Magnum Gas & Power Limited

ACN 107 708 305

Financial Statements

For the year ended 30 June 2014

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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CORPORATE INFORMATION

ACN 107 708 305

Directors

Mr T Fontaine	Non-Executive Chairman
Mr T Wheeler	Managing Director
Mr B Montgomery	Non-Executive Director
Mr R Wheeler	Non-Executive Director

Company secretary
Mr M Pitts

Registered office
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153
Tel: (08) 9380 6755
Fax: (08) 9380 4026

Principal place of business
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153
Tel: (08) 9380 6755
Fax: (08) 9380 4026

Share register
Computershare
Level 2, 45 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 the Australian Securities Exchange (ASX: MPE)

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

The Company has adopted the 2nd Edition of the Recommendations and guidelines as promulgated by the ASX Corporate Governance Council. This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

ROLE OF THE BOARD OF DIRECTORS (THE "BOARD")

The Directors' are responsible for the direction and supervision of the Company's business and for its overall corporate governance. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors' recognise the need to maintain the highest standards of behaviour, ethics and accountability. During the year responsibility for the management of the day-to-day operations and administration is delegated to the Managing Director and responsibility for corporate actions is delegated to the Managing Director and Company Secretary.

The primary functions of the Board include:

- Formulating and approving objectives, strategies and long-term plans for the Company's continued development and operation;
- Monitoring the implementation of these objectives, strategies and long-term plans to ensure the Company, to the best of its ability, delivers shareholder value;
- Approval of capital expenditure;
- Monitoring the Company's overall performance and financial results, including adopting annual budgets and approving the Company's financial statements;
- The management of the treasury function of the Company and approving capital management decisions;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting and reviewing the performance of the Managing Director;
- Ensuring significant business risks are identified and appropriately managed;
- Ensuring that the Company meets the statutory, regulatory and reporting requirements of the ASX and requirements under the Corporations Act; and
- Reporting to shareholders on performance.

The Board currently consists of a Non-Executive Chairman, Managing Director and two Non-Executive Directors. The term of Directors' appointments is governed by the Company's Constitution. At least one third in number of the Directors, other than a Managing Director, must retire and seek re-election at each Annual General Meeting of the Company. In addition, all Directors appointed to the Board during the year must stand for election at the next Annual General Meeting of the Company.

From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues. In this regard, the Board has established an Audit Committee, a Remuneration and Nomination Committee and a Safety and Environment Committee.

COMPOSITION OF THE BOARD

The Directors of the Company in office at the date of this statement and details of their skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the constitution.

There are four members of the Board of Directors with a majority of Non-Executive Directors, however only one Director, Mr B Montgomery is considered an Independent Director, according to the definitions by the Australian Securities Exchange Corporate Governance Council ("Council").

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period for service of a Director.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake Board duties and responsibilities.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. However, prior approval of the Chairman is required.

All Directors are able to access members of the management team at any time to request information on the activities of the Company.

BOARD PERFORMANCE

The Board has adopted a self-evaluation process to measure its own performance. The Chairman evaluates the performance of each director, and the Board evaluates the performance of the Chairman. Performance of senior executives is evaluated by the Managing Director in cooperation with the Chairman. All performance evaluations are measured against budget, goals and objectives set.

AUDIT COMMITTEE

The Audit Committee consists of, Mr Brett Montgomery (Chair), Mr R Wheeler, Mr T Fontaine and Mr M Pitts. Audit Committee Meetings are held twice during the year in conjunction with Board's meetings to discuss the half and full year audit work and findings. The roles and responsibilities of the Audit Committee are to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Ensure that the appropriate accounting policies and procedures are implemented;
- Review the scope and results of external and compliance audits and the adequacy and quality of the audits;
- Maintain open lines of communication between the Board and external auditors;
- Review and report to the Board on proposed annual reports and financial statements, and the half-yearly financial reports;
- Assess the adequacy of the Company's internal controls and whether they are of a sufficiently high standard to provide timely and accurate information for the proper management of the business;
- Make informed decisions regarding compliance policies, practices and disclosures;
- Assist in monitoring and controlling the financial aspects of the Company's business risks; and
- Nominate the external auditors.

The audit committee has unrestricted access to management.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises Mr T Fontaine, Mr B Montgomery and Mr R Wheeler. The responsibilities of this committee include:

- Advising the Board in relation to the terms and conditions of remuneration for Directors and the Managing Director;
- Reviewing the composition of the Board to ensure it comprises an appropriate mix of skills and experience and, if appropriate, proposing suitable nominees as Directors to the Board; and
- Advising the Board as to general employment policies.

The Committee will assess the performance and recommend the remuneration of the Managing Director.

SAFETY AND ENVIRONMENT COMMITTEE

The Safety and Environment Committee comprises Mr T Fontaine, Mr T Wheeler and Mr R Wheeler. The Committee ensures that the Company follows best practice in this important area.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon appropriate procedures, policies and guidelines, having regard to the size of the Company and its activities.

CODE OF ETHICS

The Company recognises the need for every Director, officer, employee, agent, sub-contractor and consultant of the Company to observe the highest standards of behaviour and business ethics. All are expected to act in accordance with the law and with the highest standard of propriety.

DISCLOSURE OF INFORMATION

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of future development, in addition to the other disclosures required by the *Corporations Act 2001*.

Half-year financial reports, prepared in accordance with the requirements of Accounting Standards and the *Corporations Act 2001*, are lodged with the Australian Securities and Investment Commission and the Australian Securities Exchange. The half-year financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the Australian Securities Exchange under the requirements of the ASX relating to mining companies.

ROLE OF AUDITOR

The *Corporations Act 2001* requires the auditor to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK MANAGEMENT

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the Managing Director who has ultimate responsibility to the Board for the risk management and control framework of the Group.

INTEGRITY OF FINANCIAL REPORTING

The Company's Managing Director and Company Secretary who is acting as Chief Financial Officer have reported in writing to the Board that:

- The consolidated financial statements of the Company and its entities for the half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

REMUNERATION ARRANGEMENTS

The Board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities. The Board believes that the best way to achieve this is to provide executives or consultants with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders of $160,000.

Information on the Remuneration & Nomination committee is contained in a separate heading within this Corporate Governance Statement.

INTERESTS OF OTHER STAKEHOLDERS

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

ADOPTION OF ASX COPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Recommendations for all or part of the year, as outlined in the Corporate Governance Statement, with the following exceptions:

<u>Board Structure</u>

Council Principle 2: Structure the Board to Add Value

Council Recommendations

2.1 A majority of the board should be independent Directors.

2.2 The chair should be an independent Director.

2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

2.4 The board should establish a nomination committee.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.

2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Company is not in compliance with 2.1, 2.2, and 2.4. The Board is of the view that the current structure of the Board is appropriate given the Company's size and composition.

