

**Magnum Gas & Power Limited**  
**ACN 107 708 305**

**Half-Year Report for the half-year ended 31 December 2014**

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## Directors' report

The directors of Magnum Gas & Power Limited ("the Company") submit herewith the financial report of Magnum Gas & Power Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the Company during or since the end of the half-year are:

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

## Review of Operations

### Overview

Magnum is working to develop value by leveraging our local strategic relationships with our current projects to pursue more holistic energy solutions, especially in energy hungry Botswana. Magnum is actively pursuing potential hybrid Gas/Solar Power generation infrastructure projects to compliment the Company's CBM projects.

The ASX and international financial markets have remained very challenging for most juniors in both Oil & Gas and Minerals sectors. Magnum believes in the potential of its projects due to the fundamental and long term need for energy in a supply constrained market. While the low oil price has depressed the appetite of the international finance market, the desperate need for energy in Botswana, with very limited supply options, provide strong local drivers for the projects development. While the Australian markets may not recognize or relate to such need, the local Botswanan and Southern African region understand it well due to ongoing power shedding and brown outs.

Magnum believes access to a reliable supply of energy is fundamental to the development and growth of a country and its people.

Hence, two of our visions are:

- Power for the People; and
- Energy for Growth

Magnum also believes in providing clean, yet practical, energy. This has been, and is, a key driver for the Company's pursuit and development of gas projects. Gas (particularly CBM or CSG) is a very clean burning fuel source. It's also a very flexible energy source, for both transport and end use. Unfortunately there is a lot of mis-understanding and mis-information in the media and general public regarding CBM. It is actually a clean and environmentally positive option. Gas fired power generation is much cleaner than coal fired power generation. While Magnum can do little about coal fired power generation as it is very entrenched in the majority of countries, Magnum can work to bring cleaner energy supplies to fruition.

Hence our vision:

- Cleaner for Our Future

Gas fired power generation is also well suited to mid-merit and peaking load power generation, which essentially none of the other power generation options are good at. Gas fired power generation can be ramped up and down quickly to suit peak daily loading, complementing other types of power generation.

Magnum is now actively working to define, facilitate, and implement gas and hybrid gas/solar power generation. Magnum has been investigating and liaising over solar power generation for a number of years, and is now actively progressing potential Solar (Hybrid & Standalone) project opportunities in Botswana. While Solar power generation is clean, it can only provide part of the solution. Its supply is not consistent (due to day/night and local weather/cloud conditions) and so other solutions are needed to make it viable. Storage is expensive and not necessarily of sufficient capacity in any case. Magnum sees the Hybrid Gas/solar solution as being an ideal clean synergy. Base load being provided by the Solar power generation, but then infill, mid-merit and peaking power generation being fulfilled by clean gas fired power generation. Magnum is reviewing both small scale standalone Solar projects and larger Hybrid Gas/solar Power generation project opportunities.

Magnum is also investigating the integration of Compressed Natural Gas (CNG) and Micro-LNG into the transport and distribution of energy in Botswana.

Magnum is expanding its vision as an energy provider to include involvement in the energy infrastructure as well. Such energy infrastructure projects ideally may then make use of Magnum's gas projects and provide offtakes to the gas field developments.

Botswana is one of the shining lights in Africa, and has dramatically grown and developed as a nation for the benefit of its people. However, how can communities and industries continue to grow and develop if they don't have access to a reliable supply of energy? Botswana has a rural electrification programme underway and has a de-forestation issue, with a significant percentage of fuel supply still from firewood; this even impacts on the education of the children who must collect firewood in the evenings. Hence, a clean gas power supply has so many benefits to the country and its people. Magnum wants to be part of that solution.

## Corporate Overview

During the six months Magnum achieved dual listing, having all of its issued capital quoted on the Venture Capital Market of the Botswana Stock Exchange ("BSE"). The Company received the necessary permissions from the listing committee of the BSE and the listing took place on 1 December 2014. The sponsoring broker for the secondary listing of the securities on the BSE is Imara Capital Securities (Pty) Limited. The application to dual list was made in large part to affirm the company's commitment to Botswana and to the development of its wholly owned Gas and Petroleum Projects in that country. Now Botswana investors have the opportunity to participate in future fund raising to progress the company's projects which will widen the shareholder base and allow locals to benefit from the growth of these projects.

