734,407 (2015: $473,506). The Company successfully completed a private placement during the year which raised a total of $160,000 upon the issue of 32,000,000 shares.

Risk Management

The Board as a whole is ultimately responsible for establishing and reviewing the Group's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Group's risk management program is implemented by the Managing Director in conjunction with the Safety Committee as follows:

- ensuring that matters affecting the goals, objectives and performance of the Group and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards;
- obtaining and regularly reviewing insurance for the Group relevant to managing material risks;
- implementing and maintaining internal control systems which will be identified in conjunction with the external auditors;
- monitoring and verifying the Group's compliance with record keeping and operating requirements, including all requirements of law including indigenous and community rights and environmental obligations;
- minimising the potential for loss or damage resulting from risks affecting the Group; and
- reporting to the Board when relevant as to the effectiveness of the Group's management of its material risks.

SUBSEQUENT EVENTS

On 1 August 2016, the Company announced that it had signed a conditional placement agreement with Mr Mohamed Shahrom Abdul Ghani, a Malaysian investor, for an investment of $300,000 at a price of $0.003 per share and that Dato' Yusli Bin Mohamed Yusoff, the former CEO of Bursa Malaysia (the Malaysian Stock Exchange Group) and current independent non-executive director of various publicly listed Malaysian enterprises, will be appointed to the board as non-executive chairman. Mr Brett Montgomery would be resigning from the position of non-executive director and that Mr Tom Fontaine would step down as chairman but remain on the board as a non-executive director.

On 2 August 2016, the Company announced that Mr Mark Pitts resigned from the position of Company Secretary and Ms. Beverley Nichols was appointed to the position.

On 15 August 2016, the Company advised that its registered office and principal place of business had changed.

On 30 August 2016, the Company announced that it was no longer certain that the placement funds under the placement agreement with Mr Mohamed Shahrom Abdul Ghani would be received. Dato' Yusli Bin Mohamed Yusoff had not been appointed to the board and Mr Tom Fontaine remained as chairman of the board.

On 29 September 2016, the Company advised that it had secured $100,000 in funding via a convertible loan agreement with Ochre Group Holdings Limited. The Company also announced the appointment of Non-Executive Director Mr Nathan Featherby.

On 4 October 2016, the Company announced a capital raising comprising a fully underwritten rights issue to raise circa $1.765 million.

FUTURE DEVELOPMENTS

Magnum expects to add value through the continued focus on the exploration activities in Botswana and also the development of power projects in Botswana; including standalone solar and hybrid (solar/gas/CNG/diesel) power projects for larger utility scale power generation and also smaller industrial or mining scale users. Magnum is also identifying and reviewing other opportunities, both in existing project regions and internationally.

DIVIDENDS

No dividend has been declared for the year, and the Directors do not recommend the payment of a dividend in respect of the financial year (2015: $nil).

ENVIRONMENTAL REGULATIONS

The operations of the Group is within Australia and Botswana and due to its current operations is not subject to any specific environmental laws. The Group is not aware of any breach of any environmental regulations during or since the end of the financial year from its activities.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

There are no unissued shares or interests under option by as at the date of this report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Group or of any related body corporate, except to the extent permitted by law, against a liability incurred as such an officer or auditor. In addition, the Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member). During the financial year, 1 Board meeting and 1 Audit Committee meeting were held:

	Directors' Meetings		Audit Committee Meetings	
	Attended	Held	Attended	Held
Mr T. Fontaine	1	1	1	1
Mr T. Wheeler	1	1	-	-
Mr R. Wheeler	1	1	1	1
Mr B Montgomery	1	1	1	1

REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel (KMP) of the Group for the financial year ended 30 June 2016. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group and the Group, directly or indirectly, and includes all Directors.

REMUNERATION REPORT (CONTINUED)

The following persons were key management personnel (KMP) of the Company during the financial year:

Directors:
Mr T. Fontaine (Non-Executive Chairman)
Mr B. Montgomery (Non-Executive Director) – resigned 19 August 2016
Mr R. Wheeler (Non-Executive Director)
Mr T. Wheeler (Managing Director)

Executives:
Mr M Pitts (Company Secretary) – resigned 31 July 2016
Ms B Nichols (Company Secretary) – appointed 1 August 2016

Other than the Company Secretary, there were no senior executives of the Company or the Group during or since the end of the financial year that did not hold a position as a Director of the Group.

The Company's policy for determining the remuneration of KMP is based on a number of factors including length of service, the particular experience of the individual concerned and the overall performance of the Group.

The remuneration policy has been framed with particular regard to the early stage of the Group's operations. At this stage it is not considered appropriate for base remuneration to be dependent upon an individual's performance rated against key performance indicators or the Group's performance as measured by earnings or the Company's share price. Rather, this is indirectly remunerated through the increase in value of the granted share options.

Certain Directors and consultants to the Company have been granted options over unissued ordinary shares in the Group. The details of these options are set out below and also in the Notes to the Financial Statements.

The value of these options is anticipated to increase in accordance with the increase in the price at which the Group's shares are traded and in accordance with an increase in shareholder wealth.

Hedging positions over shares and options over shares or the loaning of shares and options over shares held by KMP in the Group are not permitted.

As at balance date no service agreements were in place for the Directors of the Group other than for the Managing Director Mr Trent Wheeler.

Mr T. Wheeler On 27 September 2012 Mr T. Wheeler was appointed Managing Director. The Company has entered into an Employment Agreement with Mr Wheeler who is paid a salary of $261,468 per annum (plus superannuation) and $1,000 per calendar month Vehicle Lease Payments and additional vehicle operating costs. The Company may terminate the agreement by giving 12 month's notice in writing or such shorter period of notice as may be agreed. Mr Wheeler may terminate this agreement at any time by six month's written notice.

