

**QUARTERLY ACTIVITY REPORT
FOR THE PERIOD TO 30 SEPTEMBER 2014**

31st October 2014



HIGHLIGHTS

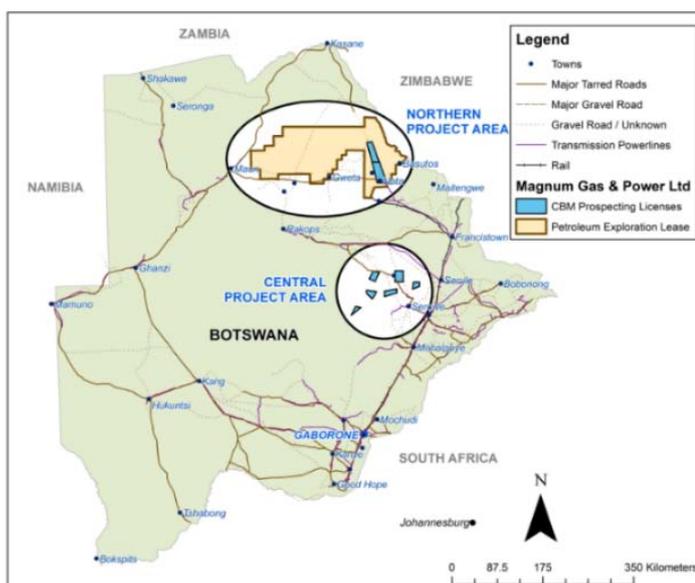
- Placement completed to sophisticated investors raising \$325,000.
- Unsecured loan of \$300,000 made available for working capital purposes.
- Magnum is continuing to work on securing a significant funding mechanism for its Botswana projects including progressing a secondary listing on the Botswana Stock Exchange.
- Magnum is seeking out new business opportunities, in order to diversify the portfolio of projects and possibly bring a producing asset into the mix.
- Magnums' next planned exploration activities are drilling on the two southern blocks of the Central CBM Project area in Botswana.

Overview

During the quarter Magnum completed a placement to sophisticated investors raising \$325,000. The placement was made to partially fill the shortfall from the non-renounceable entitlement issue that closed in the previous quarter. In addition Magnum entered into a short term unsecured loan agreement on arms length terms with an entity associated with its largest shareholder and Chairman, Mr Tom Fontaine. The loan facility, amounting to \$300,000, has been made available for working capital purposes, and it is to be repaid from the proceeds of a capital raising or at the termination date, 30 June 2015, whichever is the earlier.

Magnum has previously reported that it has made 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.

Magnum has continued to consolidate data from the successful drilling on the Botswana CBM exploration programme carried out late last year. The next phase of exploration drilling is being planned.



As noted in previous quarters the Australian CBM projects in New South Wales remain at a standstill despite the fact that the Chief Scientist and Engineering report released in June 2014 concluded there is no evidence that CSG activities in the catchment should be stopped. The NSW government announced that it "will maintain its ban on CSG exploration and extraction in Sydney's water catchment until it further considers all the recommendations in this latest report" Magnum has been given no indication how long this process will take .

Magnum continues to evaluate other opportunities and strategic relationships to further enhance its portfolio of projects.

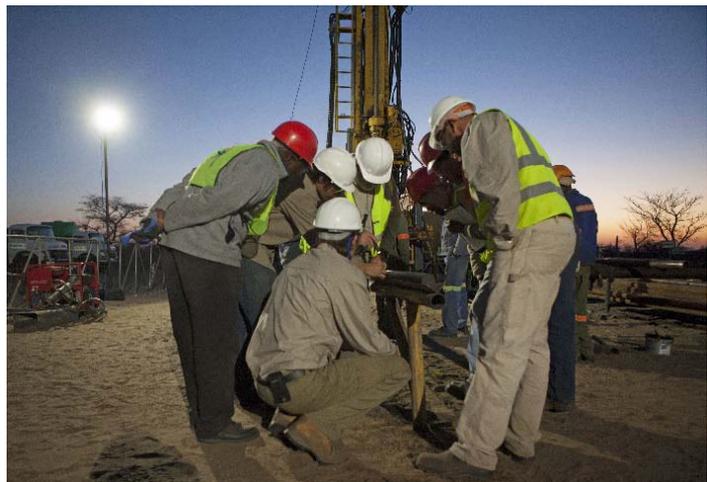
Botswana

Coal Bed Methane Projects

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

During the quarter Magnum continued the review and integration of data from its exploration programme on the Central CBM project area.

