ANNUAL REPORT

2015

MAGNUM
GAS & POWER

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) 9264 8240

Principal place of business
Suite 8, 7 The Esplanade
Mt Pleasant WA 6153
Tel: (08) 9380 6755
Fax: (08) 9264 8240

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

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

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

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

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Chairmans' Letter

Dear Fellow Shareholder,

This year Magnum has been focusing on the 'Power' aspect of Magnum Gas & Power.

The demand for Power in Botswana and the surrounding countries remains strong. At a recent Power and Infrastructure conference in Gaborone in October 2015, it was reiterated that Botswana's reliance on imported power has increased from 50% in the year 2000 to over 80% currently. Considerable opportunities exist for companies that can help meet the Power needs of this growing region.

In August this year, Magnum submitted a proposal to the Government of Botswana to build a 100 MW solar power station. This was in response to an Expression of Interest from the Government. Magnum has established a strong network of international partners to build power projects from 1 MW to 1000MW. Formal letters of support have been obtained from these companies.

Magnum is endeavouring to formalise the demand side of these opportunities by focusing on trying to secure power purchase agreements from Industry and Government.

Magnum has an established presence in Botswana and has built solid relationships, it is therefore a strong partner for Power projects in Botswana. In addition, Magnum is one of the few energy companies to be listed on the Botswana Stock Exchange and one of the only companies in the country that also has a potential gas resource.

One of Magnum's in-country peers has remained active over the past year and continues to have good results from CBM wells drilled. Less than 10 km from one of Magnum's permits, this company is flowing gas from the same Morupule coal seams that are present in Magnum's permits.

In summary: Magnum is established in a stable African country, with very strong energy demand and with the ability to deliver two of the cleanest sources of energy, Solar and Gas.

Your directors are pleased to have your support and are looking forward to an active 2016 which builds on the work done to date for the benefit of all shareholders.

.

Tom Fontaine
Chairman

Managing Director's Report

This year Magnum has been transitioning from being solely a Gas Exploration company to also becoming a developer of Clean Power projects in Africa. The Company is pursuing the significant opportunities in power generation in Botswana and surrounding countries. Magnum's expanding ability to provide clean and practical hybrid Solar and Gas power solutions compliments the Company's upstream gas exploration projects.

This expansion of our business to more fully address the power deficiency in Botswana (supporting the potential gas market in Botswana), rather than just gas exploration activities, has been a very busy period for Magnum. Magnum made significant progress in identifying market opportunities and building relationships and partnering to pursue them. During this period, there was little exploration activity or reporting, as funds and time have been focussed on adding value by progressing the larger vision. The drive for this focus was reinforced by the lack of appetite on the financial markets for exploration project funding and activities.

During the past financial year;

- **Magnum achieved dual listing, having all of its issued capital quoted on the Venture Capital Market of the Botswana Stock Exchange (BSE) (alongside the ASX)**
- **Magnum was granted renewals for all of its Botswana CBM Prospecting Licences.**
- **Magnum made submission to the Government of Botswana to build a 100MW Solar Power station. Magnum has letters of support from significant key partners**
- **Magnum made submission to Government's calls for expression of interest to supply CBM gas to its existing 90MW Orapa Power station (currently running on diesel)**
- **Magnum accepted the NSW Government Petroleum Exploration Licence Buyback Scheme and to focus on progressing the Company Energy projects in Botswana**

Magnums Vision

- **Energy for Growth**
- **Cleaner for Our Future**

Magnums Focus

- Magnum is transitioning from being just a Gas Exploration and Production company to an integrated Power Project Developer of Solar and Gas power generation facilities and associated infrastructure
- Magnum is partnering with regional experts to potentially provide complete fully integrated power solutions for Botswana. ie. Power Generation (Solar, Gas Turbine & Reciprocating), Gas Transport (CNG, Pipeline) and Gas Supply (gas field)
- Magnum is working to progress integrated/hybrid Solar and Gas power generation projects in Botswana, for both the domestic and regional export markets.

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 gas 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 Botswana 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. Magnum also believes in providing clean, yet practical, energy. This has been, and is, a key driver for the Company 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. 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:

- **Energy for Growth**

- **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. Becoming more vertically integrated in the Energy market provides a more robust portfolio of projects and paths to revenue streams from clean energy.

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? Ie Energy Security. 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 after school. 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 financial year 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 km², of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region. The Northern CBM Project consists of 1,132 km^2 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.

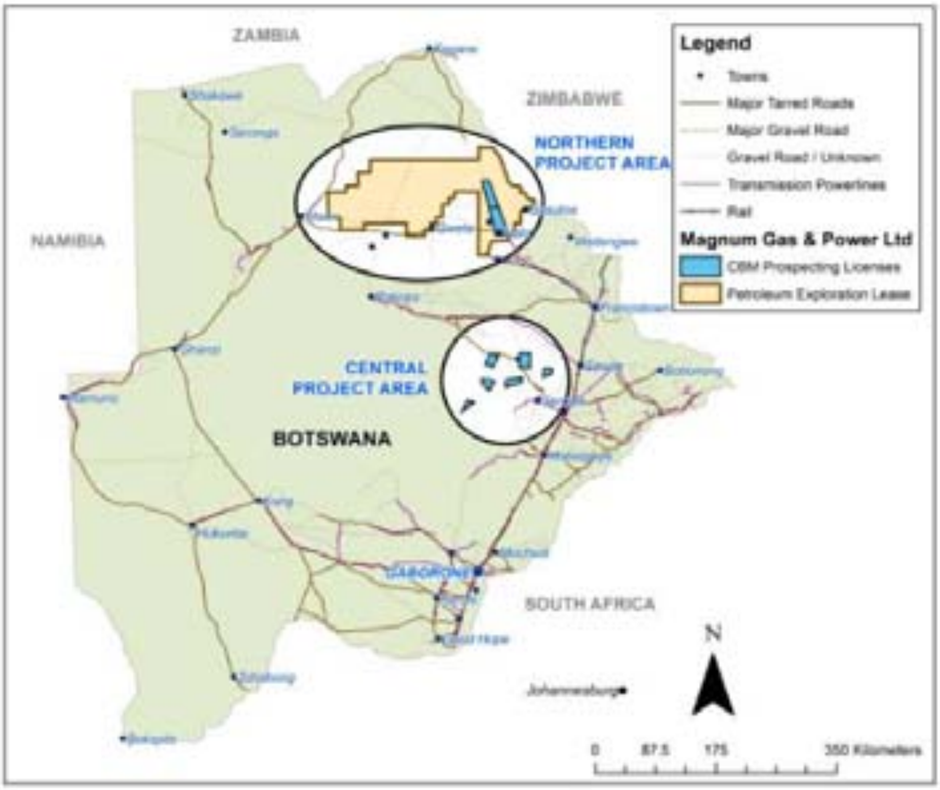


Figure 1: Botswana Project Areas

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 km2 and is located in the Ngamiland and Central districts of Botswana. Magnum continues to progress desktop studies on the acreage.