Details of other contractual arrangements with KMP are as follows:

Mr T. Fontaine The Company remunerated Mr Fontaine $5,000 per month for his services as Chairman. The Company has also entered into a consulting agreement with Mr Fontaine and his Company to provide technical services as and when required. Payment under this agreement is $1,200 per day.

REMUNERATION REPORT (CONTINUED)

Mr R. Wheeler The Company remunerated Mr R Wheeler $2,500 per month as a Non-Executive Director. The Company has also entered into a consulting agreement with Mr R Wheeler and his Company to provide operational and management services as and when required. Payment under this agreement is $1,200 per day.

Mr B. Montgomery The Company remunerated Mr Montgomery $2,500 per month as a Non-Executive Director.

Company secretary receives remuneration as set out below.

Mr M. Pitts The Company remunerated Mr Pitts $4,000 per month as Company Secretary plus other consulting fees as required for services rendered.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options to any Director during the year.

Details of remuneration

Details of the remuneration of each KMP of the Company including their personally related entities are set out in the following table.

2016	Short-term employee benefits		Post-employment		Share-Based payment		
Name	Cash salary and fees $	Bonus $	Super-annuation $	Other Retire-ment benefits $	Options $	% of Remun-eration %	Total $
Directors							
Mr T. Fontaine	60,000[1]	-	-	-	-	-	60,000
Mr T. Wheeler	261,468[2]	-	24,839	-	-	-	286,307
Mr R. Wheeler	30,000[3]	-	-	-	-	-	30,000
Mr B. Montgomery	30,000[4]	-	-	-	-	-	30,000
Secretary							
Mr M. Pitts	48,000	-	-	-	-	-	48,000
TOTAL	429,468	-	24,839	-	-	-	454,307

[1] $60,000 was outstanding at the date of this report.
[2] $110,621 was outstanding at the date of this report.
[3] $15,000 was outstanding at the date of this report.
[4] $30,000 was outstanding at the date of this report.

REMUNERATION REPORT (CONTINUED)

2015	Short-term employee benefits		Post-employment		Share-Based payment		
Name	Cash salary and fees $	Bonus $	Super-annuation $	Other Retire-ment benefits $	Options $	% of Remun-eration %	Total $
Directors							
Mr T. Fontaine	60,000	-	-	-	-	-	60,000
Mr T. Wheeler	273,468	-	24,839	-	-	-	298,307
Mr R. Wheeler	30,000	-	-	-	-	-	30,000
Mr B. Montgomery	30,000	-	-	-	-	-	30,000
Secretary							
Mr M. Pitts	40,000	-	-	-	-	-	40,000
TOTAL	433,468	-	24,839	-	-	-	458,307

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	$356	$254,183	$17,768	$58,635	$87,150
Loss attributable to equity holders	($6,734,407)	($473,506)	($7,659,146)	($1,316,637)	($718,522)
Share price at start of year	$0.005	$0.01	$0.02	$0.02	$0.02
Share price at end of year	$0.003	$0.004	$0.01	$0.02	$0.02
Loss per share (cents)	(0.77)	(0.06)	(0.96)	(0.20)	(0.24)

There have been no dividends paid during the period of analysis above.

LOANS TO KEY MANAGEMENT PERSONNEL

No loans have been made to Key Management Personnel of Magnum Gas & Power Limited, including their personally related entities.

REMUNERATION REPORT (CONTINUED)

SHARE OPTIONS ISSUED

No options to purchase shares have been issued to Directors or to key consultants of the Company during the financial year (2015: Nil).

The following share-based payment arrangements were in existence during prior reporting periods.

Options series	Number	Grant date	Expiry date	Exercise price ($)	Fair value at grant ($)	Days prior to expiry
Issued 26/10/12 to Mr T. Fontaine	10,000,000	27/09/12	30/06/15	0.06	0.004	-
Issued 28/12/12 to Mr T. Wheeler	4,000,000	28/11/12	30/06/15	0.06	0.007	-
Issued 28/12/12 to Mr R. Wheeler	2,000,000	28/11/12	30/06/15	0.06	0.007	-
Issued 28/12/12 to Mr B. Montgomery	1,000,000	28/11/12	30/06/15	0.06	0.007	-
Issued 28/12/12 to Mr M. Pitts	1,000,000	28/11/12	30/06/15	0.06	0.007	-

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each key management personnel of Magnum Gas & Power Limited, including their personally-related entities, are set out below.

30 June 2016						
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr T. Fontaine	-	-	-	-	-	-
Mr T. Wheeler	-	-	-	-	-	-
Mr R. Wheeler	-	-	-	-	-	-
Mr B. Montgomery	-	-	-	-	-	-
Mr M. Pitts	-	-	-	-	-	-

30 June 2015						
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr T. Fontaine	10,000,000	-	-	(10,000,000)	-	-
Mr T. Wheeler	4,000,000	-	-	(4,000,000)	-	-
Mr R. Wheeler	2,000,000	-	-	(2,000,000)	-	-
Mr B. Montgomery	1,000,000	-	-	(1,000,000)	-	-
Mr M. Pitts	1,000,000	-	-	(1,000,000)	-	-

REMUNERATION REPORT (CONTINUED)

Shareholdings

The numbers of shares in the Company held during the financial year by each key management personnel of Magnum Gas & Power Limited, including their personally-related entities, are set out below:

30 June 2016				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr T. Fontaine	101,425,190	-	12,000,000	113,425,190
Mr B. Montgomery	-	-	-	-
Mr R. Wheeler	84,960,933	-	-	84,960,933
Mr T. Wheeler	69,051,842	-	-	69,051,842
Mr M. Pitts	900,000	-	(900,000)	-