<u>Ethical and Responsible Decision Making</u>

Council Principle 3: Promote ethical and responsible decision-making

Council Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the Company's integrity, and

3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

A code has not been developed at this time as it has not been deemed necessary given the size of the Company and the close manner in which the Board operates on all material decisions and the Managing Director's constant liaison with all major stakeholders. A code of conduct will be considered when the extent of the activities of the Company warrants such consideration.

Council Recommendation 3.2: Establish a Diversity Policy

Whilst the Board has not implemented a formal Diversity Policy due to the size of the Company it believes that promotion of diversity in senior management and within the Company is generally good practice.

The Board has not set measurable objectives for achieving gender diversity at this time. The Company has no female employees or members of the Board. As the Company increases in size the Board will review its practices and implement formal diversity policies as appropriate to its activities.

<u>Integrity of Financial Reporting</u>

Council Principle 4: Safeguard integrity in financial reporting

Council Recommendation 4.3: Structure the audit committee so that it consists of:

- Only Non-Executive Directors;
- A majority of Independent Directors;

- An Independent Chairperson, who is not Chairperson of the Board;
- At least three members.

The committee comprised of three Non-Executive Directors and the Company Secretary, the committee was chaired by Non-Executive Director Mr Brett Montgomery. The Board considers that given the number and make-up of the Board itself during the financial year that an Audit Committee of such a composition is appropriate.

Council Recommendation 4.4: The audit committee should have a formal charter.

The audit committee does not have a formal charter however its roles and responsibilities are outlined above, along with its composition, and structure. Minutes of meetings are kept within the Board's minutes. There is also no formal reporting mechanism between the Audit Committee and Board due to the duplication of membership and the detailed report tabled by the auditor who attends the Board meeting by invitation.

Risk Management

Council Principle 7: Recognise and Manage Risk

Council Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management.

Policies on risk oversight and management have not been implemented. The Board is of the view that the financial and operational risks arising out of the Company's operations will be readdressed once new operations are commenced and in the meantime are appropriately reviewed by the full Board.

Remuneration

Council Principle 8: Remunerate fairly and responsibly

Council Recommendation 8.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Please refer to the content on the Remuneration Arrangements section disclosed above.

Council Recommendation 8.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of the executives.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to non-executives is an appropriate method to supplement Non-Executive Directors' cash remuneration, which is relatively low.

DIRECTORS' REPORT

The directors of Magnum Gas & Power Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2014. 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 company 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.

Trent Wheeler – Managing Director

Trent is professional engineer (Mechanical (Honours) and Oil & Gas), manager and director with over 16 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.

Brett Montgomery – Non-Executive Director

Brett Montgomery has over 28 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. Mr Montgomery was Chair of the audit committee.

Mr Montgomery is a director of Tanami Gold NL.

Raalin Wheeler – Non-Executive Director

A Fellow of the Australian Institute of Company Directors, Raalin is a professional Director, with over 31 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. Mr Wheeler was chair of the Remuneration Committee.

Company Secretary

Mark Pitts BBus, FCA – Company Secretary

Mr Pitts is a Chartered Accountant with over 25 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 providing secretarial support, corporate and compliance advice to a number of ASX listed public companies.

Directorships of other listed companies in last 3 years

Name	Company	Period of directorship
Mr B. Montgomery	Tanami Gold NL	Appointed 6 February 2013

DIRECTORS' SHAREHOLDINGS

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

Name	Number of shares	Number of options
Mr T. Fontaine – indirect	101,425,190	10,000,000
Mr R. Wheeler – direct & indirect	84,960,933	2,000,000
Mr T. Wheeler – direct & indirect	69,051,842	4,000,000
Mr B. Montgomery – direct	-	1,000,000

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out below in the remuneration report which forms part of the Directors' Report.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

No options to purchase shares have been issued to Directors and key consultants of the Company during the current financial year.

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

The principal activities of the consolidated entity during the financial year were;

Corporate Activities

The 2014 financial year saw the completion of a Share purchase plan and an entitlement offer to shareholders raising a total of $430,680. Magnum is continuing to consider various funding arrangements in order to progress its projects further.

Share Purchase Plan

Magnum completed a Share Purchase Plan in November 2013 with subscriptions for 26,338,316 ordinary shares raising a total of $316,060.

Entitlement Offer

On the 14th May 2014, Magnum announced a non-renounceable entitlement issue to raise $1.3 million. The offer closed on 20th June 2014 and Magnum received applications for and allotted 11,462,011 shares totalling $114,620.

Given the nature of the capital markets the Directors were not surprised by the result and are continuing to progress various avenues for placing the shortfall of the offer.

Botswana Stock Exchange

Magnum has made an application to the Botswana Stock Exchange ("BSE") to complete a secondary listing on the exchange. Magnum believes the benefits of a secondary listing on the BSE include; enabling Botswana investors to participate in what may become significant projects for the country, enables Magnum to broaden its shareholder base to include Botswana investors that understand the current energy shortage in Botswana, while also providing a more convenient portal for African and European investors to participate.

Exploration Activities

Botswana Coal Bed Methane Project

The Magnum CBM exploration portfolio consists of multiple CBM prospecting licences, focused on two separate project areas, within the overall central Kalahari Karoo basin. The "Central CBM Project" consists of 1,205 km² of prospecting licences over prospective CBM acreage in the Mmashoro Region. The "Northern CBM Project" consists of 1,132 km² of prospecting licences over prospective CBM acreage in the Nata Region. The Botswana Department of Geological Survey reports that 196 Tcf of "gas in place" is estimated to be present in the coal and carbonaceous shale sequences in the central Kalahari Karoo Basin in Botswana.

During the year Magnum successfully completed a drilling programme on the Company's Central CBM project area. The discovery of Coal and Coal Bed Methane and subsequently the presence of 95% methane in the gas composition results were promising. Magnum informed the Botswana Ministry of Mines, Energy and Water Resources that a discovery of Coal Bed Methane had been made on the Company's prospecting licences. The Company continues with the review and integration of data from this exploration program. The next phase of exploration drilling is now being planned. Magnum has submitted renewals on its prospecting licences in accordance with the requirements of the Botswana Ministry of Minerals, Energy and Water Affairs.

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+%).

This result is 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.

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

Magnum's CBM acreage is located in the Central region of Botswana and is held 100% by Magnum. The portfolio of CBM exploration acreage consists of two project areas. The Central CBM project area consists of six blocks, totalling 1,205 km², of prospecting licences over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region. The "Northern CBM Project" consists of 1,132 km² of prospecting licences over prospective CBM acreage across the "Ngwasha" basin in the Nata Region. Renewals for both project areas are pending with the Botswana Government.

Botswana Petroleum Project

In October 2012 Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd was awarded Petroleum Exploration Licence ("PEL") No. 154/2012 by the Department of Geological Surveys in the Republic of Botswana.

Baobab Resources (Pty) Ltd forms part of the acquired Energy Botswana Pty Ltd group and the PEL is an exploration licence granting the right to explore for Natural Gas/Petroleum under the Petroleum (Exploration and Production) Act of Botswana, Chapter 67:01.

