

MAGNUM MINING AND EXPLORATION LIMITED

ACN 003 170 376

ENTITLEMENT OFFER PROSPECTUS

For a non-renounceable pro rata Entitlement Offer to each Eligible Shareholder of one (1) New Option, exercisable at \$0.05 and with an expiry date of 30 September 2022, for every three (3) Shares held by those Shareholders registered at the Record Date, at an issue price of \$0.01 per New Option to raise up to \$1,015,263 (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Options offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Howard Dawson (Non Executive Chairman)
Grant Button (Chief Executive Officer)
Francesco Cannavo (Non Executive Director)

Company Secretaries

Grant Button
Jacqueline Barry

Registered Office

Suite 2
Churchill Court
234 Churchill Avenue
Subiaco WA 6008

Telephone: +61 8 6280 0245
Facsimile: +61 8 9381 2855

Email: info@mmel.com.au
Website: www.mmel.com.au

ASX symbol: MGU

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Telephone: 1300 850 505 (within Australia)
or +61 (0)3 9415 4000 (outside Australia)

Auditor*

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Legal Advisors*

Allen & Overy
Level 12, Exchange Tower
2 The Esplanade
Perth WA 6000

Telephone: +61 8 6315 5900

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. CHAIRMAN'S LETTER

12 August 2019

Dear Shareholder,

On behalf of Magnum, I am pleased to invite you to participate in this non renounceable Entitlement Offer for New Options in Magnum Mining & Exploration Limited ("Magnum" or the "Company").

The Entitlement Offer gives you the opportunity to purchase one (1) New Option at A\$0.01 per New Option for every three (3) Shares in Magnum that you own as at 5.00pm (AWST) on Tuesday, 27 August 2019.

The New Options will have an exercise price of \$0.05 and will expire on 30 September 2022.

The offer presents an opportunity for Eligible Shareholders to participate in the potential growth opportunity being provided to Magnum through its 74% beneficial ownership in the Gravelotte emerald project located in South Africa.

The offer is being done as an entitlement offer to all Eligible Shareholders rather than as a restricted placement of new securities in recognition of the loyalty that has been shown to the Company by shareholders during the evaluation of the Gravelotte emerald project.

Application will be made to ASX for quotation of the New Options offered under this Prospectus within 7 days of the date of this Prospectus. The Entitlement Offer is however non renounceable meaning you will not be able to trade your entitlement on ASX or any other exchange or privately transfer your rights.

The net funds raised from the Entitlement Offer will be used primarily to complete the hard rock trial mining and processing phase of the current test work being carried out at your Company's Gravelotte emerald project. This hard rock trial mining and processing test work is one of the final steps in the technical evaluation of Gravelotte and will provide important information towards the potential establishment of commercial operations at the project.

Accompanying this Prospectus is your personalised Entitlement and Acceptance Form, which details your entitlement.

The Entitlement Offer closes at 5.00pm (AWST) on 23 September 2019 (unless extended). To participate, you need to ensure that you have completed your application by paying Application Monies by BPAY, or by lodging your personalised Entitlement and Acceptance Form with your cheque, bank draft or money order, before this time and date. Please refer to Section 6.5 in this Prospectus for further information.

Please read this Prospectus and the accompanying Entitlement and Acceptance Form in detail and if you have any questions do not hesitate to contact Magnum.

You should consult your stockbroker, accountant, solicitor, financial adviser or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board of Magnum, I invite you to consider this opportunity and thank you for your ongoing support.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Howard Dawson". The signature is fluid and cursive, with a prominent initial "H" and a long, sweeping underline.

Howard Dawson
Non-Executive Chairman

3. TIMETABLE

Lodgement of Prospectus with ASIC and ASX Lodgement of Appendix 3B with ASX Notice of Entitlement of Offer sent to Redeemable Convertible Note Holders Notice of Entitlement of Offer sent to Option Holders	12 August 2019
Notice of Entitlement of Offer sent to Shareholders	13 August 2019
Shares quoted on an "EX" basis	26 August 2019
Record Date for determining Entitlements	27 August 2019
Prospectus and Application Form dispatched to Eligible Shareholders	2 September 2019
Last Day to extend Closing Date	17 September 2019
Closing Date (5pm WST)*	23 September 2019
Options quoted on a deferred settlement basis	24 September 2019
Notification of shortfall	26 September 2019
Issue date of New Options Deferred settlement trading ends	30 September 2019
Anticipated date for commencement of New Options trading on a normal settlement basis	1 October 2019

* The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the New Options are expected to commence trading on ASX may vary.