New South Wales

During the year the NSW Government offered a Petroleum Exploration Licence ('PEL') Buyback scheme to existing PEL holders. There was, no clear path to progress the projects. The NSW Government continued to have no defined process, even though the science and facts supported a clear path to develop the potential domestic gas supply for NSW.

The PEL holder and Farm In partner, APEX Energy NL ("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 was the minority holder in the Apex acreage, and with the farm-in at a standstill due to ongoing Government delays Magnum co-operated with Apex in returning the PEL's to the NSW Government. While the return of the PEL's was disappointing, it provided some financial benefit to the Company and minimised exposure to the ongoing saga. This enabled Magnum to focus all its resources on the current potential Solar and Gas projects in Botswana, working to build value for the Company shareholders.

Botswana

Overview

Botswana continues to be one of the preferred investment destinations in Africa. Widely referred to as the "Switzerland" of Africa it has had the reputation for being the best performing economy in Africa over the last two decades. Over the thirty years from independence in 1966 to the mid 1990's Botswana was the fastest growing economy in the world with average annual GDP growth rates over 10%. With a population of only 2 million people, per capita income is currently around US$7,000, the fourth highest in Africa (source: World Bank). Since then the growth rate has slowed to highly respectable (by international standards) rates of around 3.6% (source: World Bank).

Botswana is widely considered to be one of the leading countries in Africa in respect of governance and this is reflected in the independent legal system, high quality of public institutions and low level of corruption. The Ibrahim Index of African Governance widely respected as the most comprehensive corruption index, ranked Botswana as the 3rd best country in Africa (after Mauritius and Cape Verde) in both 2011 and 2012. Botswana is still ranked highest in Africa for mining investment by the Fraser Institute in its survey of mining and in the Resource Stocks World Risk Survey 2014 ranked 9th for Mining and Petroleum Investment, (Australia ranked 12th).

Magnum's wholly owned Botswana subsidiary Nata Energy (Pty) Ltd has secured a significant portfolio of Botswana prospecting licences over acreage that is prospective for Coal Bed Methane ("CBM"). The portfolio has been focused on the strategic areas of two prospective basins within the vast Kalahari Karoo basin, the Northern Project area being in the Nata region over the "Ngwasha" basin and the Central Project area being over the "Mmashoro" basin.

Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd has secured a significant Petroleum Exploration Licence in the north of Botswana.

Power Generation

Overview

Botswana needs Power. It is currently utilising both Coal fired and Diesel power generation, but supply falls short of demand. While Coal is a relatively cheap power source, Diesel is very expensive. Gas is much cheaper than Diesel and much cleaner than coal. Gas fired power generation can also be quickly ramped up and down to follow the load and so suits mid-merit and peaking power, which is also paid a higher premium. Coal fired power generation does not suit this. Gas fired power generation is a practical and economic part of the energy mix for Botswana.

Solar is an even cleaner energy source and Botswana is an ideal location. Solar is becoming extremely price competitive and helps offset some of the dirty coal fired power generation. The clean gas fired power generation then helping supplement the solar power generation for peaks and when the sun doesn't shine. Hybrid solar/gas fired power stations being clean, efficient and economical solutions.