Magnum is working to secure additional funding to grow and develop the following gas/solar projects.

## Botswana Solar and Hybrid Gas/Solar Projects Overview

Magnum has continued to investigate and progress opportunities to become more vertically integrated in the Botswana Energy sector, to help create solutions for the desperate Botswana power market, to facilitate potential gas offtakes for the gas exploration projects and provide other paths to potential new value streams for Magnum shareholders.

As such, Magnum has been focused on partnering and facilitating possible gas/solar power projects.



## Botswana Coal Bed Methane Projects

### Overview

The Magnum Coal Bed Methane ('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 period the Botswana Ministry of Mineral, Energy and Water Affairs awarded Magnum 100% of all CBM Prospecting Licence renewals that were pending.

Magnum's CBM acreage is located in the Central region of Botswana and is held 100% by Magnum. The Central CBM project consists of six blocks, totalling 1,205 km<sup>2</sup>, of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region. The Northern CBM Project consists of 1,132 km<sup>2</sup> of prospecting licences (PL 644/2009 and PL645/2009) over prospective CBM acreage across the "Ngwasha" basin in the Nata Region.



Major CBM exploration programmes are underway in the basin by significant peers and results are positive. Existing power generation facilities in Botswana's critical power market are currently awaiting CBM gas supply. Magnum recently submitted an expression of interest tender to the Botswana Government for supply of CBM gas to existing 90MW power generation facility running solely on expensive Diesel fuel.

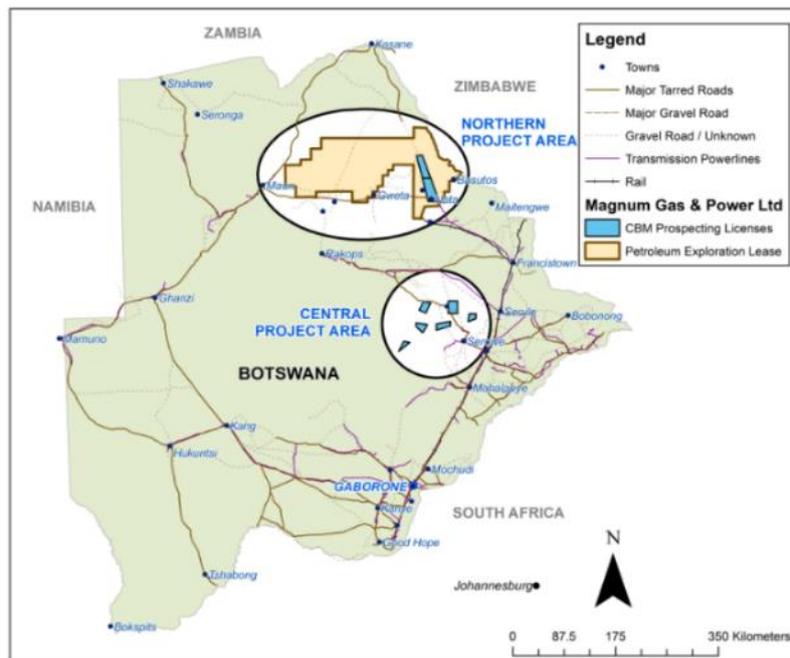


Figure 1: Botswana Project Areas

## Botswana Petroleum Projects

### Overview

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.

The PEL 154/2012 covers approximately 23,700 km<sup>2</sup> and is located in the Ngamiland and Central districts of Botswana. Magnum continues to progress desktop studies on the acreage.

