



Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Report

Half year ended 30 June 2020

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Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Magnum Mining and Exploration Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during the half year ended 30 June 2020.

Directors

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

H Dawson	Non-Executive Chairman
G M Button	Chief Executive Officer
F Cannavo	Non-Executive Director

Operating Results

The consolidated loss of the Group for the half year after income tax was \$148,809 (2019: half year loss of \$1,290,984).

Review of Operations

Gravelotte Project, South Africa

Magnum's 74%-owned Gravelotte Project is located in the Limpopo Province of South Africa.

Emeralds were discovered in the province in 1927 and, since then, several companies have explored for and mined within the broader region for emeralds.

From 1929 to 1982 the total recorded emerald production from the Gravelotte Project, as well as the area surrounding the nearby Gravelotte township, was nearly 113 million carats.

It is reported that during the 1960's the Gravelotte Project itself was the largest emerald mine of its type in the world, employing over 400 sorters.



Figure 1: Gravelotte Infrastructure

Review of Operations (continued)**Gravelotte Project, South Africa (continued)*****Why is Magnum at Gravelotte?***

The Gravelotte Project provides Magnum with a medium term production opportunity in the niche commodity of emeralds where demand is growing.

The project offers established infrastructure, existing and accessible open cuts together with extensive low grade dumps, a large (albeit incomplete) historic data base, a nearby and available work force, local on-site technical expertise and a nearby township that can serve as a supply centre.

The Company has maintained and refurbished much of the extensive mine site infrastructure at Gravelotte including offices, laboratory, workshops, garages, management accommodation complex and a mine hostel to accommodate mine workers.

The mine site is well situated with utilities and logistics being serviced by ESKOM grid power, has a sealed road to the mine gate and has a working airstrip.

Trial Mining and Processing

The trial mining of around 7,800 tonnes of hard rock from three benches within the historic Cobra pits was completed in May 2019.

The Gravelotte Project has reached the pre-development stage and activities during the half year were focused on completion of the sorter testing – both optical and XRF and the remobilisation of selected staff back to mine site.

It is currently proposed to mine around 300,000 tonnes per annum under stage 1 of the mine development. It is expected that around 100,000 tonnes of this mined material will be processed annually with 100,000 tonnes reporting as waste and 100,000 reporting as low grade.

Targeted base case production is for around 3,000,000 carats of emeralds per annum.

Operations will commence within the Cobra North pit where current planning is for around 5 years of production before potential underground mining is required.

The Cobra South and Discovery pits will provide additional sources of material for potential expansion of operations.

It is anticipated that mine planning design will be completed together with ROM stockpile, low grade and waste location logistics. In addition, design planning for the expanded processing circuit (crusher, trommel, washing circuit) will commence.

Geology

The emerald mineralisation at Gravelotte is contained within a mafic schist that is bounded by a granite and a felsic porphyry. Historic production and drilling data shows that whilst the large majority of the schist is emerald mineralised, the grade distribution is inhomogeneous.

As a consequence the majority of grade control within the proposed mining operation will rely on other indicators of emerald mineralisation such as the presence of discolouration of the schist, biotite alteration and development of pyrite.

This grade control will be carried out through the logging of the blast hole material and visual examination of the run of mine material.

Review of Operations (continued)**Gravelotte Project, South Africa (continued)*****Assessment of Sorting Options for the Recovery of Emeralds***

The Company has engaged with leading manufacturers of material sorting solutions with a view to provide an effective, cost efficient sorting solution for the recovery of emeralds.

The brief has been to examine Gravelotte Run of Mine Ore and emeralds to determine which technology or combination of technologies will deliver the optimum sorting solution.

In this regard and whilst the use of XRF technology during the trial mining programme was successful, recent advances in colour sorting technology for emeralds has indicated that this technology should also be re-assessed.

Ongoing trials have received positive results with fine tuning continuing, and the manufacturers used, all have practical operational experience in the gemstone sorting industry.

The finalisation of this test work will allow the Company to confirm both the costs and lead time for the delivery of the appropriate sorting technology.

Corporate**Appointment of Mr Terry McConnachie**

During the half year, Magnum has engaged Mr Terry McConnachie to provide consulting services to further advance the commercial development of the Company's Gravelotte emerald project.

Gravelotte has now reached the pre-development stage and the Company is excited to secure the services of Mr McConnachie, who has a proven track record of bringing mining operations into commercial production within Africa.