30 June 2015				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr T. Fontaine	101,425,190	-	-	101,425,190
Mr B. Montgomery	-	-	-	-
Mr R. Wheeler	84,960,933	-	-	84,960,933
Mr T. Wheeler	69,051,842	-	-	69,051,842
Mr M. Pitts	900,000	-	-	900,000

Other transactions with Directors

A number of Directors, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control, for transactions other than services as director, were as follows:

	2016 $	2015 $
Avatar Energy Pty Ltd ATF The Fontaine Investment Trust and Mary Fontaine		
• Transactions during the year	174,773	15,233
• Balance outstanding at 30 June	490,006	315,233
Avatar Energy Pty Ltd ATF the Fontaine Investment Trust ('Avatar') and Mary Fontaine is a Company and nominee associated with Mr Tom Fontaine. The Company entered a short-term loan agreement with Avatar. The loan is subject to normal commercial terms and is unsecured.		

- End of Remuneration Report -

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Magnum Gas & Power Limited were issued during the year ended 30 June 2016 on the exercise of options.

NON-AUDIT SERVICES

No non-audit services were provided during the year by the auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 20 of the financial report.

This report is made in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors

Mr T Wheeler
Managing Director
Perth, 4 October 2016

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Magnum Gas & Power Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
4 October 2016

N G Neill
Partner

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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Year ended 30/06/16 $	Year ended 30/06/15 $
Continuing operations			
Interest revenue		356	4,183
Other revenue		-	250,000
Occupancy expenses		(5)	(38,765)
Administration expenses		(679,179)	(666,400)
Impairment of exploration and evaluation assets	10	(7,943,357)	(6,829)
Loss of security deposit		(50,000)	-
Interest expense		(24,951)	(15,695)
Loss before tax		(8,697,136)	(473,506)
Income tax expense/benefit	7	1,962,729	-
LOSS FOR THE YEAR	5	(6,734,407)	(473,506)
Other comprehensive income / (loss)			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(181,557)	223,028
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,915,964)	(250,478)

Loss per share	Note	Year ended 30/06/16	Year ended 30/06/15
Basic (cents per share)	16	(0.77)	(0.06)
Diluted (cents per share)	16	(0.77)	(0.06)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30/06/16 $	30/06/15 $
CURRENT ASSETS			
Cash and cash equivalents	25	4,216	134,492
Receivables	8	40,965	72,780
TOTAL CURRENT ASSETS		45,181	207,272
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	5,594
Exploration and evaluation assets	10	4,085,715	11,994,495
TOTAL NON-CURRENT ASSETS		4,085,715	12,000,089
TOTAL ASSETS		4,130,896	12,207,361
CURRENT LIABILITIES			
Payables	11	731,024	258,773
Borrowings	12	490,006	-
TOTAL CURRENT LIABILITIES		1,221,030	258,773
NON-CURRENT LIABILITIES			
Borrowings	12	-	315,233
Deferred tax liability	13	-	1,962,729
TOTAL NON-CURRENT LIABILITIES		-	2,277,962
TOTAL LIABILITIES		1,221,030	2,536,735
NET ASSETS		2,909,866	9,670,626
EQUITY			
Issued capital	14	31,000,999	30,845,795
Reserves	15	(132,109)	49,448
Accumulated losses	15	(27,959,024)	(21,224,617)
TOTAL EQUITY		2,909,866	9,670,626

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued capital $	Accumulated losses $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 July 2014	30,552,440	(20,847,692)	(173,580)	96,581	9,627,749
Loss for the year	-	(473,506)		-	(473,506)
Other comprehensive income	-	-	223,028	-	223,028
Total comprehensive income for the year	-	(473,506)	223,028	-	(250,478)
Shares issued	325,000	-	-	-	325,000
Share issue costs	(31,645)	-	-	-	(31,645)
Options expired	-	96,581	-	(96,581)	-
Balance at 30 June 2015	30,845,795	(21,224,617)	49,448	-	9,670,626
Loss for the year	-	(6,734,407)	-	-	(6,734,407)
Other comprehensive loss	-	-	(181,557)	-	(181,557)
Total comprehensive income for the year	-	(6,734,407)	(181,557)	-	(6,915,964)
Shares issued	160,000	-	-	-	160,000
Share issue costs	(4,796)	-	-	-	(4,796)
Balance at 30 June 2016	31,000,999	(27,959,024)	(132,109)	-	2,909,866

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2016

	Note	Year ended 30/06/16 $	Year ended 30/06/15 $
Cash flows from operating activities			
Interest received		356	4,183
Payments to suppliers & employees		(302,157)	(594,400)
Net cash used in operating activities	25	(301,801)	(590,217)
Cash flows from investing activities			
Proceeds from sale of property plant & equipment		-	1,818
Payments for exploration expenditure		(133,679)	(363,755)
Proceeds on disposal of exploration tenements		-	250,000
Net cash used in investing activities		(133,679)	(111,937)
Cash flows from financing activities			
Proceeds from issue of shares		100,000	325,000
Share issue costs		(4,796)	(23,106)
Proceeds from loans		210,000	300,000
Net cash provided by financing activities		305,204	601,894
Net decrease in cash held		(130,276)	(100,260)
Cash at beginning of year		134,492	234,752
Cash at end of year	25	4,216	134,492

The accompanying notes form part of these financial statements.

NOTE 1: GENERAL INFORMATION

Magnum Gas & Power Limited (the "Company") is a public company incorporated in Australia and operating in Australia and Botswana. The Company listed on the Australian Securities Exchange trading under the symbol 'MPE' and listed on the Botswana Stock Exchange trading under the symbol 'MAGNUM'.

