



# **Magnum Mining and Exploration Limited**

**A.B.N. 70 003 170 376**

**Annual report  
Year ended 31 December 2016**

## Contents

	Page
Corporate Directory	2
Review of Operations and Activities	3
Directors' Report	5
Auditor's Independence Declaration	16
Corporate Governance Statement	17
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Financial Statements	30
Directors' Declaration	61
Independent Auditor's Report	62
Shareholder Information	66

## **Corporate Directory**

### **Directors**

G M Button  
D F Lynton-Brown  
H Dawson

### **Company Secretary**

G M Button  
J A Barry

### **Registered office**

Suite 6, Ground Floor  
South Mill Centre  
9 Bowman Street  
South Perth Western Australia 6151

Telephone: +61(8) 9474 2956  
Facsimile: +61(8) 9474 2937

### **Share registry**

Computershare Investor Services  
Level 11, 172 St Georges Terrace  
Perth Western Australia 6000

Telephone: +61(8) 9323 2000  
Facsimile: +61(8) 9323 2033

### **Auditor**

HLB Mann Judd  
Chartered Accountants  
Level 4  
130 Stirling Street  
Perth Western Australia 6000

### **Solicitor**

Allen & Overy  
Level 27, Exchange Plaza  
2 The Esplanade  
Perth Western Australia 6000

### **Stock exchange listing**

Magnum Mining and Exploration Limited shares are listed on the Australian Securities Exchange under the code MGU.

The Company is limited by shares, incorporated and domiciled in Australia.

### **Website address**

[www.mmel.com.au](http://www.mmel.com.au)

## **Review of Operations and Activities**

### **Operations**

#### **Gravelotte Project, South Africa**

In June 2014, the Company acquired the rights to the historic Gravelotte (Cobra) emerald mine which had ceased operations in 2002. Through a wholly owned subsidiary, the Company has a 74% interest in the mine with the balance held under a Black Empowerment (BEE) agreement.

The Gravelotte Project is located close to the town of Gravelotte in the Limpopo province of South Africa. Emeralds were discovered in the Gravelotte area in 1927 and since then several companies have mined and explored the area for emeralds.

From 1929 to 2002 the total recorded emerald production from the Gravelotte Project and areas surrounding the Gravelotte township has been estimated as exceeding 113 million carats. It is reported that during the 1960s the Gravelotte Project was the largest emerald mine in the world, employing over 400 sorters.

The emerald mineralisation at Gravelotte is hosted by schists that form a star-shaped outcrop pattern defined by two structural trends and northeast-trending steep-sided granite bodies. The emerald-bearing zones and their sub-divisions are contained within four main areas:

- Cobra – comprising Cobra North, Cobra South and Cobra Underground;
- Discovery – comprising Discovery Pit, Discovery East and Discovery South;
- Beryl Kop – comprising Beryl Kop East and Beryl Kop West; and
- Sable Kop

During the year, 12 pits were excavated on site in order to map the eastern contact with the Quarry Granite.

In addition, the Company commissioned a 300ha drone-based topographic survey of the mining area and had consultants carry out geological and structural mapping of the 3 open pits.

Digitising of the historic data also continued.

#### **Bulk Sampling**

A detailed assessment and costing of the proposed bulk sampling programme, and timetable for the proposed programme, commenced in late 2016 and is expected to be undertaken in mid 2017.

The assessment is predicated on the bulk sampling programme sourcing run of mine ore to optimise the mining, beneficiation and recovery methods as well as gain sufficient emeralds to test the market to determine the likely value range of the emeralds produced.

The results of this bulk sampling programme will provide the platform to formerly assess the economics of a potential commercial mining operation within the Gravelotte Project.

## **Review of Operations and Activities (continued)**

### **Gravelotte Project, South Africa (continued)**

#### **Compliance**

During the December quarter, a comprehensive plan and progress report on the Prospecting Right, was compiled and submitted to the DMR in Polokwane.

The renewal application for the Prospecting Right was also submitted to the DMR who have subsequently confirmed in writing that the current Prospecting Right remains valid.

The MSA Group continue to work on the Section 11 application to the DMR

During the year, the Company also commenced a number of general maintenance projects to the buildings on site. As part of the on-going work programme, work was also undertaken on keeping boundaries and other tracks clear of vegetation for use as fire breaks. Access roads and tracks have also been cleared and opened up and also sufficient drainage has been established to prevent water erosion during heavy downpours.

The Company considers the Gravelotte Project presents a near term development opportunity and the focus over the next 12 months will be to complete the proposed bulk sample and incorporate the results from that programme to develop a timetable to move to potential commercial emerald production from the project.

#### **Corporate**

##### **Board Changes**

On 20 February 2017, Company announced the appointment of Mr Howard Dawson to the Company's Board as a Non-Executive Director with effect from 20 February 2017.

The Company also announced Mr Roy Spencer resigned as an Executive Director of the Company with effect from 20 February 2017.

Please refer to the Information on Directors section in the Directors' Report at page 6 and 7 for further details.

## **Directors' Report**

Your directors present their report on the consolidated entity (referred to hereafter, as the "consolidated entity" or "Group") consisting of Magnum Mining and Exploration Limited and the entities it controlled at the end of, or during, the financial year ended 31 December 2016.

### **Directors**

The names of directors who held office during or since the end of the year and up until the date of this report are as follows:

G M Button  
D F Lynton-Brown  
H Dawson (Appointed 20 February 2017)  
R Spencer (Resigned 20 February 2017)

### **Principal Activities**

The principal activity of the Group during the financial year was mineral exploration.

### **Dividends**

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### **Review of operations**

Information on the operations and activities of the Group is set out in the review of operations and activities section on pages 3 and 4 of this annual report.

### **Operating result for the year**

The consolidated net loss of the Group for the year after income tax was \$884,739 (2015: profit of \$340,387).

### **Financial position**

As at 31 December 2016, the Group had cash reserves of \$206,492 (2015: \$772,280).

### **Significant changes in the state of affairs**

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### **Matters subsequent to the end of the financial year**

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### **Likely developments and expected results**

Additional comments on expected results of certain operations of the Group are included in the review of operations and activities section.

## **Directors' Report (continued)**

### **Environmental legislation**

The Group is subject to significant environmental legal regulations in respect of its exploration and evaluation activities in South Africa. There have been no known breaches of these regulations and principles.

### **Information on directors**

**G M Button B. Bus. (Acc), C.P.A.** *Executive Director*

#### ***Experience and expertise***

G M Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He was appointed as a director in 2006 and was appointed as CEO of the Company on 16 July 2007. He has over 26 years of experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary for a range of publicly listed companies.

#### ***Other current directorships***

Non-Executive Director and Company Secretary of Ferrum Crescent Ltd

#### ***Former directorships in the last 3 years***

Executive Director of Sylvania Platinum Ltd (Resigned 30 April 2015)

#### ***Special responsibilities***

Chief Executive Officer

#### ***Interest in shares and options of the Company and related bodies corporate***

4,440,000 ordinary shares

**D F Lynton-Brown** *Non-Executive Chairman*

#### ***Experience and expertise***

D F Lynton-Brown has been involved within the Mining Industry for over 43 years. He has predominantly been involved with corporate development and promotional activities relating to a large number and range of business ventures, where he has been most instrumental with their initial establishment activities, along with attracting associated institutional investors.