CBM Projects

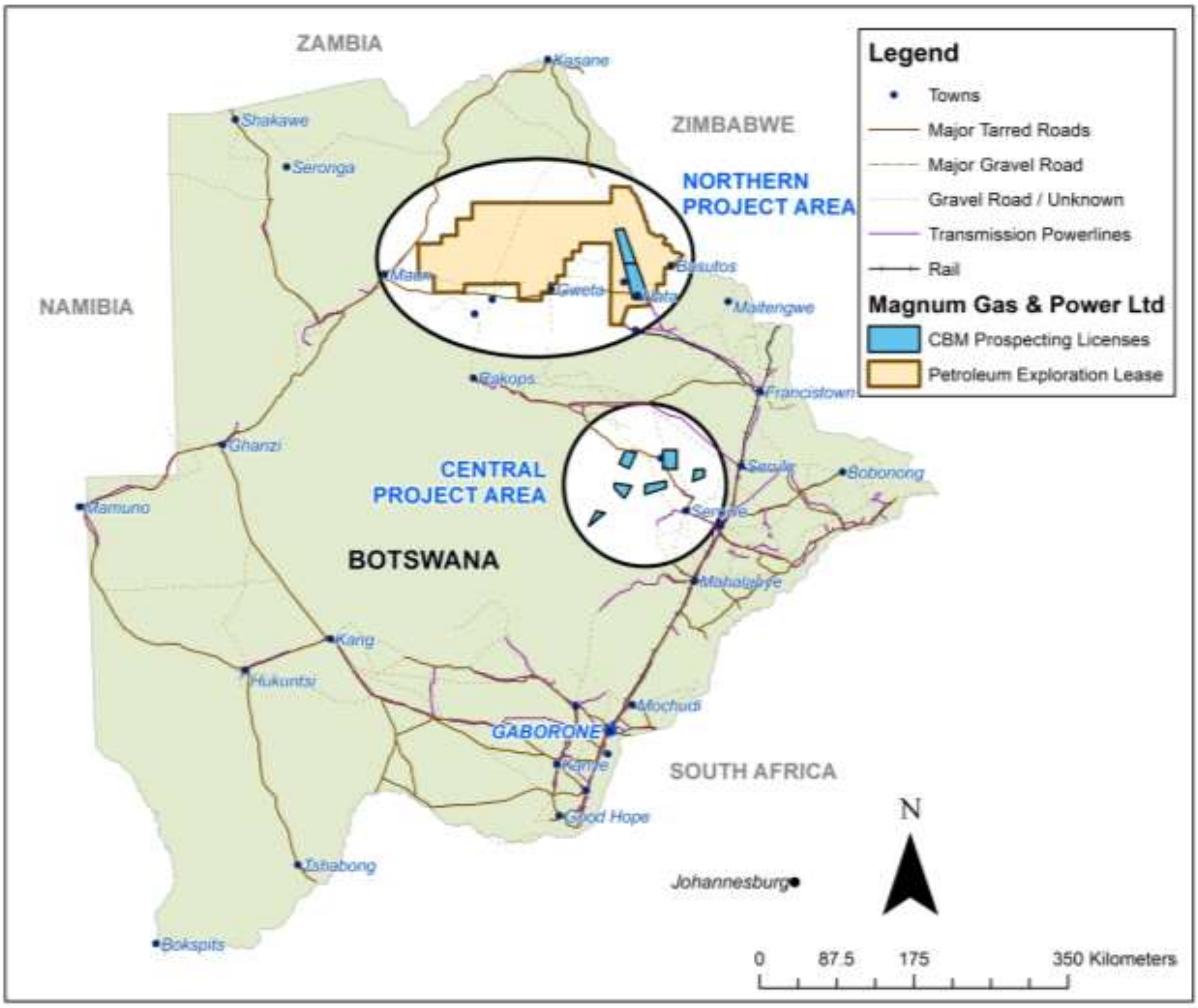
Overview

Botswana has a large coal resource, estimated at 17 billion tones (SADC, 2001).

The main coal bearing sequence is typically composed of two to three principal seams that are often interbedded with organically rich shales. These shales also contain gas and are analogous to the carbonaceous shales which are currently some of the most actively drilled natural gas plays in the U.S.

The Karoo Group is named after the classic and distinctive sedimentary relationships exposed in the Great Karoo Basin of South Africa that were deposited during the Permian-age Gondwana supercontinent assembly and its later Triassic breakup. Because of similar depositional and tectonic environments related to Gondwana deposition, Gondwana geology is similar across southern Africa, Australia, Brazil and India.

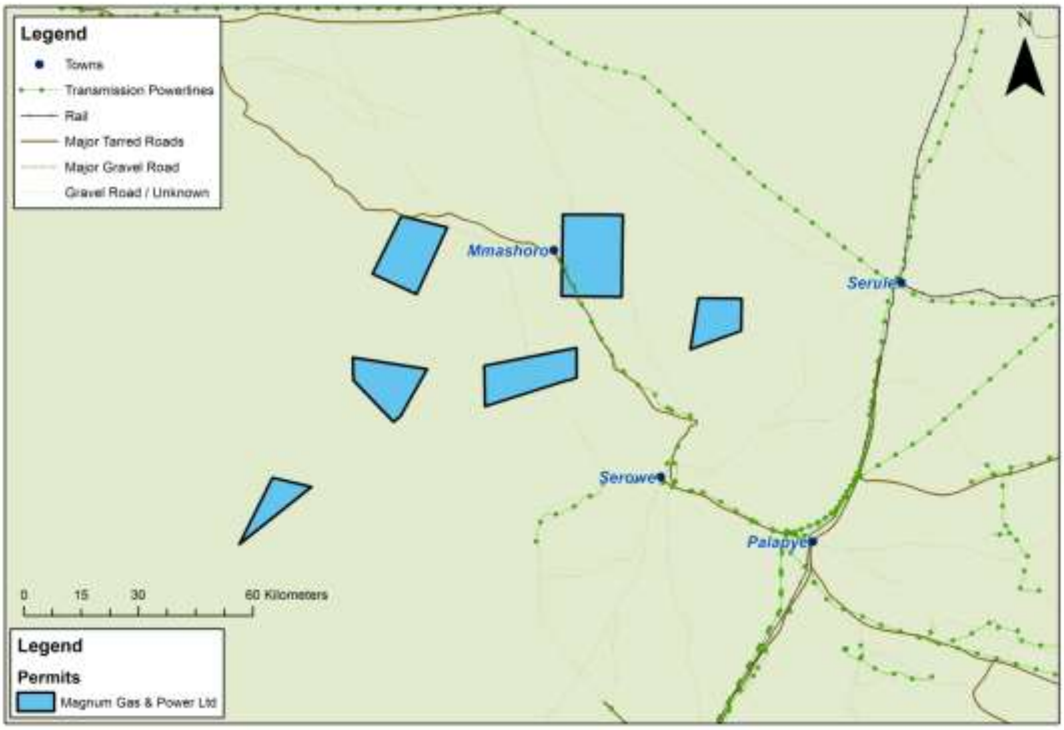
The Botswana Department of Geological Survey reports that 196 Tcf of "gas in place" is present in the coal and carbonaceous shale sequences in the central Kalahari Karoo Basin in Botswana.



The Magnum CBM exploration portfolio consists of multiple CBM Prospecting Licences focused on two separate project areas, within the overall central Kalahari Karoo basin.

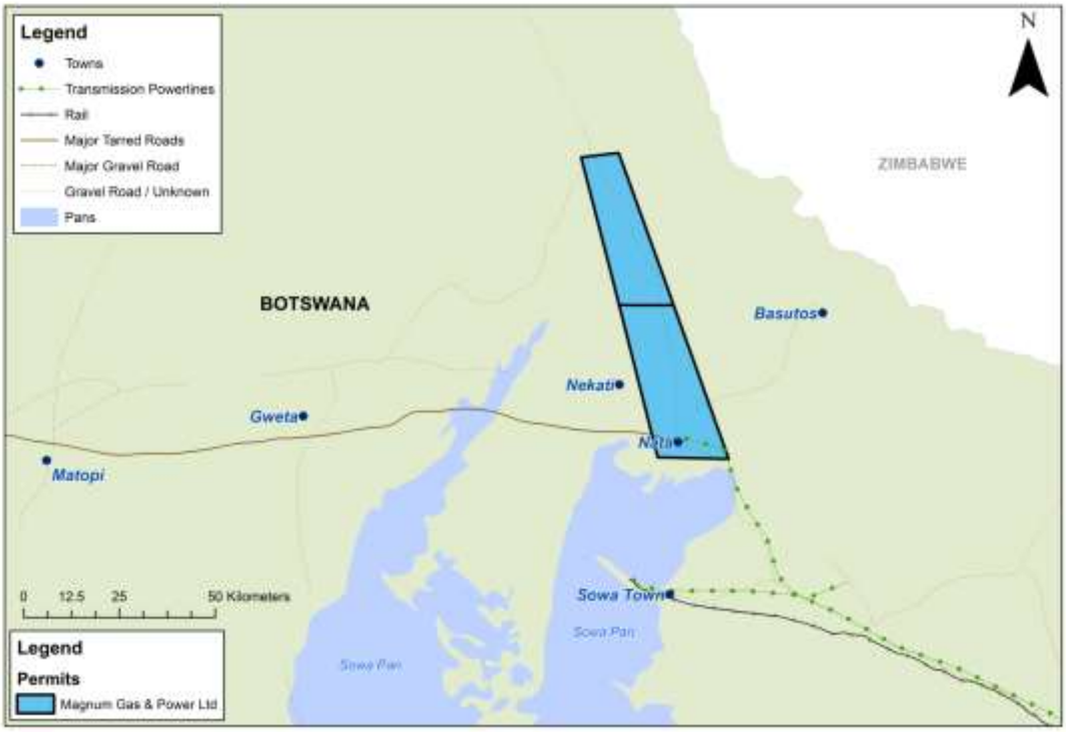
The "Central CBM Project" consists of six blocks, totalling 1,205 km², of prospecting licences over prospective CBM acreage across the "Mmashoro" basin in the Mmashoro Region.