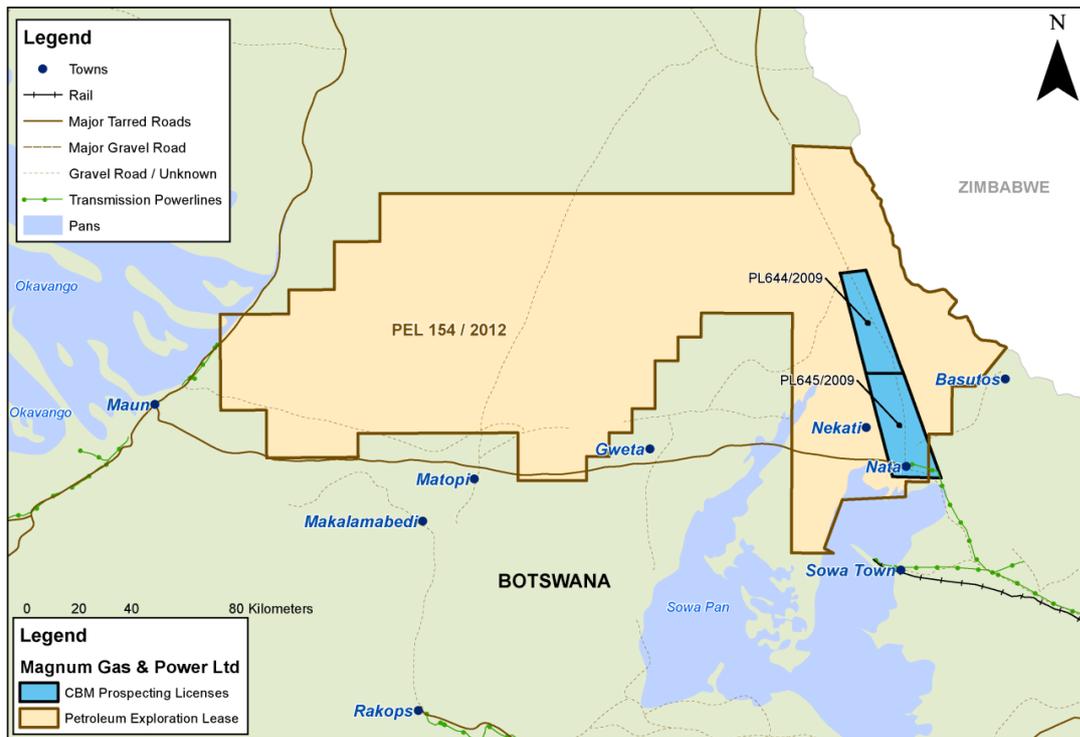


Figure 2: Botswana Petroleum Exploration Licence

## New South Wales

A final report of the review by the independent NSW Chief Scientist and Engineer into the risks posed by Coal Seam Gas activities was released in late 2014. The Review concluded that the technical challenges and risks posed by the CSG industry can in general be managed through:

- careful designation of areas appropriate in geological and land-use terms for CSG extraction;
- high standards of engineering and professionalism in CSG companies;
- creation of a State Whole-of-Environment Data Repository so that data from CSG industry operations can be interrogated as needed and in the context of the wider environment;
- a comprehensive monitoring of CSG operations with ongoing automatic scrutiny of the resulting data;
- a well-trained and certified workforce; and
- application of new technological developments as they become available.

The NSW Government has accepted the report and released a NSW Gas Plan. The Plan identifies five priority pathways to reset NSW's approach to gas:

1. Better science and information to deliver world's best practice regulation;
2. Pause, reset and recommence: Gas exploration on our terms;
3. Strong and certain regulation;
4. Sharing the benefits; and
5. Securing NSW gas supply needs.

Magnum NSW operations have been on hold while awaiting the next steps as a result of the NSW Gas Plan.

Recently the NSW Government offered a Petroleum Exploration Licence ('PEL') Buyback scheme to existing PEL holders, offering \$212,500 per PEL, with a deadline prior to the pending NSW Election. This offer seems paltry, given the millions of dollars that Magnum and Apex Energy N.L. ('Apex') shareholders have invested in the acreage.

The NSW regulatory environment has been undergoing ongoing changes and lacks a defined path forward to develop the domestic gas resource, even after all the technical reviews and studies conclude that CSG can be developed safely. Magnum is a minority partner undertaking a farm in to the acreage held by APEX. The farm-in and exploration have been at standstill for a number of years due to a government moratorium and subsequent reviews and changes in regulatory requirements.

Apex recently took the view that the projects were no longer viable in the current and ongoing situation, due to the changed political, public and commercial landscape. Magnum has co-operated with Apex in returning the PEL's to the NSW Government.

This enables Magnum to focus all its resources on the current Solar and Gas projects in Botswana.