#### ***Other current directorships***

None

#### ***Former directorships in the last 3 years***

None

#### ***Special responsibilities***

Chairman of the Board

#### ***Interest in shares and options of the Company and related bodies corporate***

920,000 ordinary shares

## **Directors' Report (continued)**

### **Information on directors (continued)**

**H Dawson B. App. Sc. (Geology), Dip App. Sc. MAIG** *Non-Executive Director*  
(Appointed 20 February 2017)

#### ***Experience and expertise***

Mr Dawson is a geologist with exploration and development experience across base, precious metals and bulk commodities in addition to strong experience across the securities industry. He is an experienced company director and is currently a non-executive chairman of SportsHero Ltd and non-executive chairman of Entek Energy Ltd.

#### ***Other current directorships***

Non-Executive Chairman of SportsHero Ltd  
Non-Executive Chairman of Entek Energy Ltd

#### ***Former directorships in the last 3 years***

Non-Executive Chairman of Migme Ltd (Resigned 31 May 2016)

#### ***Special responsibilities***

None

#### ***Interest in shares and options of the Company and related bodies corporate***

No ordinary shares in Magnum Mining and Exploration Limited

**R Spencer** *Executive Director*

(Resigned 20 February 2017)

#### ***Experience and expertise***

Mr Spencer has had over 42 years experience as a successful exploration and mining geologist in the international mineral resource industry in a number of commodities, including gemstones and diamonds. He has worked in various senior roles with major and junior companies and in corporate positions with various organisations, implementing and managing exploration and evaluation programmes in remote and challenging regions to PFS and Bankable FS level to JORC, SAMREC and 43-101 standards.

#### ***Other current directorships***

Director of Grosvenor Exploration & Mining Services (Ireland) Ltd  
Non-Executive Director of Emerging Market Plc

#### ***Former directorships in the last 3 years***

None

#### ***Special responsibilities***

None

#### ***Interest in shares and options of the Company and related bodies corporate***

No ordinary shares in Magnum Mining and Exploration Limited

### **Company secretary**

Mr Grant Button

Please refer to the above Information on Directors section for further details.

**Directors' Report (continued)****Company secretary (continued)**

Ms Jacqueline Barry

Ms Barry has over 13 years corporate administration experience and during this time has held assistant company secretarial roles for a number of publicly listed mining and exploration companies.

**Meetings of directors**

During the financial year there were six formal directors' meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

The number of meetings of the Company's board of directors attended by each director was:

	<i>Directors' meetings held whilst in office</i>	<i>Directors' meetings attended</i>
G M Button	6	6
D F Lynton-Brown	6	6
H Dawson (Appointed 20 February 2017)	-	-
R Spencer (Resigned 20 February 2017)	6	6

**Indemnification****Insurance of officers**

During the financial year, the Company paid premiums to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## **Directors' Report (continued)**

### **Remuneration report (audited)**

This report outlines the remuneration arrangements in place for key management personnel of the Company for the financial year ended 31 December 2016. 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 remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The key management personnel of the Company are the Directors.

#### **Directors**

Grant Button (Chief Executive Officer and Company Secretary)

Darryl Lynton-Brown (Non-Executive Chairman)

Howard Dawson (Non-Executive Director) (Appointed 20 February 2017)

Roy Spencer (Executive Director) (Resigned 20 February 2017)

Details of key management personnel's remuneration are set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration including Share Based Payment compensation
- C Employment contracts of directors

#### **A. Principles used to determine the nature and amount of remuneration**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management

The framework provides a mix of fixed fee, consultancy agreement based remuneration, and share based incentives.

## **Directors' Report (continued)**

### **Remuneration report (continued)**

#### **A. Principles used to determine the nature and amount of remuneration (continued)**

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by the Board. The Board's aim is to ensure the remuneration packages properly reflect directors' and executives' duties and responsibilities. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past fourteen (14) financial years.

#### **B. Details of remuneration including Share Based Payment compensation**

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

##### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market. Directors are not present at any discussions relating to determination of their own remuneration.

The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 31 May 2007, when shareholders approved an aggregate remuneration of \$150,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

##### *Employee share plan*

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

The objective of the Magnum Employee Share Plan is to ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees. The plans provide an incentive for participants to participate in the future growth of the Company and, upon becoming shareholders in the Company, to participate in the Company's profits and development. There are no performance criteria attached to shares given the Company's projects are currently within an exploration phase.

The key features of the scheme are set out in Note 25.

## **Directors' Report (continued)**

### **Remuneration report (continued)**

#### **B. Details of remuneration including Share Based Payment compensation (continued)**

##### *Executive director remuneration*

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business team and individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

The executive pay and reward framework has the following components:

- Base pay and benefits such as superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in the Directors and Employees Share Plan.

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

#### **Fixed annual remuneration**

Fixed annual remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate external advice on policies and practices. The Board of Directors has access to external and independent advice where necessary.

Some of the directors perform at least some executive or consultancy services. However, each director receives a separate fixed fee for their services as a director, as the Board considers it important to distinguish between the executive and non-executive roles held by those individuals.

#### **Variable annual remuneration**

##### *Short-term incentives*

There are no current short term incentive remuneration arrangements.

##### *Long-term incentives*

Retirement allowances for directors:

Apart from superannuation payments paid on base director fees there are no retirement allowances for directors.

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2016 and 2015 are set out in Tables 1 and 2 in Section C.

## **Directors' Report (continued)**

### **Remuneration report (continued)**

#### **B. Details of remuneration including Share Based Payment compensation (continued)**

##### **Variable annual remuneration (continued)**

###### *Employee share plan*

To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees, the Company has established a Directors' and Employees' Share Plan (the "Plan"), which was approved by the Shareholders on 31 July 2006 at the Company's Annual General Meeting.

The number of Ordinary Shares that may be offered to a Participant is entirely within the discretion of the Board. The Company does not intend to offer more than 10% of the issued share capital of the Company under the current Plan.

The Board's policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold securities in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

Participants of the Plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan; and
- The Company will have a lien over the shares in respect of which a loan is outstanding.

**Directors' Report (continued)****Remuneration report (continued)****B. Details of remuneration including Share Based Payment compensation (continued)****Variable annual remuneration (continued)**

The market value of the option implicit in the share issued under the Plan (funded by way of a loan on the conditions noted above), measured using the Black and Scholes option pricing model, is recognised in the financial statements as a share-based payment reserve and as employee benefit costs in the period over which the shares vest.

No new shares have been provided as remuneration to directors in the current or prior year, under the Employee Share Plan.

**C. Employment contracts of directors**

The employment arrangements of the directors are not formalised in a contract of employment.

**Table 1: Directors' remuneration for the year ended 31 December 2016**

<b>2016</b>	<b>Primary benefits</b>		<b>Post-employment benefits</b>	<b>Share-based payments</b>	<b>TOTAL</b>	<b>Performance related %</b>
<b>Name</b>	<b>Cash salary and consulting fees</b>	<b>Directors' fees</b>	<b>Superannuation</b>	<b>Equity shares</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>G M Button</b>	-	<b>25,000</b>	<b>2,375</b>	-	<b>27,375</b>	-
<b>D F Lynton-Brown</b>	-	<b>25,000</b>	<b>2,375</b>	-	<b>27,375</b>	-
<b>H Dawson</b>	-	-	-	-	-	-
<b>R Spencer</b>	-	<b>25,000</b>	-	-	<b>25,000</b>	-
<b>TOTAL</b>	-	<b>75,000</b>	<b>4,750</b>	-	<b>79,750</b>	-

**Directors' Report (continued)****Remuneration report (continued)****C. Employment contracts of directors (continued)***Table 2: Directors' remuneration for the year ended 31 December 2015*

2015	Primary benefits		Post-employment benefits	Share-based payments	TOTAL	Performance related %
Name	Cash salary and consulting fees	Directors' fees	Superannuation	Equity shares		
	\$	\$	\$	\$	\$	
G M Button	-	22,831	2,169	-	25,000	-
D F Lynton-Brown	-	22,831	2,169	-	25,000	-
R Spencer	-	25,000	-	-	25,000	-
TOTAL	-	70,662	4,338	-	75,000	-

**D. Shareholdings of directors**

The numbers of shares in the Company held during the financial year by each director of the Company, including their personally related entities, is set out below. Where shares are held by the individual director or executive and any entity under the joint or several control of the individual director or executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the individual director or executive are shown as 'non-beneficially held'.