Botswana Central CBM Project Area



The "Northern CBM Project" consists of 1,132 km² of prospecting licences over prospective CBM acreage across the "Ngwasha" basin in the Nata Region.

Botswana Northern CBM Project Area



Exploration

During the year Magnum received full 100% renewals of its prospecting licences from the Botswana Ministry of Minerals, Energy and Water Affairs. Magnum has previously made the discovery of Coal and Coal Bed Methane on the Company's prospecting licences. The Company continues with the review and integration of data from the exploration program and is prepared for the next phase.

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

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. Exploration activities by immediate neighbours has also been very positive.

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

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

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 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.

Permits

Prospecting Licence	Botswana Project Area	Size (km^2)	Magnum Interest	Status
352/2008	Central CBM Project	694	100%	Renewed
353/2008	Central CBM Project	511	100%	Renewed
644/2009	Northern CBM Project	479	100%	Renewed
645/2009	Northern CBM Project	653	100%	Renewed

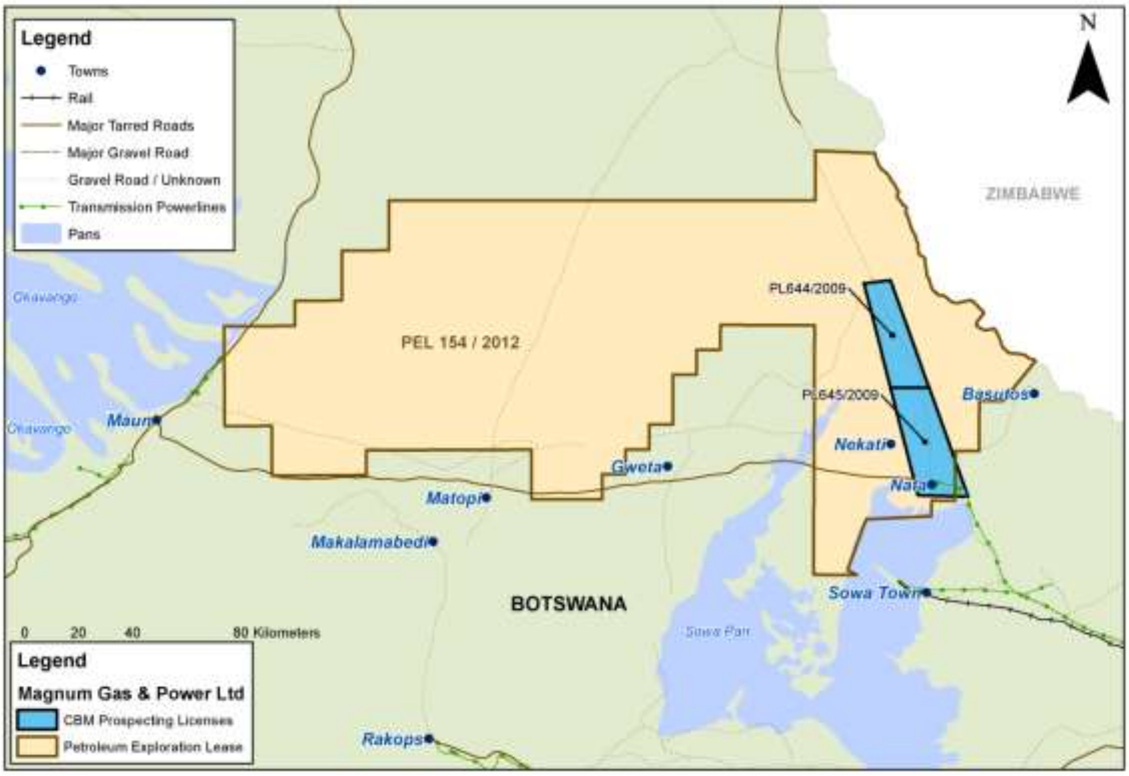
Petroleum Projects

Overview

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.

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

Overview

The Company now has no PELs, Reserves or Resources in NSW.

Earlier during the year, the Directors elected to take a prudent approach and impair the carried forward exploration and assets and its related investment in APEX Energy NL to nil.

Subsequently during the year the NSW Government offered a Petroleum Exploration Licence ('PEL') Buyback scheme to existing PEL holders. There was, and continued to be, no clear path to progress the projects. Due to ongoing Government delays Magnum co-operated with Apex Energy NL in returning the PEL's to the NSW Government. While the return of the PEL's was disappointing, it provide some financial benefit to the Company and minimised exposure to the ongoing saga. This enabled Magnum to focus all its resources on the current potential Solar and Gas projects in Botswana, working to build value for the Company shareholders.

DIRECTORS' REPORT

The Directors of Magnum Gas & Power Limited submit herewith the annual financial report of the Group for the financial year ended 30 June 2015. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

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

Thomas Fontaine – Non-Executive Chairman

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

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

Trent Wheeler – Managing Director

Trent Wheeler is professional engineer (Mechanical (Honours) and Oil & Gas), manager and Director with over 17 years' experience in the energy and resources sector. He has been involved with or responsible for the successful initiation, definition, development, operation and expansion of significant upstream and downstream oil, gas, mineral, metal, chemical and power projects throughout Australia, Canada, America, South East Asia and Botswana.

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

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

Brett Montgomery – Non-Executive Director

Brett Montgomery has over 29 years' experience in the gold mining industry and management of public companies. Having been the Managing Director of Kalimantan Gold NL, a Director of Grants Patch Mining Limited, and Chairman and Joint Managing Director of Eurogold Limited. Brett is Chair of the Audit Committee.