The PEL 154/2012 covers approximately 23,700 km2 and is located in the Ngamiland and Central districts of Botswana. The PEL is valid for a period of four (4) years commencing from 1st October 2012.

New South Wales CSG Project

NSW imports 95% of its gas and is currently producing just 5% of its gas needs from Coal Seam Gas ("CSG") compared to Queensland where CSG comprises about 90% of its gas production. According to an ACIL Tasmin report, 'Economic Significance of Coal Seam Methane in New South Wales", gas prices could double by 2014 without the development of a significant local gas supply.

In mid-November 2013 the NSW government imposed a hold on CSG activities pending an investigation by the NSW Chief Scientist and Engineer. The study will supplement the Chief Scientists current CSG review. In late November 2013, the NSW government announced that NSW is facing a gas supply shortage without local production, stating that findings released by the Australian Energy Market Operator (AEMO) supported the NSW Government's view that future gas availability was inadequate without new local supply, with AEMO suggesting restrictions on usage may have to be imposed.

In June 2014, the Minister for Resources and Energy Anthony Roberts received a report from the independent NSW Chief Scientist and Engineer examining the cumulative Impacts on ground and surface water in the Sydney Water Catchment, analysed the impacts of activities in the Sydney Water Catchment. The report concluded that there no evidence that current long-wall or CSG activities in the Catchment should be stopped, that modern treatment processes are sufficient in protecting the quality of Sydney's drinking water against any adverse impact. Despite these findings, the NSW Government announced it will maintain its ban on CSG exploration and extraction in Sydney's water catchment until it fully considers all the recommendations in this latest report and will closely monitor any impacts on the environment.

Although the Directors remain confident in the potential of the project in New South Wales, the proposed changes are still subject to consultation and not yet enacted which constitutes a material uncertainty over the recoverability of its assets in this region. As a result the Directors have elected to take a prudent approach and impair the carried forward exploration and assets and its related investment in APEX Energy NL to nil.

Operating results for the year

The Group incurred an after tax loss for the year of $7,659,146 (2013: $1,316,637), the current year loss includes an amount of $6,725,948 relating to the impairment of NSW assets and investments. The Company successfully complete a share purchase plan and a rights issue during the year which raised a total of $430,680 upon the issue of 37,800,327 shares.

Risk Management

The Board as a whole is ultimately responsible for establishing and reviewing the Company'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 Company's risk management program is implemented by Managing Director in conjunction with the Safety Committee as follows:

- ensuring that matters affecting the goals, objectives and performance of the Company 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 Company 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 Company'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 Company; and
- reporting to the Board when relevant as to the effectiveness of the Company's management of its material risks.

SUBSEQUENT EVENTS

Unsecured loan
Subsequent to the end of the financial year the Company entered into a loan for $300,000. The loan is subject to normal commercial terms, is unsecured and repayable by 30 June 2015. The loan was made available by the Company's Chairman Mr Tom Fontaine.

Placement
Subsequent to the end of the financial year the Company placed 32,500,000 ordinary shares to sophisticated investors at 1 cent each to raise $325,000.

Other than those matters noted above, there were no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

Magnum expects to add value through the continued focus on the exploration activities in Botswana, while continuing to work with the various government departments in New South Wales in order to obtain the necessary approvals to drill there. 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 (2013: $nil).

ENVIRONMENTAL REGULATIONS

The operation of the group is solely within Australia and due to its current operations is not subject to any specific environmental laws. The Company 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

Details of unissued shares or interests under option by Magnum Gas & Power Limited as at the date of this report are:

Expiry date of option	Number of shares under option	Class of shares	Exercise price of option
30 June 2015	18,500,000	Ordinary	$0.06

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 company 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 Company 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, 4 Board meetings and 2 Audit Committee meeting were held:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr T. Fontaine	3	3	1	1	-	-
Mr B. Montgomery	3	3	1	1	-	-
Mr T. Wheeler	3	3	-	-	-	-
Mr R. Wheeler	3	3	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 Company for the financial year ended 30 June 2014. 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 Company and the Group, directly or indirectly, and includes all directors.

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)
Mr R. Wheeler (Non-Executive Director)
Mr T. Wheeler (Managing Director)

Executives:
Mr M Pitts (Company Secretary)

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 Company.

REMUNERATION REPORT (CONTINUED)

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

The remuneration policy has been framed with particular regard to the early stage of the Company'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 Company'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 Company. 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 Company'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 Company are not permitted.

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

Mr T. Wheeler — On 27th 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, for a term of 2 years. 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.

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 remunerates Mr Pitts $6,000 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.

REMUNERATION REPORT (CONTINUED)

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.

2014	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	-	26,201	-	-	-	299,669
Mr R. Wheeler	33,960	-	-	-	-	-	33,960
Mr B. Montgomery	30,000	-	-	-	-	-	30,000
Secretary							
Mr M. Pitts	72,000	-	-	-	-	-	72,000
TOTAL	469,428	-	26,201	-	-	-	495,629

2013	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	120,700	-	600	-	37,533	23.63%	158,833
Mr T. Wheeler	254,018	-	17,649	-	27,787	9.28%	299,454
Mr R. Wheeler	218,900	-	-	-	13,894	5.97%	232,794
Mr B. Montgomery	30,000	-	-	-	6,947	18.80%	36,947
Mr E. Ellyard*	57,500	-	-	-	-	-	57,500
Mr P. Curry <	5,000	-	-	-	-	-	5,000
Secretary							
Mr M. Pitts	60,000	-	-	-	6,947	10.38%	66,947
Mr M. Ohlsson+	7,530	-	-	-	-	-	7,530
TOTAL	753,648	-	18,249	-	93,108		865,005

**Mr E. Ellyard resigned 14 June 2013*
<Mr P. Curry resigned 27 September 2012
+Mr M Ohlsson resigned 4 September 2012

REMUNERATION REPORT (CONTINUED)

The table below sets out summary information about the group's earnings and movements in shareholder wealth for the five years to 30 June 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue	17,768	58,635	87,150	98,327	53,547
Loss attributable to equity holders	(7,659,146)	(1,316,637)	(718,522)	(534,932)	(2,735,355)
Share price at start of year	$0.02	$0.02	$0.02	$0.04	$0.01
Share price at end of year	$0.01	$0.02	$0.02	$0.02	$0.04
Loss per share (cents)	(0.96)	(0.20)	(0.24)	(0.18)	(2.22)

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

Options granted to Directors and Executives vested immediately and are exercisable at various dates as set out in detail in the notes to the financial statements. No options have been exercised in the current financial year. The following table sets out the options that were granted and those that have vested and are exercisable at balance date:

Name	No. of options granted	Grant date	Expiry date	Grant date fair value $	Amount vested & exercisable at 30/06/2014
Mr B. Montgomery	1,000,000	28/11/2012	30/06/2015	6,947	1,000,000
Mr T. Fontaine	10,000,000	27/09/2012	30/06/2015	37,533	10,000,000
Mr T. Wheeler	4,000,000	28/11/2012	30/06/2015	27,787	4,000,000
Mr R. Wheeler	2,000,000	28/11/2012	30/06/2015	13,894	2,000,000
Mr M. Pitts	1,000,000	28/11/2012	30/06/2015	6,947	1,000,000
	18,000,000			93,108	18,000,000

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors or Senior Executives of Magnum Gas & Power Limited, including their personally related entities.