### Subsequent Events

As discussed above, the recent developments relating to the NSW Government buy-back scheme, Magnum is co-operating with Apex in returning the PEL's to the NSW Government.

Other than the above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

### Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Mr T Wheeler  
Managing Director  
Perth, 16 March 2015

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Magnum Gas & Power Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
16 March 2015

**N G Neill**  
Partner

**Condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2014**

	Consolidated	
	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$	\$
<b>Note</b>		
Interest revenue	2,879	13,701
Depreciation	(3,942)	(4,340)
Occupancy expenses	(38,675)	(55,436)
Administration expenses	(340,793)	(471,579)
Interest expense	(7,386)	-
Impairment of exploration and evaluation assets	(6,829)	-
Loss before income tax expense	(394,746)	(517,654)
Income tax expense	-	-
<b>Net loss for the period</b>	<b>(394,746)</b>	<b>(517,654)</b>
Other comprehensive income		
<i>Item that may be subsequently classified to profit and loss:</i>		
Exchange differences on translation of foreign operations	182,508	27,059
Total other comprehensive income for the period	182,508	27,059
<b>Total comprehensive loss for the period</b>	<b>(212,238)</b>	<b>(490,595)</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Loss per share</b>		
Basic and diluted loss per share	(0.05)	(0.07)

The above condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Condensed consolidated statement of financial position  
as at 31 December 2014**

		<b>Consolidated</b>	
		<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents		246,137	234,752
Receivables		73,826	145,193
<b>Total current assets</b>		<b>319,963</b>	<b>379,945</b>
<b>Non-current assets</b>			
Property, plant and equipment		9,813	15,036
Exploration and evaluation assets	3	11,859,435	11,551,247
<b>Total non-current assets</b>		<b>11,869,248</b>	<b>11,566,283</b>
<b>Total assets</b>		<b>12,189,211</b>	<b>11,946,228</b>
<b>Current liabilities</b>			
Trade and other payables		210,570	355,750
Borrowings	4	307,046	-
<b>Total current liabilities</b>		<b>517,616</b>	<b>355,750</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,962,729	1,962,729
<b>Total non-current liabilities</b>		<b>1,962,729</b>	<b>1,962,729</b>
<b>Total liabilities</b>		<b>2,480,345</b>	<b>2,318,479</b>
<b>Net assets</b>		<b>9,708,866</b>	<b>9,627,749</b>
<b>Equity</b>			
Issued capital	5	30,845,795	30,552,440
Reserves		105,509	(76,999)
Accumulated losses		(21,242,438)	(20,847,692)
<b>Total equity</b>		<b>9,708,866</b>	<b>9,627,749</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Condensed consolidated statement of changes in equity  
for the half-year ended 31 December 2014**

	<b>Consolidated</b>				<b>Total</b>
	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Foreign Currency Translation Reserve</b>	<b>Share Based Payment Reserve</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 Jul 2013	30,149,812	(13,188,546)	(12,851)	96,581	17,044,996
Loss for the period	-	(517,654)	-	-	(517,654)
Translation of foreign subsidiaries	-	-	27,059	-	27,059
Total comprehensive loss for the period	-	(517,654)	27,059	-	(490,595)
Share issue (net of costs)	321,299	-	-	-	321,299
<b>Balance at 31 Dec 2013</b>	<b>30,471,111</b>	<b>(13,706,200)</b>	<b>14,208</b>	<b>96,581</b>	<b>16,875,700</b>
Balance at 1 Jul 2014	30,552,440	(20,847,692)	(173,580)	96,581	9,627,749
Loss for the period	-	(394,746)	-	-	(394,746)
Translation of foreign subsidiaries	-	-	182,508	-	182,508
Total comprehensive loss for the period	-	(394,746)	182,508	-	(212,238)
Share issue (net of costs)	293,355	-	-	-	293,355
<b>Balance at 31 Dec 2014</b>	<b>30,845,795</b>	<b>(21,242,438)</b>	<b>8,928</b>	<b>96,581</b>	<b>9,708,866</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Condensed consolidated statement of cash flows  
for the half-year ended 31 December 2014**