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

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

Raalin Wheeler – Non-Executive Director

A Fellow of the Australian Institute of Company Directors, Raalin Wheeler is a professional Director, with over 32 years of private and public company experiences. He has a broad range of experience in engineering and manufacturing for the resource industry, including oil and gas directional drilling technology, downstream process plants, remote area greenfields project establishment and services.

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

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

Company Secretary

Mark Pitts BBus, FCA – Company Secretary

Mark Pitts is a Chartered Accountant with over 26 years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. He is a Partner in the corporate advisory firm Endeavour Corporate Pty Ltd providing secretarial support, corporate and compliance advice to a number of ASX listed public companies.

DIRECTORS' SHAREHOLDINGS

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

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

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 Senior Management of the Group during the current financial year.

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

The principal activities of the Group during the financial year were;

Corporate Activities

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 year. In addition Magnum entered into a short term unsecured loan agreement on arm's 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. 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.

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.

Exploration Activities

Solar and Gas – Power Generation Projects

Magnum has been progressing partnering discussions and investigating opportunities for integrated hybrid Solar/Gas fired power generation facilities. Magnum is working to establish a more vertically integrated energy company in Botswana, to help create solutions for the desperate Botswana power market, facilitate potential gas offtakes for the gas exploration projects and provide other paths to potential new value streams for Magnum shareholders. As such, Magnum has been focused on partnering and facilitating possible Solar power projects, particularly where benefits exist for Hybrid Solar & Gas power generation facilities.

Magnum is also investigating various Compressed Natural Gas ("CNG") and micro-LNG (Liquefied Natural Gas) solutions to create a virtual pipeline using road transport to initial offtake facilities and potentially creating a flexible distribution network for Botswana.

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 km^2 of prospecting licences over prospective CBM acreage in the Mmashoro Region. The "Northern CBM Project" consists of 1,132 km^2 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. Renewals of all CBM prospecting licences were granted during the year.

The CBM exploration programmes underway in the basin by significant peers are providing positive results. Existing power generation facilities in Botswana's critical power market are currently awaiting CBM gas supply and Magnum submitted an expression of interest tender to the Botswana Government, at their request, for supply of CBM gas to the existing 90MW power generation facility.

Botswana Petroleum Project

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 km^2 and is located in the Ngamiland and Central districts of Botswana.

Magnum continues to progress desktop studies on the acreage.

New South Wales CSG Project

Following the acceptance of the NSW Government Petroleum Exploration Licence Buyback Scheme in March 2015; the return of Petroleum Exploration Licences ('PELs') 442,444 and 454 has been completed and Magnum received final settlement of $250,000. This enables Magnum to fully focus on developing gas and power opportunities in Botswana.

Operating results for the year

The Group incurred an after tax loss for the year of $473,506 (2014: $7,659,146). The Company successfully complete a private placement during the year which raised a total of $325,000 upon the issue of 32,500,000 shares.

Risk Management

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

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

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

SUBSEQUENT EVENTS

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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS

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

DIVIDENDS

No dividend has been declared for the year, and the Directors do not recommend the payment of a dividend in respect of the financial year (2014: $nil).

ENVIRONMENTAL REGULATIONS

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

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member). During the financial year, 5 Board meetings and 1 Audit Committee meeting were held:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr T. Fontaine	5	5	1	1	-	-
Mr B. Montgomery	5	5	1	1	-	-
Mr T. Wheeler	5	5	-	-	-	-
Mr R. Wheeler	5	5	1	1	-	-

REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel (KMP) of the Group for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

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)

REMUNERATION REPORT (CONTINUED)

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 Group.

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

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

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

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

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

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

Mr T. Wheeler On 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. 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.

REMUNERATION REPORT (CONTINUED)

Company secretary receives remuneration as set out below.

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

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

Details of remuneration

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

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

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

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 2015:

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	254,183	17,768	58,635	87,150	98,327
Loss attributable to equity holders	(473,506)	(7,659,146)	(1,316,637)	(718,522)	(534,932)
Share price at start of year	$0.01	$0.02	$0.02	$0.02	$0.04
Share price at end of year	$0.004	$0.01	$0.02	$0.02	$0.02
Loss per share (cents)	(0.06)	(0.96)	(0.20)	(0.24)	(0.18)

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

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 (2014: Nil).

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options expired on 30 June 2015.

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

REMUNERATION REPORT (CONTINUED)

Option holdings

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

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

30 June 2014						
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

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

REMUNERATION REPORT (CONTINUED)

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

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:

	2015 $	2014 $
Kalahari Resources Pty Ltd		
• Transactions during the year	-	3,960
• Balance outstanding at 30 June	-	-
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.		
Avatar Energy Pty Ltd ATF The Fontaine Investment Trust		
• Transactions during the year	15,233	-
• Balance outstanding at 30 June	315,233	-
Avatar Energy Pty Ltd ATF the Fontaine Investment Trust ('Avatar') is a Company associated with Mr Tom Fontaine. The Company entered a short-term loan agreement with Avatar. The loan is subject to normal commercial terms and is unsecured. 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.		

- 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 2015 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 23 of the financial report.

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

On behalf of the Directors

Mr T Wheeler
Managing Director
Perth, 30 September 2015

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 2015, 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
30 September 2015

N G Neill
Partner

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	Year ended 30/06/15 $	Year ended 30/06/14 $
Continuing operations			
Interest revenue		4,183	17,768
Other revenue		250,000	-
Occupancy expenses		(38,765)	(108,490)
Administration expenses		(666,400)	(842,476)
Impairment of financial assets		-	(2,833,772)
Impairment of exploration and evaluation assets	10	(6,829)	(3,892,176)
Interest expense		(15,695)	-
Loss before tax		(473,506)	(7,659,146)
Income tax expense	7	-	-
LOSS FOR THE YEAR	5	(473,506)	(7,659,146)
Other comprehensive income / (loss)			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences on translation of foreign operations		223,028	(160,729)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(250,478)	(7,819,875)