The financial statements comprise the consolidated financial statements for the Group, consisting of Magnum Gas & Power Limited and its subsidiaries. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements were authorised for issue by the Directors on 3 October 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS) and the *Corporations Act 2001*. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

These financial statements have been prepared on an accruals basis and based on historic costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Historical costs is based on the fair values of the consideration given in exchange for goods and services.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report and have been consistently applied to all of the years presented, unless otherwise stated:

a. Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2016 the Group has $4,216 in cash and net current liabilities of $1,221,030. For the year then ended, the Group expended net cash from operations of $301,801 and net cash from investing activities of $133,679.

On 1 August 2016, the Company announced that it had signed a conditional placement agreement with Mr Mohamed Shahrom Abdul Ghani, a Malaysian investor, for an investment of $300,000 at a price of $0.003 per share. Subsequently, on 30 August 2016, the Company announced that it was no longer certain that the placement funds under the placement agreement with Mr Mohamed Shahrom Abdul Ghani would be received.

On 29 September 2016, the Company advised that it had secured $100,000 in funding via a convertible loan agreement with Ochre Group Holdings Limited and on 3 October 2016, the Company announced a capital raising comprising a fully underwritten rights issue to raise circa $1.765 million.

The Group will need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs. The Group's capacity to raise additional funds via equity issues will be impacted by the success of ongoing exploration activities. The Group may consider securing additional funds through a capital raising via preferential issues to existing shareholders (pro rata offers and/or share purchase plans), placements to new and existing investors or through the realisation of assets. The Group will delay exploration expenditure and the Directors have instituted cost saving measures to further reduce corporate and administrative costs.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Going concern (continued)

The Directors will continue to closely monitor operations to ensure the momentum of transformation and growth can be maintained but within available resources.

The Group enjoys the support of its Directors and major shareholders and Chairman. The Directors believe that the Group will be able to raise sufficient equity funds to enable operations to continue.

The Directors have reviewed the Group's overall position and, in light of those matters mentioned above, are confident of securing funds if and when necessary to meet the Group's exploration and development plans and obligations as and when they fall due, and consider the adoption of the going concern basis to be appropriate in the preparation of this financial report. However, in the event that the Group is unsuccessful in raising sufficient funding, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries (referred to as 'the Group' in these financial statements).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability in its power to affect its returns

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes do one or more of the three elements listed above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

c. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Business combinations (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

d. Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

e. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.
Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Employee benefits (continued)

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

f. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

g. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.
<u>Current tax</u>
The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Taxation (continued)

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Taxation (continued)

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

h. Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

i. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

After initial recognition the Group measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which is measured at cost.

<u>Financial assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

AFS financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.
If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

k. Financial liabilities and equity instruments issued by the Group

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

l. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.
Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

m. Exploration and evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable "area of interest". An area of interest may be determined by reference to one or more interest, lease or licence holdings, by geological association or by economic association or dependency.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for association or dependency.

Exploration and evaluation costs are fully capitalised as incurred so long as the rights to tenure of the area of interest are current and the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operation in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Capitalised exploration costs are reviewed each reporting date to determine whether an indication of impairment exists. For each exploration licence, this would involve consideration of an extensive field evaluation that has yielded no expected results. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any).

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Exploration and evaluation (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Accumulated costs (net of any impairment losses) in relation to an abandoned exploration area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance will be classified to development. At this point in time the Group does not have any assets in the development stage.

n. Foreign currency translation

Both the functional and presentation currency of the Company is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations, Nata Energy (Pty) Ltd and Boabab Resources (Pty) Ltd, is Pula (BWP) and for Nata Energy (Mauritius) Inc and Gas Co International Ltd is US Dollars (US$).

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Foreign currency translation (continued)

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

o. Investment in associates and joint ventures

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement where the parties have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised on the consolidated statement of financial position and adjusted thereafter to recognised the Groups' share of the profit or loss in other comprehensive income of the associate if joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture, the Group discontinues to recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Investment in associates and joint ventures (continued)

assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate or joint venture. When necessary, the entire carrying amount if the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceased to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities., the Group reclassified the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassified to profit and loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Investment in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group, profits and loss resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

p. Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

NOTE 4: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Impairment of exploration assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(m)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of on ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(m), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 3(m). The carrying amounts of exploration and evaluation assets are set out in note 10.

(b) Deferred tax assets

The application of accounting judgments is established in the Group's approach to the recognition of deferred tax assets arising from operating losses. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 5: LOSS FOR THE YEAR	2016 $	2015 $
EXPENSES		
Depreciation of property, plant & equipment	5,594	8,160
Operating lease rental	-	32,187
Accounting and administrative expenses	225,866	221,801
Consulting and legal fees expenses	12,393	43,898
Other employee benefits expenses	221,825	178,925
Superannuation expenses	24,839	24,839

NOTE 6: SEGMENT NOTE

The Board has determined that the Group has two reportable segments, being mineral exploration and evaluation in Australia and Botswana.

As the Group is focused on mineral exploration and evaluation, the Board monitors the Group based on actual versus budgeted exploration and evaluation expenditure incurred.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration and evaluation activities, while also taking into consideration the results of exploration and development work that has been performed to date.

