# Magnum Mining and Exploration Limited

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

**Annual report**
**Year ended 31 December 2009**

## Contents

# Corporate directory

**Directors**
G M Button
G A Nealon
D F Lynton-Brown
M McMahon

**Company Secretary**
G M Button

**Registered office**
Unit 2 Level 1 Churchill Court
331-335 Hay Street
Subiaco
Western Australia 6008

**Share registry**
Computershare Investor Services
45 St Georges Terrace
Perth
Western Australia 6000

**Auditor**
HLB Mann Judd
Chartered Accountants
Level 4
130 Stirling Street
Perth
Western Australia 6000

**Solicitor**
Clayton Utz
QVI, 250 St Georges Terrace
Perth
Western Australia 6000

**Stock exchange listing**
Magnum Mining and Exploration Limited shares are listed on the Australian Securities Exchange under the code MGU.

The Company is limited by shares, incorporated and domiciled in Australia.

**Website address**
www.mmel.com.au

## Review of operations and activities

### Operations

### Tantalite Valley Project, Namibia

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

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

Since acquisition, the Tantalum industry has experienced depressed prices related to supplies of Tantalum and the Global Financial Crisis. These difficulties lead the Company to re-evaluate its strategy for developing the Tantalite Valley project. The Company decided to forge an alliance with a tantalum mining house or end-user to assist in the development of the project and to mitigate the marketing risks of the operation.

The Company has continued to hold discussions with various parties to progress this strategy and initially there was significant interest. Unfortunately the issues outlined above have depressed the general Tantalum market and the Company has not been able to execute this plan during the year. The Company has received increased levels of interest in the project since year end which is considered positive.

The Company has, subsequent to the end of the financial year, commissioned an independent strategic review of the project to evaluate proposed development alternatives and to assess product off take and investment demand from potential end users. This process is ongoing and any developments will be announced as they occur.

### Other activities

The Company has reviewed numerous resource sector opportunities during the past year, however has not been able to negotiate a suitable opportunity for the Company. The Company is continuing to assess potential opportunities for the Company.

### Corporate

The Company made a number of administrative changes that took effect from the beginning of the financial year.

Salaries and outgoings have been significantly reduced and Mr. Grant Button is undertaking both the roles of Company Secretary and Chief Executive Officer of the Company to assist in this reduction of administration costs.

The Company has continued to incur costs associated with the assessment of suitable resource sector opportunities for the Company.

## Directors' report

Your directors present their reports on the consolidated entity (referred to hereafter, as the "Group") consisting of Magnum Mining and Exploration Limited ("Magnum" or the "Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2009.

### Directors

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

G A Nealon
G M Button
D F Lynton-Brown
M McMahon – Appointed 1st December 2009

### Principal Activities

The principal activity of the Group during the financial year was investment in mineral exploration.

### Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### Review of operations

Information on the operations and activities of the Group is set out in the review of operations and activities on page 3 of this annual report.

### Operating result for the year

The consolidated loss of the Group for the year after income tax expense was $893,485 (2008: $3,654,485).

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report.

### Matters subsequent to the end of the financial year

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 other than disclosed elsewhere in this annual report.

### Likely developments and expected results

Additional comments on expected results of certain operations of the Group are included in the review of operations and activities.

## Directors' report (continued)

### Environmental legislation

The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities in Namibia. There have been no known breaches of these regulations and principles.

### Information on directors

**G M Button B. Bus. (Acc), C.P.A.** *Chief Executive Officer. Age 48*

***Experience and expertise***

G M Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He was appointed as a director in 2006 and was appointed as CEO of the Company on 16 July 2007 and has 18 years experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary for a range of publicly listed companies.

**Other current directorships**
Executive director of Sylvania Resources Ltd (since May 2009)
Non-executive Chairman of Alamar Resources Limited (since April 2008)
Non-executive Chairman of Morningstar Holdings (Australia) Limited (appointed 2007)

***Former directorships in the last 3 years***
Non-Executive director of Washington Resources Limited (1 March 2005 to 1 December 2008)

***Special responsibilities***
None

***Interest in shares and options***
3,700,000 ordinary shares in Magnum Mining and Exploration Limited

**G A Nealon. B.Sc. (Hons.), M.Sc., MRACI, C.Chem.** *Non-Executive Chairman. Age 50*

***Experience and expertise***

G A Nealon is a Chartered Chemist holding the degrees of B.Sc. (Hons.) in Biochemistry and M.Sc. in Forensic Science. He has approximately twenty five years of work experience, primarily in the areas of forensic science, quality systems, risk management, research & development, corporate governance and due diligence. He was initially employed by Government agencies, primarily within the UK and Australia, prior to moving into the private sector and founding his own consulting company in 1994. His main areas of operation have principally related to Australia, South Africa, Singapore, Malaysia, Thailand and the USA.

***Other current directorships***
Chairman of Great Australian Resources Limited (since October 2007)
Chairman of AIM listed companies Bezant Resources Plc (since December 2004) and L P Hill Plc (since April 2009)

***Former directorships in the last 3 years***
None

***Special responsibilities***
Chairman of the Board

## Directors' report (continued)

***Interest in shares and options***
3,000,000 ordinary shares in Magnum Mining and Exploration Limited

**Darryl F Lynton-Brown.** *Non-Executive Director, Age 69*

***Experience and expertise***

D F Lynton-Brown has been involved within the Mining Industry for nearly forty years. He has predominantly been involved with corporate development and promotional activities relating to a large number and range of business ventures, where he has been most instrumental with their initial establishment activities, along with attracting associated institutional investors.

***Other current directorships***
Director of Pelican Resources Limited (since January 2002)

***Former directorships in the last 3 years***
None

***Special responsibilities***
None

***Interest in shares and options***
920,000 ordinary shares in Magnum Mining and Exploration Limited

**Michael McMahon** *Non-Executive Director, Age 56*

***Experience and expertise***

M McMahon is a successful Sydney businessman. He has not held any other directorships in the previous 3 years.

***Former directorships in the last 3 years***
None

***Special responsibilities***
None

***Interest in shares and options***
No ordinary shares in Magnum Mining and Exploration Limited

**Company secretary**

Mr Grant Button

Please refer to the above Information on Directors section for further details.

## Directors' report (continued)

### Meetings of directors

During the financial year there were three formal directors meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

The number of meetings of the Company's board of directors attended by each director was:

| | *Directors' meetings held whilst in office* | *Directors' meetings attended* |
|---|---|---|
| G M Button | 3 | 3 |
| G A Nealon | 3 | 3 |
| D F Lynton-Brown | 3 | 3 |
| M McMahon | 1 | 1 |

### Remuneration report

Details of directors' and executives' remuneration are set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Consultancy agreements
D Share-based compensation

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

### A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management

The framework provides a mix of fixed fee, consultancy agreement based remuneration, and share based incentives.

