



# **Magnum Mining and Exploration Limited**

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

**Report**

**Half - year ended 30 June 2012**

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## Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Magnum Mining and Exploration Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during the half-year ended 30 June 2012.

### Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

G M Button	Chief Executive Officer
G A Nealon	Non-Executive Chairman
D F Lynton-Brown	Non-Executive Director
M McMahan	Non-Executive Director

### Operating results

The consolidated loss of the Group for the half-year after income tax was \$262,865 (2011 half-year: loss of \$218,114).

### Review of operations

#### Tantalite Valley Project, Namibia

The Tantalite Valley tantalum project is located on Mining Licence 77, near Karasburg and Warmbad, within the Magisterial district of Karas in southern Namibia.

Since acquiring the project in 2007, Magnum Mining and Exploration Limited (the "Company") has undertaken various exploration and evaluation activities to increase the understanding of the project, and to plan for development activities.

Since acquisition, the tantalum industry has experienced depressed prices related to supplies of tantalum and the global financial crisis. These difficulties led the Company to re-evaluate its strategy for developing the Tantalite Valley project.

The Company continues to actively seek investment in the project from end users or other parties interested in developing the project.

### Other activities

#### Exercise of Option to Acquire Brazilian Iron Ore Project

As announced to the ASX on 26 September 2011, the Company (ASX: MGU) entered into an option and exclusivity agreement (Option Agreement) pursuant to which OCRA Trustees (Seychelles) Limited as trustee of Global Trust (OCRA) granted to the Company an irrevocable exclusive option (Option) to acquire all of the fully paid issued shares (Shares) in Irongates (Aust) Pty Ltd (IAPL).

**Directors' Report (continued)****Exercise of Option to Acquire Brazilian Iron Ore Project (continued)**

IAPL holds 100% of the issued capital in Gates Minerals Pty Ltd (GMPL). IAPL also holds 99% of Irongates Brasil Recursos Mineraiis Ltda (a company registered in Sao Paulo) (IBRML) and GMPL holds the remaining 1% in IBRML. IBRML holds contractual rights to acquire Emicon Mineracao Terraplenagem Ltda's (Emicon) iron ore project in Brazil (Brazilian Iron Ore Project).

The Company further announced on 13 April 2012 that it had exercised the Option in accordance with the terms of the Option Agreement. However, notwithstanding exercise of the Option, the acquisition remains subject to the Company being satisfied (in its sole and absolute discretion) with the results of its due diligence investigations into IAPL, GMPL, IBRML and the Brazilian Iron Ore Project.

The Company has conducted some due diligence inquiries into IAPL, GMPL, IBRML and the Brazilian Iron Ore Project. However, the Company has not yet been able to satisfactorily complete its due diligence investigations. The Company will not enter into a formal agreement for the acquisition of the Shares (Formal Agreement) until such time as its due diligence enquiries have been satisfactorily completed. The Company will liaise with OCRA with a view to resolving any outstanding issues as soon as possible. As a result of the Company's due diligence enquiries to date, there is no certainty that the Company will agree to the terms of the Formal Agreement in the form set out in the Option Agreement.

The Company will provide updates to the market as and when it completes its due diligence enquiries.

**Details of the Brazilian Iron Ore Project**

The Brazilian Iron Ore Project is located in the south-western part of the well known "Iron Quadrangle" in Serra Azul in the state of Minas Gerais, Brazil. The Iron Quadrangle is an important iron mining region and one of the most important metallogenic provinces in the world and has been mined for iron ore since the nineteenth century.

The ability of the Company to achieve its objectives will depend on the performance by each of the relevant parties of their respective obligations under the Option Agreement and the Formal Agreement. Further, IBRML's interests in the Brazilian Iron Ore Project and Sinter Feed Project will depend on Emicon's compliance with the contractual arrangements between Emicon and IBRML and the ability of IBRML to enforce those rights. Failure by the parties to comply with their respective contractual obligations may adversely affect the interests of the Company and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

In addition the Company is continuing to search for and assess suitable acquisition opportunities that would add substantial value for the Company's shareholders. The Company is actively pursuing opportunities but at this stage has not been able to bring the opportunities to fruition. The Company will continue to pursue these opportunities during the forthcoming half-year.

**Directors' Report (continued)**

**Auditor's Independence Declaration**

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 review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 30 June 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

A handwritten signature in black ink that reads "G. Button." The signature is written in a cursive style with a large, looping initial "G".

**Grant M Button**  
**Chief Executive Officer**  
Perth, Australia

11<sup>th</sup> September 2012

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Magnum Mining and Exploration Limited for the half-year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
11 September 2012

L DI GIALLONARDO  
Partner, HLB Mann Judd

**Condensed Consolidated Statement of Comprehensive Income  
for the half-year ended 30 June 2012**

	2012 \$	2011 \$
<b>Revenue</b>	<b>54,372</b>	85,730
Share of loss of associate accounted for using the equity method	(697)	(625)
Raw materials and consumables used	(1,241)	(4,610)
Share-based payment expense	(6,697)	(19,999)
Depreciation expense	(564)	(3,393)
Exploration and evaluation expense	(142,588)	(46,730)
Other expenses	(165,450)	(228,487)
<b>Loss before income tax expense</b>	<b>(262,865)</b>	(218,114)
Income tax expense	-	-
<b>Loss for the period</b>	<b>(262,865)</b>	(218,114)
<b>Other comprehensive income/ (loss)</b>		
Currency translation differences	(32,162)	(15,239)
Total other comprehensive income/ (loss) for the period	(32,162)	(15,239)
<b>Total comprehensive loss for the period</b>	<b>(295,027)</b>	(233,353)
	<b>Cents</b>	Cents
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share	(0.16)	(0.14)