2016		Balance at the start of the year	Purchased during the year	Other changes during the year	Balance at the end of the year
Name	Type of holding				
<b>G M Button</b>	<b>Beneficially held</b>	<b>4,440,000</b>	-	-	<b>4,440,000</b>
<b>D F Lynton Brown</b>	<b>Beneficially held</b>	<b>920,000</b>	-	-	<b>920,000</b>
<b>H Dawson</b>	<b>Beneficially held</b>	-	-	-	-
<b>R Spencer</b>	<b>Beneficially held</b>	-	-	-	-
2015					
G M Button	Beneficially held	4,440,000	-	-	4,440,000
D F Lynton Brown	Beneficially held	920,000	-	-	920,000
R Spencer	Beneficially held	-	-	-	-

The directors have no option holdings in the Company.

**Directors' Report (continued)****Remuneration report (continued)****E. Transactions with related parties of directors**

		<b>Income from Related Parties</b>	<b>Expenditure to Related Parties</b>	<b>Amounts Owed by Related Parties at year end</b>	<b>Amounts Owed to Related Parties at year end</b>
<b>Grosvenor Exploration &amp; Mining Services (Ireland) Ltd (i)</b>	<b>2016</b>	-	<b>104,275</b>	-	<b>7,411</b>
	2015	-	143,466	-	-

(i) Mr R Spencer, an Executive director, (resigned 20 February 2017), is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd. During the year, Grosvenor Exploration & Mining Services received the above fees for geological exploration consultancy services. These fees are based on normal commercial terms and conditions.

This is the end of the audited remuneration report.

**Auditor independence and non-audit services**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 16 and forms part of this directors' report for the year ended 31 December 2016.

**Non-audit services**

There were no non-audit services provided by the Company's auditors during the financial year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



**Grant M Button**  
**Director**

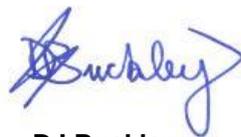
Perth, Australia  
31 March 2017

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Magnum Mining & Exploration Limited for the year ended 31 December 2016, 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  
31 March 2017



**D I Buckley**  
Partner

## Corporate Governance Statement

The Board of Directors (Board) of the Company are committed to attaining and implementing the highest standards of corporate governance. The Board has reviewed the Company's corporate governance practices in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchanges (ASX) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the present size and scope of the Company it is not practical to institute all of the best practice recommendations at present.

The Company reports below on how it has followed and "if not, why not" disclosure on each of the Principles & Recommendations.

The Corporate Governance statement has been approved by the Board and is current as at 31 March 2017.

Principles and Recommendations	Comply (Yes/No)	Explanation
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<b>Recommendation 1.1</b> A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	No	The Company considers Corporate Governance Recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the Company's operation, the number of directors constituting the Board and the fact that the Company has one part time employee. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.
<b>Recommendation 1.2</b> A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	The Company undertakes comprehensive reference checks before appointing a person, or putting a person forward for election to shareholders, as a director.
<b>Recommendation 1.3</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has written agreements with each director in accordance with Recommendation 1.3.
<b>Recommendation 1.4</b> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	No	<p>The Company has not established a Diversity Policy. Given the size of the Board, and the Company's limited employee, the Board considers that it is not practical to establish a Diversity Policy. At the date of this report, the Company has one part-time female employee. No women are currently represented on the Board.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process</p>	Yes	<p>The Board undertakes annual self assessment of its collective performance and the performance of the Chairman. The Board is evaluated annually via round table discussion. The evaluation includes consideration of the following matters: assessment of the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and annual budget, review of the level and effectiveness of the Board's interaction with management review of the content, format and timing of information provided to directors, and review of Board and committee charters to assess if they remain appropriate to the Company's activities. Similar procedures to those for the Board review are applied to evaluate the performance of any Board committees. An assessment will be made of the performance of each committee and areas identified where improvements can be made. During the year, an evaluation of the Board and individual directors took place in accordance with the process disclosed above.</p>

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	The Chairman reviews the performance of senior executives by way of a formal interview with each senior executive. During the year, an evaluation of senior executive took place in accordance with the process disclosed above.
Principle 2 Structure the board to add value		
<p><b>Recommendation 2.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	No	The Board has not established a separate independent nomination committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a nomination committee separate from the Board. Accordingly, the Board performs the role of Nomination Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions.
<p><b>Recommendation 2.2</b></p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	No	Given the current size and composition of the Board, the Company does not maintain a formal skills matrix setting out the skills and diversity of the Board. However, the current Board does have a mixture of experience and corporate, technical, financial and management skills that are considered appropriate for the Company's present operations. A profile of each director setting out their skills, experience, expertise and period of office is set out on page 6 and 7 of the Directors' Report.

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	No	<p>Details of the Board of Directors, their length of service and independence are as follow: Mr Darryl Lynton-Brown - 9 years - Independent - Non-Executive Chairman; Mr Grant Button - 11 years - Not Independent - Executive Director; Mr Howard Dawson - Appointed 20 February 2017 - Independent - Non-Executive Director; Mr Roy Spencer - 2 years - Resigned 20 February 2017 - Not Independent - Executive Director. Given, the current size and composition of the Board, the Board is of the opinion that the Company is best served by its current Board's composition of executive and non-executive directors.</p>
<p><b>Recommendation 2.4</b></p> <p>A majority of the board of a listed entity should be independent directors.</p>	No	<p>The Board comprises two director who is considered as independent in terms of Recommendation 2.3.</p>
<p><b>Recommendation 2.5</b></p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	Yes	<p>The role of Chairman of the Company during the year, was held by Mr Darryl Lynton-Brown (who is considered as independent in terms of Recommendation 2.3) The Chief Executive Officer during the year, was held by Mr Grant Button (who is not considered as independent in terms of Recommendation 2.3)</p>
<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Yes	<p>The Company has an informal induction process, due to the Board's size. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors will undertake their own continuing educations.</p>
Principle 3: Act ethically and responsibly		
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	No	<p>The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavor to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in Recommendation 3.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its shareholders for their conduct.</p>

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 4: Safeguard integrity in financial reporting		
<p><b>Recommendation 4.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	No	<p>The Board has not established a separate independent audit committee. Given the current size and composition of the Board, the Board believes that where would be no efficiencies gained by establishing an audit committee separate from the Board. Accordingly, the Board performs the role of Audit Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.</p>
<p><b>Recommendation 4.2</b></p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	<p>The Chair and the Chief Executive Officer have provided a declaration to the Board, before it approves the Company's financial statements for a period.</p>
<p><b>Recommendation 4.3</b></p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Yes	<p>A representative of the Company's external audit firm attends the AGM and is available to answer questions to security holders relevant to the audit.</p>

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
<b>Principle 5: Make timely and balanced disclosure</b>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules. The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirement and accountability at a senior management level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in Recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.</p>
<b>Principle 6: Respect the rights of security holders</b>		
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	Will Comply	<p>Information about the Company and its governance will be available on the Company's website.</p>
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Yes	<p>The Company is committed to promoting effective communications with shareholders by ensuring they and the broader investment community is provided with full and timely disclosure of its activities providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.</p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	<p>The Company gives adequate notice to shareholders of meetings of shareholders and encourages attendance at such meetings.</p>
<p><b>Recommendation 6.4</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	Yes	<p>The Company engages its share registry to manage the majority of communications with shareholders and encourage them to receive correspondence from the Company electronically.</p>

