



Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Report

Half - year ended 30 June 2016

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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 2016.

Directors

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

G M Button	Chief Executive Officer
D F Lynton-Brown	Non-Executive Chairman
R Spencer	Executive Director

Operating results

The consolidated loss of the Group for the half-year after income tax was \$471,717 (2015 half-year: profit of \$1,173,354).

Review of operations

Gravelotte Project, South Africa

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

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

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

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

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

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

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

Digitising of the historic data also continued.

Detailed planning has commenced for a bulk sampling programme to recover emeralds for price evaluation.

Review of operations (continued)**Gravelotte Project, South Africa (continued)**

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

The Company sees the Gravelotte Project as presenting a near term development opportunity and the focus over the current 12 months will be to review potential mining and processing methods to expedite a move to possible production.

Events occurring after the balance date

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

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this Directors' Report for the half-year ended 30 June 2016.

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

13th September 2016



Accountants | Business and Financial Advisers

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in blue ink, appearing to read 'D I Buckley', written over a light blue horizontal line.

Perth, Western Australia
13 September 2016

D I Buckley
Partner, HLB Mann Judd

**Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2016**

	Note	2016 \$	2015 \$
Revenue from continuing operations		151	202
Depreciation expense		(1,859)	(1,798)
Raw materials and consumables used		(12,565)	(15,052)
Exploration expensed as incurred		(228,088)	(150,470)
Other expenses		(229,356)	(149,807)
Loss before income tax expense		(471,717)	(316,925)
Income tax expense		-	-
Loss from continuing operations		(471,717)	(316,925)
Profit / (loss) from discontinued operations		-	1,490,279
Net profit / (loss) for the period		(471,717)	1,173,354
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(3,995)	(29,502)
<i>Reclassifications:</i>			
Reclassification to profit or loss on deconsolidation of subsidiaries		-	27,531
Other comprehensive income/ (loss) for the period		(3,995)	(1,971)
Total comprehensive income/ (loss) for the period		(475,712)	1,171,383
Profit/ (loss) attributable to:			
Equity holders of the parent		(408,616)	1,213,568
Non-controlling interests		(63,101)	(40,214)
Net profit/ (loss) for the period		(471,717)	1,173,354
Total comprehensive income/ (loss) attributable to:			
Equity holders of the parent		(412,611)	1,211,597
Non-controlling interests		(63,101)	(40,214)
Total comprehensive income/ (loss) for the period		(475,712)	1,171,383

**Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2016**

	Note	2016 \$	2015 \$
Basic earnings/ (loss) per share (cents)		(0.21)	0.53
Basic earnings/ (loss) per share (cents) from continuing operations		(0.21)	(0.14)

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2016

	Note	30 June 2016 \$	31 December 2015 \$
Assets			
Current assets			
Cash and cash equivalents		360,147	772,280
Trade and other receivables		64,473	51,082
Total current assets		<u>424,620</u>	<u>823,362</u>
Non-current assets			
Plant and equipment		9,130	8,572
Exploration and evaluation expenditure		2,060,834	2,060,834
Rehabilitation guarantee		36,902	36,902
Total non-current assets		<u>2,106,866</u>	<u>2,106,308</u>
Total assets		<u>2,531,486</u>	<u>2,929,670</u>
Liabilities			
Current liabilities			
Trade and other payables		225,956	148,428
Total current liabilities		<u>225,956</u>	<u>148,428</u>
Total liabilities		<u>225,956</u>	<u>148,428</u>
Net assets		<u>2,305,530</u>	<u>2,781,242</u>
Equity			
Issued capital		20,517,335	20,517,335
Reserves		60,027	64,022
Accumulated losses		(18,537,852)	(18,129,236)
Equity attributable to owners of the parent		<u>2,039,510</u>	<u>2,452,121</u>
Non-controlling interests		266,020	329,121
Total equity		<u>2,305,530</u>	<u>2,781,242</u>