Loss per share	**Note**	**Year ended 30/06/15**	**Year ended 30/06/14**
Basic (cents per share)	16	(0.06)	(0.96)
Diluted (cents per share)	16	(0.06)	(0.96)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30/06/15 $	30/06/14 $
CURRENT ASSETS			
Cash and cash equivalents	25	134,492	234,752
Receivables	8	72,780	145,193
TOTAL CURRENT ASSETS		207,272	379,945
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,594	15,036
Exploration and evaluation assets	10	11,994,495	11,551,247
TOTAL NON-CURRENT ASSETS		12,000,089	11,566,283
TOTAL ASSETS		12,207,361	11,946,228
CURRENT LIABILITIES			
Payables	11	258,773	355,750
TOTAL CURRENT LIABILITIES		258,773	355,750
NON-CURRENT LIABILITIES			
Borrowings	12	315,233	-
Deferred tax liability	13	1,962,729	1,962,729
TOTAL NON-CURRENT LIABILITIES		2,277,962	1,962,729
TOTAL LIABILITIES		2,536,735	2,318,479
NET ASSETS		9,670,626	9,627,749
EQUITY			
Issued capital	14	30,845,795	30,552,440
Reserves	15	49,448	(76,999)
Accumulated losses	15	(21,224,617)	(20,847,692)
TOTAL EQUITY		9,670,626	9,627,749

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued capital $	Accumulated losses $	Foreign Currency Translation Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 July 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**
Loss for the year	-	(473,506)		-	(473,506)
Other comprehensive income	-	-	223,028	-	223,028
Total comprehensive income for the year	**-**	**(473,506)**	**223,028**	**-**	**(250,478)**
Shares issued	325,000	-	-	-	325,000
Share issue costs	(31,645)	-	-	-	(31,645)
Options expired	-	96,581	-	(96,581)	-
Balance at 30 June 2015	**30,845,795**	**(21,224,617)**	**49,448**	**-**	**9,670,626**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2015

	Note	Year ended 30/06/15 $	Year ended 30/06/14 $
Cash flows from operating activities			
Interest received		4,183	17,768
Payments to suppliers & employees		(594,400)	(1,046,941)
Net cash used in operating activities	25	(590,217)	(1,029,173)
Cash flows from investing activities			
Purchase of property plant & equipment		-	(4,400)
Proceeds from sale of property plant & equipment		1,818	-
Payments for exploration expenditure		(363,755)	(1,334,215)
Proceeds on disposal of exploration tenements		250,000	-
Net cash used in investing activities		(111,937)	(1,338,615)
Cash flows from financing activities			
Proceeds from issue of shares		325,000	430,680
Share issue costs		(23,106)	(55,052)
Proceeds from loans		300,000	-
Net cash provided by financing activities		601,894	375,628
Net decrease in cash held		(100,260)	(1,992,160)
Cash at beginning of year		234,752	2,226,912
Cash at end of year	25	134,492	234,752

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2015

NOTE 1: GENERAL INFORMATION

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

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

NOTE 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. 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 30 September 2015.

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. Historical costs is based on the fair values of the consideration given in exchange for goods and services.

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

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

a. Going concern

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

As at 30 June 2015 the Group has $134,492 in cash and net current liabilities of $51,501. For the year then ended, the Group expended net cash from operations of $590,217 and net cash from investing activities of $111,937.

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Going concern (continued)

The lender of the loan facilities has given an undertaking that the loan will not be called within the next twelve months if the Group's solvency be brought into question.

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

The Group enjoys the support of its Directors and major shareholders and Chairman, having obtained a letter of support from the Chairman which underwrites the Groups current position. However, the Directors believe that the Group will be able to raise sufficient equity funds to enable operations to continue.

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

b. Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of consolidation (continued)

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

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

c. Business combinations

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Business combinations (continued)

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

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

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

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

d. Revenue

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

e. Employee benefits

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Employee benefits (continued)

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

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

f. Share-based payments

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

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

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

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

g. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.
<u>Current tax</u>
The tax currently payable is based on taxable 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.

Deferred tax

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

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Taxation (continued)

Current and deferred tax for the period

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

h. Property, plant and equipment

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

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

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

i. Provisions

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets

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

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

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

<u>Financial assets at FVTPL</u>

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

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

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

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

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

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

<u>Loans and receivables</u>

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

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

Impairment of financial assets

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

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

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

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

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

Derecognition of financial assets

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

Classification as debt or equity

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

k. Financial liabilities and equity instruments issued by the Group

Equity instruments

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

l. Goods and services tax

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Goods and services tax (continued)

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

m. Exploration and evaluation

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

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Exploration and evaluation (continued)

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

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

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

n. Foreign currency translation

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

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

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Foreign currency translation (continued)

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

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

o. Investment in associates and joint ventures

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

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

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Investment in associates and joint ventures (continued)

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

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

The Group discontinues the use of the equity method from the date when the investment ceased to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised 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 re-measurement to fair value upon such changes in ownership interests.

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Investment in associates and joint ventures (continued)

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

p. Interests in joint operations

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

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

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

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

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

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

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

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

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

(a) Impairment of exploration assets

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

(b) Deferred tax assets

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

NOTE 5: LOSS FOR THE YEAR	**2015** **$**	**2014** **$**
EXPENSES		
Depreciation of property, plant & equipment	8,160	9,254
Operating lease rental	32,187	103,432
Accounting and administrative expenses	221,801	470,348
Consulting and legal fees expenses	43,898	141,893
Other employee benefits expenses	178,925	199,838
Superannuation expenses	24,839	26,201

NOTE 6: SEGMENT NOTE

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

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

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

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

NOTE 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)	(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)

NOTE 7: INCOME TAX EXPENSE

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

	2015 $	2014 $
Loss from continuing operations:	(473,506)	(7,659,146)
Income tax benefit using the Company's domestics tax rate of 30% (2014: 30%)	(142,052)	(2,297,744)
Effect of tax rates in foreign jurisdictions	(20,495)	16,676
Effect of impairment expense	2,049	2,017,784
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	160,498	263,284
Total tax expense relating to continuing operations	-	-

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:	2015 $	2014 $
Tax losses (revenue)	3,611,183	3,381,105
Tax losses (capital)	1,471,141	1,471,141
Temporary differences	58,505	47,519
Exploration and evaluation expenditure	(1,635,620)	(1,502,645)
TOTAL	3,505,209	3,397,120

NOTE 7: INCOME TAX EXPENSE (CONTINUED)

This benefit for tax losses will only be recognised if:

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

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

NOTE 8: RECEIVABLES	**2015 $**	**2014 $**
CURRENT		
Input tax credits receivable	10,613	20,511
Security deposit	50,000	67,464
Other receivables	12,167	57,218
TOTAL	72,780	145,193

NOTE 9: PROPERTY, PLANT & EQUIPMENT

	2015 $	**2014 $**
Cost	54,330	58,067
Accumulated depreciation	(48,736)	(43,031)
TOTAL	5,594	15,036

	2015 $	**2014 $**
Balance at start of the year	15,036	19,890
Additions	-	4,400
Disposals	(1,282)	-
Depreciation	(8,160)	(9,254)
TOTAL	5,594	15,036

NOTE 10: EXPLORATION & EVALUATION ASSETS

	2015 $	2014 $
NON-CURRENT		
Balance at start of year	11,551,247	14,320,251
Expenditure incurred during the year	450,077	1,123,172
Less: impairment of exploration and evaluation assets	(6,829)	(3,892,176)
Balance at end of year	11,994,495	11,551,247

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

Following the acceptance of the NSW Government Petroleum Exploration Licence Buyback Scheme in March 2015; the return of Petroleum Exploration Licences ('PELs') 442,444 and 454 has been completed and Magnum received final settlement of $250,000. The carrying value of these assets were fully impaired fully in the prior year and any costs incurred in the current year have subsequently been expensed. The settlement received of $250,000 has been shown as revenue in the statement of comprehensive income.