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 7: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
<p><b>Recommendation 7.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	No	<p>The Board has not established a separate independent risk committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a risk committee separate from the Board. Accordingly, the Board performs the role of Risk Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions.</p>
<p><b>Recommendation 7.2</b></p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	No	<p>The Board reviews the risks to the Company at regular Board's meeting.</p>
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	No	<p>Given, the size of the company's operation, the Company does not have an internal audit function.</p>
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>The Company does not believe it has any material exposure to economic, environmental and social sustainability risks.</p>

**Corporate Governance Statement (continued)**

Principles and Recommendations	Comply (Yes/No)	Explanation
<p><b>Recommendation 8.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	No	The functions that would be performed by a remuneration committee are performed by the full Board. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a remuneration committee separate from the Board.
<p><b>Recommendation 8.2</b></p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	No	An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remunerations Reports section of the Directors' Report.
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	The Company has a share trading policy which includes prohibiting participants of an equity-based remuneration scheme from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

	Notes	Consolidated 2016 \$	2015 \$
<b>Revenue from continuing operations</b>	3	<b>103,745</b>	96,381
Depreciation expense		<b>(3,622)</b>	(3,712)
Exploration expensed as incurred		<b>(436,992)</b>	(558,068)
Other expenses	4	<b>(547,870)</b>	(571,965)
<b>Loss before income tax expense</b>		<b>(884,739)</b>	(1,037,364)
Income tax expense	5	-	-
<b>Loss from continuing operations</b>		<b>(884,739)</b>	(1,037,364)
<b>Profit from discontinued operations</b>	6	-	1,377,751
<b>Net profit / (loss) for the year</b>		<b>(884,739)</b>	340,387
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(13,303)</b>	(8,617)
<i>Reclassifications:</i>			
Reclassification to profit or loss on deconsolidation of subsidiaries		-	54,189
<b>Other comprehensive income/ (loss) for the year net of tax</b>		<b>(13,303)</b>	45,572
<b>Total comprehensive income/ (loss) for the year</b>		<b>(898,042)</b>	385,959
<b>Profit/ (loss) attributable to:</b>			
Equity holder of the parent		<b>(768,660)</b>	489,966
Non-controlling interests		<b>(116,079)</b>	(149,579)
<b>Net profit/ (loss) for the year</b>		<b>(884,739)</b>	340,387

**Consolidated Statement of Comprehensive Income  
for the year ended 31 December 2016**

	Notes	Consolidated	
		2016 \$	2015 \$
<b>Total comprehensive income/ (loss) attributable to:</b>			
Equity holder of the parent		(781,963)	535,538
Non-controlling interests		(116,079)	(149,579)
		<hr/>	<hr/>
<b>Total comprehensive income/ (loss) for the year</b>		<b>(898,042)</b>	<b>385,959</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Basic earnings/ (loss) per share (cents)</b>	24	<b>(0.39)</b>	0.15
		<hr/> <hr/>	<hr/> <hr/>
<b>Basic earnings/ (loss) per share (cents) from continuing operations</b>	24	<b>(0.39)</b>	(0.45)
		<hr/> <hr/>	<hr/> <hr/>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Consolidated Statement of Financial Position  
as at 31 December 2016**

	Notes	Consolidated 2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	206,492	772,280
Trade and other receivables	8	48,269	51,082
<b>Total Current Assets</b>		<b>254,761</b>	<b>823,362</b>
<b>Non-Current Assets</b>			
Plant and equipment	9	5,931	8,572
Exploration and evaluation expenditure	11	2,060,834	2,060,834
Rehabilitation guarantee		36,902	36,902
<b>Total Non-Current Assets</b>		<b>2,103,667</b>	<b>2,106,308</b>
<b>Total Assets</b>		<b>2,358,428</b>	<b>2,929,670</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	275,228	148,428
Borrowings	13	200,000	-
<b>Total Current Liabilities</b>		<b>475,228</b>	<b>148,428</b>
<b>Total Liabilities</b>		<b>475,228</b>	<b>148,428</b>
<b>Net Assets</b>		<b>1,883,200</b>	<b>2,781,242</b>
<b>EQUITY</b>			
Issued capital	14	20,517,335	20,517,335
Reserves	15	50,719	64,022
Accumulated losses	15	(18,897,896)	(18,129,236)
Equity attributable to owners of the parent		1,670,158	2,452,121
Non-controlling interests	10	213,042	329,121
<b>Total Equity</b>		<b>1,883,200</b>	<b>2,781,242</b>

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

### Consolidated Statement of Changes in Equity for the year ended 31 December 2016

Consolidated	Issued capital	Accumulated losses	Reserves	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 January 2015	20,517,335	(18,619,202)	18,450	478,700	2,395,283
Profit/ (Loss) for the year	-	489,966	-	(149,579)	340,387
Other comprehensive income:					
Reclassification to profit/ (loss) on sale of subsidiaries	-	-	54,189	-	54,189
Currency translation differences	-	-	(8,617)	-	(8,617)
Total other comprehensive income/ (loss)	-	-	45,572	-	45,572
Total comprehensive income/ (loss)	-	489,966	45,572	(149,579)	385,959
Balance at 31 December 2015	20,517,335	(18,129,236)	64,022	329,121	2,781,242
<b>Balance at 1 January 2016</b>	<b>20,517,335</b>	<b>(18,129,236)</b>	<b>64,022</b>	<b>329,121</b>	<b>2,781,242</b>
<b>Profit/ (Loss) for the year</b>	<b>-</b>	<b>(768,660)</b>	<b>-</b>	<b>(116,079)</b>	<b>(884,739)</b>
<b>Other comprehensive income:</b>					
<b>Currency translation differences</b>	<b>-</b>	<b>-</b>	<b>(13,303)</b>	<b>-</b>	<b>(13,303)</b>
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>(768,660)</b>	<b>(13,303)</b>	<b>(116,079)</b>	<b>(898,042)</b>
<b>Balance at 31 December 2016</b>	<b>20,517,335</b>	<b>(18,897,896)</b>	<b>50,719</b>	<b>213,042</b>	<b>1,883,200</b>

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

## Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Notes	Consolidated	
		2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from Customers		107,287	90,944
Interest received		182	415
GST paid		7,470	23,733
Payments for exploration and evaluation expenditure		(412,301)	(572,837)
Payments to suppliers and employees		(399,890)	(528,258)
<b>Net cash outflow from operating activities</b>	23	<b>(697,252)</b>	<b>(986,003)</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant and equipment		(981)	(6,303)
Repayments received from other entities		-	52,067
Cash flows from discontinued operations from investing activities	6	-	1,206,486
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>(981)</b>	<b>1,252,250</b>
<b>Cash flows from financing activities</b>			
Proceed from borrowings		200,000	-
<b>Net cash inflow from financing activities</b>		<b>200,000</b>	<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(498,233)</b>	266,247
Cash and cash equivalents at the beginning of the year from continuing operations		772,280	448,441
Effects of exchange rate changes on cash and cash equivalent		(67,555)	57,592
<b>Cash and cash equivalents at the end of the year</b>	7	<b>206,492</b>	<b>772,280</b>

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

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies

**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Magnum Mining and Exploration Limited and its subsidiaries. The Company is a for-profit entity.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in South Africa. The Group's principal activity is mineral exploration.

Where appropriate, prior year disclosures have been reclassified for consistency with current year classifications. Any reclassifications do not impact the net result for the prior year.