Mr McConnachie has almost 45 years' experience in running mines, mining beneficiation and minerals processing companies.

Mr McConnachie was the founder and executive director of Merafe Resources, which listed on JSE as SA Chrome and Alloys Limited and for the last 16 years Mr McConnachie was the CEO and Managing Director of AIM listed Sylvania Platinum Limited.

Unsecured Loans

The Company entered into loan agreements for a total of \$500,000 with entities associated with Directors of Magnum, Grant Button and Howard Dawson and a non-related lending party and these loan facilities have an extended maturity date of 30 July 2021.

These loans are unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly.

Entities associated with Grant Button and Howard Dawson provided loan facilities of \$150,000 and \$50,000 respectively.

A non-related lending party also provided a line of credit of \$300,000 if and when required by the Company.

The loan facilities have not been drawn down as at 30 June 2020.

Events Occurring After the Balance Date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, other than those detailed below:

Capital Raising

On 14 July 2020, the Company announced that it had undertaken a small placement as a pre-cursor to the potential development of the Company's Gravelotte emerald project located in South Africa.

Pursuant to the placement the Company had received commitments of \$250,000 (before costs) through a share placement of 8,333,330 shares at an issue price of \$0.03 per share. Each share issued pursuant to the placement have a free attaching listed option that is exercisable at \$0.05 no later than 30 September 2022.

The placement shares were issued utilising the 15% Company's placement capacity under ASX Listing Rule 7.1 and the shares were issued without disclosure to sophisticated investors in Australia.

The funds raised from the placement will be used to finalise the current processing testing, further advance ongoing pre-development activities and assist with corporate and administration expenses.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' Report for the half year ended 30 June 2020.

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



Grant M Button
Chief Executive Officer
Perth, Australia
11 September 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Magnum Mining and Exploration Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
11 September 2020



D I Buckley
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 30 June 2020**

	Note	2020 \$	2019 \$
Revenue	3	122,755	125,958
Depreciation expense		(14,000)	(6,571)
Exploration expensed as incurred		(124,516)	(561,259)
Finance costs		-	(281,317)
Changes in fair value of derivative liability		-	(292,203)
Other expenses		(133,048)	(275,592)
Loss before income tax expense		(148,809)	(1,290,984)
Income tax expense		-	-
Loss for the period		(148,809)	(1,290,984)
Other comprehensive income/ (loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Changes in fair value of equity investments designated at FVOCI		34,375	(37,500)
Exchange differences on translation of foreign operations		(37,311)	4,238
Other comprehensive loss for the period		(2,936)	(33,262)
Total comprehensive loss for the period		(151,745)	(1,324,246)
Income/ (Loss) attributable to:			
Equity holders of the parent		(142,342)	(1,148,789)
Non-controlling interests		(6,467)	(142,195)
Net loss for the period		(148,809)	(1,290,984)
Total comprehensive income/ (loss) attributable to:			
Equity holders of the parent		(145,278)	(1,182,051)
Non-controlling interests		(6,467)	(142,195)
Total comprehensive loss for the period		(151,745)	(1,324,246)
Basic loss per share (cents)	4	(0.05)	(0.41)

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2020

	Note	30 June 2020 \$	31 December 2019 \$
Assets			
Current assets			
Cash and cash equivalents		13,837	147,063
Trade and other receivables		98,378	147,233
Other financial assets	5	84,375	-
Total current assets		196,590	294,296
Non-current assets			
Plant and equipment		120,632	161,745
Other financial assets	5	-	50,000
Exploration and evaluation expenditure		2,060,834	2,060,834
Rehabilitation guarantee		36,902	36,902
Total non-current assets		2,218,368	2,309,481
Total assets		2,414,958	2,603,777
Liabilities			
Current liabilities			
Trade and other payables		58,776	237,948
Borrowings	6	142,186	-
Total current liabilities		200,962	237,948
Total liabilities		200,962	237,948
Net assets		2,213,996	2,365,829
Equity			
Issued capital	7	24,177,078	24,177,078
Reserves		633,831	636,855
Accumulated losses		(22,293,687)	(22,151,345)
Equity attributable to owners of the parent		2,517,222	2,662,588
Non-controlling interests		(303,226)	(296,759)
Total equity		2,213,996	2,365,829