4. IMPORTANT INFORMATION

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 12 August 2019 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Application will be made to ASX for quotation of the New Options offered under this Prospectus within 7 days of the date of this Prospectus. The fact that ASX may quote the New Options is not to be taken in any way as an indication of the merits of the Company.

No New Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

Applications for New Options will only be accepted on an original Entitlement and Acceptance Form provided by the Company with a copy of this Prospectus either in paper or electronic form. No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

No action has been taken to permit the offer of New Options under this Prospectus in any jurisdiction other than Australia or New Zealand. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances.

As a consequence, it is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

The New Options the subject of this Prospectus should be considered highly speculative.

Applications for New Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form.

This Prospectus is a transaction specific prospectus for an offer of New Options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

4.1 Risk factors

Potential investors should be aware that subscribing for New Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 9 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the New Options in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus.

4.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 9 of this Prospectus.

5. INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in the New Options.

Key Information	Further Information
<p>Transaction specific prospectus</p> <p>This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.</p>	Section 9.2
<p>Risk factors</p> <p>Potential investors should be aware that subscribing for New Options in the Company involves a number of risks. The Company is subject to a range of risks which apply to the mining and resources sector, including the success of its operations and exploration programs, a loss of key personnel, the price of commodities and exchange rates. The key risk factors of which investors should be aware are set out in Section 9, including (but not limited to) risks in respect of:</p> <ul style="list-style-type: none">• Exploration stage and success <p>Investors should understand that mineral exploration and any subsequent development are high-risk undertakings.</p> <p>Despite the best efforts of the Company, there is no guarantee of exploration success, and even if there is exploration success, there is no guarantee that development of any such success will be commercially viable. The current and future operations of the Company will be affected by a range of factors. If exploration is successful, there will be additional costs and processes involved in moving to the development phase.</p> <ul style="list-style-type: none">• Future capital requirements <p>The Company's activities will require substantial expenditure. There can be no guarantees that the funds raised through the Entitlement Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund its strategy after the substantial exhaustion of the net proceeds of the Entitlement Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional funding on terms acceptable to the Company or at all. Any additional equity</p>	Section 9

Key Information	Further Information
<p>financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.</p> <p>The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.</p> <ul style="list-style-type: none"> • Potential for dilution <p>Upon completion of the Entitlement Offer, assuming that 100% of the Redeemable Convertible Notes are converted prior to the Record Date, none of the Unquoted Options are exercised and that all of the New Options are exercised into Shares prior to their expiry date of 30 September 2022, the number of Shares in the Company will increase from 279,578,818 to 406,105,091. This is an increase of approximately 45% in the issued Shares in the Company.</p> <p>This means that each Share will represent a lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Entitlement Offer and the Directors do not make any representation to such matters.</p> <p>Shareholders should note that if they do not participate in the Entitlement Offer and assuming the Entitlement Offer is otherwise fully subscribed, all of the Redeemable Convertible Notes are converted prior to the Record Date, none of the Unquoted Options are exercised and that all of the New Options are exercised into Shares prior to their expiry date of 30 September 2022, their holdings are likely to be diluted by approximately 45% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).</p>	<p>Sections 9, 6.7</p>
<p>Entitlement Offer</p> <p>This Prospectus is for a non-renounceable entitlement Offer of 1 New Option for every 3 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.01 per New Option to raise up to approximately \$1.02 million (before costs).</p>	<p>Section 6.1</p>
<p>Eligible Shareholders</p> <p>The Entitlement Offer is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none"> • are the registered holder of Shares as at 5.00pm (WST) on the Record Date; and • have a registered address in Australia or, subject to the offer restrictions in Section 6.10, New Zealand. 	<p>Section 6.10</p>
<p>Use of funds</p> <p>Funds raised under the Entitlement Offer are to be used to complete the current trial mining and processing test work at the Company's Gravelotte emerald project, undertake additional technical work at</p>	<p>Section 7.1</p>