**(b) Statement of Compliance**

The financial report was authorised for issue in accordance with a resolution of the Directors on 31 March 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**(c) Adoption of new and revised standards**

**New accounting standards and interpretations**

In the year ended 31 December 2016, the Directors have reviewed the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations 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 material change is necessary to the Group's accounting policies.

**(d) Accounting Standards and Interpretations issued but not yet effective**

The Directors have also reviewed all new standards and interpretations that have been issued but are not yet effective for the year ended 31 December 2016. As a result of this review, the Directors have determined that no standards and interpretations issued but not yet effective impact the Group.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(e) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Magnum Mining and Exploration Limited and its subsidiaries as at 31 December each year (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

When applicable, non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

**(f) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, 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 other factors that are considered to be relevant. Actual results may differ from these estimates.

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

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions, as discussed in Note 25.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 25.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(g) Comparatives**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(h) Segment reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Magnum Mining and Exploration Limited.

**(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest income is recognised on a time proportion basis using the effective interest method.

**(j) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(k) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (l) Foreign currency translation

###### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

###### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

###### *(iii) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences is recognised in the statement of comprehensive income as part of the gain or loss on sale.

##### (m) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (m) Income Tax (continued)

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

As the Company has no wholly-owned Australian controlled entities it has not implemented the tax consolidation legislation.

##### (n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

##### (o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(o) Property, plant and equipment (continued)**

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment; furniture, fixtures and fittings – over 3 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at fair value, impairment losses on land and buildings are treated as a revaluation decrement, to the extent of any previous revaluation increments.

*(ii) De-recognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(p) Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(p) Financial assets (continued)**

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (q) Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

###### *(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

###### *(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

###### *(iii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(r) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(s) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(t) 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

**(t) Provisions (continued)**

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(u) Employee leave benefits**

*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(v) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (v) Share-based payment transactions (continued)

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of financial position charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share.

##### (w) Borrowings

Borrowings are recognised at fair value net of transaction costs incurred.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

##### (x) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (y) Earnings per share

Basic earnings per share are calculated as net result attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net result attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

##### (z) Exploration and evaluation

Exploration and evaluation expenditure incurred may be accumulated in respect of each identifiable area of interest. Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred. Acquisition costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated acquisition costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made, a regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward acquisition costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation in relation to an area may still be written off if considered to be appropriate to do so.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within plant and equipment.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 1: Statement of Significant Accounting Policies (continued)

##### (aa) Going concern

The Group has a cash balance at 31 December 2016 of \$206,492. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. Notwithstanding the fact that the Group has a working capital deficit of \$220,467, the Directors are of the opinion that the Group is a going concern due to the following:

- (i) The Company has the ability to fund working capital through an external third party.
- (ii) The Company will seek to raise additional working capital from capital raising.

Whilst the Directors are confident that the above initiatives will generate sufficient funds to enable the Group to continue as a going concern for at least the period of 12 months from the date of signing this financial report, should these initiatives be unsuccessful, there exists a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, whether it will 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.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 2: Financial reporting by segments

For management purposes the chief operating decision maker, being the Board of Directors of Magnum Mining and Exploration Limited, reports its results per geographical segment.

The following table presents the financial information regarding these segments provided to the Board of Directors for the years ended 31 December 2016 and 31 December 2015.

	Australia \$	Namibia \$	South Africa \$	Consolidated \$
<b>31 December 2016</b>				
<b>Segment revenue</b>	<b>103,730</b>	-	<b>15</b>	<b>103,745</b>
<b>Segment profit/ (loss)</b>	<b>(438,163)</b>	-	<b>(446,576)</b>	<b>(884,739)</b>
<b>Segment assets</b>	<b>260,045</b>	-	<b>2,098,383</b>	<b>2,358,428</b>
<b>Segment liabilities</b>	<b>393,049</b>	-	<b>82,179</b>	<b>475,228</b>
<b>Included within segment results:</b>				
<b>Depreciation</b>	<b>3,622</b>	-	-	<b>3,622</b>
<b>Interest revenue</b>	<b>167</b>	-	<b>15</b>	<b>182</b>
<b>31 December 2015</b>				
<b>Segment revenue</b>	<b>96,381</b>	-	-	<b>96,381</b>
<b>Segment profit/ (loss)</b>	<b>(458,281)</b>	<b>1,377,751</b>	<b>(579,083)</b>	<b>340,387</b>
<b>Segment assets</b>	<b>828,218</b>	-	<b>2,101,452</b>	<b>2,929,670</b>
<b>Segment liabilities</b>	<b>82,665</b>	-	<b>65,763</b>	<b>148,428</b>
<b>Included within segment results:</b>				
<b>Depreciation</b>	<b>3,712</b>	-	-	<b>3,712</b>
<b>Discontinued operations</b>	-	<b>1,377,751</b>	-	<b>1,377,751</b>
<b>Interest revenue</b>	<b>415</b>	-	-	<b>415</b>

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

		<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$</b>	<b>\$</b>
<b>Note 3:</b>	<b>Revenue</b>		
	<b>From continuing operations</b>		
	Administration overhead recoveries	<b>103,563</b>	95,966
	Interest received	<b>182</b>	415
		<b>103,745</b>	96,381

#### **Note 4: Expenses**

##### **Loss before income tax includes the following specific expenses:**

Directors remunerations	<b>75,000</b>	70,730
Legal and professional services	<b>80,964</b>	96,668
Staff expenses	<b>75,572</b>	79,295
Superannuation contributions	<b>10,312</b>	11,656
Others	<b>306,022</b>	313,616
	<b>547,870</b>	571,965

Other than directors, the Company has 1 employee (2015: 1).

#### **Note 5: Income tax benefit**

##### **(a) Numerical reconciliation of income tax benefit to prima facie tax payable**

Profit/ (Loss) before income tax expense	<b>(884,739)</b>	340,387
Tax at the Australian rate of 30% (2015: 30%)	<b>265,422</b>	(102,116)
Tax effect of amounts which are (not deductible)/ taxable in calculating taxable income	<b>(164,231)</b>	(130,360)
Deferred tax asset not brought to account	<b>(101,191)</b>	232,476
Income tax benefit	<b>-</b>	-

##### **(b) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised	<b>5,726,575</b>	5,405,220
Potential tax benefit @ 30%	<b>1,717,973</b>	1,621,566

The benefit of these tax losses will only be realised if the Group derives further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; the Group continues to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affects the Group's ability in realising the benefit from the deductions.

**Notes to the Financial Statements****For the Year Ended 31 December 2016****Note 5: Income tax benefit (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Unrecognised deferred tax liabilities</b>		
Subsidiaries	<b>2,060,834</b>	2,060,834
Potential deferred tax liability @ 30%	<b>618,250</b>	618,250

Deferred tax liabilities have not been recognised in respect of these items as the entity have sufficient carry forward losses to be able to offset any potential deferred tax liability arising.

**Note 6: Profit/ (loss) from discontinued operations**

Last year, the Company completed the 100% sell-down of the Tantalite Valley Project via the sale of its two Namibian subsidiaries to a Namibian incorporated investment vehicle African Tantalum (Pty) Limited.

Consideration for the sell-down was R15,000,000, less an amount of R550,000 retained by the purchaser for estimated VAT payable by the subsidiaries. The net proceeds amounted to R14,450,000 (\$A equivalent approximately \$1.44 million).

The Company has also signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This will formally complete all requirements in relation to the sell-down of the Tantalite Valley Project.