	Consolidated	
	Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(310,245)	(624,524)
Interest received	2,879	13,701
Net cash used in operating activities	(307,366)	(610,823)
<b>Cash flows from investing activities</b>		
Proceeds from sale of / (payments for) property, plant and equipment	1,818	(3,873)
Exploration expenditure	(304,762)	(1,051,280)
Net cash used in investing activities	(302,944)	(1,055,153)
<b>Cash flows from financing activities</b>		
Proceeds from share issue	325,000	316,060
Payments for share issue costs	(3,305)	(21,761)
Proceeds from loans	300,000	-
Net cash provided by financing activities	621,695	294,299
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>11,385</b>	<b>(1,371,677)</b>
Cash and cash equivalents at the beginning of the period	234,752	2,226,912
<b>Cash and cash equivalents at the end of the period</b>	<b>246,137</b>	<b>855,235</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the condensed consolidated financial statements

### 1. Statement of Compliance

These interim condensed consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed consolidated interim financial (half-year) report does not include all the disclosure and notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Magnum Gas & Power Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial statements were approved by the Board of Directors on 16 March 2015.

#### (a) Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historic costs unless otherwise stated. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

#### (b) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### (c) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

#### (d) Going Concern

The Directors have prepared this interim 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 31 December 2014, the Group has \$246,137 in cash and net current liabilities of \$197,653. For the half-year, the Group expended \$307,366 of net cash from operations and \$302,944 of net cash from investing activities.

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 subject to the successful completion of a capital raising in 2015 and assuming the preferred work plans are put in place, there will be sufficient cash reserves for that period.

## Notes to the condensed consolidated financial statements (continued)

### 1. Statement of Compliance (continued)

#### (d) Going Concern (continued)

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

The Directors are cognisant of the fact that future exploration and administration activities are constrained by the available cash assets and the Company will 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.

### 2. Segment Information

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.

<b>31 Dec 2014</b>	<b>Exploration Botswana</b>	<b>Exploration Australia</b>	<b>Total Segments</b>	<b>Corporate</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment revenue	-	-	-	2,879	2,879
Segment result	-	(6,829)	(6,829)	(387,917)	(394,746)
Segment assets	11,859,435	-	11,859,435	329,776	12,189,211
Segment liabilities	(1,969,237)	-	(1,969,237)	(511,108)	(2,480,345)

## Notes to the condensed consolidated financial statements (continued)

### 2. Segment Information (continued)

31 Dec 2013	Exploration Botswana	Exploration Australia	Total Segments	Corporate	Consolidated
	\$	\$	\$	\$	\$
Segment revenue	-	-	-	13,701	13,701
Segment result	-	-	-	(517,654)	(517,654)
Segment assets	11,292,731	6,682,198	17,974,929	1,031,785	19,006,714
Segment liabilities	(2,059,784)	-	(2,059,784)	(71,230)	(2,131,014)

### 3. Exploration and evaluation assets

	Six Months to 31 Dec 2014	Year to 30 Jun 2014
	\$	\$
Costs carried forward in respect of areas of interest in the exploration phase:		
Balance at beginning of period	11,551,247	14,320,251
Expenditure incurred during the year	315,017	1,123,172
Less: impairment of exploration and evaluation assets	(6,829)	(3,892,176)
Balance at end of period	11,859,435	11,551,247

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

### 4. Borrowings

	Six Months to 31 Dec 2014	Year to 30 Jun 2014
	\$	\$
Loans – related party	300,000	-

The Company entered into a short-term loan agreement with an entity associated with its largest shareholder and Chairman, Tom Fontaine. The loan is subject to normal commercial terms, is unsecured and repayable by 30 June 2015. However the Lender has given an undertaking that the loan will not be called within the next twelve months if the Company's solvency would be brought into question. The lender has the option of converting the loan should the Company undertake an entitlement issue or other form of fundraising, any such conversion would be subject to shareholder approval.

## Notes to the condensed consolidated financial statements (continued)

### 5. Issued Capital

	Six Months to 31 Dec 2014	Year to 30 Jun 2014	Six Months to 31 Dec 2014	Year to 30 Jun 2014
	No.	No.	\$	\$
Issued share capital	850,375,705	778,575,378	30,845,795	30,552,440

*Share movements during the year:*

At the beginning of the year	817,875,705	778,575,378	30,552,440	30,149,812
Shares issued pursuant to Share Purchase plan at 1.2 cents per share	-	26,338,316	-	316,060
Shares issued in lieu of services rendered at 1.8 cents per share	-	1,500,000	-	27,000
Shares issued pursuant to rights issue at 1.0 cents per share	32,500,000	11,462,011	325,000	114,620
Share issue costs	-	-	(31,645)	(55,052)
At the end of the year	850,375,705	817,875,705	30,845,795	30,552,440

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.