Key Information	Further Information																				
Gravelotte, pay the costs of the Entitlement Offer and for general working capital.																					
<p>Underwriting</p> <p>The Entitlement Offer is not underwritten.</p>	Section 6.4																				
<p>Effect on control of the Company</p> <p>Shareholders should note that if they do not participate in the Entitlement Offer, their holdings will be diluted.</p> <p>No investor or existing Shareholder, whether individually or together with their associates, will hold a voting power greater than 20% as a result of the Entitlement Offer.</p>	Section 6.6																				
<p>Indicative capital structure and pro-forma balance sheet</p> <p>Subject to rounding (up) and assuming:</p> <ul style="list-style-type: none"> the Redeemable Convertible Notes are converted into Shares prior to the Record Date no further Securities are issued and no Existing Unquoted Options are converted into Shares prior to the Record Date and the completion of the Entitlement Offer, and the Entitlement Offer is fully subscribed, then the indicative capital structure (excluding the Unquoted Options – see Note 1) upon completion of the Entitlement Offer is set out below: <table border="1" data-bbox="240 1346 1222 1742"> <thead> <tr> <th></th> <th>Shares</th> <th>Redeemable Convertible Notes</th> <th>New Options</th> </tr> </thead> <tbody> <tr> <td>Balance at the date of this Prospectus</td> <td>279,578,818</td> <td>25,000,000</td> <td>0</td> </tr> <tr> <td>Assumed exercise of Convertible Notes</td> <td>25,000,000</td> <td></td> <td>0</td> </tr> <tr> <td>Options Issued under Entitlement Offer</td> <td></td> <td></td> <td>101,526,273</td> </tr> <tr> <td>TOTAL</td> <td>304,578,818</td> <td>0</td> <td>101,526,273</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> The 9,000,000 Unquoted Options are exercisable at \$0.075 on or before 31 December 2019. Assumes that none of the Unquoted Options are exercised prior to the Record Date. Assumes that 100% of the Redeemable Convertible Notes are converted to Shares prior to the Record Date. Assumes the Entitlement Offer is fully subscribed. 		Shares	Redeemable Convertible Notes	New Options	Balance at the date of this Prospectus	279,578,818	25,000,000	0	Assumed exercise of Convertible Notes	25,000,000		0	Options Issued under Entitlement Offer			101,526,273	TOTAL	304,578,818	0	101,526,273	Section 7.4
	Shares	Redeemable Convertible Notes	New Options																		
Balance at the date of this Prospectus	279,578,818	25,000,000	0																		
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Options Issued under Entitlement Offer			101,526,273																		
TOTAL	304,578,818	0	101,526,273																		

Key Information	Further Information																				
<p>The indicative pro-forma balance sheet showing the effect of the entitlement Offer is provided in Section 7.3.</p> <p>Directors' interests in Securities and Entitlements</p> <p>The relevant interest of each of the Directors in Securities as at the date of this Prospectus, together with their respective Entitlement (assuming no Unquoted Options are converted into Shares), is set out in the table below:</p> <table border="1" data-bbox="256 577 1220 824"> <thead> <tr> <th>Director</th> <th>Existing Shares</th> <th>Unquoted Options</th> <th>Entitlement to New Options</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Howard Dawson</td> <td>Nil</td> <td>1,000,000</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Grant Button</td> <td>2,940,000</td> <td>3,000,000</td> <td>980,000</td> <td>9,800</td> </tr> <tr> <td>Francesco Cannavo</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table>	Director	Existing Shares	Unquoted Options	Entitlement to New Options	\$	Howard Dawson	Nil	1,000,000	Nil	Nil	Grant Button	2,940,000	3,000,000	980,000	9,800	Francesco Cannavo	Nil	Nil	Nil	Nil	<p>Section 10.5</p>
Director	Existing Shares	Unquoted Options	Entitlement to New Options	\$																	
Howard Dawson	Nil	1,000,000	Nil	Nil																	
Grant Button	2,940,000	3,000,000	980,000	9,800																	
Francesco Cannavo	Nil	Nil	Nil	Nil																	
<p>Forward looking statements</p> <p>This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.</p> <p>These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are considered reasonable.</p> <p>Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.</p> <p>The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.</p> <p>These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 9.</p>	<p>Section 4.2</p>																				

6. DETAILS OF THE OFFER

6.1 The Offer

The Offer is being made as a non-renounceable Entitlement Offer of one (1) New Option for every three (3) Shares held by Eligible Shareholders registered at the Record Date at an issue price of \$0.01 per New Option. Fractional entitlements will be rounded up to the nearest whole number.