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by a Board Remuneration Committee. The remuneration committee acts in accordance with a written Remuneration Committee Charter. The Remuneration Committee's aim is to ensure the remuneration packages properly reflect directors and executives duties and responsibilities. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

## Directors' report (continued)

### Remuneration report (continued)

### A Principles used to determine the nature and amount of remuneration (continued)

The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past six (6) financial years.

*Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market. Directors are not present at any discussions relating to determination of their own remuneration.

*Directors' fees*

Some of the directors perform at least some executive or consultancy services. However, each director receives a separate fixed fee for their services as a director, as the Board considers it important to distinguish between the executive and non-executive roles held by those individuals. The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 31 May 2007, when shareholders approved an aggregate remuneration of $150,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

*Retirement allowances for directors*

Apart from superannuation payments paid on base director fees there are no retirement allowances for directors.

*Executive pay*

The executive pay and reward framework has the following components:
- base pay and benefits such as superannuation
- short-term performance incentives
- long-term incentives through participation in the Directors and Employees Share Plan

*Base pay*

All executives are either full time employees or consultants that currently receive a fixed monthly retainer as agreed with the Company.

*Benefits*

Apart from superannuation paid on directors' fees and executive salaries there are no additional benefits paid to executives.

*Short-term incentives*

There are no current short term incentive remuneration arrangements.

## Directors' report (continued)

### Remuneration report (continued)

### A Principles used to determine the nature and amount of remuneration (continued)

*Employee share plan*

To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees, the Company has established a Directors and Employees Share Plan (the "Plan"), which was approved by the Shareholders on 31 July 2006 at the Company's Annual General Meeting.

The number of Ordinary Shares that may be offered to a Participant is entirely within the discretion of the Board. The Company does not intend to offer more than 10% of the issued share capital of the Company under the current Plan.

### B Details of remuneration

*Amounts of remuneration*

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2009 and 2008 are set out in the following tables.

The key management personnel of the Group are the directors of the Company.

***Table 1: Directors remuneration for the year ended 31 December 2009***

| **2009** | *Primary benefits* | | *Post-employment benefits* | *Share-based payments* | *TOTAL* | *Performance related %* |
|---|---|---|---|---|---|---|
| Name | *Cash salary and consulting fees* *$* | *Directors' fees* *$* | *Superannuation* *$* | *Equity shares* *$* | *$* | |
| | | | | | | |
| G M Button | 93,338 | 25,000 | 2,250 | 83,367 | 203,955 | 40.88% |
| G A Nealon | 5,333 | 25,000 | 2,250 | 83,367 | 115,950 | 71.90% |
| D F Lynton-Brown | - | 25,000 | 2,250 | 40,951 | 68,201 | 60.04% |
| M McMahon | - | 2,105 | 189 | - | 2,294 | - |
| *TOTAL* | 98,671 | 77,105 | 6,939 | 207,685 | 390,400 | 53.20% |

## Directors' report (continued)

### Remuneration report (continued)

### B Details of remuneration (continued)

***Table 2: Directors remuneration for the year ended 31 December 2008***

| 2008 | *Primary benefits* | | *Post-employment benefits* | *Share-based payments* | *TOTAL* | *Performance related %* |
|---|---|---|---|---|---|---|
| Name | *Cash salary and consulting fees $* | *Directors' fees $* | *Superannuation $* | *Equity shares $* | *$* | |
| | | | | | | |
| G M Button | 193,333 | 25,000 | 2,250 | 126,042 | 346,625 | 36.36% |
| G A Nealon | 64,000 | 25,000 | 2,250 | 126,042 | 217,292 | 58.01% |
| D F Lynton-Brown | - | 25,000 | 2,250 | 38,221 | 65,471 | 58.38% |
| *TOTAL* | 257,333 | 75,000 | 6,750 | 290,305 | 629,388 | 46.12% |

### C Consultancy agreements

Currently no formal consultancy agreements are entered into between the Company and the directors.

### D Share-based compensation

*Options*

No options have been granted by the Company.

*Ordinary Shares*

Ordinary shares are issued under the Plan, which were approved by shareholders at the 2006 and 2008 Annual General Meetings.

Participants of the Plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

## Directors' report (continued)

### Remuneration report (continued)

### D Share based compensation (continued)

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the Plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

The market value of the option implicit in the share issued under the Plan (funded by way of a loan on the conditions noted above), measured using the Black and Scholes option pricing model, is recognised in the financial statements as an equity benefit reserve and as employee benefit costs in the period over which the shares vest.

Details of employee shares affecting remuneration in the previous, this or future reporting periods are as follows:

| Issue date | Share price at grant date | Exercise price | Vesting period |
|---|---|---|---|
| | | | |
| 22 June 2007 | $0.27 | $0.30 | 50% after 22 June 2008; 50% after 22 June 2009 |
| 4 June 2008 | $0.20 | $0.18 | 50% after 4 June 2009; 50% after 4 June 2010 |

Details of ordinary shares in the Company provided as remuneration to each director of the Company are set out below.

| | Number of shares granted during the year | | Number of shares vested during the year | | % Compensation for year consisting of options |
|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | |
| | | | | | |
| G M Button | **-** | 1,500,000 | **1,500,000** | 750,000 | 40.88% |
| G A Nealon | **-** | 1,500,000 | **1,500,000** | 750,000 | 71.90% |
| D F Lynton-Brown | **-** | 900,000 | **450,000** | - | 60.04% |
| M McMahon | **-** | - | **-** | - | - |

## Directors' report (continued)

### Remuneration report (continued)

### D Share based compensation (continued)

No ordinary shares in the Company were provided as a result of the exercise of remuneration options during the year.

### Indemnification

### Insurance of officers

During the financial year, the Company paid premiums to insure the directors and secretaries of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.  This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.  It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group entity are important.
During the year ended 31 December 2009, the auditor did not provide any non-audit services.

| | **Consolidated 2009 $** |
|---|---|
| The auditors of the parent entity are HLB Mann Judd: | |
| Amounts paid or payable for services provided by HLB Mann Judd for: | |
| - An audit or review of the financial report of the entity | **35,820** |
| Amounts received or due and receivable by non-HLB Mann Judd audit firms: | |
| - An audit or review of the financial report of any other entity in the Group | **11,653** |
| **Total auditor's remuneration** | **47,473** |

# Directors' report (continued)

## Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

## Auditor

HLB Mann Judd continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of the directors.

G. Button.

**Grant M Button**
**Chief Executive Officer**

Perth, Australia
30th March 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Magnum Mining and Exploration Limited for the year ended 31 December 2009, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magnum Mining and Exploration Limited and the entities it controlled during the year.