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

**Condensed Consolidated Statement of Financial Position  
as at 30 June 2012**

	30 June 2012 \$	31 December 2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,822,326	2,056,957
Trade and other receivables	521,919	533,819
<b>Total current assets</b>	<b>2,344,245</b>	<b>2,590,776</b>
<b>Non-current assets</b>		
Investments accounted for using the equity method	94,296	124,711
Plant and equipment	6,772	7,336
<b>Total non-current assets</b>	<b>101,068</b>	<b>132,047</b>
<b>Total assets</b>	<b>2,445,313</b>	<b>2,722,823</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	112,741	101,921
<b>Total current liabilities</b>	<b>112,741</b>	<b>101,921</b>
<b>Total liabilities</b>	<b>112,741</b>	<b>101,921</b>
<b>Net assets</b>	<b>2,332,572</b>	<b>2,620,902</b>
<b>Equity</b>		
Issued capital	18,682,792	18,682,792
Reserves	435,306	460,771
Accumulated losses	(16,785,526)	(16,522,661)
<b>Total Equity</b>	<b>2,332,572</b>	<b>2,620,902</b>

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

**Condensed Consolidated Statement of Changes in Equity****for the half-year ended 30 June 2012**

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance as at 1 January 2012	18,682,792	(16,522,661)	460,771	2,620,902
Total comprehensive loss for the period	-	(262,865)	(32,162)	(295,027)
Share-based compensation reserve	-	-	6,697	6,697
Balance as at 30 June 2012	<u>18,682,792</u>	<u>(16,785,526)</u>	<u>435,306</u>	<u>2,332,572</u>

**Half-Year ended 30 June 2011**

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance as at 1 January 2011	18,682,792	(15,838,814)	471,321	3,315,299
Total comprehensive loss for the period	-	(218,114)	(15,239)	(233,353)
Share-based compensation reserve	-	-	19,999	19,999
Balance as at 30 June 2011	<u>18,682,792</u>	<u>(16,056,928)</u>	<u>476,081</u>	<u>3,101,945</u>

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

**Condensed Consolidated Statement of Cash Flows  
for the half-year ended 30 June 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments for exploration and evaluation (exclusive of GST)	<b>(177,169)</b>	(49,388)
Payments to suppliers and employees (exclusive of GST)	<b>(126,350)</b>	(246,149)
Interest received	<b>37,481</b>	77,224
Other revenue	<b>31,407</b>	22,604
<b>Net cash (outflow) from operating activities</b>	<b>(234,631)</b>	(195,709)
<b>Cash flows from investing activities</b>		
Payments for purchases of plant and equipment	-	(1,065)
Proceeds from sale of financial assets	-	-
<b>Net cash (outflow) from investing activities</b>	<b>-</b>	(1,065)
<b>Net decrease in cash and cash equivalents</b>	<b>(234,631)</b>	(196,774)
Cash and cash equivalents at the beginning of the half-year	<b>2,056,957</b>	2,749,747
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,822,326</b>	2,552,973

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

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2012****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2011 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Basis of preparation**

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

**Significant accounting judgments and key estimates**

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2011.

**Adoption of new and revised Accounting Standards**

In the half-year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current half-year reporting period.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 30 JUNE 2012

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## 2. Segment information

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

The following table presents the financial information regarding these segments provided to the Board of Directors for the interim periods ended 30 June 2012 and 30 June 2011.

	Australia \$	Namibia \$	South Africa \$	Consolidated \$
<b>30 June 2012</b>				
Segment Revenue	54,372	-	-	54,372
Segment result	239,893	20,485	2,487	262,865
Unallocated Results from operating activities				-
				262,865
Segment assets	2,439,949	(257)	5,621	2,445,313
Segment liabilities	104,767	7,635	339	112,741
Included within segment results:				
Depreciation	564	-	-	564
Share of loss from investment in equity method associates	-	697	-	697
Share-based payments	6,697	-	-	6,697
<b>30 June 2011</b>				
Segment Revenue	77,189	8,541	-	85,730
Segment result	200,409	14,108	3,597	218,114
Unallocated Results from operating activities				-
				218,114
Segment assets	3,192,264	62	1,455	3,193,781
Segment liabilities	80,936	10,834	66	91,836
Included within segment results:				
Depreciation	3,393	-	-	3,393
Share of loss from investment in equity method associates	-	625	-	625
Share-based payments	19,999	-	-	19,999

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2012**

**3. Equity securities issued**

No securities were issued during the current period.

**4. Contingencies**

There were no contingencies of the group at 30 June 2012.

**5. Events occurring after the balance date**

There have been no significant events occurring after balance date.

**Directors' declaration**

In the opinion of the directors of Magnum Mining and Exploration Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**G M Button**  
**Chief Executive Officer**

Perth, Australia

11<sup>th</sup> September 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Magnum Mining and Exploration Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Magnum Mining and Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2012, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

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

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magnum Mining and Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the half-year financial report of the group for the half-year ended 30 June 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

*Conclusion*

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

- (a) giving a true and fair view of the group's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
Chartered Accountants

*L Di Giallonardo*

Perth, Western Australia  
11 September 2012

**L DI GIALLONARDO**  
Partner