The New Options offered under this Prospectus will form a new class of securities of the Company, and will be quoted, have an exercise price of \$0.05 each and will be exercisable at any time on or before 5.00pm (WST) on 30 September 2022.

Eligible Shareholders (other than Directors and related parties) will be able to apply for Shortfall Options in excess of their Entitlements, further details of which are set out in section 6.3 of this Prospectus.

As at the date of this Prospectus the Company has \$1,250,000 of Redeemable Convertible Notes on issue which, if all converted prior to the Record Date will result in a maximum of 25,000,000 new Shares being issued.

As at the date of this Prospectus the Company also has on issue 9,000,000 Unquoted Options which are exercisable at \$0.075 and expire on 31 December 2019.

As at the date of this Prospectus the Company has 279,578,818 ordinary Shares on issue. Based on this capital structure and assuming none of the Unquoted Options are exercised prior to the Record Date and that 100% of the Redeemable Convertible Notes will be converted prior to the Record Date resulting in the issue of up to an additional 25,000,000 Shares, then a maximum of 101,526,273 New Options will be issued pursuant to this Offer to raise up to \$1,015,263 before costs.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in section 8.1 of this Prospectus.

All of the Shares issued upon the future exercise of the New Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 8 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 7.1 of this Prospectus.

6.2 Minimum subscription

There is no minimum subscription.

6.3 Shortfall

Any New Options not applied for under the Offer will become Shortfall Options.

Eligible Shareholders (other than Directors and related parties) may, in addition to their Entitlement, apply for Shortfall Options by completing the Entitlement and Acceptance Form in accordance with the instructions on that form. It is possible that there will be no Shortfall Options available for issue.

Subject to the above, the Directors reserve the right at their absolute discretion, and subject to the Corporations Act and Listing Rules, to place Shortfall Options at their discretion, to reject any application for Shortfall Options or to grant a lesser number of Shortfall Options than applied for. Applicants for Shortfall Options will be bound to accept a lesser number of Shortfall Options allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable after the Closing Date.

Notwithstanding the above, no Shortfall Options will be allocated or issued to any related party of the Company (including Directors and their associates) or to any person to the extent that the Company is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law, including without limitation, a breach of section 606 of the Corporations Act.

6.4 Underwriting

This Offer is not underwritten.

6.5 Acceptance

(a) To accept all of your Entitlement to New Options under the Entitlement Offer

Should you wish to accept all of your Entitlement to New Options under the Entitlement Offer and you are not paying by BPAY, then applications for New Options under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form.

- i. Please read the instructions carefully.
- ii. Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the amount indicated on the Entitlement and Acceptance Form.
- iii. Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Magnum Mining & Exploration Limited" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at: Computershare Investor Services Pty Limited, GPO BOX 505, Melbourne Victoria 3001, Australia.

Applications will be deemed not to have been received until the Company is in receipt of cleared funds. If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

(b) To accept only part of your Entitlement to New Options under the Entitlement Offer

If you wish to take up only part of your Entitlement under the Entitlement Offer and you are not paying by BPAY, then applications for New Options under the Entitlement Offer must be made on the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form.

- i. Please read the instructions carefully.
- ii. Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Options you wish to accept and the amount payable (calculated at \$0.010 per New Option accepted), and attach a cheque, bank draft or money order for the appropriate Application Monies.
- iii. Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Magnum Mining & Exploration Limited" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at: Computershare Investor Services Pty Limited, GPO BOX 505, Melbourne Victoria 3001, Australia.

Applications will be deemed not to have been received until the Company is in receipt of cleared funds. If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

(c) Applying for New Options in excess of your Entitlement

If you are an Eligible Shareholder and you wish to apply for New Options in excess of your Entitlement under the Entitlement Offer by applying for Shortfall Options, you may do so by completing the relevant separate section of the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form.

