



6 August 2019

Mr Chris Hesford
Geologist Listings Compliance (Perth)
ASX Limited
Level 40
Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Chris

Magnum Mining and Exploration Limited ('Magnum' or 'the Company') refers to your letter dated 5 August 2019 in relation to Magnum's Appendix 5B Quarterly Report for the period ended 30 June 2019. The Company provides the following responses to your queries:

Q1. Does MGU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company has been undertaking the Gravelotte Trial Mining Phase 2 operation since earlier in 2019. This Trial mining exercise is designed to recover a significant parcel of emerald for sale commercially. The trial mining activities have led to an increase in quarterly expenditures and negative operating cash flows over the past two quarters.

The costs of the Trial Mining are budgeted to reduce once crushing and washing activities are completed in October 2019. This will lead to a significant reduction in negative operating cash flows.

In addition the Company has made decisions that will reduce ongoing administration and staff costs. These cost savings are being introduced over the course of the quarter.

Q2. Has MGU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Magnum notes that it has adequate funding in place to fund its current activities, with a line of credit for an additional \$300,000 in place, which provides cash assets at the beginning of the current quarter of \$623,000. The additional line of credit is part of a \$500,000 loan facility for a 12 month period to 30 June 2020, but which must be repaid within 14 days of Magnum receiving a minimum of \$500,000 from the sale of emeralds from Gravelotte. Magnum plans to complete its Trial Mining Phase 2 program in October 2019 and to undertake a sale of emeralds recovered from this program during the December 2019 quarter. Any funds received from the sale of emeralds, after the repayment of the loan will be utilised for working capital purposes.

Magnum Mining & Exploration Ltd

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Q3. Does MGU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company, based on its response above, expects to continue its operations and meet its business objectives.

Q4. Please provide any other information that MGU considers may be relevant to ASX forming an opinion on whether MGU is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

The Company has the capacity to issue additional securities in accordance with ASX Listing Rule 7.1, to provide additional working capital if required.

Q5. Please confirm that MGU is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

The Company confirms its compliance with Listing Rule 3.1.

Q6. Please confirm that MGU's responses to the above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MGU with delegated authority from the board to respond to ASX on disclosure matters.

Yes, the responses set out in this letter have been approved and authorised by the Board of Directors of the Company.

On behalf of the Board.

Yours sincerely

Magnum Mining and Exploration Ltd

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

**Grant Button
Director/Joint Company Secretary**



5 August 2019

Ms Jacqueline Barry

Company Secretary
Magnum Mining and Exploration Limited
Suite 2, Churchill Court 234 Churchill Avenue
SUBIACO WA 6008

By email: jackie@mmel.com.au

Dear Ms Barry

Magnum Mining and Exploration Limited (“MGU”): Appendix 5B Query

I refer to MGU’s Appendix 5B quarterly report for the period ended 30 June 2019 lodged with ASX Market Announcements Platform on 31 July 2019 (the “Appendix 5B”).

ASX notes that MGU has reported:

- negative net operating cash flows for the quarter of \$463,000;
- cash at the end of the quarter of \$323,000; and,
- estimated cash outflows for the next quarter of \$380,000.

It is possible to conclude, based on the information in the Appendix 5B that if MGU were to continue to expend cash at the rate indicated by the Appendix 5B, MGU may not have sufficient cash to continue funding its operations. In view of that, ASX asks MGU to respond separately to each of the following questions and requests for information:

1. Does MGU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MGU taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MGU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that MGU considers may be relevant to ASX forming an opinion on whether MGU is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that MGU is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that MGU’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MGU with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **5:00 pm AWST on Wednesday 7 August 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MGU's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MGU's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at chris.hesford@asx.com.au and to tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to MGU's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MGU's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MGU's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

[Sent electronically without signature]

Chris Hesford

Geologist Listings Compliance (Perth)

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