NOTE 11: PAYABLES

	2015 $	2014 $
CURRENT		
Sundry payables and other accruals	258,773	355,750
TOTAL	258,773	355,750

NOTE 12: BORROWINGS

	2015 $	2014 $
Loans – related party	315,233	-

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 and is unsecured. The Lender has given an undertaking that the loan will not be called within the next twelve months if the Group'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.

NOTE 13: DEFERRED TAX LIABILITY

	2015 $	2014 $
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 in 2013. Differences in the fair value at the acquisition date and the carrying value of exploration and evaluation assets of Energy Botswana Pty Ltd has given rise to a difference between the accounting and taxation base of these assets and a deferred tax liability has been recognised for that difference. The Group has deferred tax assets from tax losses (refer Note 7) which have not been offset against the liability above, as the Group 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

	2015 $	2014 $
850,375,705 (2014: 817,875,705) fully paid ordinary shares	30,845,795	30,552,440

a. ORDINARY SHARES	2015 No.	2015 $	2014 No.	2014 $
At the beginning of reporting period	817,875,705	30,552,440	778,575,378	30,149,812
Shares issued pursuant to private placement at 1 cent per share	32,500,000	325,000	-	-
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
Less: Share issue cost	-	(31,645)	-	(55,052)
As at 30 June	850,375,705	30,845,795	817,875,705	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.

NOTE 14: ISSUED CAPITAL (CONTINUED)

b. SHARE OPTIONS	Number of Options	
	2015	2014
Options over ordinary shares in the parent entity	-	18,500,000

c. SHARE OPTIONS ISSUE

As at 30 June 2015, the company had no share options on issue (2014: 18,500,000).

d. SHARE OPTION EXPIRY

18,500,000 options expired on 30 June 2015 (2014: Nil).

e. SHARE OPTION CANCELLATION

No options were cancelled during the financial year.

NOTE 15: ACCUMULATED LOSSES AND RESERVES	2015 $	2014 $
Accumulated losses		
Balance at beginning of financial year	(20,847,692)	(13,188,546)
Net loss attributable to equity holders of the parent entity	(473,506)	(7,659,146)
Share based payments expired	96,581	-
Balance at end of financial year	(21,224,617)	(20,847,692)
Reserves		
Foreign currency translation reserve	49,448	(173,580)
Share based payment reserve	-	96,581
	49,448	(76,999)

Nature and purpose of reserves

Foreign currency translation reserve

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

Share based payment reserve

The share based payment reserve is used to record the fair value of options issued to Directors and key management personnel under various share based payment schemes. All options that were on issue expired on 30 June 2015.

NOTE 16: EARNINGS PER SHARE	2015 $	2014 $
Basic loss per share		
From continuing operations	(0.06)	(0.96)
Diluted loss per share		
From continuing operations	(0.06)	(0.96)
Loss used to calculate earnings per share		
From continuing operations	(473,506)	(7,659,146)
	2015 No.	**2014 No.**
Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share	843,252,417	795,022,632

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

NOTE 17: DIVIDENDS

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

NOTE 18: COMMITMENTS

Commitments	**2015 $**	**2014 $**
Gas properties		
Not longer than 1 year	1,768,670	667,125
Longer than 1 year and not longer than 5 years	3,653,530	3,948,699
Longer than 5 years	-	-
Operating leases		
Not longer than 1 year	-	17,663
Longer than 1 year and not longer than 5 years	-	-
TOTAL	**5,422,200**	**4,633,487**

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

NOTE 19: CONTINGENT LIABILITIES

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

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

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

NOTE 20: SUBSIDIARIES

	Country of Incorporation	Percentage Owned (%)*	
		2015	**2014**
Controlled entities consolidated:			
Parent Entity:			
Magnum Gas & Power Limited	Australia		
Subsidiaries of Magnum Gas & Power Limited:			
Ormil Operations Pty Limited	Australia	100	100
Sydney Basin CBM Pty Ltd	Australia	100	100
Ormil Developments Pty Ltd ^	Australia	100	100
Energy Botswana Pty Ltd	Australia	100	100
Nata Energy (Mauritius) Inc	Mauritius	100	100
Nata Energy (Pty) Ltd	Botswana	100	100
Boabab Resources (Pty) Ltd	Botswana	100	100
Gasco International Ltd	Mauritius	100	100
** Percentage of voting power is in proportion to ownership*			

NOTE 21: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through holding cash only to the extent necessary to meet Group commitments and its immediate exploration program. The Group's overall capital strategy remains unchanged from 2014.

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

(b) Categories of financial instruments	2015 $	2014 $
Financial assets		
Cash and cash equivalents	134,492	234,752
Receivables	72,780	145,193
Financial liabilities		
Payables	(258,773)	(355,750)
Borrowings	(315,233)	-

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

(c) Financial risk management objectives

The Board monitors and manages financial risks relating to the operations of the Group on an individual case basis. These risks include market risk (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.

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

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

(f) Liquidity risk management

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

Liquidity and interest risk tables

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

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

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

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

An increase or decrease in the interest rates at 30 June would have affected the financial instruments in cash, receivables and payables and increased or decreased equity and profit and loss by the amounts shown below. This analysis is based on interest rates movements that the Group considered to be reasonable at the end of the reporting period. The analysis assumes all other variables, in particular foreign exchange rates, remain constant. The analysis for 2014 is performed on the same basis.