The profit from discontinued operations in the current year has been determined as follows:

	<b>\$</b>
Net proceeds from sale	<b>1,440,794</b>
Loss on investment in associate (shares donated)	<b>(96,506)</b>
Impairment of loans	<b>(20,726)</b>
Reclassification of items of Comprehensive Income	<b>54,189</b>
	<b>1,377,751</b>
<u>Statement of Cash Flows reconciliation:</u>	
Net proceeds as per above	<b>1,440,794</b>
Less: Deposit received in the previous year	<b>(211,333)</b>
Less: Costs of sale	<b>(22,975)</b>
Cash received	<b>1,206,486</b>

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

	Consolidated	
	2016	2015
<b>Note 7: Cash and cash equivalents</b>	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	206,492	771,964
Petty cash	-	316
	<b>206,492</b>	<b>772,280</b>

#### (a) Cash at bank and on hand

Cash at bank balances are subject to interest at variable rates and the average rate for the year was 0.05% (2015: 0.05%).

#### (b) Deposits at call

As at reporting date, the Company does not hold any funds on deposits at call.

### Note 8: Trade and other receivables

Sundry debtors	10,093	13,818
Other debtors	7,307	6,927
Bonds	9,818	9,818
Prepayments	21,051	20,519
	<b>48,269</b>	<b>51,082</b>

All trade debtors are current. No amounts are past due or impaired.

### Note 9: Plant and equipment

Consolidated	Plant and equipment \$	Furniture, fixtures and fittings \$	Total \$
<b>At 1 January 2015</b>			
Cost	21,908	145	22,053
Accumulated depreciation	(14,593)	(99)	(14,692)
Net book amount	7,315	46	7,361
<b>Year ended 31 December 2015</b>			
Opening net book amount	7,315	46	7,361
Acquisition of assets	2,423	2,500	4,923
Depreciation charge	(3,484)	(228)	(3,712)
Closing net book amount	6,254	2,318	8,572
<b>At 31 December 2015</b>			
Cost	24,331	2,645	26,976
Accumulated depreciation	(18,077)	(327)	(18,404)
Net book amount	6,254	2,318	8,572

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 9: Plant and equipment

Consolidated	Plant and equipment \$	Furniture, fixtures and fittings \$	Total \$
<b>At 1 January 2016</b>			
Cost	24,331	2,645	26,976
Accumulated depreciation	(18,077)	(327)	(18,404)
Net book amount	6,254	2,318	8,572
<b>Year ended 31 December 2016</b>			
Opening net book amount	6,254	2,318	8,572
Acquisition of assets	981	-	981
Depreciation charge	(3,379)	(243)	(3,622)
Closing net book amount	3,856	2,075	5,931
<b>At 31 December 2016</b>			
Cost	25,312	2,645	27,957
Accumulated depreciation	(21,456)	(570)	(22,026)
Net book amount	3,856	2,075	5,931

#### Note 10: Interest in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity	
		31 December 2016	31 December 2015
Magnum Tantalite (Pty) Ltd (i)	South Africa	-	100%
GEM Venus Holdings (Pty) Ltd	South Africa	100%	100%
Venus Emeralds (Pty) Ltd (ii)	South Africa	74%	74%
Adit Mining Consultants & Trading (Pty) Ltd (ii)	South Africa	74%	74%

(i) Magnum Tantalite (Pty) Ltd was deregistered on the 1 December 2016.

(ii) Interest held by GEM Venus Holdings (Pty) Ltd.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 10: Interest in subsidiaries (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Venus Emeralds (Pty) Ltd and Adit Mining Consultants & Trading (Pty) Ltd	2016		2015	
	VENUS \$ Year Ended 31 December 2016	ADIT \$ Year Ended 31 December 2016	VENUS \$ Year Ended 31 December 2015	ADIT \$ Year Ended 31 December 2015
Current Assets	521	126	2,999	-
Non-Current Assets	2,060,834	36,902	2,060,834	36,902
Current Liabilities	(82,089)	(90)	(65,580)	(117)
Non-Current Liabilities	(1,091,769)	(105,043)	(693,994)	(75,193)
Equity attributable to owners of the Company	656,748	(50,398)	965,152	(28,422)
Non-controlling interests	230,749	(17,707)	339,107	(9,986)
	<b>Year Ended 31 December 2016</b>	<b>Year Ended 31 December 2016</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2015</b>
Revenue	15	-	-	-
Expenses	(416,781)	(29,698)	(549,984)	(25,336)
(Loss) for the year	(416,766)	(29,698)	(549,984)	(25,336)
(Loss) attributable to owners of the company	(308,407)	(21,978)	(406,988)	(18,749)
(Loss) attributable to the non-controlling interests	(108,359)	(7,720)	(142,996)	(6,587)
(Loss) for the year	(416,766)	(29,698)	(549,984)	(25,336)
Other comprehensive income attributable to owners of the Company	(41,853)	(2,982)	(81,304)	(3,746)
Other comprehensive income attributable to the non-controlling interests	-	-	-	-
Other comprehensive income for the year	(41,853)	(2,982)	(81,304)	(3,746)
Total comprehensive income attributable to owners of the Company	(350,260)	(24,960)	(488,292)	(22,495)
Total comprehensive income attributable to the non-controlling interests	(108,359)	(7,720)	(142,996)	(6,587)
Total comprehensive income for the year	(458,619)	(32,680)	(631,288)	(29,082)

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 10: Interest in subsidiaries (continued)

Venus Emeralds (Pty) Ltd and Adit Mining Consultants & Trading (Pty)	2016		2015	
	VENUS \$ Year Ended 31 December 2016	ADIT \$ Year Ended 31 December 2016	VENUS \$ Year Ended 31 December 2015	ADIT \$ Year Ended 31 December 2015
Dividends paid to non-controlling interests	-	-	-	-
Net cash (outflow) from operating activities	(400,292)	(29,599)	(527,864)	(30,170)
Net cash inflow (outflow) from investing activities	-	-	-	-
Net cash inflow (outflow) from financing activities	-	-	-	-
Net cash (ouflow)	(400,292)	(29,599)	(527,864)	(30,170)

#### Note 11: Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

Exploration and evaluation phase at cost	Consolidated	
	2016 \$	2015 \$
Balance at beginning of the year	2,060,834	2,060,834
Costs of acquisition of prospecting right	-	-
Balance at end of year	2,060,834	2,060,834

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependant on the successful development and commercial exploitation or sale of the respective areas.

#### Note 12: Trade and other payables

Trade payables	12,444	2,465
Other creditors and accruals	262,784	145,963
	275,228	148,428

#### Note 13: Borrowings

Loan from Sunshore Holdings Pty Ltd (i)	200,000	-
	200,000	-

(i) The loan from Sunshore Holdings is unsecured and interest free. The loan is to be repayed in full on receipt of the funds from either the sale of Employee Shares or from proceeds of a fund raising conducted by the Company.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 14: Issued capital

##### Share capital

		Consolidated		Consolidated	
		2016 Shares	2015 Shares	2016 \$	2015 \$
<b>(a) Share Capital</b>					
<b>Ordinary shares</b>					
Ordinary shares fully paid	<b>(a)</b>	<b>224,078,812</b>	218,128,812	<b>19,615,977</b>	19,615,977
Employee share plan shares that are subject to restrictions	<b>(b)</b>	<b>5,500,000</b>	11,450,000	<b>901,358</b>	901,358
At reporting date		<b>229,578,812</b>	229,578,812	<b>20,517,335</b>	20,517,335

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 31 December 2016 there were 229,578,812 ordinary shares fully paid on issue.