SHARE OPTIONS ISSUED

No Options to purchase shares have been issued to Directors or to key consultants of the Company during the financial year (2013: 18,000,000 unlisted options).

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options have vested as at balance date.

REMUNERATION REPORT (CONTINUED)

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	365
Issued 28/12/12 to Mr T. Wheeler	4,000,000	28/11/12	30/06/15	0.06	0.007	365
Issued 28/12/12 to Mr R. Wheeler	2,000,000	28/11/12	30/06/15	0.06	0.007	365
Issued 28/12/12 to Mr B. Montgomery	1,000,000	28/11/12	30/06/15	0.06	0.007	365
Issued 28/12/12 to Mr M. Pitts	1,000,000	28/11/12	30/06/15	0.06	0.007	365

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.

Name	Balance at the start of the year	Granted during the year as remuner-ation	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	10,000,000
Mr T. Wheeler	4,000,000	-	-	-	4,000,000	4,000,000
Mr R. Wheeler	2,000,000	-	-	-	2,000,000	2,000,000
Mr B. Montgomery	1,000,000	-	-	-	1,000,000	1,000,000
Mr M. Pitts	1,000,000	-	-	-	1,000,000	1,000,000

30 June 2013						
Name	Balance at the start of the year	Granted during the year as remuner-ation	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	10,000,000
Mr B. Montgomery	2,500,000	1,000,000	-	(2,500,000)	1,000,000	1,000,000
Mr R. Wheeler	-	2,000,000	-	-	2,000,000	2,000,000
Mr T. Wheeler	-	4,000,000	-	-	4,000,000	4,000,000
Mr E. Ellyard *	-	4,000,000	-	(4,000,000)	-	-
Mr P.A. Curry <	2,500,000	-	-	(2,500,000)	-	-
Mr M. Pitts	-	1,000,000	-	-	1,000,000	1,000,000

*Resigned 14 June 2013
< Resigned 27 September 2012

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 2014				
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	92,258,524	-	9,166,666	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

30 June 2013				
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	44,123,069	-	48,135,455	92,258,524
Mr B. Montgomery	-	-	-	-
Mr R. Wheeler	-	-	84,960,933	84,960,933
Mr T. Wheeler	-	-	69,051,842	69,051,842
Mr E. Ellyard *	-	-	12,333,334	12,333,334
Mr P.A. Curry <	10,000	-	-	10,000
Mr M. Pitts	-	-	900,000	900,000

*Resigned 14 June 2013
< Resigned 27 September 2012

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:

	2014 $	2013 $
Mrs J Wheeler • Transactions during the year • Balance outstanding at 30 June	- -	30,000 30,000
Mrs. J Wheeler is a related party to Mr. T Wheeler. The amounts above are in relation to director's fees payable to Mrs. Wheeler by Energy Botswana Pty Ltd a subsidiary of the Group.		

REMUNERATION REPORT (CONTINUED)

	2014 $	2013 $
Kalahari Resources Pty Ltd		
• Transactions during the year	3,960	226,616
• Balance outstanding at 30 June	-	129,360
Kalahari Resources Pty Ltd is a Company associated with Messrs Trent and Raalin Wheeler. The Company has entered into an agreement with Kalahari Resources Pty Ltd for the provision of consulting services of Mr R Wheeler and the amounts above are in relation to fees for these services.		
Rhino Energy Pty Ltd (formerly Taz Consulting Pty Ltd)		
• Transactions during the year	-	85,653
• Balance outstanding at 30 June	-	65,434
Rhino Energy Pty Ltd (formerly Taz Consulting Pty Ltd) is a Company associated with Mr Thomas Fontaine. The Company has entered into an agreement with Rhino Energy Pty Ltd for the provision of consulting services of Mr T Fontaine and the amounts above are in relation to fees for these services.		

- 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 2014 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 21 of the annual 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, 26 September 2014

HLB Mann Judd

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 2014, 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	**N G Neill**
26 September 2014	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Continuing operations			
Interest revenue		17,768	58,635
Occupancy expenses		(108,490)	(89,510)
Administration expenses		(842,476)	(1,285,762)
Impairment of financial assets	9	(2,833,772)	-
Impairment of exploration and evaluation assets	11	(3,892,176)	-
Loss before tax		(7,659,146)	(1,316,637)
Income tax expense	7	-	-
Loss from continuing operations	5	(7,659,146)	(1,316,637)
LOSS FOR THE YEAR		(7,659,146)	(1,316,637)
Other comprehensive income			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(160,729)	(12,851)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(7,819,875)	(1,329,488)

Loss per share	Note	Year ended 30/06/14	Year ended 30/06/13
Basic (cents per share)	16	(0.96)	(0.20)
Diluted (cents per share)	16	(0.96)	(0.20)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30/06/14 $	30/06/13 $
CURRENT ASSETS			
Cash and cash equivalents	26	234,752	2,226,912
Receivables	8	145,193	216,918
TOTAL CURRENT ASSETS		379,945	2,443,830
NON-CURRENT ASSETS			
Other financial assets	9	-	2,834,425
Property, plant and equipment	10	15,036	19,890
Exploration and evaluation assets	11	11,551,247	14,320,251
TOTAL NON-CURRENT ASSETS		11,566,283	17,174,566
TOTAL ASSETS		11,946,228	19,618,396
CURRENT LIABILITIES			
Payables	12	355,750	610,671
TOTAL CURRENT LIABILITIES		355,750	610,671
NON-CURRENT LIABILITIES			
Deferred tax liability	13	1,962,729	1,962,729
TOTAL NON-CURRENT LIABILITIES		1,962,729	1,962,729
TOTAL LIABILITIES		2,318,479	2,573,400
NET ASSETS		9,627,749	17,044,996
EQUITY			
Issued capital	14	30,552,440	30,149,812
Reserves	15	(76,999)	83,730
Accumulated losses	15	(20,847,692)	(13,188,546)
TOTAL EQUITY		9,627,749	17,044,996