**Perth, Western Australia**
**30 March 2010**

**W M CLARK**
**Partner, HLB Mann Judd**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

**HLB Mann Judd (WA Partnership) is a member of HLB International, a world-wide organisation of accounting firms and business advisers**

## Corporate governance statement

The Board of Directors of the Company are committed to attaining and implementing the highest standards of corporate governance. The Board has reviewed the Company's corporate governance practices in relation to the best practice recommendations released by the Australian Securities Exchange Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the present size and scope of the Company it is not practical to institute all of the best practice recommendations at present.

A description of the Company's main corporate governance practices is set out hereunder. Unless stated otherwise, all of the following practices were in place for the entire year.

**Independent directors and Independent Chairman**
Recommendations 2.1 and 2.2

The Board of Directors are responsible to the shareholders for the performance of the Company and the implementation of corporate governance policies. The Board operates in accordance with the following principles:

- The Board should comprise between 3 and 12 directors, with a mix of executive and non-executive directors; and

- The Board should comprise directors with a range of skills and experience that are appropriate and assist the directors in performing their duties within the scope of the Company's operations.

Directors are initially appointed by the full Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment.

The Chairman of the Board is a non-executive director who is elected by the full Board.

Corporate governance best practice recommendations 2.1 and 2.2, which require the majority of the Board to be independent directors and the Chairman to be an independent, have not been adopted by the Company. The Board is of the opinion that the Company is best served by its current Board composition of executive and non-executive directors.

The Company considers corporate governance best practice recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the Company's operations, the number of directors constituting the Board and the fact that the Company has one part time employee. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.

**Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

**Evaluation of the Performance of the Board of Directors**
Recommendation 2.5

The Board undertakes annual self assessment of its collective performance and the performance of the Chairman.

## Corporate governance statement (continued)

The Chairman undertakes an annual assessment of the performance of individual directors. The Directors' performance is measured against specific performance goals as set out by the Board annually.

**Nomination Committee**
Recommendation 2.4

A separate Nomination Committee has not been formed.

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits will be gained by establishing a separate Nomination Committee.

**Audit Committee**
Recommendation 4.1

A separate Audit Committee has not been formed.

The role of the Audit Committee is carried out by the full Board. The Board considers that given the present size and complexity of the Company that no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.

**Remuneration Committee**
Recommendation 8.1

A separate remuneration committee has been formed.

The Board Remuneration Committee's aim is to ensure the remuneration packages properly reflect directors and executives duties and responsibilities. The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance.

**Nomination of Directors**

Any Board member may make recommendations on Board composition and appointments; however appointments are subject to the final approval of the full Board.

**Review of External Audit Arrangements**

The assessment of the scope and quality of the Company's audit is carried out by the full Board. Assessment procedures include:

- Reviewing external audit reports to ensure that any significant deficiencies or breakdowns in controls or procedures have been identified and remedied;
- Liaising with the auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner.

## Corporate governance statement (continued)

### Ethical Standards

The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in best practice recommendation 3.1 and 10.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its shareholders for their conduct.

The purchase and sale of Company securities by Directors and employees is permitted. However, buying or selling of the Company's shares is not allowed at any time by any person who possesses unpublished information which may affect the price of the Company's shares.

### Communication with Shareholders and Continuous Disclosure

The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirements and accountability at a senior management level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

G M Button, Chief Executive Officer, has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

### Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The assessment of identified and potential significant business risk is monitored by the executive directors. The executive directors are responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk.

# Statements of Comprehensive Income
# for the year ended 31 December 2009

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **$** | $ | **$** | $ |
| **Revenue from continuing operations** | 3 | **110,649** | 336,777 | **105,618** | 319,918 |
| Raw materials and consumables used | | **(22,162)** | (35,616) | **-** | - |
| Share-based payment expense | | **(377,648)** | (599,406) | **(377,648)** | (599,406) |
| Depreciation expense | | **(9,172)** | (60,362) | **(7,600)** | (10,429) |
| Impairment of available for sale assets | 9 | **-** | (344,244) | **-** | (344,244) |
| Impairment of loans and investments in subsidiaries | 10 | **-** | - | **(61,044)** | (2,847,069) |
| Impairment of plant and equipment | 11 | **-** | (852,053) | **-** | - |
| Impairment of intangible assets – mining license | 12 | **-** | (1,050,403) | **-** | - |
| Impairment of exploration expenditure | 13 | **-** | (7,630) | **-** | - |
| Other expenses | | **(595,152)** | (1,041,548) | **(520,855)** | (824,562) |
| **Loss before income tax expense** | 4 | **(893,485)** | (3,654,485) | **(861,529)** | (4,305,792) |
| Income tax expense | 5 | - | - | **-** | - |
| **Net loss for the year** | | **(893,485)** | (3,654,485) | **(861,529)** | (4,305,792) |
| **Other comprehensive income** | | | | | |
| Net change in fair value of available for sale financial assets | | **-** | 16,661 | **-** | 16,661 |
| Exchange differences on translation of foreign operations | | **745** | (261,765) | **-** | - |
| **Other comprehensive income / (loss) for the year net of tax** | | **745** | (245,104) | **-** | 16,661 |
| **Total comprehensive (loss) / income for the year** | | **(892,740)** | (3,899,589) | **(861,529)** | (4,289,131) |
| **Basic loss per share (cents)** | 26 | **(0.61)** | (2.51) | **(0.55)** | (2.96) |

*The above statements of comprehensive income should be read in conjunction with the accompanying notes.*

# Statements of Financial Position
## as at 31 December 2009

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **$** | $ | **$** | $ |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 6 | **3,352,685** | 3,157,425 | **3,309,371** | 3,041,441 |
| Trade and other receivables | 7 | **37,750** | 38,218 | **37,542** | 38,218 |
| **Total Current Assets** | | **3,390,435** | 3,195,643 | **3,346,913** | 3,079,659 |
| **Non-Current Assets** | | | | | |
| Investments accounted for using the equity method | 8 | **180,636** | 175,752 | **-** | - |
| Available-for-sale financial assets | 9 | **-** | 14,522 | **-** | 14,522 |
| Other financial assets | 10 | **-** | - | **195,861** | 195,861 |
| Plant and equipment | 11 | **17,477** | 57,850 | **17,477** | 25,366 |
| **Total Non-Current Assets** | | **198,113** | 248,124 | **213,338** | 235,749 |
| **Total Assets** | | **3,588,548** | 3,443,767 | **3,560,251** | 3,315,408 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 14 | **114,968** | 137,388 | **94,971** | 48,540 |
| **Total Current Liabilities** | | **114,968** | 137,388 | **94,971** | 48,540 |
| **Total Liabilities** | | **114,968** | 137,388 | **94,971** | 48,540 |
| **Net Assets** | | **3,473,580** | 3,306,379 | **3,465,280** | 3,266,868 |
| **EQUITY** | | | | | |
| Contributed equity | 15 | **17,781,434** | 17,099,141 | **17,781,434** | 17,099,141 |
| Reserves | 16 | **868,768** | 490,375 | **1,161,411** | 783,763 |
| Accumulated losses | 16 | **(15,176,622)** | (14,283,137) | **(15,477,565)** | (14,616,036) |
| **Total Equity** | | **3,473,580** | 3,306,379 | **3,465,280** | 3,266,868 |