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 2016**

	Issued capital \$	Accumulated losses \$	Reserves \$	Non- controlling interests \$	Total \$
2016					
Balance as at 1 January 2016	20,517,335	(18,129,236)	64,022	329,121	2,781,242
Loss for the period	-	(408,616)	-	(63,101)	(471,717)
Other comprehensive income:					
Currency translation differences	-	-	(3,995)	-	(3,995)
Total comprehensive income/(loss)	-	(408,616)	(3,995)	(63,101)	(475,712)
Balance as at 30 June 2016	20,517,335	(18,537,852)	60,027	266,020	2,305,530
2015					
Balance as at 1 January 2015	20,517,335	(18,619,202)	18,450	478,700	2,395,283
Profit/(loss) for the period	-	1,213,568	-	(40,214)	1,173,354
Other comprehensive income:					
Reclassification to profit or loss on sale of subsidiaries	-	(56,159)	83,690	-	27,531
Currency translation differences	-	-	(29,502)	-	(29,502)
Total other comprehensive income/(loss)	-	(56,159)	54,188	-	(1,971)
Total comprehensive income/(loss)	-	1,157,409	54,188	(40,214)	1,171,383
Balance as at 30 June 2015	20,517,335	(17,461,793)	72,638	438,486	3,566,666

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 2016**

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(211,526)	(160,960)
Payments to suppliers and employees		(144,274)	(200,237)
Interest received		151	202
Net cash (outflow) from operating activities		(355,649)	(360,995)
Cash flows from investing activities			
Payments for purchases of plant and equipment		(2,418)	(2,906)
Net repayments received from other entities		-	27,322
Cash flows from discontinued operations from investing activities		-	562,710
Net cash (outflow) from investing activities		(2,418)	587,126
Cash flows from financing activities			
Net cash inflow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(358,067)	226,131
Cash and cash equivalents at the beginning of the half-year		772,280	448,441
Effects of exchange rate changes on cash and cash equivalents		(54,066)	22,644
Cash and cash equivalents at the end of the half-year		360,147	697,216

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2016****1. Statement of Significant Accounting Policies**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2015 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Basis of preparation

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

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

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2015.

New, revised or amended Accounting Standards and Interpretations

In the half-year ended 30 June 2016, the Directors have reviewed the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2016. As a result of this review, the Directors have determined that there is no impact, material or otherwise of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2016****1. Statement of Significant Accounting Policies (continued)****Going concern**

The Group has a cash balance at 30 June 2016 of \$360,147. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. Thus the Directors are of the opinion that the Group is a going concern due to the following:

- (i) The Company has the ability to sell approximately 10 million shares which were forfeited from the staff incentive scheme in prior years. Should these shares be taken up by the shareholders, the Company could raise approximately \$400,000.
- (ii) The Company will seek to raise additional working capital from capital raising.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2016****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 interim periods ended 30 June 2016 and 30 June 2015.

	Australia \$	Namibia \$	South Africa \$	Consolidated \$
30 June 2016				
Segment Revenue	143	-	8	151
Segment result	(228,892)	-	(242,825)	(471,717)
Unallocated Results from operating activities				-
				(471,717)
Segment assets	420,539	-	2,110,947	2,531,486
Segment liabilities	142,972	-	82,984	225,956
Included within segment results:				
Depreciation	1,801	-	58	1,859
	Australia \$	Namibia \$	South Africa \$	Consolidated \$
30 June 2015				
Segment Revenue	202	-	-	202
Segment result	(159,937)	1,490,279	(156,988)	1,173,354
Unallocated Results from operating activities				-
				1,173,354
Segment assets	854,373	744,800	2,123,552	3,722,725
Segment liabilities	109,567	-	46,492	156,059
Included within segment results:				
Depreciation	1,798	-	-	1,798
Discontinued operations	-	1,490,279	-	1,490,279

NOTES TO THE CONDENSED FINANCIAL STATEMENTS**FOR THE HALF YEAR ENDED 30 JUNE 2016****3. Interest in subsidiaries**

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity	
		30 June 2016	31 December 2015
Magnum Tantalite (Pty) Ltd	South Africa	100%	100%
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%

4. Contingencies

There were no contingencies of the Group at 30 June 2016. (31 December 2015: \$Nil)

5. Events occurring after the balance date

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

6. 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 2016 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

13th September 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnum Mining and Exploration Limited

Report on the Condensed Interim Financial Report

We have reviewed the accompanying interim financial report of Magnum Mining and Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2016 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 an interim 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*.

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2016 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*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicate that the Group will require additional funding to enable the Group to continue to fund its operations. If the Group is unable to raise sufficient funding, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the interim financial report.



HLB Mann Judd
Chartered Accountants



D I Buckley
Partner

Perth, Western Australia
13 September 2016