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

**Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2020**

	Issued capital \$	Accumulated losses \$	Reserves \$	Non- controlling interests \$	Total \$
2020					
Balance as at 1 January 2020	24,177,078	(22,151,345)	636,855	(296,759)	2,365,829
Options issue costs	-	-	(88)	-	(88)
Income/ (loss) for the period	-	(142,342)	-	(6,467)	(148,809)
Other comprehensive loss:					
Changes in fair value of equity investments designated at FVOCI	-	-	34,375	-	34,375
Currency translation differences	-	-	(37,311)	-	(37,311)
Total comprehensive loss	-	(142,342)	(2,936)	(6,467)	(151,745)
Balance as at 30 June 2020	24,177,078	(22,293,687)	633,831	(303,226)	2,213,996
2019					
Balance as at 1 January 2019	22,937,628	(20,934,924)	(258,329)	(13,175)	1,731,200
Loss for the period	-	(1,148,789)	-	(142,195)	(1,290,984)
Other comprehensive loss:					
Changes in fair value of equity investments designated at FVOCI	-	-	(37,500)	-	(37,500)
Currency translation differences	-	-	4,238	-	4,238
Total comprehensive loss	-	(1,148,789)	(33,262)	(142,195)	(1,324,246)
Balance as at 30 June 2019	22,937,628	(22,083,713)	(291,591)	(155,370)	406,954

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

**Condensed Consolidated Statement of Cash Flows
for the half year ended 30 June 2020**

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		296	80
Interest received		6	253
Payments for exploration and evaluation		(131,303)	(489,907)
Payments to suppliers and employees		(114,254)	(210,027)
Net cash (outflow) from operating activities		(245,255)	(699,601)
Cash flows from investing activities			
Proceeds from sale of tenement		-	10,000
Payments for purchases of plant and equipment		-	(79,954)
Net cash (outflow) from investing activities		-	(69,954)
Cash flows from financing activities			
Proceeds from borrowings		142,186	200,000
Payment for share or option issue costs		(18,678)	-
Net cash inflow from financing activities		123,508	200,000
Net increase/ (decrease) in cash and cash equivalents		(121,747)	(569,555)
Cash and cash equivalents at the beginning of the half year		147,063	900,808
Effects of exchange rate changes on cash and cash equivalents		(11,479)	(8,317)
Cash and cash equivalents at the end of the half year		13,837	322,936

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2020****1. Statement of Significant Accounting Policies**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2019 and any public announcements made by the Company and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation

The half year financial report has been prepared on a historical cost basis, except for selected non-current financial assets, which have been measured at fair value as explained in the relevant accounting policies. Historical cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. The Company is a for-profit entity.

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

Statement of compliance

The half year financial report was authorised for issue in accordance with a resolution of the Directors on 11 September 2020.

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

Significant accounting judgments and key estimates

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

In preparing this half year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2019, except as noted below:

Inventory

Emeralds are traditionally sold in parcels to buyers and these parcels contain a mixture of sizes and grades of emeralds. This is the way to maximize the value achieved per carat.

In completion of the Trial Mining Phase One and the Trial Mining Phase Two the Group has recovered a parcel of emeralds of a sufficient size to allow for a commercial assessment of pricing. Inventory is required to be measured at the lower of cost or net realisable value. Given the nature of trial mining it is expected that the net realisable value of the parcel will be lower than cost.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2020****Significant accounting judgments and key estimates (continued)**

The Group is still waiting to receive its export license, and with the continued border restriction due to the coronavirus (COVID-19) outbreak, it has slowed the process of identifying potential buyers to allow for a commercial assessment of pricing for the emeralds.

The Directors believe that prior to getting a commercial assessment of pricing for the emeralds, it would be irresponsible and imprudent for them to provide an estimate of net realisable value of the emeralds for inclusion as inventory at 30 June 2020 and accordingly the carrying value of the emeralds should be nil.

New, revised or amended Accounting Standards and Interpretations

In the half year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group, and therefore, no material change is necessary to Group accounting policies.

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant on the Group's operations and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there will not be a material effect on Group accounting policies in future financial periods.