*The above statements of financial position should be read in conjunction with the accompanying notes.*

# Statements of Changes in Equity
# for the year ended 31 December 2009

| **Consolidated** | **Issued capital**<br>**$** | **Accumulated losses**<br>**$** | **Reserves**<br>**$** | **Total equity**<br>**$** |
|---|---|---|---|---|
| Balance at 1 January 2008 | **17,103,153** | **(10,628,652)** | **136,073** | **6,610,574** |
| Loss for the year | - | (3,654,485) | - | (3,654,485) |
| Currency translation differences | - | - | (261,765) | (261,765) |
| Net gains / (losses) revaluation reserve | - | - | 16,661 | 16,661 |
| Shares issued during the year net of transaction costs | (4,012) | - | - | (4,012) |
| Share based compensation reserve | - | - | 599,406 | 599,406 |
| **Balance at 31 December 2008** | **17,099,141** | **(14,283,137)** | **490,375** | **3,306,379** |
| Loss for the year | - | (893,485) | - | (893,485) |
| Currency translation differences | - | - | 745 | 745 |
| Shares issued during the year net of transaction costs | 682,293 | - | - | 682,293 |
| Share based compensation | - | - | 377,648 | 377,648 |
| **Balance at 31 December 2009** | **17,781,434** | **(15,176,622)** | **868,768** | **3,473,580** |
| **Parent entity** | | | | |
| **Balance at 1 January 2008** | **17,103,153** | **(10,310,244)** | **167,696** | **6,960,605** |
| Loss for the year | - | (4,305,792) | - | (4,305,792) |
| Net gains / (losses) revaluation reserve | - | - | 16,661 | 16,661 |
| Shares issued during the year net of transaction costs | (4,012) | - | - | (4,012) |
| Share based compensation reserve | - | - | 599,406 | 599,406 |
| **Balance at 31 December 2008** | **17,099,141** | **(14,616,036)** | **783,763** | **3,266,868** |
| Loss for the year | - | (861,529) | - | (861,529) |
| Shares issued during the year net of transaction costs | 682,293 | - | - | 682,293 |
| Share based compensation | - | - | 377,648 | 377,648 |
| **Balance at 31 December 2009** | **17,781,434** | **(15,477,565)** | **1,161,411** | **3,465,280** |

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*

# Statements of Cash Flows
# for the year ended 31 December 2009

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **$** | $ | **$** | $ |
| **Cash flows from operating activities** | | | | | |
| Interest received | | **118,149** | 194,989 | **113,118** | 182,702 |
| Receipts from customers and related parties | | **-** | 120,786 | **-** | 120,786 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(672,759)** | (1,158,970) | **(503,102)** | (863,945) |
| **Net cash outflow from operating activities** | 25 | **(554,610)** | (843,195) | **(389,984)** | (560,457) |
| **Cash flows from investing activities** | | | | | |
| Payments for plant and equipment | | **-** | (4,404) | **-** | (525) |
| Proceeds from sale of property, plant and equipment | | **30,912** | - | **-** | - |
| Proceeds from sales of available for sale investments | | **18,966** | - | **18,966** | - |
| Loans to subsidiary | | **-** | - | **(61,044)** | (393,210) |
| **Net cash inflow / (outflow) from investing activities** | | **49,878** | (4,404) | **(42,078)** | (393,735) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from share issue | | **700,000** | - | **700,000** | - |
| Share issue transaction costs | | **(8)** | (4,012) | **(8)** | (4,012) |
| **Net cash inflow / (outflow) from financing activities** | | **699,992** | (4,012) | **699,992** | (4,012) |
| **Net increase / (decrease) in cash and cash equivalents** | | **195,260** | (851,611) | **267,930** | (958,204) |
| Cash and cash equivalents at the beginning of the year | | **3,157,425** | 4,009,036 | **3,041,441** | 3,999,645 |
| Effects of exchange rate changes on cash and cash equivalents | | **-** | - | **-** | - |
| **Cash and cash equivalents at the end of the year** | 6 | **3,352,685** | 3,157,425 | **3,309,371** | 3,041,441 |

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The company is a listed public company, incorporated in Australia and operating in Namibia and South Africa. The entity's principal activities are mineral exploration.

### (b) Adoption of new and revised standards

**New accounting standards and interpretations**

In the year ended 31 December 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing 1 January 2009.

The affected policies and standards are:

- Segment reporting – new AASB 8 *Operating Segments*
- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business Combinations – revised AASB 3 *Business Combinations*

**Segment Reporting**

The Group has applied AASB 8 *Operating Segments* from 1 January 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Magnum Mining & Exploration Ltd.

**Principles of Consolidation**

AASB 127 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must be re-measured to fair value and a gain or loss is recognized in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Group will in future allocated losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in subsidiaries equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates, after July 2009 are recognized as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payments. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of the entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

**Business Combinations**

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments included at their respective fair values. Under the Group's previous policy, contingent payments were only recognized when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of the acquisition.

Acquisition related costs are expensed as incurred. Previously they were recognized as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognized either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy the non-controlling interest was always recognized as its share of the acquiree's net assets.

If the Group recognizes acquired deferred tax assets after the initial recognition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

**(c) Statement of Compliance**

The financial report was authorised for issue in accordance with a resolution of the Directors on 30th March 2010.

The 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 financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Basis of Consolidation**

The consolidated financial statements comprise the separate financial statements of Magnum Mining and Exploration Ltd and its subsidiaries as at 31 December each year (the Group). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position.

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Impairment of goodwill and intangibles with indefinite useful lives:*
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 12.

*Share-based payment transactions:*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 27.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 27.

**(f) Segment reporting**

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Magnum Mining and Exploration Ltd.

**(g) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest income is recognised on a time proportion basis using the effective interest method.

