

Magnum Gas & Power Limited
ACN 107 708 305

Half-Year Report for the half-year ended 31 December 2015

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Directors' report

The directors of Magnum Gas & Power Limited ("the Company") submit herewith the financial report of Magnum Gas & Power Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

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

Overview of Operations

Magnum is focused on becoming the leading integrated energy supplier in Botswana, Africa, by progressing a roadmap of two forms of clean energy, solar and gas; to help resolve the regions desperate energy deficiency as quickly as possible and provide a practical and reliable power supply to the under-supplied market. While significant large scale gas and solar projects aimed at both the domestic and export markets are progressing, Magnum is working to expedite power generation and a revenue stream for the company from smaller industrial and commercial scale projects.



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

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

Magnum has been working to secure experienced regional & international capability, through partnering, to define and develop a complete and robust energy supply chain solution for both domestic and export markets.

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

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

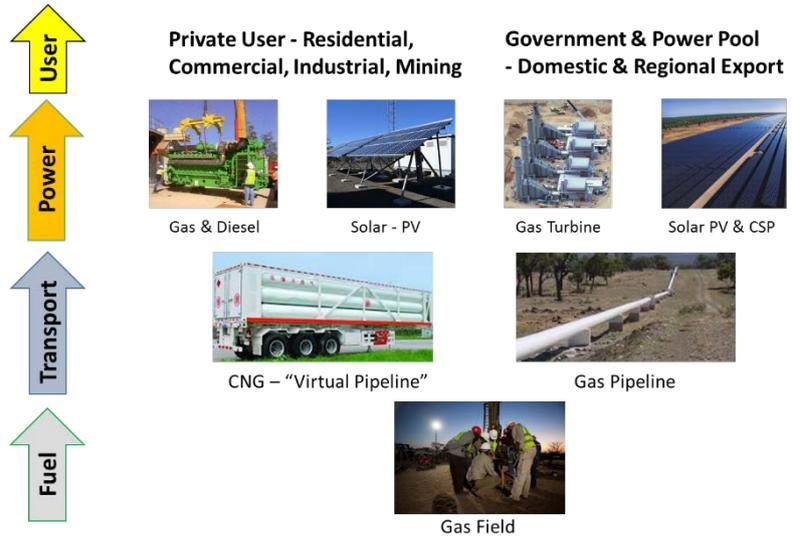
Integrated/Hybrid Solar and Gas power generation provides a clean and practical solution, and are key to the energy mix for the future, while also helping to develop the required offtakes for Magnums gas field projects.

Strategy

"Energy for a Better World"

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

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



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

Further, Botswana has an ongoing power supply deficiency, with a heavy reliance (and risk) upon imported power agreements, just to meet its baseload needs. This baseload requirement can be assisted by Solar power generation. Solar provides a much cleaner solution than additional coal fired power generation, and integrates well with gas fired power generation that provides the infill, mid-merit and peaking power. Also in the current financial markets, funding for clean (solar and gas) power generation projects appears to be more readily available than for coal fired power generation.

Botswana is an ideal location for significant solar projects, not just for its own domestic needs, but as an export hub to regional power users. Botswana has excellent solar irradiance (power per unit area) properties and a vast landscape suited for solar developments. Magnum is working on progressing both medium and large solar projects for both export and domestic power markets.

In the meantime, smaller projects enable proof of concept, alleviate some power supply issues for key users and provide the Company with a revenue stream to support ongoing projects. Therefore, Magnum has been liaising with local power users to assist them with their own power supply issues. Some such users may also become initial small-scale gas offtakes to assist reserve certification.

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

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

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



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

Botswana Solar and Hybrid Gas/Solar Projects

Magnum made submission to the Botswana Government’s request for a 100MW Solar power generation facility. Magnum is also investigating similar and larger solar power generation projects in Botswana for export to adjacent power markets.

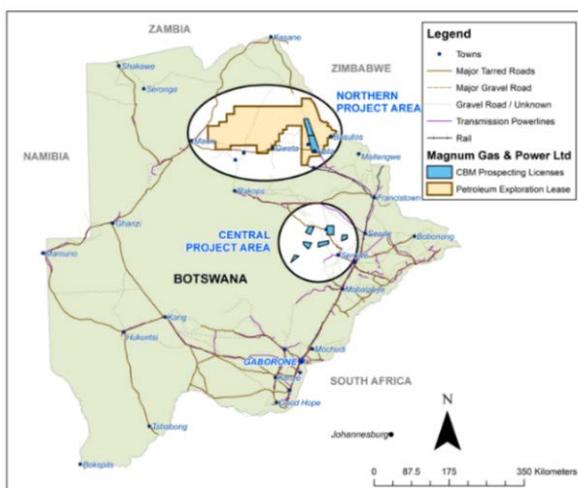
Magnum is working to progress an integrated and phased Solar and Gas fired power generation solution. Magnum proposed to the Government installation of 30MW immediately, with gas fired power generation coming along in parallel and increasing as the gas field is drilled out and certified reserves proved up and critical mass achieved. Magnum would expect to start with reciprocating gas engine power generation from initial pilot production wells to produce 1-10MW. As sufficient reserve is proved then larger power generation may be installed, along with appropriate transport infrastructure. For example, CNG suits transport of small gas quantities, while micro-LNG support large use until sufficient reserves and offtake exist to enable finance and construction of pipeline infrastructure to such gas users. The ideal scenario proposed being an integrated power generator of 100MW Solar generation and 300MW Gas fired power generation, providing a significant and clean energy mix.