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital $	Accumulated losses $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 July 2012	18,931,368	(11,871,909)	-	-	7,059,459
Loss for the year	-	(1,316,637)	-	-	(1,316,637)
Other comprehensive loss	-	-	(12,851)	-	(12,851)
Total comprehensive loss for the year	-	(1,316,637)	(12,851)	-	(1,329,488)
Shares issued	11,372,965	-	-	-	11,372,965
Share issue costs	(154,521)	-	-	-	(154,521)
Share based payments	-	-	-	96,581	96,581
Balance at 30 June 2013	30,149,812	(13,188,546)	(12,851)	96,581	17,044,996
Loss for the year	-	(7,659,146)	-	-	(7,659,146)
Other comprehensive loss	-	-	(160,729)	-	(160,729)
Total comprehensive loss for the year	-	(7,659,146)	(160,729)	-	(7,819,875)
Shares issued	457,680	-	-	-	457,680
Share issue costs	(55,052)	-	-	-	(55,052)
Balance at 30 June 2014	30,552,440	(20,847,692)	(173,580)	96,581	9,627,749

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Cash flows from operating activities			
Interest received		17,768	58,635
Payments to suppliers & employees		(1,046,941)	(1,175,474)
Net cash used in operating activities	26	(1,029,173)	(1,116,839)
Cash flows from investing activities			
Purchase of property plant & equipment		(4,400)	(23,633)
Payments for exploration expenditure		(1,334,215)	(778,702)
Acquisition of cash on acquisition of subsidiary		-	152,534
Net cash used in investing activities		(1,338,615)	(649,801)
Cash flows from financing activities			
Proceeds from issue of shares		430,680	3,591,494
Share issue costs		(55,052)	(154,521)
Net cash provided by financing activities		375,628	3,436,973
Net increase/(decrease) in cash held		(1,992,160)	1,670,333
Cash at beginning of year		2,226,912	556,579
Cash at end of year	26	234,752	2,226,912

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

NOTE 1: GENERAL INFORMATION

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

Magnum Gas & Power Limited's registered office and its principal place of business are as follows:

Registered office & principal place of business

Suite 8, 7 The Esplanade
Mt. Pleasant WA 6153
Tel: 61 8 9380 6766

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.

New and revised Standards and amendments thereof and Interpretation effective for the current reporting period that are relevant to the Group include:

- AASB10 *Consolidated Financial Statements (2011)*
  AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances. The Group has reassessed the control conclusion for its investees at 1 July 2013 and there have been no changes in the control determination of subsidiaries and or associates at that point in time. Consequently there has been no impact on the financial statements.

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

- AASB11 *Joint Arrangements*

  Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

  The Group has evaluated its involvement in its joint arrangements and accordingly, there has been no material impact to the financial statements as result.

- AASB13 *Fair Value Measurement*

  AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures.*

  In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the application of this standard has had no significant impact on the measurements of the Group's assets and liabilities.

- AASB119 *Employee Benefits (2011)*

  AASB 119 revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. The standard requires a measurement of annual leave liability of the Group's employees as a long term benefit, where the benefits are expected to be settled after 12 months after the end of the reporting period. There has been no material impact on the financial statements with the application of this standard.

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 2014. 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 26 September 2014.

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).

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.

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:

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 2014 the company has $234,752 in cash and net current assets of $24,195. For the year then ended the company expended net cash from operations of $1,029,173 and net cash from investing activities of $1,338,615. The Directors have undertaken an analysis of the Company and the Group's minimum cash flow requirements for the coming 12 month period and are confident that assuming the preferred work plans are put in place there will be sufficient cash reserves for that period, subject to the successful completion of a capital raising in 2014/15 and if necessary the reduction of operating costs.

Subsequent to the end of the financial year the Company raised $625,000 through an unsecured loan from a Director and major shareholder and the partial placement of the shortfall to an entitlement issue completed during the year. The Directors will continue to closely monitor operations to ensure the momentum of transformation and growth can be maintained but within available resources.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Going concern (continued)

The Directors are cognisant of the fact that future exploration and administration activities are constrained by the available cash assets and the Company may require raising additional funds to meet its ongoing obligations and subject to the result of its ongoing exploration activities, expand or accelerate its work programs.

The Company also has the capacity, if necessary, to reduce the ongoing costs and commitments significantly. In addition, non-core projects can be sold or farmed-out as required, to enable ongoing commitments to be met.

The Company enjoys the support of its Directors and major shareholders and the Directors believe that the Company 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 Company'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 interim report. However, in the unlikely event that the Company is unsuccessful in raising sufficient funding, there exists a material uncertainty that the Company or the Group will be able to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 profit for the year. Taxable profit 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.

<u>Deferred tax</u>
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.

Financial assets at FVTPL

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.

The Group also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at cost less any impairment. Given the uncertainty around the ability to recommence work on the New South Wales projects, the Directors have determined that the more prudent approach is to impair the investment in its entirety (refer note 4(b)).

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 Company 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$).

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Investment in associates and joint ventures (continued)

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 I 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 remeasurement 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.

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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Interests in joint operations (continued)

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.

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

(a) Impairment of exploration assets

Whether exploration assets require impairment is based on whether the company no longer wishes to hold that exploration licence or whether a detailed exploration programme has been completed across an entire licence that has yielded no results.

During the prior year, the New South Wales Government announced its intention to amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP) and called for public submissions on the proposed amendments.

The proposed changes include exclusion zones for coal seam gas exploration and development within two kilometres of residential areas. The Group currently has an interest in three Petroleum Exploration licences that may be affected by these changes.

In mid-November 2013 the NSW government imposed a hold on CSG activities pending an investigation by the NSW Chief Scientist and Engineer. In June 2014, the Minister for Resources and Energy received a report from the independent NSW Chief Scientist and Engineer examining the cumulative impacts on ground water and surface water in the Sydney Water Catchment and analysed the impacts of activities in the Sydney Water Catchment. The Report concluded that there was no evidence that current long-wall or CSG activities in the Catchment should be stopped, that modern treatment processes are sufficient in protecting the quality of Sydney's drinking water against any adverse impact. Despite these findings, the NSW Government announced that it will maintain its ban on CSG exploration and extraction until it fully considers all the recommendations in this latest report. Currently, no drilling activities can take place in these areas.

The Directors and management believe that in their judgement, the potential impact of the above triggers the requirement for an assessment of impairment under Australian accounting standards.

Although the Directors remain confident in the potential of the project in New South Wales, the proposed changes are still subject to consultation and not yet enacted which constitutes a material uncertainty over the recoverability of its assets in this region. As a result the Directors have elected to take a prudent approach and impair the carried forward exploration and assets to $nil.

(b) AFS Investment

The Group has investments in unlisted shares of that are not traded in an active market but that are also classified as AFS financial assets and stated at cost less any impairment. These assets relate to the exploration assets in NSW subject to proposed Mining SEPP changes as discussed in note 4(a), and the Directors have therefore determined to impair the asset to $nil consistent with the treatment of the NSW exploration expenditure.

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

(c) 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	2014 $	2013 $
EXPENSES		
Depreciation of property, plant & equipment	9,254	4,320
Operating lease rental	103,432	84,576
Accounting and administrative expenses	470,348	445,109
Consulting and legal fees	141,893	121,154
Other employee benefits expenses	199,838	397,918
Superannuation expenses	26,201	18,249
Share based payments	-	96,851

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.