**(h) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(j) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income

**(k) Impairment of financial assets**

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

**a.** *Financial assets carried at amortised cost*
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.
The amount of the loss is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Impairment of financial assets (continued)**

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(ii) Financial assets carried at cost*
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(iii) Available-for-sale investments*
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**(l) Foreign currency translation**

*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Foreign currency translation (continued)**

*(iii) Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

**(m) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Income taxes (continued)**

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

As the Company has no wholly-owned Australian controlled entities it has not implemented the tax consolidation legislation.

**(n) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(o) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings – over 40 years
Plant and equipment – over 5 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(i) Impairment*
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Property, plant and equipment (continued)**

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

*(ii) Revaluations*
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm’s length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs. Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the reporting date.

*(iii) De-recognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Financial assets (continued)**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(q) Intangible assets**

*Intangible assets acquired separately*
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

*Internally generated intangible assets – research and development expenditure*
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

| | |
|---|---|
| Capitalised development | 5 years |
| Licences | 10 years |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Intangible assets (continued)**

*Intangible assets acquired in a business combination*
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

**(r) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(s) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(u) Employee leave benefits**

*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(v) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Share based payment transactions (continued)**

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of financial position charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of financial position charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(w) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(x) Earnings per share**

Basic earnings per share are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(y) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(y) Exploration and evaluation (continued)**

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(z) Going Concern**

The directors are of the opinion the Group is a going concern as cash balances as at 31 December 2009 for the Group were well in excess of expected working capital requirements expected for the next 12 months.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

### Note 2: Financial reporting by segments

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

The following table presents the financial information regarding these segments provided to the Board of Directors for the years ended 31 December 2009 and 31 December 2008.

| | Australia<br>$ | Namibia<br>$ | South Africa<br>$ | Consolidated<br>$ |
|---|---|---|---|---|
| **31 December 2009** | | | | |
| Segment revenue | 110,649 | - | - | 110,649 |
| Segment result | 800,485 | 86,630 | 6,370 | 893,485 |
| Unallocated | | | | - |
| Results from operating activities | | | | 893,485 |
| Segment assets | 3,545,026 | 4,420 | 39,102 | 3,588,548 |
| Segment liabilities | 94,935 | 20,033 | - | 114,968 |
| Included within segment results: | | | | |
| Depreciation | 7,600 | - | 1,572 | 9,172 |
| Share of loss from investment in equity method associates | - | 2,300 | - | 2,300 |
| Interest revenue | 101,174 | - | 5,031 | 106,205 |
| Share based payments | 377,648 | - | - | 377,648 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 2: Financial reporting by segments (Continued)**

| | Australia $ | Namibia $ | South Africa $ | Consolidated $ |
|---|---|---|---|---|
| **31 December 2008** | | | | |
| Segment revenue | 319,918 | 7,597 | 9,262 | 336,777 |
| Segment result | 4,305,792 | 2,180,660 | 15,102 | 6,501,554 |
| Unallocated | | | | (2,847,069) |
| Results from operating activities | | | | 3,654,485 |
| Segment assets | 3,119,547 | 179,463 | 144,757 | 3,443,767 |
| Segment liabilities | 48,504 | 76,114 | 12,770 | 137,388 |
| Included within segment results: | | | | |
| Depreciation | 10,429 | 40,939 | 8,994 | 60,362 |
| Share of profit from investment in equity method associates | - | 4,573 | - | 4,573 |
| Interest revenue | 199,132 | 3,024 | 9,262 | 211,418 |
| Share based payments | 599,406 | - | - | 599,406 |

**Note 3: Revenue**

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009 $** | 2008 $ | **2009 $** | 2008 $ |
| **From continuing operations** | | | | |
| *Other revenue* | | | | |
| Share of profit from investment in equity method associates | - | 4,573 | - | - |
| Interest received | **106,205** | 211,418 | **101,174** | 199,132 |
| Other | **4,444** | 120,786 | **4,444** | 120,786 |
| | **110,649** | 336,777 | **105,618** | 319,918 |

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

### Note 4: Expenses

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | **$** | **$** | **$** |
| **Loss before income tax includes the following specific expenses:** | | | | |
| Depreciation | **9,172** | 60,362 | **7,600** | 10,429 |
| Share-based payment expense | **377,648** | 599,406 | **377,648** | 599,406 |
| Devaluation of impaired investment | **-** | 344,244 | **-** | 344,244 |
| Superannuation contributions | **8,216** | 13,465 | **8,216** | 13,465 |
| Foreign exchange loss | **147** | 1,546 | **147** | 1,546 |
| Impairment loss | **-** | 1,910,086 | **61,044** | 2,847,069 |
| Share of loss from investment in equity method associates | **2,300** | - | **-** | - |

The Company has 1 employee (2008: 1).

### Note 5: Income tax expense

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | **$** | **$** | $ |
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Loss before income tax expense | **(893,485)** | (3,654,485) | **(861,529)** | (4,305,792) |
| Tax at the Australian rate of 30% (2008: 30%) | **268,046** | 1,096,346 | **258,459** | 1,291,738 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | **(122,567)** | (864,704) | **(141,096)** | (1,143,370) |
| Deferred tax asset not brought to account | **(145,479)** | (231,642) | **(117,363)** | (148,368) |
| Income tax expense/(benefit) | **-** | - | **-** | - |

**(b) Tax losses**

| | | | | |
|---|---|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **4,434,235** | 3,949,305 | **3,727,061** | 3,335,852 |
| Potential tax benefit @ 30% | **1,330,271** | 1,184,792 | **1,118,118** | 1,000,756 |

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

### Note 6: Current assets – Cash and cash equivalents

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Cash at bank and on hand | **3,352,685** | 3,157,425 | **3,309,371** | 3,041,441 |
| | **3,352,685** | 3,157,425 | **3,309,371** | 3,041,441 |

### *(a)* Cash at bank and on hand

Cash at bank balances are subject to interest at variable rates and the average rate for the year was 4.26% (2008: 5.13%).

### *(b)* Deposits at call

As at reporting date, the Company does not hold any funds on deposits at call.

### Note 7: Current assets – Trade and other receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | **$** | **$** | **$** |
| Sundry debtors | **3,100** | 4,601 | **3,100** | 4,601 |
| Other debtors | **11,589** | 17,187 | **11,589** | 17,187 |
| Accrued Interest | **4,486** | 16,430 | **4,486** | 16,430 |
| Prepayments | **18,575** | - | **18,367** | - |
| | **37,750** | 38,218 | **37,542** | 38,218 |

The carrying value of receivables approximates their fair value. No trade and other receivables have exceeded their contractual terms as at 31 December 2009.

### Note 8: Non-current assets – Investments accounted for using the equity method

| | | | | |
|---|---|---|---|---|
| Shares in associate (note 23) | **180,636** | 175,752 | **-** | - |
| | **180,636** | 175,752 | **-** | - |

### Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer to note 10).