Going concern

The Group has a cash balance at 30 June 2020 of \$13,837 and cash outflows from operating and investing activities of \$245,255 (2019: \$769,555) for the half year. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. The Directors are of the opinion that the Group is a going concern due to the following:

- (i) Subsequent to period end, the Company completed a share placement to raise \$250,000 (before costs).
- (ii) The Company anticipates receiving a VAT refund of approximately \$67,000 from South African Revenue Service (SARS).
- (iii) A Director of the Company, Grant Button, advanced the Company \$132,186 by way of an unsecured loan in order to ensure corporate costs could be met until further funding is received. Grant had advanced an additional \$21,000, post balance date.
- (iv) Tabland Pty Ltd, a company that is related to Mr Howard Dawson, advanced the Company \$10,000 by way of an unsecured loan in order to ensure corporate costs could be met until further funding is received.
- (v) In addition to points (iii) and (iv), the Company has unsecured loan agreements for a total of \$500,000 with entities associated with Mr Howard Dawson, Mr Grant Button and an external third party that have an extended maturity date of 30 July 2021. None of the loan facilities have been drawn down as at 30 June 2020.
- (vi) The Company will seek to raise additional working capital from capital raising.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2020****2. Segment information**

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

The following table presents the financial information regarding these segments provided to the Board of Directors for the half year ended 30 June 2020 and 30 June 2019.

	Australia \$	South Africa \$	Consolidated \$
30 June 2020			
Segment revenue and other income	855	121,894	122,749
Interest	6	-	6
Segment result	(123,551)	(25,258)	(148,809)
Unallocated			-
Results from operating activities			(148,809)
Segment assets	118,525	2,296,433	2,414,958
Segment liabilities	188,883	12,079	200,962
Included within segment results:			
Depreciation	293	13,707	14,000
30 June 2019			
Segment revenue and other income	125,705	-	125,705
Interest	253	-	253
Segment result	(727,164)	(563,820)	(1,290,984)
Unallocated			-
Results from operating activities			(1,290,984)
Segment assets	380,480	2,402,766	2,783,246
Segment liabilities	2,201,174	175,118	2,376,292
Included within segment results:			
Depreciation	490	6,081	6,571
Bad Debt	11,083	-	11,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2020

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
3. Revenue		
From continuing operations		
Forgiveness of consulting fees	121,894	-
Sale of Tenement	-	125,625
Administration overhead recoveries	755	80
Other income	106	253
	122,755	125,958
4. Earnings/ (loss) per share		
	Cents	Cents
Basic earnings / (loss) per share	(0.05)	(0.41)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share	304,598,818	279,578,818
	\$	\$
Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share	(142,342)	(1,148,789)
5. Other financial assets		
	Consolidated	
	30 June 2020	31 December 2019
	\$	\$
Shares in Dampier Gold – Current	84,375	-
Shares in Dampier Gold – Non-current	-	50,000
	84,375	50,000

On 7 January 2019 in accordance with the terms and conditions of a binding term sheet, Magnum sold its beneficial interest in the Menzies Project, which consists of exploration license E29/1052 to Dampier Gold Ltd. The consideration paid by Dampier Gold Ltd was an issue of 3,125,000 shares in Dampier Gold Ltd and a cash payment of \$10,000. The shares will be held in voluntary escrow for a period of 24 months.

The shares in Dampier Gold Ltd are listed and therefore represent a level 1 financial instrument.

The Company made an irrevocable election to carry the investment at fair value through other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2020****6. Borrowings**

	Consolidated	
	30 June 2020	31 December 2019
	\$	\$
Grant Button (i)	132,186	-
Tabland Pty Ltd (ii)	10,000	-
	142,186	-

Related party transactions

(i) Mr G Button is an Executive director.

(ii) Mr H Dawson, a Non-Executive Chairman, is a related person in Tabland Pty Ltd.

The above advances are unsecured loans with interest payable calculated at 10% per annum. These loans will be repaid as soon as further funding is received from a capital raising or future sale of emeralds. The Directors have agreed due to COVID-19, the loans should be non-interest bearing for the period to 30 June 2020.

(iii) Mr G Button, an Executive director, is the trustee of Wilberforce Trust. Wilberforce Trust entered into a loan agreement to provide the Company a loan facility of \$150,000. As at 30 June 2020, the loan facility remain in place and the loan balance is nil.

(iv) Mr H Dawson, a Non-Executive Chairman, is a related person in Tabland Pty Ltd. Tabland Pty Ltd entered into a loan agreement to provide the Company a loan facility of \$50,000. As at 30 June 2020, the loan facility remain in place and the loan balance is nil.