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's wholly owned Botswana subsidiary, Nata Energy (Pty) Ltd. The Central CBM project consists of six blocks totalling 1,205 km² of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region. Magnum has submitted renewals on its prospecting licences in accordance with the requirements of the Botswana Ministry of Minerals, Energy and Water Affairs.

Petroleum Projects

Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd holds Petroleum Exploration Licence ("PEL") No. 154/2012 issued by the Department of Geological Surveys in the Republic of Botswana in October 2012. The PEL 154/2012 covers approximately 23,700 km² and is located in the Ngamiland and Central districts of Botswana.

New South Wales

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 Govt 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.



Magnum has previously advised that all operations in NSW are on hold until the New South Wales Government addresses the looming gas supply shortage that it confirmed and announced in November 2013.

For more information please visit our website www.magnumgpl.com or contact: The Managing Director, Trent Wheeler on +61 (0)8 9380 6755

About Magnum Gas & Power Ltd

Magnum Gas & Power Ltd (ASX:MPE) is an ASX listed energy exploration and development company with an exploration portfolio including Coal Bed Methane and Petroleum exploration in Botswana, Africa and Coal Seam Gas exploration in New South Wales, Australia. The Company's Board of Directors and management team has extensive experience in the exploration, development and capital markets for energy and resources projects.

Forward Looking statements

This document may contain forward looking statements. Forward looking statements include, but are not limited to, statements concerning Magnum Gas & Power Ltd's planned programmes. Although the Company believes that such statements are reasonable, the Company's exploration activities inherently include a degree of risk and as such there is a risk that actual results achieved may be different from the forward looking statements made.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MAGNUM GAS & POWER LIMITED

ABN

96 107 708 305

Quarter ended ("current quarter")

30 SEPTEMBER 2014

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation | (191) | (191) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (206) | (206) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other | - | - |
| Net Operating Cash Flows | (396) | (396) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other | - | - |
| Net investing cash flows | - | - |
| 1.13 Total operating and investing cash flows (carried forward) | (396) | (396) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (396) | (396) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 325 | 325 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | 300 | 300 |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (Share issue costs) | (1) | (1) |
| | Net financing cash flows | 624 | 624 |
| | Net increase (decrease) in cash held | 228 | 228 |
| 1.20 | Cash at beginning of quarter/year to date | 235 | 235 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 463 | 463 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 62 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Payments to directors and their related parties.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | 300 | 300 |
| 3.2 | Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

| | | \$A'000 |
|--------------|----------------------------|----------------|
| 4.1 | Exploration and evaluation | 50 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 150 |
| Total | | 200 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|--------------------------|------------------------------------|-------------------------------------|
| 5.1 | Cash on hand and at bank | 463 | 235 |
| 5.2 | Deposits at call | - | - |
| 5.3 | Bank overdraft | | |
| 5.4 | Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | | 463 | 235 |

Changes in interests in mining tenements

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|--|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | N/A | | | |
| 6.2 | Interests in mining tenements acquired or increased | N/A | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---------------------------------------|----------------------|--|---|
| 7.1 Preference +securities <i>(description)</i> | - | - | - | - |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 +Ordinary securities | 850,375,705 | 850,375,705 | - | - |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 32,500,000 | 32,500,000 | 1c | 1c |
| 7.5 +Convertible debt securities <i>(description)</i> | - | - | - | - |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | - | - | - | - |
| 7.7 Options <i>(description and conversion factor)</i> | <i>Unlisted options</i> 18,500,000 | | <i>Exercise Price</i> \$0.06 | <i>Expiry Date</i> 30/6/15 |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Expired during quarter | - | - | - | - |
| 7.11 Cancelled during quarter | - | - | - | - |
| 7.12 Debentures <i>(totals only)</i> | - | - | | |
| 7.13 Unsecured notes <i>(totals only)</i> | - | - | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 October 2014

Print name: Mark Pitts

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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