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 9: Non-current assets – Available-for-sale financial assets**

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$$** | $ | $ | $ |
| *Listed securities* | | | | |
| At beginning of year | **14,522** | 342,105 | **14,522** | 342,105 |
| Additions | **-** | - | **-** | - |
| Disposals | **(14,522)** | - | **(14,522)** | - |
| Revaluation deficit transfer from / (to) equity | **-** | 16,661 | **-** | 16,661 |
| Impairment loss | **-** | (344,244) | **-** | (344,244) |
| | **-** | 14,522 | **-** | 14,522 |

Available for sale financial assets consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

**Note 10: Non-current assets – Other financial assets**

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Shares in subsidiaries (note 22) | **-** | - | **2,392,789** | 797,036 |
| Impairment allowance | **-** | - | **(2,392,789)** | (797,036) |
| Shares in associate (note 23) | **-** | - | **195,861** | 195,861 |
| Loans to subsidiaries | **-** | - | **515,324** | 2,050,033 |
| Impairment allowance | **-** | - | **(515,324)** | (2,050,033) |
| | **-** | - | **195,861** | 195,861 |

The recoupment of the Company's loans has been re-assessed at reporting date in accordance with AASB 136. The loans have been impaired to reflect their recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 11: Non-current assets – Plant and equipment**

| **Consolidated** | **Plant and equipment $** | **Furniture, fixtures and fittings $** | **Motor vehicles $** | **Total $** |
|---|---|---|---|---|
| **At 1 January 2008** | | | | |
| Cost at fair value | 855,635 | 38,519 | 227,990 | 1,122,144 |
| Accumulated depreciation | (6,360) | (9,023) | (21,094) | (36,477) |
| Net book amount | 849,275 | 29,496 | 206,896 | 1,085,667 |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 849,275 | 29,496 | 206,896 | 1,085,667 |
| Exchange differences | (95,866) | (1,180) | (22,760) | (119,806) |
| Additions | 2,269 | 2,135 | - | 4,404 |
| Impairment | (735,478) | (4,144) | (112,431) | (852,053) |
| Depreciation charge | (14,099) | (7,044) | (39,219) | (60,362) |
| Closing net book amount | 6,101 | 19,263 | 32,486 | 57,850 |
| **At 31 December 2008** | | | | |
| Cost at fair value | 16,428 | 32,866 | 47,539 | 96,833 |
| Accumulated depreciation | (10,327) | (13,603) | (15,053) | (38,983) |
| Net book amount | 6,101 | 19,263 | 32,486 | 57,850 |
| **At 1 January 2009** | | | | |
| Cost at fair value | 16,428 | 32,866 | 47,539 | 96,833 |
| Accumulated depreciation | (10,327) | (13,603) | (15,053) | (38,983) |
| Net book amount | 6,101 | 19,263 | 32,486 | 57,850 |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 6,101 | 19,263 | 32,486 | 57,850 |
| Exchange differences | - | - | (266) | (266) |
| Disposals | - | (287) | (30,648) | (30,935) |
| Depreciation charge | (2,059) | (5,541) | (1,572) | (9,172) |
| Closing net book amount | 4,042 | 13,435 | - | 17,477 |
| **At 31 December 2009** | | | | |
| Cost at fair value | 16,428 | 32,067 | - | 48,495 |
| Accumulated depreciation | (12,386) | (18,632) | - | (31,018) |
| Net book amount | 4,042 | 13,435 | - | 17,477 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 11: Non-current assets – Plant and equipment (continued)**

| Parent entity | Plant and equipment $ | Furniture, fixtures and fittings $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|
| **At 1 January 2008** | | | | |
| Cost at fair value | 16,429 | 32,341 | - | 48,770 |
| Accumulated depreciation | (5,492) | (8,008) | - | (13,500) |
| Net book amount | 10,937 | 24,333 | - | 35,270 |
| | | | | |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 10,937 | 24,333 | - | 35,270 |
| Exchange differences | - | - | - | - |
| Additions | - | 523 | - | 523 |
| Depreciation charge | (4,836) | (5,593) | - | (10,429) |
| Closing net book amount | 6,101 | 19,263 | - | 25,364 |
| **At 31 December 2008** | | | | |
| Cost at fair value | 16,428 | 32,866 | - | 49,294 |
| Accumulated depreciation | (10,327) | (13,603) | - | (23,930) |
| Net book amount | 6,101 | 19,263 | - | 25,364 |
| | | | | |
| **At 1 January 2009** | | | | |
| Cost at fair value | 16,428 | 32,866 | - | 49,294 |
| Accumulated depreciation | (10,327) | (13,603) | - | (23,930) |
| Net book amount | 6,101 | 19,263 | - | 25,364 |
| | | | | |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 6,101 | 19,263 | - | 25,364 |
| Exchange differences | - | - | - | - |
| Additions | - | - | - | - |
| Disposals | - | (287) | | (287) |
| Depreciation charge | (2,059) | (5,541) | - | (7,600) |
| Closing net book amount | 4,042 | 13,435 | - | 17,477 |
| | | | | |
| **At 31 December 2009** | | | | |
| Cost at fair value | 16,428 | 32,067 | - | 48,495 |
| Accumulated depreciation | (12,386) | (18,632) | - | (31,018) |
| Net book amount | 4,042 | 13,435 | - | 17,477 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

## Note 12: Non-current assets – Intangible assets

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Balance as at 1 January 2009 | **-** | 1,174,133 | **-** | - |
| Acquisition of mining license – at cost | **-** | - | **-** | - |
| Exchange rate differences | **-** | (123,730) | **-** | - |
| Impairment allowance | **-** | (1,050,403) | **-** | - |
| | **-** | - | **-** | - |

The recoupment of costs carried forward in relation to the Company's Mining License and the Company's areas of interest in the exploration and evaluation phases (refer to Note 13) is dependent on the successful exploration, development and commercial exploitation or sale of the respective areas of interest. As such, the license has been assessed in accordance with AASB 6 and impaired to reflect its recoverable amount as at 31 December 2009.