Any New Options applied for in excess of your Entitlement will be issued in accordance with Section 6.3.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Magnum Mining & Exploration Limited" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at: Computershare Investor Services Pty Limited, GPO BOX 505, Melbourne Victoria 3001, Australia.

Applications will be deemed not to have been received until the Company is in receipt of cleared funds. If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Options accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Options. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat an Entitlement and Acceptance Form as valid and how to construe, amend or complete the Entitlement and Acceptance Form, is final.

The Company will send this Prospectus, together with an Entitlement and Acceptance Form, to all Eligible Shareholders. By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies, or making a payment via BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (a) agree to be bound by the terms of the Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Options to be issued to you, including to act on instructions of the Company's share registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare that you are the current registered holder of Shares as at the Record Date and have a registered address in Australia or New Zealand;
- (f) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that the New Options are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Options have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia.

For all enquiries concerning the Prospectus, please contact Magnum Mining & Exploration Limited on +61 8 6280 0245. For all general shareholder enquiries, please contact Computershare Registry Services on 1300 850 505 (within Australia) or +61 (0)3 9415 4000 (outside Australia).

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

6.6 Effect on control of the Company

The New Options have no participating rights or entitlements until exercised. It is only upon exercise of the New Options and the issue of the Shares that rights such as voting arise.

The effect of the Offer on the capital structure is set out in section 7.2. If all New Options are issued under the Offer, they will represent approximately 25% of the capital of the Company on a fully diluted basis (assuming all of the Redeemable Convertible Notes are converted and none of the Unquoted Options are exercised) at the date of this Prospectus.

By reason of the above and the Offer being on a pro-rata non-renounceable basis, the Offer should not have a material effect on the control of the Company.

6.7 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings, upon the future exercise of the New Options, would be diluted by approximately 31.2% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	3.58%	3,333,333	10,000,000	2.46%
Shareholder 2	5,000,000	1.79%	1,666,667	5,000,000	1.23%
Shareholder 3	1,500,000	0.54%	500,000	1,500,000	0.37%
Shareholder 4	400,000	0.14%	133,333	400,000	0.10%
Shareholder 5	50,000	0.02%	16,666	50,000	0.01%

Note:

The dilutionary effect shown in the table above is the maximum percentage on the assumption that all New Options offered under this Prospectus are issued (ie there is no Shortfall or the Shortfall is placed by the Directors) and that all New Options issued under the Offer are exercised. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, and/or all of the New Options offered under this Prospectus are not exercised, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage. This table has been prepared on the basis that 100% of the Redeemable Convertible Notes are converted prior to the Record Date and that none of the Unquoted Options are exercised.

6.8 ASX listing

Application for Official Quotation of the New Options (hereafter including the Shortfall Options) offered pursuant to this Prospectus will be made within 7 days of the date of this Prospectus.

The quotation of the New Options is conditional on the Company being able to satisfy the ASX's requirements for quotation of a new class of securities (which includes, amongst other things, there being a minimum of 100,000 New Options on issue, with at least 50 holders holding a marketable parcel).

If ASX does not grant Official Quotation of the New Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any New Options and will repay all application monies for the New Options within the time prescribed under

the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Options is not to be taken in any way as an indication of the merits of the Company or the New Options now offered for subscription.

6.9 Allotment

New Options issued pursuant to the Offer will be allotted in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Where the number of New Options issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Offer.

Pending the allotment and issue of the New Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for New Options (including any Shortfall Options) issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

6.10 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. In particular, this document may not be distributed to any person and the Options may not be offered or sold, in any country outside of Australia and New Zealand.

It is not practicable for the Company to comply with the securities laws of jurisdictions outside Australia and New Zealand, having regard to the number of Shareholders in those jurisdictions, the number and value of Shares held by those Shareholders and the cost of complying with regulatory requirements in each relevant jurisdiction.