30 June 2016	Exploration Botswana	Exploration Australia	Total Segments	Corporate	Consolidated
	$	$	$	$	$
Segment revenue	-	-	-	356	356
Segment result	(7,943,357)	(50,000)	(7,993,357)	(703,779)	(8,697,136)
Segment assets	4,085,715	-	4,085,715	45,181	4,130,896
Capital expenditure	218,175	-	218,175	-	218,175
Segment liabilities	(117,297)	-	(117,297)	(1,103,733)	(1,221,030)

NOTE 6: SEGMENT NOTE (CONTINUED)

30 June 2015	Exploration Botswana	Exploration Australia	Total Segments	Corporate	Consolidated
	$	$	$	$	$
Segment revenue	-	250,000	250,000	4,183	254,183
Segment result	-	243,171	243,171	(716,677)	(473,506)
Segment assets	11,994,495	-	11,994,495	212,866	12,207,361
Capital expenditure	203,911	6,827	210,738	-	210,738
Segment liabilities	(1,993,997)	-	(1,993,997)	(542,738)	(2,536,735)

NOTE 7: INCOME TAX EXPENSE

The expense for the year can be reconciled to the accounting profit as follows:

	2016 $	2015 $
Loss from continuing operations:	(8,697,136)	(473,506)
Income tax benefit using the Company's domestic tax rate of 30% (2015: 30%)	(2,609,141)	(142,052)
Effect of tax rates in foreign jurisdictions	17,578	(20,495)
Effect of impairment expense	2,383,007	2,049
De recognition of deferred tax liability	1,962,729	-
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	208,556	160,498
Total tax benefit relating to continuing operations	1,962,729	-

The effective tax rate used for the reconciliations above is the corporate tax rate payable by on taxable profits under applicable tax law from each jurisdiction that the Group operates in.

Deferred tax balances not recognised at the reporting date:	2016 $	2015 $
Tax losses (revenue)	3,490,445	3,611,183
Tax losses (capital)	1,471,141	1,471,141
Temporary differences	110,801	58,505
Exploration and evaluation expenditure	(1,635,620)	(1,635,620)
TOTAL	3,436,767	3,505,209

NOTE 7: INCOME TAX EXPENSE (CONTINUED)

This benefit for tax losses will only be recognised if:

(a) It is probable that the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(b) The Group continues to comply with the conditions for deductibility imposed by tax legislation; and
(c) No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

At the current stage, the Group is unable to ascertain whether the condition as set in part (a) will eventuate and hence no deferred tax asset is recognised as a result.

NOTE 8: RECEIVABLES	2016 $	2015 $
CURRENT		
Input tax credits receivable	20,161	10,613
Security deposit	-	50,000
Other receivables	20,804	12,167
TOTAL	40,965	72,780

NOTE 9: PROPERTY, PLANT & EQUIPMENT

	2016 $	2015 $
Cost	54,330	54,330
Accumulated depreciation	(54,330)	(48,736)
TOTAL	-	5,594

	2016 $	2015 $
Balance at start of the year	5,594	15,036
Additions	-	-
Disposals	-	(1,282)
Depreciation	(5,594)	(8,160)
TOTAL	-	5,594

NOTE 10: EXPLORATION & EVALUATION ASSETS

	2016 $	2015 $
NON-CURRENT		
Balance at start of year	11,994,495	11,551,247
Expenditure incurred during the year	34,577	450,077
Less: impairment of exploration and evaluation assets	(7,943,357)	(6,829)
Balance at end of year	4,085,715	11,994,495

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and/or sale of resources (refer to note 4(a)).

The Directors' assessment of the carrying amount for the Group's exploration and evaluation expenditure was after consideration of prevailing market conditions and previous expenditure for exploration work carried out.

During the period, the Directors' made an assessment of the carrying value of the exploration and evaluation expenditure. Expenditure was impaired and the expenditure incurred was recognised in the statement of comprehensive income. Following this exercise, an amount of $7,943,357 was recognised as an expense in the period (2015: $6,829).

NOTE 11: PAYABLES

	2016 $	2015 $
CURRENT		
Sundry payables and other accruals	731,024	258,773
TOTAL	731,024	258,773

NOTE 12: BORROWINGS

	2016 $	2015 $
Loans – related party	490,006	315,233

The Company entered into a short-term loan agreement with an entity and a nominee associated with its largest shareholder and Chairman, Tom Fontaine. The loan is subject to normal commercial terms and is unsecured. The lender has the option of converting the loan should the Company undertake an entitlement issue or other form of fundraising and any such conversion would be subject to shareholder approval.

NOTE 13: DEFERRED TAX LIABILITY

	2016 $	2015 $
Deferred tax liability recognised	-	1,962,729
TOTAL	-	1,962,729

The Company completed the acquisition of Energy Botswana Pty Ltd in 2013. Differences in the fair value at the acquisition date and the carrying value of exploration and evaluation assets of Energy Botswana Pty Ltd has given rise to a difference between the accounting and taxation base of these assets and a deferred tax liability has been recognised for that difference. In the prior year the Group had deferred tax assets from tax losses (refer Note 7) which had not been offset against the liability above, as the Group was unable to ascertain whether it was probable that benefit from those tax losses would be able to be offset against this liability.

NOTE 14: ISSUED CAPITAL

	2016 $	2015 $
882,375,705 (2015: 850,375,705) fully paid ordinary shares	31,000,999	30,845,795

a. ORDINARY SHARES	2016 No.	2016 $	2015 No.	2015 $
At the beginning of reporting period	850,375,705	30,845,795	817,875,705	30,552,440
Shares issued pursuant to private placement at 1 cent per share	-	-	32,500,000	325,000
Shares issued pursuant to private placement at 0.5 cent per share	20,000,000	100,000	-	-
Shares issued pursuant to private placement at 0.5 cent per share	12,000,000	60,000	-	-
Less: Share issue cost	-	(4,796)	-	(31,645)
As at 30 June	882,375,705	31,000,999	850,375,705	30,845,795

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: ISSUED CAPITAL (CONTINUED)

b. SHARE OPTIONS	Number of Options	
	2016	2015
Options over ordinary shares in the parent entity	-	-

c. SHARE OPTIONS ISSUE

As at 30 June 2016, the company had no share options on issue (2015: Nil).

d. SHARE OPTION EXPIRY

No options expired on 30 June 2016 (2015: 18,500,000).

e. SHARE OPTION CANCELLATION

No options were cancelled during the financial year.