##### (a) Ordinary shares issued

Movements in ordinary share capital	Consolidated		Consolidated	
	2016 Number	2016 \$	2015 Number	2015 \$
Balance at the beginning of the year	<b>218,128,812</b>	<b>19,615,977</b>	218,128,812	19,615,977
Employee share plan shares with restriction lifted	<b>5,950,000</b>	-	-	-
Balance at end of the year	<b>224,078,812</b>	<b>19,615,977</b>	218,128,812	19,615,977

##### (b) Shares issued under the employee share plan shares

Movements in employee share plan shares	Number	\$	Number	\$
Balance at the beginning of the year	<b>11,450,000</b>	<b>901,358</b>	11,450,000	901,358
Employee share plan shares with restrictions lifted				
(i) May 2008 Share Plan	<b>(3,450,000)</b>	-	-	-
(ii) June 2008 Share Plan	<b>(1,500,000)</b>	-	-	-
(iii) July 2010 Share Plan	<b>(1,000,000)</b>	-	-	-
Balance at end of the year	<b>5,500,000</b>	<b>901,358</b>	11,450,000	901,358

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 15: Reserves and accumulated losses

<b>Accumulated losses</b>	<b>Consolidated 2016</b>	<b>Consolidated 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in accumulated losses were as follows:</b>		
Balance at beginning of financial year	<b>(18,129,236)</b>	(18,619,202)
Net profit/ (loss) for the year	<b>(768,660)</b>	489,966
Balance at end of financial year	<b>(18,897,896)</b>	(18,129,236)

#### Reserves

##### (a) Movements in reserves were as follows:

	<b>Share-based payment reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>			
At 1 January 2016	<b>448,137</b>	<b>(384,115)</b>	<b>64,022</b>
Foreign currency translation	-	<b>(13,303)</b>	<b>(13,303)</b>
<b>At 31 December 2016</b>	<b>448,137</b>	<b>(397,418)</b>	<b>50,719</b>

#### Consolidated

At 1 January 2015	448,137	(429,687)	18,450
Foreign currency translation	-	(8,617)	(8,617)
Reclassification to profit on sale of subsidiaries	-	54,189	54,189
At 31 December 2015	448,137	(384,115)	64,022

##### (b) Nature and purpose of reserves

###### (i) *Share-based payment reserve*

The share-based payment reserve is used to recognise:

- the fair value of options issued to employees but not exercised; and
- the fair value of shares issued to employees.

###### (ii) *Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in the statement of comprehensive income when the net investment is disposed of. The reserve also includes the Group's share of the post-acquisition movements in the associated Company's foreign currency translation reserve.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 16: Parent Entity Disclosures

	2016 \$	2015 \$
<b>Assets</b>		
Current assets	254,114	819,646
Non-current assets	2,005,105	2,044,172
Total assets	<u>2,259,219</u>	<u>2,863,818</u>
<b>Liabilities</b>		
Current liabilities	376,019	82,576
Total liabilities	<u>376,019</u>	<u>82,576</u>
<b>Equity</b>		
Issued capital	20,517,335	20,517,335
Accumulated losses	(19,082,272)	(18,184,230)
Shares based payment reserve	448,137	448,137
Total equity	<u>1,883,200</u>	<u>2,781,242</u>
<b>Financial performance</b>		
Profit/ (Loss) for the year	(898,042)	626,270
Total comprehensive income/ (loss)	<u>(898,042)</u>	<u>626,270</u>

#### Note 17: Key management personnel disclosures

##### (a) Directors

The following persons were directors of the Company during the financial year:

*(i) Chairman – Non-executive*

D F Lynton Brown

*(ii) Executive director*

G M Button

R Spencer (Resigned 20 February 2017)

*(iii) Non-Executive director*

H Dawson (Appointed 20 February 2017)

No other key management personnel were identified during the period.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 17: Key management personnel disclosures (continued)

##### (b) Key management personnel compensation (continued)

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>75,000</b>	70,662
Post-employment benefits	<b>4,750</b>	4,338
Total compensation	<b>79,750</b>	75,000

The Company has taken advantage of the relief provided by the *Corporations Regulations* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-E of the remuneration report.

Included within other creditors and accruals in Note 12 is an amount of \$119,625 (2015: \$37,500) owing to Directors for Directors' fees

##### (c) Other transactions of key management personnel

		<b>Income from Related Parties</b>	<b>Expenditure to Related Parties</b>	<b>Amounts Owed by Related Parties at year end</b>	<b>Amounts Owed to Related Parties at year end</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Grosvenor Exploration &amp; Mining Services (Ireland) Ltd (i)</b>	<b>2016</b>	-	<b>104,275</b>	-	<b>7,411</b>
	2015	-	143,466	-	-

(i) Mr R Spencer, an Executive director, (resigned 20 February 2017), is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd. During the year, Grosvenor Exploration & Mining Services received the above fees for geological exploration consultancy services. These fees are based on normal commercial terms and conditions.

#### Note 18: Remuneration of auditors

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>		
<i>Audit and review services</i>		
Auditors of parent entity (HLB Mann Judd)		
Audit and review of financial reports under the <i>Corporations Act 2001</i>	<b>28,250</b>	27,570
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	-	1,737
Total remuneration for audit services	<b>28,250</b>	29,307

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2016**

#### **Note 18: Remuneration of auditors (continued)**

##### **(b) Non-audit services**

During the year ended 31 December 2016, the auditors did not provide any non-audit services.

It is the Group's policy to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. It is Group policy to seek competitive tenders for all major consulting projects.

#### **Note 19: Contingencies**

##### **(a) Contingent liabilities**

As at the reporting date the Group had no contingent liabilities.

##### **(b) Contingent assets**

As at reporting date the Group had no contingent assets.

#### **Note 20: Commitments**

There were no commitments to external parties during the year.

#### **Note 21: Related party transactions**

##### **(a) Parent entity**

The ultimate parent entity within the Group is Magnum Mining and Exploration Limited.

##### **(b) Subsidiaries**

Interests in subsidiaries are set out in Note 10.

##### **(c) Key management personnel**

Disclosures relating to key management personnel are set out in Note 17.

#### **Note 22: Events occurring after the reporting date**

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 23: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2016	2015
	\$	\$
Profit / (loss) for the year	(884,739)	340,387
Depreciation	3,622	3,712
Provision for annual leave	17,030	-
Write down of plant and equipment	-	1,380
Impairment of loans	-	38,314
Profit from discontinued operations	-	(1,377,751)
Foreign exchange loss	54,254	45,690
Change in operating assets and liabilities:		
(Increase) / decrease in trade receivables	2,813	549
Increase / (decrease) in trade payables	109,768	(38,284)
Net cash outflow from operating activities	<b>(697,252)</b>	<b>(986,003)</b>

#### Note 24: Earnings/ (loss) per share

	Consolidated	
	2016	2015
	Cents	Cents
Basic earnings / (loss) per share	(0.39)	0.15
Basic earnings / (loss) per share from continuing operations	(0.39)	(0.45)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share	<b>229,578,812</b>	<b>229,578,812</b>
	\$	\$
Profit / (loss) attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share	(884,739)	340,387
Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share from continuing operations	(884,739)	(1,037,364)

The Company's potential ordinary shares, being its share plan shares, are not considered dilutive as the conversion of these share plan shares would not have a dilutive effect.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 25: Share-based payments

##### (a) Employee Share Plan

Schemes under which shares may be issued by the Company to directors, consultants or employees for no cash consideration were approved by shareholders at the 2006 and 2008 Annual General Meetings.

Participants of the Plan are determined by the Board and can be directors, consultants or employees to the Company or a subsidiary. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan is not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as share capital and as part of employee benefit costs in the period the shares are vested.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the Plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the Plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

All shares issued under the Plan with non-recourse loans are considered to be equivalent in nature to options. Therefore, the fair value of shares issued under the Plan is determined in the same way as options would be.