30 June 2015	**Equity**		**Profit or loss**	
	100 bp Increase	**100 bp Decrease**	**100 bp Increase**	**100 bp Decrease**
Variable rate instruments	-	-	(1,807)	1,807

30 June 2014	**Equity**		**Profit or loss**	
	Increase	**Decrease**	**Increase**	**Decrease**
Variable rate instruments	-	-	2,348	(2,348)

(g) Currency risk

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

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

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

Exposure to currency risk

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

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Currency risk (continued)

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

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:

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

30 June 2014	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, 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 2014 is performed on the same basis.

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

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

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)

(h) Net Fair values of financial assets and liabilities

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

NOTE 22: SHARE BASED PAYMENTS

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

The following share-based payment arrangements were in existence during the current and comparative reporting periods. All options expired as at balance date. Options expired unexercised on 30 June 2015.

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

NOTE 22: SHARE BASED PAYMENTS (CONTINUED)

No options were issued to Directors and key consultants during the financial year (2014: Nil).

18,500,000 expired or lapsed during the financial year (2014: Nil)

No options have been exercised during the financial year (2014: Nil).

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

	2015		2014	
	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	18,500,000	0.06
Expired	(18,500,000)	(0.06)	-	-
Outstanding at year-end	-	-	18,500,000	0.06
Exercisable at year-end	-	-	18,500,000	0.06

The options outstanding at 30 June 2014 had an exercise price of $0.06 and a weighted average contractual life of 2.6 years.

NOTE 23: RELATED PARTY TRANSACTIONS

Key management personnel compensation

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

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

Company Secretary:
Mr M Pitts

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2015 $	2014 $
Short-term employee benefits	433,468	469,428
Post-employment benefits	24,839	26,201
TOTAL	458,307	495,629

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:

	2015 $	2014 $
Kalahari Resources Pty Ltd		
• Transactions during the year	-	3,960
• Balance outstanding at 30 June	-	-
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.		

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

	2015 $	2014 $
Avatar Energy Pty Ltd ATF The Fontaine Investment Trust		
• Transactions during the year	15,233	-
• Balance outstanding at 30 June	315,233	-
•		

Avatar Energy Pty Ltd ATF the Fontaine Investment Trust ('Avatar') is a Company associated with Mr Tom Fontaine. The Company entered a short-term loan agreement with Avatar. The loan is subject to normal commercial terms and is unsecured. 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.

NOTE 24: AUDITORS' REMUNERATION

	2015 $	2014 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports for the current year		
- Current auditors	34,000	47,000

NOTE 25: CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank and on hand	21,539	82,702
Cash at call	112,953	152,050
TOTAL	134,492	234,752

NOTE 25: CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2015 $	2014 $
Loss for the year	(473,507)	(7,659,146)
ADJUSTMENTS FOR NON CASH ITEMS		
- Depreciation expense	8,160	9,254
- Impairment	6,829	6,725,948
- Unrealised foreign exchange differences	(16,309)	-
- Gain on sale of assets	(537)	-
CHANGES IN WORKING CAPITAL		
- Proceeds from exploration activities	(250,000)	-
- Decrease /(Increase) in receivables and prepayments	71,217	(49,092)
- Increase/(Decrease) in payables & borrowings	63,930	(56,137)
Net cash from operating activities	(590,217)	(1,029,173)

There were no non-cash transactions.

NOTE 26: PARENT ENTITY DISCLOSURES

Financial Position	2015 $	2014 $
Assets		
Current Assets	176,190	269,750
Non-Current Assets	9,849,128	9,517,664
Total Assets	10,025,318	9,787,414
Liabilities		
Current Liabilities	216,237	159,665
Non-Current Liabilities	315,233	-
Total Liabilities	531,470	159,665
Net Assets	9,493,848	9,627,749
Equity		
Issued Capital	30,845,795	30,552,440
Retained Earnings	(21,351,947)	(21,021,272)
Reserves	-	96,581
Total Equity	9,493,848	9,627,749

NOTE 26: PARENT ENTITY DISCLOSURES (CONTINUED)

Financial Performance	**2015 $**	**2014 $**
Loss for the year	(427,256)	(7,819,876)
Other Comprehensive Income	-	-
Total Comprehensive Loss	(427,256)	(7,819,876)

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NOTE 27: EVENTS AFTER THE REPORTING DATE

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 2015 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 2015.

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

Mr T Wheeler
Managing Director

Perth, 30 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Magnum Gas & Power Limited

Report on the Financial Report

We have audited the accompanying financial report of Magnum Gas & Power Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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 Group. The Group 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 Group'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*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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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 Group's financial position as at 30 June 2015 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 will require additional funds to meet its ongoing obligations. In the 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.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
30 September 2015

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 12 October 2015.

(a) Ordinary shareholders

Twenty largest holders of ordinary shares	Number of shares	% held
Avatar Energy Pty Ltd	84,023,069	9.88%
Mr Raalin Wheeler	60,300,001	7.09%
Mr Trent Wheeler	60,300,001	7.09%
Mr David John Newman	48,816,000	5.74%
Mr Benny Ben Otim	34,812,000	4.09%
Sebastian Holdings Pty Ltd	29,036,667	3.41%
Eurogold Limited	28,229,708	3.32%
Mr Douglas Allan Brooks <Brooks Family a/c>	25,636,364	3.01%
Sebastian Holdings Pty Ltd	23,289,218	2.74%
Mr Colin Ashley Fletcher	22,000,000	2.59%
Alan Davis Pty Ltd	20,876,500	2.45%
Strategic Energy Resources Ltd	20,000,000	2.35%
Sobu Energy Pty Ltd	16,545,455	1.95%
Gold Elegant (HK) Investment Limited	16,500,000	1.94%
Aero Classic Pty Ltd	15,909,091	1.87%
Faheem Investments Pty Ltd	15,732,000	1.85%
ABM Group Pty Ltd	15,480,000	1.82%
Sino Gold Limited	15,305,604	1.80%
Mr John Carmody	12,107,407	1.42%
Apex Energy NL	10,000,000	1.18%
	574,899,085	**67.59%**

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

The total number of shares on issue is 850,375,705

The number of shareholders holding less than a marketable parcel is 256.

There is no current on market buy back.

Substantial Holders are:

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

*Includes shares in a jointly owned entity

Distribution of ordinary shareholders

Category of shareholding	Number of shareholders
1 – 1,000	25
1,001 – 5,000	23
5,001 – 10,000	64
10,001 – 100,000	157
100,001 and over	251
Total	**520**

(b) Options holders of listed options

There are currently no listed options on issue.

(c) Unquoted securities

There are currently no unquoted securities on issue.