## Note 13: Non-current assets – Deferred exploration and evaluation expenditure

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | **$** | **$** | $ |
| Balance as at 1 January 2009 | **-** | 5,508 | **-** | - |
| Expenditure incurred during the year | **-** | - | **-** | - |
| Exchange differences | **-** | 2,122 | **-** | - |
| Impairment loss | **-** | (7,630) | **-** | - |
| Balance as at 31 December 2009 | **-** | - | **-** | - |

## Note 14: Current liabilities – Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade payables | **56,095** | 85,786 | **40,233** | 16,853 |
| Other creditors and accruals | **58,873** | 51,602 | **54,738** | 31,687 |
| | **114,968** | 137,388 | **94,971** | 48,540 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

## Note 15: Contributed equity

### Share capital

| | | Consolidated and Parent entity | | Consolidated and Parent entity | |
|---|---|---|---|---|---|
| | | **2009 Shares** | 2008 Shares | **2009 $** | 2008 $ |
| **(a) Share Capital** | | | | | |
| | | | | | |
| **Ordinary shares** | | | | | |
| Ordinary shares fully paid | **(a)** | **155,665,612** | 145,665,612 | **17,781,434** | 17,099,141 |
| Employee share plan shares | **(b)** | **14,650,000** | 14,650,000 | **-** | - |
| Total | | **170,315,612** | 160,315,612 | **17,781,434** | 17,099,141 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 31 December 2009 there were 170,315,612 ordinary shares fully paid to 20 cents.

### (a) Movements in ordinary share capital

| | | Consolidated 2009 | | |
|---|---|---|---|---|
| **Date** | **Details** | **Number of Shares** | **Issue Price** | **$** |
| 1 January 2009 | Opening balance | 145,665,612 | | 17,099,141 |
| 22 December 2009 | Ordinary shares issued | 10,000,000 | $0.07 | 700,000 |
| | Less: Transaction costs arising on share issue | - | | (17,707) |
| 31 December 2009 | Balance | **155,665,612** | | **17,781,434** |

(b) No employee share plans were entered into during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 16: Reserves and accumulated losses**

**(a) Reserves**

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Share-based payments reserve | **1,161,411** | 783,763 | **1,161,411** | 783,763 |
| Foreign currency translation reserve | **(292,643)** | (293,388) | **-** | - |
| | **868,768** | 490,375 | **1,161,411** | 783,763 |

**Movements:**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| *Available-for-sale investments reserve* | | | | |
| Balance 1 January 2009 | **-** | (16,661) | **-** | (16,661) |
| Devaluation - gross | **-** | - | **-** | **-** |
| Transfer on recognition of impairment loss | **-** | 16,661 | - | 16,661 |
| Balance 31 December 2009 | **-** | - | **-** | **-** |
| *Share-based payment reserve* | | | | |
| Balance 1 January 2009 | **783,763** | 184,357 | **783,763** | 184,357 |
| Employee share plan expense | **377,648** | 599,406 | **377,648** | 599,406 |
| Balance 31 December 2009 | **1,161,411** | 783,763 | **1,161,411** | 783,763 |
| *Foreign currency translation reserve* | | | | |
| Balance 1 January 2009 | **(293,388)** | (31,623) | **-** | - |
| Currency translation differences arising during the year | **745** | (261,765) | **-** | - |
| Balance 31 December 2009 | **(292,643)** | (293,388) | **-** | - |

**(b) Accumulated Losses**

Movements in accumulated losses were as follows:

| | | | | |
|---|---|---|---|---|
| Balance 1 January 2009 | **(14,283,137)** | (10,628,652) | **(14,616,036)** | (10,310,244) |
| Net loss for the year | **(893,485)** | (3,654,485) | **(861,529)** | (4,305,792) |
| Balance 31 December 2009 | **(15,176,622)** | (14,283,137) | **(15,477,565)** | (14,616,036) |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 16: Reserves and accumulated losses (continued)**

**(c) Nature and purpose of reserves**

*(i) Available-for-sale investments revaluation reserve*
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available for sale financial assets are taken to the available-for-sale investments revaluation reserve. Amounts are recognised in the statement of comprehensive income when the associated assets are sold or impaired.

*(ii) Share-based payment reserve*
The share-based payment reserve is used to recognise:
- the fair value of options issued to employees but not exercised; and
- the fair value of shares issued to employees.

*(iii) Foreign currency translation reserve*
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

**Note 17: Key management personnel disclosures**

**(a) Directors**

The following persons were directors of the Company during the financial year:

*(i) Chairman – Non-executive*
G N Nealon

*(ii) Executive director*
G M Button

*(iii) Non- executive directors*
D F Lynton Brown
M McMahon

No other key management personnel were identified during the period.

**(b) Key management personnel compensation**

| | **Consolidated** | | **Parent Entity** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Short-term employee benefits | **175,776** | 332,333 | **175,776** | 332,333 |
| Post-employment benefits | **6,939** | 6,750 | **6,939** | 6,750 |
| Share-based payments | **207,685** | 290,305 | **207,685** | 290,305 |
| Total compensation | **390,400** | 629,388 | **390,400** | 629,388 |

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

### Note 17: Key management personnel disclosures

### (b) Key management personnel compensation (continued)

The Company has taken advantage of the relief provided by the *Corporations Regulations* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-D of the remuneration report.

### (c) Shareholdings

The numbers of shares in the Company held during the financial year by each director of the Company, including their personally related entities, are set out below. Where shares are held by the individual director or executive and any entity under the joint or several control of the individual director or executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the individual director or executive are shown as 'non-beneficially held'.

| 2009<br>Name | Type of holding | Balance at the start of the year | Received under the Employee Share Plan | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| G M Button | Beneficially held | 3,100,000 | - | 600,000 | 3,700,000 |
| G A Nealon | Beneficially held | 3,000,000 | - | - | 3,000,000 |
| D F Lynton Brown | Beneficially held | 920,000 | - | - | 920,000 |
| M McMahon | Beneficially held | - | - | - | - |

| 2008<br>Name | Type of holding | Balance at the start of the year | Received under the Employee Share Plan | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| G M Button | Beneficially held | 1,600,000 | 1,500,000 | - | 3,100,000 |
| G A Nealon | Beneficially held | 1,500,000 | 1,500,000 | - | 3,000,000 |
| D F Lynton Brown | Beneficially held | 20,000 | 900,000 | - | 920,000 |

### (d) Loans to directors and executives

No directors or executives held any loans with the Company during the year.

### (e) Other transactions with directors and executives

There were no other transactions with directors and executives.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2009

### Note 18: Remuneration of auditors

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| **(a) Audit services** | | | | |
| *Audit services* | | | | |
| Auditors of parent entity (HLB Mann Judd) | | | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | **35,820** | 22,070 | **35,820** | 22,070 |
| Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group | **11,653** | 18,056 | **-** | - |
| Total remuneration for audit services | **47,473** | 40,126 | **35,820** | 22,070 |

**(b)** Non-audit services

During the year ended 31 December 2009, the auditors did not provide any non-audit services.

It is the Group's policy to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. It is Group policy to seek competitive tenders for all major consulting projects.

### Note 19: Contingencies

**(a) Contingent liabilities**

As at the reporting date the Company has no contingent liabilities.