NOTE 6: SEGMENT NOTE (CONTINUED)

30 June 2014	Exploration Botswana	Exploration Australia	Total Segments	Corporate	Consolidated
	$	$	$	$	$
Segment revenue	-	-	-	17,768	17,768
Segment result	-	(6,725,948)	-	(933,198)	(7,659,146)
Segment assets	11,551,247	-	11,551,247	394,981	11,946,228
Capital expenditure	1,153,528	67,476	1,221,004	4,400	1,225,404
Segment liabilities	(2,135,806)	(12,402)	(2,148,208)	(170,271)	(2,318,479)

30 June 2013	Exploration Botswana	Exploration Australia	Total Segments	Corporate	Consolidated
	$	$	$	$	$
Segment revenue	-	-	-	58,635	58,635
Segment result	-	-	-	(1,316,637)	(1,316,637)
Segment assets	10,495,551	6,659,125	17,154,676	2,463,720	19,618,396
Capital expenditure	834,362	301,220	1,135,582	23,373	1,158,955
Segment liabilities	(2,261,796)	(85,198)	(2,346,994)	(226,406)	(2,573,400)

NOTE 7: INCOME TAX EXPENSE

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

	2014 $	2013 $
Loss from continuing operations:	(7,659,146)	(1,316,637)
Income tax benefit using the Company's domestics tax rate of 30% (2013: 30%)	(2,297,744)	(394,991)
Effect of tax rates in foreign jurisdictions	16,676	4,901
Effect of impairment expense	2,017,784	-
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	263,284	390,090
Total tax expense relating to continuing operations	-	-

NOTE 7: INCOME TAX EXPENSE (CONTINUED)

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:	2014 $	2013 $
Tax losses (revenue)	3,381,105	2,784,829
Tax losses (capital)	1,471,141	1,471,141
Temporary differences	47,519	47,461
Exploration and evaluation expenditure	(1,502,645)	(1,840,802)
TOTAL	3,397,120	2,462,629

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 Company 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	2014 $	2013 $
CURRENT		
Input tax credits receivable	20,511	104,305
Security deposit	67,464	82,464
Other receivables	57,218	30,149
TOTAL	145,193	216,918

NOTE 9: OTHER FINANCIAL ASSETS

	2014 $	2013 $
INVESTMENTS CARRIED AT COST:		
NON-CURRENT		
Available for sale investments		
Investment in Apex Energy N.L.*	-	2,833,772
Other	-	653
TOTAL	-	2,834,425

*Investment carried at cost less impairment, refer to note 3 (j). The Directors have determined that the investment be impaired as the investment is in exploration activities related to the exploration assets in NSW subject to proposed Mining SEPP changes. Given the uncertainty of the recoverability of the assets in this region, the Directors have elected to take a prudent approach and impair the investment in APEX Energy NL to $nil (refer to note 4(b)). Impairment expense of $2,833,772 has been recognised for the current financial year.

NOTE 10: PROPERTY, PLANT & EQUIPMENT

	2014 $	2013 $
Cost	58,067	53,667
Accumulated depreciation	(43,031)	(33,777)
TOTAL	15,036	19,890

	2014 $	2013 $
Balance at start of the year	19,890	577
Additions	4,400	23,633
Accumulated depreciation	(9,254)	(4,320)
TOTAL	15,036	19,890

NOTE 11: EXPLORATION & EVALUATION ASSETS

	2014 $	2013 $
NON-CURRENT		
Balance at start of year	14,320,251	3,523,480
Acquisition of exploration and evaluation assets of business combination at fair value (refer note 22)	-	9,661,189
Expenditure incurred during the year	1,123,172	1,135,582
Less: impairment of exploration and evaluation assets	(3,892,176)	-
Balance at end of year	11,551,247	14,320,251

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources (refer to note 4(a)). Although the Directors remain confident in the potential of the project in New South Wales, the proposed changes to the regulatory system are still subject to consultation and not yet enacted. This constitutes a material uncertainty over the recoverability of its assets in this region and as a result the Directors have elected to take a prudent approach and impair the carried forward exploration and assets to $nil. Impairment expense of $3,892,176 has been recognised for the current financial year.

NOTE 12: PAYABLES

	2014 $	2013 $
CURRENT		
Sundry payables and other accruals	355,750	610,671
TOTAL	355,750	610,671

NOTE 13: DEFERRED TAX LIABILITY

	2014 $	2013 $
Deferred tax liability recognised	1,962,729	1,962,729
TOTAL	1,962,729	1,962,729

The Company completed the acquisition of Energy Botswana Pty Ltd during the previous year. 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. The Group has deferred tax assets from tax losses (refer Note 7) which have not been offset against the liability above, as the Company is unable to ascertain whether it is probable that benefit from those tax losses will be able to be offset against this liability.

NOTE 14: ISSUED CAPITAL

	2014 $	2013 $
817,875,705 (2013: 778,575,378) fully paid ordinary shares	30,552,440	30,149,812

a. ORDINARY SHARES	2014 No.	2014 $	2013 No.	2013 $
At the beginning of reporting period	778,575,378	30,149,812	301,612,250	18,931,368
Shares issued in lieu of services provided at 1.8 cents per share	1,500,000	27,000	-	-
Shares issued pursuant to share purchase plan at 1.2 cents per share	26,338,316	316,060	-	-
Shares issued pursuant to rights issue at 1.0 cent per share	11,462,011	114,620	-	-
Shares issued for the acquisition of Energy Botswana Pty Ltd at 2.5 cents per share	-	-	293,258,856	7,331,471
Shares issued pursuant to rights issue at 2.2 cents per share	-	-	183,704,272	4,041,494
Less: Share issue cost		(55,052)	-	(154,521)
As at 30 June	817,875,705	30,552,440	778,575,378	30,149,812

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.

b. SHARE OPTIONS	Number of Options	
	2014	2013
Options over ordinary shares in the parent entity	18,500,000	18,500,000

c. SHARE OPTIONS ISSUE

As at 30 June 2014, the company had 18,500,000 share options on issue (2013: 18,500,000), exercisable on a 1:1 basis for 18,500,000 ordinary shares of the company (2013: 18,500,000) at an exercise price of $0.06. The options expire at the earlier of when the option holder ceases to be employed by the Company and 30 June 2015 (2013: 30 June 2015), and carry no rights to dividends and no voting rights.

NOTE 14: ISSUED CAPITAL (CONTINUED)

d. SHARE OPTION EXPIRY

No options expired or lapsed during the financial year to 30 June 2014.

The following options expired or lapsed during the previous financial year:

- 1,500,000 unlisted options with an exercise price of $0.50 expired 31 July 2012.
- 44,733,400 unlisted options with and exercise price of $0.06 expired 30 June 2013.
- 4,000,000 unlisted options with an exercise price of $0.06 lapsed on 17 June 2013 following the resignation of the former Chairman.

e. SHARE OPTION CANCELLATION

No options were cancelled during the financial year.