NOTE 15: ACCUMULATED LOSSES AND RESERVES	2016 $	2015 $
Accumulated losses		
Balance at beginning of financial year	(21,224,617)	(20,847,692)
Net loss attributable to equity holders of the parent entity	(6,734,407)	(473,506)
Share based payments expired	-	96,581
Balance at end of financial year	(27,959,024)	(21,224,617)
Reserves		
Foreign currency translation reserve	132,109	49,448
Share based payment reserve	-	-
	132,109	49,448

Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share based payment reserve

The share based payment reserve is used to record the fair value of options issued to Directors and key management personnel under various share based payment schemes.

NOTE 16: LOSS PER SHARE	2016 $	2015 $
Basic loss per share		
From continuing operations	(0.77)	(0.06)
Diluted loss per share		
From continuing operations	(0.77)	(0.06)
Loss used to calculate earnings per share		
From continuing operations	(6,734,407)	(473,506)
	2016 No.	2015 No.
Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share	871,785,541	843,252,417

The dilutive loss per share is the same as the basic loss per share as the Group is in a loss position. There is no dilution of earnings on the exercise of options as there are no options on issue.

NOTE 17: DIVIDENDS

There have been no dividends paid or proposed during the current financial year.

NOTE 18: COMMITMENTS

Commitments	2016 $	2015 $
Gas properties		
Not longer than 1 year	3,588,980	1,768,670
Longer than 1 year and not longer than 5 years	64,550	3,653,530
Longer than 5 years	-	-
Operating leases	-	
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
TOTAL	3,653,530	5,422,200

At balance date there were no other commitments not otherwise disclosed in these accounts.

NOTE 19: CONTINGENT LIABILITIES

The Group through its wholly owned Botswana subsidiary Nata Energy (Pty) Ltd, has one hundred percent of the interest of the Botswana Coal Bed Methane Projects (Prospecting Licence's 352/2008; 353/2008; 644/2009, 645/2009). As part of the original acquisition agreement in late 2007, which established the Botswana portfolio of assets, Energy Botswana Pty Ltd agreed to provide the then vendors with shares and a net revenue royalty as part of the purchase consideration for their equity. The royalty is payable to the vendors and is equal to twelve and one half percent of the net revenue generated from the sale of any product or any geosequestration from or on the PL's. The vendors comprised of several founders and sophisticated investors including Messrs R. and T. Wheeler. The completion of successful exploration, leading to the development of a production project on one or more of the prospecting licences, having been transitioned to a mining licence, and resulting in the generation of a net revenue is required for any liability to come in effect as per the agreement.

Since the date of acquisition and up to the date of this report there has been no decision made, study completed or revenue generated which would give rise to any payment or liability.

The Directors do not believe there are any contingent liabilities in existence at balance date.

NOTE 20: SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2016	2015
Controlled entities consolidated:			
Parent Entity:			
Magnum Gas & Power Limited	Australia		
Subsidiaries of Magnum Gas & Power Limited:			
Ormil Operations Pty Limited	Australia	100	100
Sydney Basin CBM Pty Ltd	Australia	100	100
Ormil Developments Pty Ltd	Australia	100	100
Energy Botswana Pty Ltd	Australia	100	100
Nata Energy (Mauritius) Inc	Mauritius	100	100
Nata Energy (Pty) Ltd	Botswana	100	100
Boabab Resources (Pty) Ltd	Botswana	100	100
Gasco International Ltd	Mauritius	100	100
** Percentage of voting power is in proportion to ownership*			

NOTE 21: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through holding cash only to the extent necessary to meet Group commitments and its immediate exploration program. The Group's overall capital strategy remains unchanged from 2015.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital and accumulated respectively. The Group operates in Australia and Botswana and none of the Group's entities are subject to externally imposed capital requirements going forward.

(b) Categories of financial instruments	2016 $	2015 $
Financial assets		
Cash and cash equivalents	4,216	134,492
Receivables	40,965	72,780
Financial liabilities		
Payables	(731,024)	(258,773)
Borrowings	(490,006)	(315,233)

The carrying amount reflected above represents the Company's and the Group's maximum exposure to credit risk for other loans and receivables.

(c) Financial risk management objectives

The Board monitors and manages financial risks relating to the operations of the Group on an individual case basis. These risks include market risk (includes interest rate risk), credit risk, liquidity risk and currency risk. The Group does not use derivatives to manage its exposure nor trade instruments for speculative purposes.

(d) Market risk

The Group's current activities do not expose it to market risk.

(e) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group attempts to deal with only creditworthy counterparties and obtain sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who are informed of current cash burn and all liquidity issues at each board meeting. The Group manages liquidity by continuously monitoring forecast and actual cash flows against cash held.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity profile for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the Group will receive/pay the funds. Note that the following tables exclude the commitments identified and disclosed in note 18.

30 June 2016	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash - variable interest rate	0.01%	4,216	-	-	4,216
Receivable – not interest bearing	-	40,965	-	-	40,965
		45,181	-	-	45,181
Payables – not interest bearing	-	731,024	-	-	731,024
Borrowings – variable interest rate	7.21%	-	-	490,006	490,006
		731,024	-	490,006	1,221,030

30 June 2015	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash - variable interest rate	2.10%	134,492	-	-	134,492
Receivable – not interest bearing	-	72,780	-	-	72,780
		207,272	-	-	207,272
Payables – not interest bearing	-	258,773	-	-	258,773
Borrowings – variable interest rate	6.09%	-	-	315,233	315,233
		258,773	-	315,233	574,006

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

An increase or decrease in the interest rates at 30 June would have affected the financial instruments in cash, receivables and payables and increased or decreased equity and profit and loss by the amounts shown below. This analysis is based on interest rates movements that the Group considered to be reasonable at the end of the reporting period. The analysis assumes all other variables, in particular foreign exchange rates, remain constant. The analysis for 2015 is performed on the same basis.