Magnum has been progressing partnering discussions and investigating opportunities for such integrated hybrid Solar/Gas fired power generation facilities. Magnum has established 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 review streams and value for Magnum shareholders. As such, Magnum has been focussed on partnering and facilitating possible Solar power projects, particularly where benefits exist for Hybrid Solar & Gas power generation facilities.

Magnum is 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 (ie. until sufficient reserves exist to enable a pipeline) and potentially creating a flexible distribution network for Botswana.

Botswana Coal Bed Methane Projects



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

Magnum's CBM acreage is located in the Central region of Botswana and is held 100% by Magnum's wholly owned Botswana subsidiary, Nata Energy (Pty) Ltd. The Central CBM project consists of six blocks totalling 1,205 km² of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the “Mmashoro” basin in the Mmashoro Region.

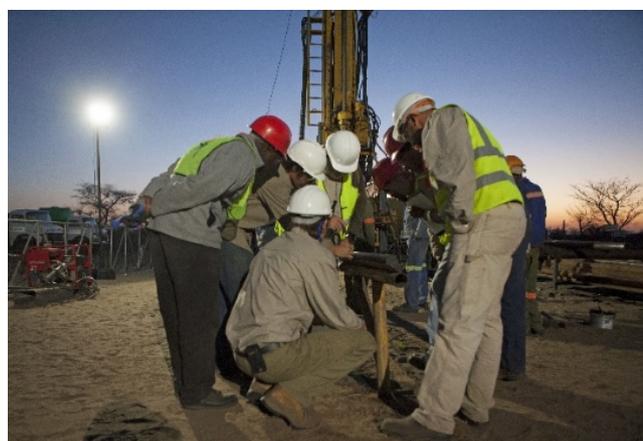
The Northern CBM Project consists of 1,132 km² of prospecting licences (PL 644/2009 and PL645/2009) over prospective CBM acreage across the “Ngwasha” basin in the Nata Region.

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

Magnum's wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd holds Petroleum Exploration Licence (“PEL”) No. 154/2012 issued by the Department of Geological Surveys in the Republic of Botswana.

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.



Corporate

During the six months Magnum raised \$160,000 by private placement of 32,000,000 shares at 0.5 cents per share.

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

Subsequent Events

Financial

Subsequent to the period ended 31 December 2015, the Company secured interim funding by way of a short-term unsecured loan. The loan facility, amounting to \$150,000, has been made available for working capital purposes. The loan may be converted into Shares in whole or part at the Company's option on or before its repayment date in 2018.

MOU with Sky Blue Capital

Subsequent to the period ended 31 December 2015, Magnum signed a memorandum of understanding ("MOU") with Sky Blue Capital Proprietary Limited ("Sky Blue").

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

The Newco aims to develop Botswana's first off grid, net zero energy residential community, envisioned to consist of 2,000 dwelling units per Sky Blue Capital's development model. Net Zero Energy Buildings and Developments are designed to produce as much energy as they consume, by combining demand side energy reductions with on-site power generation. Enabling sustainable, off grid developments.

The Newco is to be registered in Botswana as an Independent Power Producer for purposes of supplying power to the community and charging homeowners for electricity via a prepaid metering system. The purpose of the Newco is also to secure the land for development, manage the Government relations and project approvals, assist in arrangement of project financing, and provide access to natural gas resources as they are proven.

This MOU is not legally binding. Magnum and Sky Blue intend to enter into a more definitive agreement prior to September 1, 2016.

Magnum is committed to helping Botswana with its energy needs as we believe energy is a critical pillar to the growth and development of the country and people. Such projects will help unlock Botswana's domestic gas and solar resources. Integrated developments such as this provide so many benefits to so many stakeholders. Supporting community development by providing access to affordable homes and associated infrastructure (Parks, Medical, Schools & Shops) with reliable, clean and sustainable power, whilst looking after the environment.