NOTE 15: ACCUMULATED LOSSES AND RESERVES	2014 $	2013 $
Accumulated losses		
Balance at beginning of financial year	(13,188,546)	(11,871,909)
Net loss attributable to equity holders of the parent entity	(7,659,146)	(1,316,637)
Balance at end of financial year	(20,847,692)	(13,188,546)
Reserves		
Foreign currency translation reserve	(173,580)	(12,851)
Share based payment reserve	96,581	96,581
	(76,999)	83,730

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 consultants under various share based payment schemes.

NOTE 16: EARNINGS PER SHARE	2014 $	2013 $
Basic loss per share		
From continuing operations	(0.96)	(0.20)
Diluted loss per share		
From continuing operations	(0.96)	(0.20)
Loss used to calculate earnings per share		
From continuing operations	(7,659,146)	(1,316,637)
	2014 No.	2013 No.
Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share	795,022,632	664,825,959

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 'in the money' and the Company is in a loss making position.

NOTE 17: DIVIDENDS

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

NOTE 18: COMMITMENTS

Commitments	2014 $	2013 $
Gas properties		
Not longer than 1 year	667,125	964,286
Longer than 1 year and not longer than 5 years	3,948,699	1,125,300
Longer than 5 years	-	-
Operating leases		
Not longer than 1 year	17,663	70,650
Longer than 1 year and not longer than 5 years	-	17,663
TOTAL	4,633,487	2,177,899

The commitments above include balance of commitments payable in Stages 1 and 2 of the Apex Energy N.L. Joint venture (refer Note 20) and commitments relating to the Botswana licences held.
Operating lease commitments relate to the office lease at an annual rent of $70,650 expiring in October 2014 with an option to renew.
At balance date there were no other commitments not otherwise disclosed in these accounts.

NOTE 19: CONTINGENT LIABILITIES

The directors do not believe there are any contingent liabilities in existence at balance date, not otherwise disclosed in the financial statements.

NOTE 20: JOINTLY CONTROLLED OPERATIONS

(a) Share of contingent liabilities and expenditure commitments of jointly controlled operations

	2014 $	2013 $
Contingent liabilities	-	-
Capital expenditure commitments	-	-
Other expenditure commitments	1,057,824	1,125,300

Total commitments payable in Stages 1 and 2 of the Apex Energy N.L. Joint venture are $3,200,000. As at 30 June 2014, $2,142,176 has been expended in relation to the Joint Venture (2013: $2,074,700)

(b) Interests in joint arrangements

On 24 August 2010 the Company acquired from Apex Energy N.L. the whole of the issued capital of Sydney Basin CBM Pty Limited which owns a 20% interest in Petroleum Exploration Licences 442, 444 and 454 in the Sydney Basin for Coal Seam Methane and a 20% interest in agreements with the owners of Coal Mining Leases CCL703, 379, 700 and 740 and Authorisation 200 which are prospective for CMM.

At the same time the Company entered into a joint venture agreement with Apex Energy N.L. under which Magnum Gas & Power Limited has agreed to spend $3,200,000 in Stages 1 and 2 of a 3 stage joint venture. After spending the $3,200,000 in Stages 1 and 2 of the joint venture the conditions for the completion of the acquisition of Sydney Basin CBM Pty Limited will have been fulfilled and the Company will own outright 20% of the exploration areas. The Company at its election may earn a further 30% in the areas by spending a further $7,000,000 on the areas on or before 30 June 2015 in Stage 3 of the joint venture.

The NSW Planning and Assessment Commission (PAC) did not approve an extension application made by joint venture parties on Exploration Licences 442 and 444 and as such no drilling activities can take place on these areas. Accordingly the joint venture parties have entered into a standstill agreement to allow for appropriate approvals in order to conduct further exploration activities in these areas. The NSW Government is considering all the recommendations made by the NSW Chief Scientist and Engineer's review on CSG activities (Refer Note 4(a)). The Board, however, remains confident that activity in NSW will resume and that the extension applications will be granted.

NOTE 21: SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
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*			

+ Ormil Operations Pty Limited owns 2,000,000 shares (approximately 2.63%) of the issued shares of Apex Energy N.L.

^ Ormil Developments Pty Ltd was incorporated on 19 August 2011 and has not yet traded

NOTE 22: 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 concerns 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 2013.

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 losses as disclosed in the notes 14 & 15 respectively. The Group operates in Australia and Botswana and none of the Group's entities are subject to externally imposed capital requirements going forward.

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(b) Categories of financial instruments	2014 $	2013 $
Financial assets		
Cash and cash equivalents	234,752	2,226,912
Receivables (includes GST)	145,193	216,918
Available for sale investments at cost	-	2,834,425
Financial liabilities		
Payables	(355,750)	(610,671)

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 (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate 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.

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.

<u>Other price risks</u>
The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. As at the reporting date of 30 June 2014 the Directors could not reliably measure the fair value of the investment as the investment is in exploration activities that are still in the early stages of the project and is therefore carried at cost. Once the investment can be reliably measured the investment will be carried at fair value. Hence the directors have not performed any equity price sensitivity analysis.

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(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 and the Company'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 2014	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash - variable interest rate	2.87%	234,752	-	-	234,752
Receivable – not interest bearing		145,193	-	-	145,193
		379,945	-	-	379,945
Payables – not interest bearing		355,750	-	-	355,750
		355,750	-	-	355,750

30 June 2013	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	Total $
Cash - variable interest rate	2.11	2,226,912	-	-	2,226,912
Receivable – not interest bearing		216,918	-	-	216,918
		2,443,830	-	-	2,443,830
Payables – not interest bearing		610,671	-	-	610,671
		610,671	-	-	610,671

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(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 did not have exposure to foreign currency risk in the previous year.

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:

30 June 2014	PULA:AUD	USD:AUD
Cash and cash equivalent	-	2,726
Trade payables	(167,950)	-
Net statement of financial position exposure	(167,950)	2,726

The following significant exchange rates applied during the year:

	Average rate	Reporting date spot rate
PULA:AUD	8.10	8.43
USD:AUD	0.92	0.94

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 and 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 2013 is performed on the same basis.

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Currency risk (continued)

30 June 2014	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
PULA:AUD (2 percent movement)	-	-	3,293	(3,428)
USD:AUD (2 percent movement)	-	-	57	(59)

30 June 2013	Equity		Profit or loss	
	Strengthening	Weakening	Strengthening	Weakening
PULA:AUD (2 percent movement)	-	-	1,591	(1,656)
USD:AUD (2 percent movement)	-	-	73	(76)

(h) Net Fair values of financial assets and liabilities

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

Equity securities
The Group holds an investment in equity shares of Apex Energy N.L. At the reporting date, the Directors have determined that given the uncertainty surrounding the activities in New South Wales as described in Note 4 (a) and (b); the value of this asset be impaired to $Nil.

NOTE 23: SHARE BASED PAYMENTS

Options to purchase shares have been issued to Directors, and to key consultants of the Company 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.