30 June 2016	Equity		Profit or loss	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Variable rate instruments	-	-	(4,858)	4,858

30 June 2015	Equity		Profit or loss	
	Increase	Decrease	Increase	Decrease
Variable rate instruments	-	-	(1,807)	1,807

(g) Currency risk

The Group is exposed to currency risk on purchases and cash balances that are denominated in a currency other than the respective functional currencies of Group entities; which are Australian Dollar (AUD), US Dollar (USD) or Botswana Pula (BWP). The currencies which these transactions primarily are denominated are AUD and USD.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk at balance date was as follows:

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Currency risk (continued)

30 June 2016	PULA:AUD	USD:AUD
Cash and cash equivalent	-	2,505
Trade payables	(8,288)	-
Net statement of financial position exposure	(8,288)	2,505

30 June 2015	PULA:AUD	USD:AUD
Cash and cash equivalent	-	3,564
Trade payables	(11,042)	-
Net statement of financial position exposure	(11,042)	3,564

The following significant exchange rates applied during the year:

30 June 2016	Average rate	Reporting date spot rate
PULA:AUD	8.27	8.24
USD:AUD	0.74	0.74

30 June 2015	Average rate	Reporting date spot rate
PULA:AUD	7.99	7.75
USD:AUD	0.84	0.77

Sensitivity analysis

A strengthening or weakening of the AUD at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and increased or decreased equity, profit and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable at the end of the reporting period. The analysis assumes all other variables, in particular interest rates, remain constant. The analysis for 2015 is performed on the same basis.

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2016	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
PULA:AUD (2 percent movement)	-	-	163	(169)
USD:AUD (2 percent movement)	-	-	51	(49)

30 June 2015	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
PULA:AUD (2 percent movement)	-	-	217	(225)
USD:AUD (2 percent movement)	-	-	73	(70)

(h) Net Fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities as disclosed in the statement of financial position equate to their estimated net fair value.

NOTE 22: SHARE BASED PAYMENTS

Options to purchase shares have been issued in prior years to Directors, and to Key Management Personnel of the Group as approved by the Board of Directors and General Meetings of Shareholders. Each share option converts into one ordinary share of Magnum Gas & Power Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

The following share-based payment arrangements were in existence during prior reporting periods. All options expired as at balance date.

Options series	Number	Grant date	Expiry date	Exercise price ($)	Fair value at grant ($)	Days prior to expiry
Issued 27 Sept 2012	10,000,000	27/09/12	30/06/15	0.06	0.004	-
Issued 28 Nov 2012	8,500,000	28/11/12	30/06/15	0.06	0.007	-

NOTE 22: SHARE BASED PAYMENTS (CONTINUED)

No options were issued to Directors and key consultants during the financial year (2015: Nil).

None expired or lapsed during the financial year (2015: 18,500,000)

No options have been exercised during the financial year (2015: Nil).

The number and weighted average exercise prices of options issued as share based payments are as follows:

	2016		2015	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	-	-	18,500,000	0.06
Expired	-	-	(18,500,000)	(0.06)
Outstanding at year-end	-	-	-	-
Exercisable at year-end	-	-	-	-

NOTE 23: RELATED PARTY TRANSACTIONS

Key management personnel compensation

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

<u>Directors</u>
Mr T Fontaine
Mr B Montgomery – resigned 19 August 2016
Mr R Wheeler
Mr T Wheeler
Mr N Featherby – appointed 29 September 2016

<u>Company Secretary:</u>
Mr M Pitts – resigned 31 July 2016
Ms B Nichols – appointed 1 August 2016

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

The aggregate compensation made to Directors and other members of key management personnel of the company and Group is set out below:

	2016 $	2015 $
Short-term employee benefits	429,468	433,468
Post-employment benefits	24,839	24,839
TOTAL	454,307	458,307

Loans to Key Management Personnel

No loans were made to Directors of Magnum Gas & Power Limited, including their personally-related entities.

Other transactions with Key Management Personnel

A number of Directors, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control, for transactions other than services as director, were as follows:

	2016 $	2015 $
Avatar Energy Pty Ltd ATF The Fontaine Investment Trust and Mary Fontaine		
• Transactions during the year	174,773	15,233
• Balance outstanding at 30 June	490,006	315,233
Avatar Energy Pty Ltd ATF the Fontaine Investment Trust ('Avatar') and Mary Fontaine is a Company and nominee associated with Mr Tom Fontaine. The Company entered a short-term loan agreement with Avatar. The loan is subject to normal commercial terms and is unsecured.		

NOTE 24: AUDITORS' REMUNERATION

	2016 $	2015 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports for the current year		
- Current auditors	24,750	34,000

NOTE 25: CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and on hand	4,193	21,539
Cash at call	23	112,953
TOTAL	4,216	134,492

Reconciliation of loss for the period to net cash flows from operating activities

	2016 $	2015 $
Loss for the year	(6,734,407)	(473,507)
ADJUSTMENTS FOR NON CASH ITEMS		
- Depreciation expense	5,594	8,160
- Loss of security deposit	50,000	-
- Impairment	5,980,628	6,829
- Unrealised foreign exchange differences	2,039	(16,309)
- Gain on sale of assets	-	(537)
CHANGES IN WORKING CAPITAL		
- Proceeds from exploration activities	-	(250,000)
- (Increase)/Decrease in receivables and prepayments	(16,650)	71,217
- Increase in payables & borrowings	410,995	63,930
Net cash from operating activities	(301,801)	(590,217)

There were no non-cash transactions.