New Zealand

The New Options are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of New Options is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not distribute this Prospectus (including an Entitlement and Acceptance Form), and may not permit any beneficial Shareholder to participate in the Offer, in any country outside of Australia and New Zealand except, with the prior consent of the Company, to beneficial Shareholders resident in certain other countries where the Company may determine that it is lawful and practical to make the Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

6.11 Enquiries

Any questions concerning the Offer should be directed to Grant Button, Company Secretary, on +61 8 6280 0245.

7. PURPOSE AND EFFECT OF THE OFFER

7.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$1,015,263 before costs.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$400,000 raised	\$750,000 raised	\$1,015,263 raised
Gravelotte Trial Mining and Processing Programme	\$300,000	\$300,000	\$300,000
Additional technical programmes at Gravelotte	\$20,000	\$140,000	\$305,263
General working capital	\$15,955	\$45,955	\$145,955
Repayment of working capital loan	Nil	\$200,000	\$200,000
Expenses of the Offer	\$64,045	\$64,045	\$64,045
Total ¹	\$400,000	\$750,000	\$1,015,263

Note:

¹ Refer to section 10.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

7.2 Effect of the Offer

The principal effect of the Offer, assuming all New Options offered under the Prospectus are issued, will be to:

- (a) increase the cash reserves by \$951,218 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Options on issue from 9,000,000 as at the date of this Prospectus to 110,526,273 Options.

7.3 Pro-forma balance sheet

The audited balance sheet as at 31 December 2018 and the unaudited pro-forma balance sheet as at 30 June 2019 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all New Options offered under the Prospectus are issued and that all of the Redeemable Convertible Notes are converted prior to the Record Date.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	AUDITED 31 December 2018 \$	PROFORMA 30 June 2019 \$
CURRENT ASSETS		
Cash and cash equivalents	900,808	1,206,620
Trade and other receivables	136,423	106,545
TOTAL CURRENT ASSETS	1,037,231	1,313,165
NON-CURRENT ASSETS		
Plant and equipment	105,323	172,717
Other financial assets	0	78,125
Deferred exploration and evaluation expenditure	2,060,834	2,060,834
Rehabilitation guarantee	50,074	50,074
TOTAL NON-CURRENT ASSETS	2,216,231	2,361,750
TOTAL ASSETS	3,253,462	3,674,915
CURRENT LIABILITIES		
Trade and other payables	187,078	263,222
Convertible notes - host	848,529	-
Convertible notes - derivative liability	486,655	-
Borrowings	0	200,000
TOTAL CURRENT LIABILITIES	1,522,262	463,222
TOTAL LIABILITIES	1,731,200	463,222
NET ASSETS	1,731,200	3,211,693

EQUITY		
Issued capital	22,937,628	24,187,628
Reserves	(258,329)	723,672
Accumulated losses	(20,934,924)	(21,544,237)
Equity attributable to owners of the parent	1,744,375	3,367,063
Non-controlling interests	(13,175)	(155,370)
TOTAL EQUITY	1,731,200	3,211,693

Proforma assumes that all Redeemable Convertible notes are exercised which reduces current liabilities to nil and also assumes that 9 million Unquoted Options will not be exercised prior to the record date.

7.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Options offered under the Prospectus are issued, is set out below.

Shares

	Number
Shares currently on issue	279,578,818
Shares offered pursuant to the Offer	Nil
Shares issued if 100% of Redeemable Convertible Notes are exercised	25,000,000
Total Shares on issue after completion of the Offer	304,578,818

Options

	Number
Unquoted Options (unlisted) currently on issue	9,000,000
Maximum number of Options offered pursuant to the Offer assuming none of the Unquoted Options are exercised prior to the Record Date and that 100% of the Redeemable Convertible Notes are converted prior to the Record Date to participate in the Offer	101,526,273
Total Options on issue after completion of the Offer	110,526,273

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

The terms of the Unquoted Options and Redeemable Convertible Notes do not change as a result of this Offer.

7.5 Details of substantial holders

Based on publicly available information as at 9 August 2019, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
HSBC Custody Nominees (Australia) Limited	21,194,985	7.58
Sunshore Holdings Pty Ltd	17,818,867	6.37
Farmingacre Limited	17,000,000	6.08
Rogue Investments Pty Ltd	14,200,000	5.08

The Offer will have no effect on the number of Shares held by these substantial shareholders as only New Options are being issued.

8. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

8.1 New Options

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Expiry Date**

Each New Option will expire at 5:00 pm (WST) on 30 September 2022 (**Expiry Date**).

A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(d) **Notice of Exercise**

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(e) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(f) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under (f)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(g) **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(h) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a New Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(j) **Change in exercise price**

A New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

(k) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(l) **Quotation**

The Company will seek Official Quotation of the New Options, subject to satisfying the quotation conditions of the ASX Listing Rules.

8.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being the underlying securities of the New Options to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or

representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (i) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (ii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of Shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

9. RISK FACTORS

9.1 Introduction

The New Options offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

9.2 Company specific

(a) Potential for significant dilution

Upon implementation of the Offer, assuming none of the Unquoted Options are exercised prior to the Record Date and all the Redeemable Convertible Notes are exercised prior to the Record Date and all Entitlements are accepted and all New Options are exercised prior to the Expiry Date the number of Shares in the Company will increase from 279,578,818 currently on issue to 406,105,091. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share or a New Option will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.07 is not a reliable indicator as to the potential trading price of Shares and New Options after implementation of the Offer.

(b) Future Capital Requirements and Going Concern Risk

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund activities after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's activities and business strategy.

Shareholders should note that the last audited Financial Report of the Company, being for the year ended 31 December 2018, has been prepared on a going concern basis. The audit report to the annual financial statements for 31 December 2018, lodged with ASX on 29 March 2019, included a "Material uncertainty related to going concern", without qualification, in respect of the going concern disclosures included in Note 1: Statement of Significant Accounting Policies (z) to the financial statements.

The ability of the Company to continue as a going concern and to meet planned and committed expenditure requirements is subject to the Company successfully exploiting the investments and exploration projects owned by the Company and/or the raising of further equity and/or loan capital. Should the Company not be successful in obtaining adequate funding or cash inflows are not as planned, there is material uncertainty as to the ability of the Company to continue as a going concern and to realise its assets and extinguish liabilities as they arise. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(c) **Exploration and Evaluation Risks**

By its nature, the business of mineral exploration, mine development, mine production and potential ore processing undertaken by the Company at its exploration projects or future projects, contain risks. The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, favourable commodity prices, securing and maintaining title to the Company's exploration tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration tenements.

9.3 Industry specific

(a) **Commodity Price Volatility and Exchange Rate Risks**

To the extent the Company in the future is involved in mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for emeralds, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international market

(b) **Resource Estimates**

Resource estimates are expressions of judgment based on knowledge, experience, and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and

depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(c) **Environmental Risks**

The operations and activities of the Company are subject to State and Federal laws and regulation on a country by country basis concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company conducts its activities in compliance with all environmental laws. The Company is not aware of any non-compliance at this point in time.

(d) **Title Risks**

Interests in tenements in South Africa are governed by the local legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(e) **Sovereign Risk**

The Company's South African project is subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

(f) **Regulatory Risks**

The Company's exploration and any future development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if

inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the tenements.

(g) **Legislative Changes and Government Policy Risk**

Changes in government regulations and policies may adversely affect the financial performance of the Company. The Company's capacity to explore and in the future mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

(h) **Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(i) **Occupational Health and Safety Risk**

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining and exploration activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information, and training to all stakeholders through its occupational, health and safety management systems.

(j) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies, or resource projects. Any such future transactions would be accompanied by the risks commonly associated with making acquisitions of companies, products, technologies, or resource projects.

(k) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

9.4 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;

- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

(b) **Market conditions**

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Security Investments**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular, securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market prices of the securities regardless of the Company's performance.

Mineral exploration and mining are speculative activities that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design, and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

(e) **Reliance on key personnel**

The Company is dependent on its management and technical personnel, the loss of whose services could materially and adversely affect the Company and impede the achievements of its business objectives.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

9.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus.

Therefore, the New Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Options pursuant to this Prospectus.