### 6. Options

	31 Dec 2014		30 June 2014	
	No. of options	Weighted Average Exercise Price	No. of options	Weighted Average Exercise Price
<i>Movements in options over ordinary shares on issue:</i>				
Balance at the beginning of period	18,500,000	\$0.06	18,500,000	\$0.06
Granted	-	-	-	-
Forfeited / lapsed	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance at end of period	18,500,000	\$0.06	18,500,000	\$0.06

### 7. Commitments

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration.

These obligations are not provided for in the financial report:

	31 Dec 2014	30 Jun 2014
	\$	\$
<b>Gas properties</b>		
Not longer than 1 year	2,648,923	667,125
Longer than 1 year and not longer than 5 years	2,674,271	3,948,699

## Notes to the condensed consolidated financial statements (continued)

### 7. Commitments (continued)

#### Operating leases

Not longer than 1 year	-	17,663
<b>Total commitments</b>	<b>5,323,194</b>	<b>4,633,487</b>

The Group through its wholly owned Botswana subsidiary Nata Energy (Pty) Ltd, has one hundred percent of the interest of the Botswana Coal Bed Methane Projects (Prospecting Licence's 352/2008; 353/2008; 644/2009, 645/2009 and 45/2008). As part of the original acquisition agreement in late 2007, which established the Botswana portfolio of assets, Energy Botswana Pty Ltd agreed to provide the then vendors with shares and a net revenue royalty as part of the purchase consideration for their equity. The royalty is payable to the vendors and is equal to twelve and one half percent of the net revenue generated from the sale of any product or any geosequestration from or on the PL's. The Vendors comprised of several founders and sophisticated investors including Messrs R. and T. Wheeler. The completion of successful exploration, leading to the development of a production project on one or more of the prospecting licences, having been transitioned to a mining licence, and resulting in the generation of a net revenue is required for any liability to come in effect as per the agreement. Since the date of acquisition and up to the date of this report there has been no decision made, study completed or revenue generated which would give rise to any payment or liability.

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

### 8. Financial Instruments

This note provides information about how the Group determines fair value of various financial assets and liabilities.

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated statement of financial position are as follows:

	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Financial assets</i>				
Loans and receivables				
- Trade and other receivables	73,826	73,826	157,128	157,128
Equity securities - at cost	-	-	2,834,425	2,834,425
<i>Financial liabilities</i>				
Financial liabilities held at amortised cost				
- Trade and other payables	210,570	210,570	168,285	168,285
- Loans	307,046	307,046	-	-

### 9. Contingent liabilities

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

## Notes to the condensed consolidated financial statements (continued)

#### **10. Events occurring after the balance date**

Recently the NSW Government offered a Petroleum Exploration Licence ('PEL') Buyback scheme to existing PEL holders, offering \$212,500 per PEL, with a deadline prior to the pending NSW Election. The Company's joint venture party, Apex Energy N.L. ('Apex') took the view that the projects were no longer viable in the current and ongoing situation, due to the changed political, public and commercial landscape. Magnum is the minority holder in the Apex acreage, with a farm-in at standstill due to ongoing Government delays. Magnum has therefore co-operated with Apex in returning the PEL's to the NSW Government

Other than the above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## Directors' declaration

In the opinion of the directors of Magnum Gas & Power Limited ("the Company")

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr T Wheeler  
Managing Director  
Perth, 16 March 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnum Gas & Power Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnum Gas & Power Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnum Gas & Power Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1(d) to the financial report which indicates that the Directors are cognisant of the fact that future exploration and administration activities are constrained by the available cash assets and the Company will 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. However, in the unlikely event that the Company is unsuccessful in raising sufficient funds, 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.



**HLB Mann Judd**  
Chartered Accountants



**N G Neill**  
Partner

**Perth, Western Australia**  
**16 March 2015**