Other material matters

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

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year report.

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'T Wheeler', with a long horizontal line extending to the right.

Mr T Wheeler
Managing Director
Perth, 15 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

Perth, Western Australia
15 March 2016



N G Neill
Partner

Condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2015

	Consolidated	
	Half-year ended 31 Dec 2015 \$	Half-year ended 31 Dec 2014 \$
Interest revenue	246	2,879
Depreciation	(3,388)	(3,942)
Occupancy expenses	-	(38,675)
Administration expenses	(320,273)	(340,793)
Interest expense	(9,187)	(7,386)
Impairment – security deposit	(50,000)	-
Impairment - exploration	-	(6,829)
Loss before income tax expense	(379,219)	(394,746)
Income tax expense	-	-
Net loss for the period	(379,219)	(394,746)
Other comprehensive income		
<i>Item that may be subsequently classified to profit and loss:</i>		
Exchange differences on translation of foreign operations	(198,428)	182,508
Total other comprehensive (loss) / income for the period	(198,428)	182,508
Total comprehensive loss for the period	(577,647)	(212,238)
	Cents per share	Cents per share
Loss per share		
Basic and diluted loss per share	(0.04)	(0.05)

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

**Condensed consolidated statement of financial position
as at 31 December 2015**

	Note	Consolidated	
		31 Dec 2015	30 Jun 2015
		\$	\$
Current assets			
Cash and cash equivalents		8,613	134,492
Receivables		28,926	72,780
Total current assets		37,539	207,272
Non-current assets			
Property, plant and equipment		2,207	5,594
Exploration and evaluation assets	3	11,879,451	11,994,495
Total non-current assets		11,881,658	12,000,089
Total assets		11,919,197	12,207,361
Current liabilities			
Trade and other payables		383,913	258,773
Total current liabilities		383,913	258,773
Non-current liabilities			
Borrowings	4	324,372	315,233
Deferred tax liabilities		1,962,729	1,962,729
Total non-current liabilities		2,287,101	2,277,962
Total liabilities		2,671,014	2,536,735
Net assets		9,248,183	9,670,626
Equity			
Issued capital	5	31,000,999	30,845,795
Reserves		(148,980)	49,448
Accumulated losses		(21,603,836)	(21,224,617)
Total equity		9,248,183	9,670,626

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2015**

	Consolidated				
	Share capital	Accumulated losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 Jul 2014	30,552,440	(20,847,692)	(173,580)	96,581	9,627,749
Loss for the period	-	(394,746)	-	-	(394,746)
Translation of foreign subsidiaries	-	-	182,508	-	182,508
Total comprehensive loss for the period	-	(394,746)	182,508	-	(212,238)
Share issue (net of costs)	293,355	-	-	-	293,355
Balance at 31 Dec 2014	30,845,795	(21,242,438)	8,928	96,581	9,708,866
Balance at 1 Jul 2015	30,845,795	(21,224,617)	49,448	-	9,670,626
Loss for the period	-	(379,219)	-	-	(379,219)
Translation of foreign subsidiaries	-	-	(198,428)	-	(198,428)
Total comprehensive loss for the period	-	(379,219)	(198,428)	-	(577,647)
Share issue (net of costs)	155,204	-	-	-	155,204
Balance at 31 Dec 2015	31,000,999	(21,603,836)	(148,980)	-	9,248,183

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

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2015**

	Consolidated	
	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(201,501)	(310,245)
Interest received	246	2,879
Net cash used in operating activities	(201,225)	(307,366)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	1,818
Exploration expenditure	(79,828)	(304,762)
Net cash used in investing activities	(79,828)	(302,944)
Cash flows from financing activities		
Proceeds from share issue	160,000	325,000
Payments for share issue costs	(4,796)	(3,305)
Proceeds from loans	-	300,000
Net cash provided by financing activities	155,204	621,695
(Decrease) / increase in cash and cash equivalents	(125,879)	11,385
Cash and cash equivalents at the beginning of the period	134,492	234,752
Cash and cash equivalents at the end of the period	8,613	246,137

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

Notes to the condensed consolidated financial statements

1. Statement of Compliance

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

This condensed consolidated interim financial (half-year) report does not include all the disclosure and notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Magnum Gas & Power Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial statements were approved by the Board of Directors on 15 March 2016.

(a) Basis of preparation

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

(b) Accounting policies and methods of computation

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

(c) Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

(d) Going Concern

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

As at 31 December 2015, the Group has \$8,613 in cash and net current liabilities of \$346,374. For the half-year, the Group expended \$240,898 of net cash from operations and \$40,185 of net cash from investing activities.