10. ADDITIONAL INFORMATION

10.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

10.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time, which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
------	-----------------------------

29/03/2019	Annual Report to shareholders
29/03/2019	Appendix 4G
17/04/2019	Notice of Annual General Meeting/Proxy Form
30/04/2019	Quarterly Activities and Cashflow Report
24/05/2019	Results of Annual General Meeting
30/05/2019	Operations Underway at the Gravelotte Emerald Project
03/06/2019	Updated Company Presentation
18/07/2019	Gravelotte Project Operations Update
31/07/2019	Quarterly Activities and Cashflow Report
06/08/2019	Response to Appendix 5B Query

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.mmel.com.au.

10.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.100	19 June 2019
Lowest	\$0.058	6 August 2019
Last	\$0.070	9 August 2019

10.4 Material contracts

Nil

10.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Unlisted Options	Entitlement to Options	\$
Howard Dawson ¹	Nil	1,000,000	Nil	Nil
Grant Button ²	2,940,000	3,000,000	980,000	9,800
Francesco Cannavo	Nil		Nil	Nil

Note:

¹ Mr Button intends to take up his full Entitlement and will hold 2,940,000 Shares and 3,980,000 Options in total after the Entitlement Offer.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as

applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$150,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	31 December 2019 (12 months)	30 June 2019 (6 months)	31 December 2018 (12 months)
Howard Dawson	\$49,000	Nil	49,000 ¹
Grant Button	\$49,000	33,333	83,333
Francesco Cannavo	\$35,000	20,000	16,667 ²
Scott Robertson ³	N/A	N/A	15,000

¹ Includes an amount of \$4,167 owing to HG & L Dawson Discretionary Trust.

² Includes an amount of \$3,333 owing to Golden Venture LLC.

³ Mr Scott Robertson resigned as a director on 1 October 2018

10.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company.

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or

(h) the Offer.

Allen & Overy has provided limited advice to the Company in relation to the Offer. The Company estimates it will pay Allen & Overy \$5,000.00 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Allen & Overy has been paid fees totaling \$16,370 (excluding GST and disbursements) for legal services provided to the Company.

10.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus.

Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section;

Computershare Investor Services Pty Limited has given and, has not withdrawn its written consent to be named in this Prospectus as the Share Registrar in the form and context in which it is named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Allen & Overy has given its written consent to being named as the solicitors to the Company in the form and context in which it is named. Allen & Overy has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. Allen & Overy was not involved in the preparation of this Prospectus. Allen & Overy has not made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated in this paragraph above. Allen & Overy expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given in this paragraph above.

10.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$64,045 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	5,839
Legal fees	5,000
Share registry fees	10,000
Printing and distribution	5,000
Broking Fees	30,000
Miscellaneous	<u>5,000</u>
Total	<u>64,045</u>

10.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please phone the Company on +61 8 6280 0245 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.mmel.com.au.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

10.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

10.12 Privacy Act

If you complete an application for New Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



HOWARD DAWSON
CHAIRMAN
For and on behalf of
MAGNUM MINING AND EXPLORATION LIMITED

12. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Options pursuant to the Offer.

Application Monies means application monies for Shares received by the Company.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Magnum Mining and Exploration Limited (ACN 003 170 376).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a holder of Shares as at the Record Date with a registered address in Australia or New Zealand.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement Offer means the offer under this Prospectus of up to approximately 101,526,273 New Options to Eligible Shareholders in the proportion of one New Option for every three Shares held on the Record Date.

Entitlement and Acceptance Form means the personalized entitlement and acceptance form either attached to or accompanying this Prospectus.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

New Option means an option to acquire a Share on the terms and conditions set out in section 6 of this Prospectus.

Unquoted Options means 9 million Unquoted Options exercisable at \$0.075 and with an expiry date of 31 December 2019.

Options means the total Unquoted and New Options on issue.

Option Holder means a holder of a New Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Redeemable Convertible Notes means redeemable convertible notes in the Company that are redeemable for \$1,250,000 or convertible into 25,000,000 Shares on or before 2 November 2019.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall Options means the New Options not applied for under the Offer (if any). The Shortfall Options have the same rights as the New Options and become New Options once an application for Shortfall Options is accepted by the Company.

Unquoted Option means an existing unquoted option in the Company that entitles the holder to one Share upon the exercise and payment of \$0.075 for each Share on or before 31 December 2019.

WST means Western Standard Time as observed in Perth, Western Australia.