The fair value at grant date of the director shares is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No new shares have been issued under the plans during the current or prior financial year.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 26: Financial Instruments

##### (a) Capital risk management

The Group does not have any debt facilities outside of normal creditor trading terms and thus does not deem it necessary for a formal capital risk management charter.

The Group manages its capital to ensure that companies within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings.

None of the Group's companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as general administrative outgoings.

##### (b) Categories of financial instruments

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Trade and other receivables	<b>48,269</b>	51,082
Cash and cash equivalents	<b>206,492</b>	772,280
	<b>254,761</b>	823,362
<b>Financial liabilities</b>		
Trade and other payables	<b>275,228</b>	148,428
Borrowings	<b>200,000</b>	-
	<b>475,228</b>	148,428

##### (c) Financial risk management objectives

The Group does not speculate in the trading of derivatives. The Group is exposed to market risk (including currency risk, fair value interest rate risk and other price risk), credit risk, liquidity risk and cash flow interest rate risk.

##### (d) Market risk

The Group's activities expose it primarily to the financial risks of foreign currency exchange rates. There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

## Notes to the Financial Statements

### For the Year Ended 31 December 2016

#### Note 26: Financial Instruments (continued)

##### (d) Market risk (continued)

###### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

###### (ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

###### (iii) Interest rate risk

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company had no external borrowings or loans as at 31 December 2016 that have exposure to the risks of changes in market interest rates.

	31 December 2016		31 December 2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash balances	0.05%	206,492	0.05%	772,280

##### (e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency exposure in light of exchange rate movements.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2016 \$	2015 \$	2016 \$	2015 \$
South African Rand (ZAR)	(82,179)	(65,763)	37,549	40,618
Great British Pound (GBP)	(7,411)	-	10,073	586,074

##### (f) Foreign currency sensitivity analysis

The Group has no material exposure to foreign currency fluctuations.

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2016**

#### **Note 26: Financial Instruments (continued)**

##### **(g) Interest rate risk management**

The Group and parent entity are exposed to interest rate risk as entities in the Group maintain funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate liquid funds.

During the year ended 31 December 2016, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year. The impact on equity would have been the same.

The Group and parent entity's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

##### **(h) Credit risk**

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 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any 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.

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

##### **(i) Liquidity risk management**

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

**Notes to the Financial Statements****For the Year Ended 31 December 2016****Note 26: Financial Instruments (continued)****(i) Liquidity risk management (continued)****Liquidity and interest rate risk tables****Consolidated**

	Weighted average effective interest rates %	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	1 – 5 years \$	5 + years \$
<b>2016</b>						
<b>Non-interest bearing</b>	-	-	138,573	319,625	-	-
<b>Variable interest rate instruments</b>	-	-	-	-	-	-
<b>Fixed interest rate instruments</b>	-	-	-	-	-	-

**Consolidated**

	Weighted average effective interest rates %	Less than 1 month \$	1 – 3 months \$	3 months – 1 year \$	1 – 5 years \$	5 + years \$
<b>2015</b>						
<b>Non-interest bearing</b>	-	-	148,428	-	-	-
<b>Variable interest rate instruments</b>	-	-	-	-	-	-
<b>Fixed interest rate instruments</b>	-	-	-	-	-	-

The above table details the Group's contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**(j) Fair value of financial instruments**

For financial assets and liabilities, the net fair value approximates the carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where carrying amount exceeds net fair value at reporting date.

## Directors' Declaration

1. In the opinion of the directors of Magnum Mining and Exploration Limited (the 'Company'):
  - a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - 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; and
  - 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 31 December 2016.

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



**Grant M Button**  
**Director**  
31 March 2017

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Magnum Mining and Exploration Limited

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Magnum Mining and Exploration Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2016 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material uncertainty regarding going concern*

We draw attention to Note 1(aa) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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**Carrying amount of exploration and evaluation asset and How our audit addressed the key audit matter**

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In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition.

Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The group has one area of interest, the Gravelotte Project, Limpopo province of South Africa.

Our procedures included but were not limited to:

- We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values;
- We considered the Director's assessment of potential indicators of impairment;
- We obtained evidence that the Group has current rights to tenure of its area of interest;
- We examined the exploration budget for 2017 and discussed with management the nature of planned ongoing activities;
- We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interest: and
- We examined the disclosures made in the financial report.

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*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 31 December 2016.

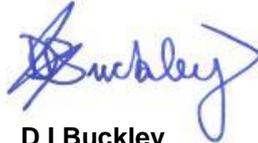
In our opinion, the remuneration report of Magnum Mining and Exploration Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

**HLB Mann Judd**  
Chartered Accountants

A handwritten signature in blue ink that reads 'D I Buckley'.

**D I Buckley**  
Partner

**Perth, Western Australia**  
31 March 2017

## Shareholder Information

The shareholder information set out below was applicable as at 28 March 2017.

### 1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

	Fully Paid Shares	%
Farmingacre Limited	17,000,000	7.40
HSBC Custody Nominees (Australia) Limited	16,775,574	7.31

### 2. Voting Rights

The voting rights attaching to the shares are, on a show of hands every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

### 3. On-Market Buy-Back

There is no current on-market buy-back.

### 4. Distribution of Shareholders

(i) Analysis of numbers of shareholders by size of holding:

No. of Shares	No. of Shareholders
1 – 1,000	126
1,001 – 5,000	316
5,001 – 10,000	129
10,001 – 100,000	295
100,001 and over	170
	1,036

(ii) There were 590 holders of less than a marketable parcel of shares.

**Shareholder Information (continued)****5. Twenty Largest Shareholders**

	<b>Name of Shareholder:</b>	<b>Number Held:</b>	<b>Percentage of Issued Shares:</b>
1.	Farmingacre Limited	17,000,000	7.40
2.	HSBC Custody Nominees (Australia) Limited	16,775,574	7.31
3.	Employee Share Plan>	11,450,000	4.99
4.	Sunshore Holdings Pty Ltd	11,152,200	4.86
5.	Rogue Investments Pty Ltd	10,500,000	4.57
6.	Citi Corp Nominees Pty Ltd	9,284,910	4.04
7.	Aero Agencies International Ltd	8,000,000	3.48
8.	Clintra Holdings Pty Ltd <The Cintra A/C>	7,000,000	3.05
9.	Sorrel Enterprises Limited	6,000,000	2.61
10.	Stately Glory Limited	6,000,000	2.61
11.	Allgreen Holdings Pty Ltd	5,000,000	2.18
12.	Jundeday Pty Ltd	5,000,000	2.18
13.	Mr Adrian Stephen Paul + Mrs Noelene Faye Paul <ZME Superannuation Fund A/C>	4,700,017	2.05
14.	Timriki Pty Ltd	4,595,035	2.00
15.	Dr Salim Cassim	4,440,000	1.93
16.	Ruby Hall Pty Ltd	3,712,016	1.62
17.	Mr Dean Button	3,200,000	1.39
18.	Platinum Investment Corporation Pty Limited <Platinum Investment Fund A/C>	3,100,000	1.35
19.	Houtbay International Pty Limited	3,000,000	1.31
20.	Legend Holdings (Proprietary) Limited	3,000,000	1.31
	<b>Top 20 holders of Ordinary Shares (Total)</b>	<b>142,909,752</b>	<b>62.25</b>

**6. Schedule of Tenements**

<b>Location</b>	<b>Project</b>	<b>Tenement Type</b>	<b>Number</b>	<b>Interest</b>	<b>Status</b>
Limpopo Province, South Africa	Gravelotte	Mining Right	MPT 85/2014	74%	Granted
Limpopo Province, South Africa	Gravelotte	Prospecting Right	LP 204 PR	74%	Granted

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