The Directors have undertaken an analysis of the Company and the Group's minimum cash flow requirements for the coming 12 month period and are confident that subject to the successful completion of a capital raising in 2016 and assuming the preferred work plans are put in place, there will be sufficient cash reserves for that period.

Notes to the condensed consolidated financial statements (continued)

1. Statement of Compliance (continued)

(d) Going Concern (continued)

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

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

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

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

The Directors have reviewed the Group's overall position and, in light of those matters mentioned above and together with the stated support of shareholders, are confident of securing funds as necessary to meet the Company's exploration and development plans and obligations as and when they fall due, and consider the adoption of the going concern basis to be appropriate in the preparation of this interim report. However, in the event that the Company is unsuccessful in raising sufficient funding, there exists a material uncertainty that may cast significant doubt that the Company or the Group will be able to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. Segment Information

The Board has determined that the Group has one reportable segment, being mineral exploration and evaluation in 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.

31 Dec 2015	Exploration Botswana	Total Segments	Corporate	Consolidated
	\$	\$	\$	\$
Segment revenue	-	-	246	246
Segment result	-	-	(379,219)	(379, 219)
Segment assets	11,879,451	11,879,451	89,746	11,969,197
Segment liabilities	(2,001,981)	(2,001,981)	(669,033)	(2,671,014)

Notes to the condensed consolidated financial statements (continued)

2. Segment Information (continued)

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

3. Exploration and evaluation assets

	Six Months to 31 Dec 2015	Year to 30 Jun 2015
	\$	\$
Costs carried forward in respect of areas of interest in the exploration phase:		
Balance at beginning of period	11,994,495	11,551,247
Foreign exchange difference on opening balance	(202,854)	239,336
Expenditure incurred during the year	87,810	210,741
Less: impairment of exploration and evaluation assets	-	(6,829)
Balance at end of period	11,879,451	11,994,495

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

4. Borrowings

	Six Months to 31 Dec 2015	Year to 30 Jun 2015
	\$	\$
Loans – related party	324,372	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.

Notes to the condensed consolidated financial statements (continued)

5. Issued Capital

	Six Months to 31 Dec 2015	Year to 30 Jun 2015	Six Months to 31 Dec 2015	Year to 30 Jun 2015
	No.	No.	\$	\$
Issued share capital	882,375,705	850,375,705	31,000,999	30,845,795

Share movements during the year:

At the beginning of the year	850,375,705	817,875,705	30,845,795	30,552,440
Shares issued pursuant to private placement at 0.5 cent per share	32,000,000	-	160,000	-
Shares issued pursuant to private placement at 1 cent per share	-	32,500,000	-	325,000
Share issue costs	-	-	(4,796)	(31,645)
At the end of the year	882,375,705	850,375,705	31,000,999	30,845,795

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

6. Commitments

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

These obligations are not provided for in the financial report:

	31 Dec 2015	30 Jun 2015
	\$	\$
Gas properties		
Not longer than 1 year	1,768,670	1,768,670
Longer than 1 year and not longer than 5 years	3,653,530	3,653,530
Total commitments	5,422,200	5,422,200

The Group through its wholly owned Botswana subsidiary Nata Energy (Pty) Ltd, has one 100% of the interest of the Botswana Coal Bed Methane Projects (Prospecting Licence's 352/2008; 353/2008; 644/2009, 645/2009 and 45/2008). As part of the original acquisition agreement in late 2007, which established the Botswana portfolio of assets, Energy Botswana Pty Ltd agreed to provide the then vendors with shares and a net revenue royalty as part of the purchase consideration for their equity. The royalty is payable to the vendors and is equal to 12.5% 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.

Notes to the condensed consolidated financial statements (continued)

6. Commitments (continued)

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

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

7. Financial Instruments

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

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

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<i>Financial assets</i>				
Loans and receivables				
- Trade and other receivables	78,926	78,926	73,826	73,826
<i>Financial liabilities</i>				
Financial liabilities held at amortised cost				
- Trade and other payables	383,913	383,913	210,570	210,570
- Loans	324,372	324,372	307,046	307,046

8. Contingent liabilities

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

9. Events occurring after the balance date

Subsequent to the period ended 31 December 2015, the Company secured interim funding by way of a short-term unsecured loan. The loan facility, amounting to \$150,000, has been made available for working capital purposes. The loan may be converted in whole or part at the Company's options into Shares on or before its repayment date in 2018.

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

Directors' declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Mr T Wheeler
Managing Director
Perth, 15 March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnum Gas & Power Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magnum Gas & Power Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualification to the conclusion expressed above, we draw attention to Note 1(d) 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 may cast significant doubt that the Company or the Group will be able to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**



**N G Neill
Partner**

**Perth, Western Australia
15 March 2016**