NOTE 26: PARENT ENTITY DISCLOSURES

Financial Position	2016 $	2015 $
Assets		
Current Assets	(522)	176,190
Non-Current Assets	3,941,803	9,849,128
Total Assets	3,941,281	10,025,318
Liabilities		
Current Liabilities	541,409	216,237
Non-Current Liabilities	490,006	315,233
Total Liabilities	1,031,415	531,470
Net Assets	2,909,866	9,493,848
Equity		
Issued Capital	31,000,999	30,845,795
Retained Earnings	(28,091,133)	(21,351,947)
Reserves	-	-
Total Equity	2,909,866	9,493,848

Financial Performance	2016 $	2015 $
Loss for the year	(6,739,186)	(427,256)
Other Comprehensive Income	-	-
Total Comprehensive Loss	(6,739,186)	(427,256)

.NOTE 27: EVENTS AFTER THE REPORTING DATE

On 1 August 2016, the Company announced that it had signed a conditional placement agreement with Mr Mohamed Shahrom Abdul Ghani, a Malaysian investor, for an investment of $300,000 at a price of $0.003 per share and that Dato' Yusli Bin Mohamed Yusoff, the former CEO of Bursa Malaysia (the Malaysian Stock Exchange Group) and current independent non-executive director of various publicly listed Malaysian enterprises, will be appointed to the board as non-executive chairman. Mr Brett Montgomery would be resigning from the position of non-executive director and that Mr Tom Fontaine would step down as chairman but remain on the board as a non-executive director.

On 2 August 2016, the Company announced that Mr Mark Pitts resigned from the position of Company Secretary and Ms. Beverley Nichols was appointed to the position.

On 15 August 2016, the Company advised that its registered office and principal place of business had changed.

.NOTE 27: EVENTS AFTER THE REPORTING DATE (CONTINUED)

On 30 August 2016, the Company announced that it was no longer certain that the placement funds under the placement agreement with Mr Mohamed Shahrom Abdul Ghani would be received. Dato' Yusli Bin Mohamed Yusoff had not been appointed to the board and Mr Tom Fontaine remained as chairman of the board.

On 29 September 2016, the Company advised that it had secured $100,000 in funding via a convertible loan agreement with Ochre Group Holdings Limited. The Company also announced the appointment of Non-Executive Director Mr Nathan Featherby.

On 4 October 2016, the Company announced a capital raising comprising a fully underwritten rights issue to raise circa $1.765 million.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Magnum Gas & Power Limited (the 'Company'):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and

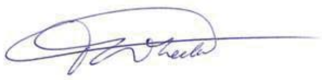
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mr T Wheeler
Managing Director

Perth, 4 October 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Magnum Gas & Power Limited

Report on the Financial Report

We have audited the accompanying financial report of Magnum Gas & Power Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group/ comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 3, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

HLB Mann Judd

Auditor's opinion

In our opinion:

(a) the financial report of Magnum Gas & Power Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Emphasis of Matter

Without modifying our opinion expressed above, we draw attention to Note 3a to the financial report which indicates that should the Group be unsuccessful in raising sufficient funding, there exists a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, its ability to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Magnum Gas & Power Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
4 October 2016

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 28 September 2016.

(a) Ordinary shareholders

Twenty largest holders of ordinary shares	Number of shares	% held
AVATAR ENERGY PTY LTD	96,023,069	10.88%
MR RAALIN WHEELER	60,300,001	6.83%
MR TRENT WHEELER	60,300,001	6.83%
MR DAVID JOHN NEWMAN	48,816,000	5.53%
MR BENNY BEN OTIM	34,812,000	3.95%
SABASTIEN HOLDINGS PTY LTD	32,036,667	3.63%
EUROGOLD LIMITED	28,229,708	3.20%
MR COLIN ASHLEY FLETCHER	26,000,000	2.95%
MR DOUGLAS ALLAN BROOKS <BROOKS FAMILY A/C>	25,636,364	2.91%
SEBASTIEN HOLDINGS PTY LTD	23,289,218	2.64%
ALAN DAVIS PTY LTD	20,876,500	2.37%
STRATEGIC ENERGY RESOURCES LTD	20,000,000	2.27%
SOBU ENERGY PTY LTD	16,545,455	1.88%
GOLD ELEGANT (HK) INVESTMENT LIMITED	16,500,000	1.87%
AERO CLASSIC PTY LTD	15,909,091	1.80%
FAHEEM INVESTMENTS (PTY) LTD	15,732,000	1.78%
ABM GROUP PTY LTD	15,480,000	1.75%
SINO GOLD LIMITED	15,305,604	1.73%
MR JOHN CARMODY	10,907,407	1.24%
APEX ENERGY NL	10,000,000	1.13%
	592,699,085	67.17%

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders and is entitled to dividends when declared.

The total number of shares on issue is 882,375,705

The number of shareholders holding less than a marketable parcel is 305.

There is no current on market buy back.

Substantial Holders are:

Name	No. of ordinary shares held
Avatar Energy Pty Ltd	96,023,069
Mr Raalin Wheeler	*84,960,933
Mr Trent Wheeler	*69,051,842
Mr David John Newman	48,816,000

*Includes shares in a jointly owned entity

Distribution of ordinary shareholders

Category of shareholding	Number of shareholders
1 – 1,000	26
1,001 – 5,000	23
5,001 – 10,000	63
10,001 – 100,000	152
100,001 and over	257
Total	521

(b) Options holders of listed options

There are currently no listed options on issue.

(c) Unquoted securities

There are currently no unquoted securities on issue.