These loans are unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly.

7. Issued capital**Share capital**

		Consolidated		Consolidated	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
		Shares	Shares	\$	\$
(a) Share Capital					
Ordinary shares					
Ordinary shares fully paid	(a)	304,598,818	304,598,818	24,177,078	24,177,078
At reporting date		304,598,818	304,598,818	24,177,078	24,177,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2020

7. Issued capital (continued)

Share capital (continued)

(a) Ordinary shares issued

	Consolidated 6 months to		Consolidated Year to	
	30 June 2020	30 June 2020	31 December 2019	31 December 2019
	Shares	\$	Shares	\$
Movements in ordinary share capital				
Balance at the beginning of the reporting period	304,598,818	24,177,078	279,578,818	22,937,628
Issued of shares on conversion of Convertible Notes	-	-	25,000,000	1,250,000
Exercise of options	-	-	20,000	1,200
Less: Share issue costs	-	-	-	(11,750)
Balance at reporting date	304,598,818	24,177,078	304,598,818	24,177,078

8. Listed options

	30 June 2020 No. of Options	31 December 2019 No. of Options
--	--------------------------------------	--

Options

At the end of the reporting period the following options were on issue:

- 30 September 2019 options exercisable at \$0.05 per share expiring 30 September 2022

	101,506,273	101,506,273
	101,506,273	101,506,273

Movements in listed options

	6 months to 30 June 2020 No. of Options	Year to 31 December 2019 No. of Options
Balance at the beginning of the year	101,506,273	-
Options issued during the period	-	101,526,273
Options exercised during the period	-	(20,000)
Balance at reporting date	101,506,273	101,506,273

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2020****9. Interest in subsidiaries**

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity	
		30 June 2020	31 December 2019
GEM Venus Holdings (Pty) Ltd	South Africa	100%	100%
Venus Emeralds (Pty) Ltd	South Africa	74%	74%
Adit Mining Consultants & Trading (Pty) Ltd	South Africa	74%	74%

10. Contingencies

There were no contingencies of the Group at 30 June 2020 (31 December 2019: \$Nil).

11. Events occurring after the balance date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, other than those detailed below:

Capital Raising

On 14 July 2020, the Company announced that it had undertaken a small placement as a pre-cursor to the potential development of the Company's Gravelotte emerald project located in South Africa.

Pursuant to the placement the Company had received commitments of \$250,000 (before costs) through a share placement of 8,333,330 shares at an issue price of \$0.03 per share. Each share issued pursuant to the placement have a free attaching listed option that is exercisable at \$0.05 no later than 30 September 2022.

The placement shares were issued utilising the 15% Company's placement capacity under ASX Listing Rule 7.1 and the shares were issued without disclosure to sophisticated investors in Australia.

The funds raised from the placement will be used to finalise the current processing testing, further advance ongoing pre-development activities and assist with corporate and administration expenses.

12. Tenements on hand

Location	Project	Tenement Type	Number	Interest	Status
Limpopo Province South Africa	Gravelotte	Mining Right	MPT 85/2013	74%	Granted
Limpopo Province South Africa	Gravelotte	Prospecting Right	LP 204 PR	74%	Granted

Directors' Declaration

In the opinion of the Directors of Magnum Mining and Exploration Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Grant M Button
Chief Executive Officer
Perth, Australia
11 September 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnum Mining and Exploration Limited

Report on the Condensed Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of Magnum Mining and Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As at balance date the Group has completed Trial Mining Phase 1 and Trial Mining Phase 2. As a result of the trial mining, milling and processing, a parcel of emeralds has been recovered of a sufficient size to allow for a commercial assessment of pricing. Given the nature of trial mining it is expected that the net realisable value of the parcel will be lower than cost. As disclosed in Note 1 the Directors believe that prior to getting a commercial assessment of pricing for the emeralds, it would be irresponsible and imprudent for them to provide an estimate of the net realisable value for inclusion in inventory. We were unable to obtain sufficient appropriate evidence about the carrying amount of inventory as at 30 June 2020. We were unable to attend a stock take to verify existence and condition of the inventory or perform alternate procedures such as the inspection of documentation of the subsequent sale of the inventory as there have been no sales.

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

We believe that through our review procedures there is sufficient and appropriate evidence to provide a basis for our conclusion.

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Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 September 2020



D I Buckley
Partner

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