In the prior year options to purchase shares were issued in consideration for the acquisition of Energy Botswana Pty Ltd.

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options have vested as at balance date.

NOTE 23: SHARE BASED PAYMENTS (CONTINUED)

Options series	Number	Grant date	Expiry date	Exercise price ($)	Fair value at grant ($)	Days prior to expiry
Issued 31 Jul 2012	27,233,400	31/07/12	30/06/13	0.06	0.0026	-
Issued 27 Sept 2012	10,000,000	27/09/12	30/06/15	0.06	0.0038	365
Issued 28 Nov 2012	8,500,000	28/11/12	30/06/15	0.06	0.0069	365

No options were issued to directors and key consultants during the financial year (2013: 22,500,000). No options expired or lapsed during the financial year (2013: 4,000,000)
In the prior year, 27,233,400 unlisted options were issued as consideration for the acquisition of Energy Botswana Pty Ltd at an exercise price of $0.06 and expired 30 June 2013.

No options have been exercised during the financial year (2013: Nil).

Measurement of fair values
The fair value attributable to options issued to directors and key consultants is calculated using the Black Scholes option pricing model at grant date. The fair value is based upon the following inputs and assumptions:

Number of options	10,000,000	8,500,000
Options Expiring	30 June 2015	30 June 2015
Share price at grant date	$0.019	$0.020
Exercise price	$0.06	$0.06
Expected volatility	88.17%	100%
Option life	33 months	31 months
Risk free rate	2.9%	2.83%
Fair value per option	$0.0038	$0.0069

NOTE 23: SHARE BASED PAYMENTS (CONTINUED)

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

	2014		2013	
	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	19,000,000	0.08
Granted	-	-	49,733,400	0.06
Forfeited / Lapsed	-	-	(4,000,000)	(0.06)
Exercised	-	-	-	-
Expired	-	-	(46,233,400)	(0.08)
Outstanding at year-end	18,500,000	0.06	18,500,000	0.06
Exercisable at year-end	18,500,000	0.06	18,500,000	0.06

The options outstanding at 30 June 2014 have an exercise price of $0.06 (2013: $0.06) and a weighted average contractual life of 2.6 years (2013: 2.6 years).

NOTE 24: 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:

Directors
Mr T Fontaine
Mr B Montgomery
Mr R Wheeler
Mr T Wheeler

Executives:
Mr M Pitts

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

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

	2014 $	2013 $
Short-term employee benefits	469,428	753,648
Post-employment benefits	26,201	18,249
Share based payment	-	93,108
TOTAL	495,629	865,005

Loans to Directors and Executives

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

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:

	2014 $	2013 $
Mrs J Wheeler		
• Transactions during the year	-	30,000
• Balance outstanding at 30 June	-	30,000
Mrs. J Wheeler is a related party to Mr. T Wheeler. The amounts above are in relation to director's fees payable to Mrs. Wheeler by Energy Botswana Pty Ltd a subsidiary of the Group.		

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

	2014 $	2013 $
Kalahari Resources Pty Ltd		
• Transactions during the year	3,960	226,616
• Balance outstanding at 30 June	-	129,360
Kalahari Resources Pty Ltd is a Company associated with Messrs Trent and Raalin Wheeler. The Company has entered into an agreement with Kalahari Resources Pty Ltd for the provision of consulting services of Mr R Wheeler and the amounts above are in relation to fees for these services.		
Rhino Energy Pty Ltd (formerly Taz Consulting Pty Ltd)		
• Transactions during the year	-	85,653
• Balance outstanding at 30 June	-	65,434
Rhino Energy Pty Ltd (formerly Taz Consulting Pty Ltd) is a Company associated with Mr Thomas Fontaine. The Company has entered into an agreement with Rhino Energy Pty Ltd for the provision of consulting services of Mr T Fontaine and the amounts above are in relation to fees for these services.		

NOTE 25: AUDITORS' REMUNERATION

	2014 $	2013 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports for the current year		
- Current auditors	47,000	52,500
- Previous auditors	-	57,750

NOTE 26: CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank and on hand	82,702	504,858
Cash at call	152,050	1,722,054
TOTAL	234,752	2,226,912

NOTE 26: CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2014 $	2013 $
Loss for the year	(7,659,146)	(1,316,637)
ADJUSTMENTS FOR NON CASH ITEMS		
- Depreciation expense	9,254	4,320
- Share based payment	-	96,581
- Impairment	6,725,948	-
CHANGES IN WORKING CAPITAL		
- (Increase)/Decrease in receivables and prepayments	(49,092)	(57,738)
- Decrease in payables & borrowings	(56,137)	156,635
Net cash from operating activities	(1,029,173)	(1,116,839)

The Company issued 1,500,000 shares in lieu of payment for services rendered by a contractor during the year to the value of $27,000.
During the previous financial year the Company acquired Energy Botswana Pty Ltd, the purchase price was settled by the issue of shares and options.
There were no other non-cash transactions.

NOTE 27: PARENT ENTITY DISCLOSURES

Financial Position	2014 $	2013 $
Assets		
Current Assets	269,750	2,125,700
Non-Current Assets	9,517,664	15,373,702
Total Assets	9,787,414	17,499,402
Liabilities		
Current Liabilities	159,665	454,405
Non-Current Liabilities	-	-
Total Liabilities	159,665	454,405
Net Assets	9,627,749	17,044,997
Equity		
Issued Capital	30,552,440	30,149,812
Retained Earnings	(21,021,272)	(13,201,396)
Reserves	96,581	96,581
Total Equity	9,627,749	17,044,997

NOTE 27: PARENT ENTITY DISCLOSURES (CONTINUED)

Financial Performance	2014 $	2013 $
Loss for the year	(7,819,876)	(1,329,487)
Other Comprehensive Income	-	-
Total Comprehensive Loss	(7,819,876)	(1,329,487)

NOTE 28: EVENTS AFTER THE REPORTING DATE

Unsecured loan

Subsequent to the end of the financial year the Company entered into a loan for $300,000. The loan is subject to normal commercial terms, is unsecured and repayable by 30 June 2015. The loan was made available by the Company's Chairman Mr Tom Fontaine.

Placement

Subsequent to the end of the financial year the Company placed 32,500,000 ordinary shares to sophisticated investors at 1 cent each to raise $325,000.

Other than those matters noted above, there were no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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 2014 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 2014.

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

Mr T Wheeler
Managing Director

Perth, 26 September 2014

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 2014, 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 for the consolidated entity. The consolidated entity comprises 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 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*, that the financial report complies 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 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 company's preparation and fair presentation of the financial report 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 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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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

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 consolidated entity's financial position as at 30 June 2014 and of 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 qualification to the opinion expressed above, we draw attention to Note 3a to the financial report which indicates that the company may require raising additional funds to meet its ongoing obligations. In the unlikely event that the Company is unsuccessful in raising sufficient funding, there exists a material uncertainty that the Company or the Group will be able to continue as a going concern and be able to realised its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
26 September 2014