**(b) Contingent assets**

As at reporting date the Company has no contingent assets.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

## Note 20: Commitments

### (a) Lease commitments

Commitments in relation to office lease contracted for at the reporting date but not recognised as liabilities, payable:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | **$** | **$** | $ |
| Within one year | **-** | 14,639 | **-** | 14,639 |
| Later than one year but not later than five years | **-** | - | **-** | - |
| Later than five years | **-** | - | **-** | - |
| | **-** | 14,639 | **-** | 14,639 |

## Note 21: Related party transactions

**(a) Parent entity**
The ultimate parent entity within the Group is Magnum Mining and Exploration Limited.

**(b) Subsidiaries**
Interests in subsidiaries are set out in note 22.

**(c) Key management personnel**
Disclosures relating to key management personnel are set out in note 17.

**(d) Loans to related parties**
The following loans to subsidiary undertakings are outstanding at the reporting date.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Tameka Shelf Company Four (Pty) Ltd | **-** | - | **61,044** | 1,573,715 |
| Magnum Tantalite (Pty) Ltd | **-** | - | **454,280** | 454,280 |
| Namibian Tantalite Investment Pty Ltd | **-** | - | **-** | 22,038 |
| | **-** | - | **515,324** | 2,050,033 |

The recoupment of the Company's loans has been re-assessed at reporting date in accordance with AASB 136. The loans have been impaired. (Refer to note 10).

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 22: Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in notes 1(b) and 1(d):

| Name of entity | Country of incorporation | Class of shares | Equity holding 2009 % | Equity holding 2008 % |
|---|---|---|---|---|
| Tameka Shelf Company Four (Pty) Ltd | Namibia | Ordinary | 100 | 100 |
| Namibian Tantalite Investment (Pty) Ltd | Namibia | Ordinary | 100 | 100 |
| Magnum Tantalite (Pty) Ltd | South Africa | Ordinary | 100 | 100 |

**Note 23: Investments in associates**

**Tantalite Valley Estates (Pty) Ltd**

**(a) Carrying amounts**

| Name of Entity | Ownership interest | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|---|
| | **2009 %** | 2008 % | **2009 $** | 2008 $ | **2009 $** | 2008 $ |
| Tantalite Valley Estates (Pty) Ltd | **49** | 49 | **180,636** | 175,752 | **195,861** | 195,861 |

**(b) Movement in carrying amounts**

| | Consolidated | |
|---|---|---|
| | **2009 $** | 2008 $ |
| Carrying amount at the beginning of the year | **175,752** | 195,861 |
| Share of profit / (loss) before income tax | **(2,300)** | 4,573 |
| Share of foreign currency translation reserve | **7,184** | (24,682) |
| Carrying amount at the end of the year | **180,636** | 175,752 |

**(c) Summarised financial information of associates**

| | Group's share of: | | | |
|---|---|---|---|---|
| | **Assets $** | **Liabilities $** | **Revenues $** | **Profit / (Losses) $** |
| **2009** | | | | |
| Tantalite Valley Estates (Pty) Ltd | 223,723 | 3,008 | - | (2,300) |
| **2008** | | | | |
| Tantalite Valley Estates (Pty) Ltd | 216,479 | 647 | 4,832 | 4,573 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

## Note 24: Events occurring after the reporting date

There has not arisen in the interval between the end of the year end and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to effect:

(i) The Company's operations in future financial periods; or

(ii) The results of those operations in future financial periods; or

(iii) The Company's state of affairs in future financial periods.

## Note 25: Reconciliation of loss after income tax to net cash outflow from operating activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Loss for the year | **(893,485)** | (3,654,485) | **(861,529)** | (4,305,792) |
| Depreciation | **9,172** | 60,362 | **7,600** | 10,429 |
| Devaluation of impaired investment | **-** | 344,244 | **-** | 344,244 |
| Share-based payment expense | **377,648** | 599,406 | **377,648** | 599,406 |
| Impairment expense | **-** | 1,910,086 | **61,044** | 2,847,069 |
| Change in operating assets and liabilities: | | | | |
| (Increase) / decrease in trade receivables | **(16,719)** | 58,859 | **(3,762)** | 4,644 |
| Increase / (decrease) in trade payables | **(31,226)** | (161,667) | **29,015** | (60,457) |
| Net cash outflow from operating activities | **(554,610)** | (843,195) | **(389,984)** | (560,457) |

## Note 26: Loss per share

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | **Cents** | Cents |
| Basic loss per share | **(0.61)** | (2.51) |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **145,912,865** | 145,665,612 |
| | **$** | $ |
| Loss attributable to ordinary equity holders of the Group used in calculating basic loss and diluted loss per share | **(893,485)** | (3,654,485) |

The Company's potential ordinary shares, being its share plan shares, are not considered dilutive as the conversion of these share plan shares would result in a decreased net loss per share.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 27: Share-based payments**

**(a) Employee Share Plan**

Schemes under which shares may be issued by the Company to directors, consultants or employees for no cash consideration were approved by shareholders at the 2006 and 2008 Annual General Meetings.

Participants of the Plan are determined by the Board and can be directors, consultants or employees to the Company or a subsidiary. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan is not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as share capital and as part of employee benefit costs in the period the shares are vested.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the Plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the Plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

Set out below are the shares issued under the Plan:

| | **Consolidated** | | **Parent Entity** | |
|---|---|---|---|---|
| | **2009 Number** | 2008 Number | **2009 Number** | 2008 Number |
| Shares issued under the Plan to participating employees on 22 June 2007 | **-** | - | **-** | - |
| Shares issued under the Plan to participating employees on 9 April 2008 | **-** | 5,250,000 | **-** | 5,250,000 |
| Shares issued under the Plan to participating employees on 4 June 2008 | **-** | 3,900,000 | **-** | 3,900,000 |
| Total Employee shares issued | **-** | 9,150,000 | **-** | 9,150,000 |

All shares issued under the Plan with non-recourse loans are considered to be equivalent in nature to options. Therefore, the fair value of shares issued under the Plan is determined in the same way as options would be.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 27: Share-based payments (continued)**

**(b) Expenses relating to share based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2008** | 2008 |
| | **$** | $ | **$** | $ |
| Shares issued under the Plan | **377,648** | 599,406 | **377,648** | 599,406 |

## Note 28: Financial Instruments

### (a) Capital risk management

The Group does not have any debt facilities outside of normal creditor trading terms and thus does not deem it necessary for a formal capital risk management charter.

The Group manages its capital to ensure that companies within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings.

None of the Group's companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as general administrative outgoings.

### (b) Categories of financial instruments

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| **Financial assets** | | | | |
| Loans & receivables | **37,750** | 38,218 | **37,542** | 38,218 |
| Cash and cash equivalents | **3,352,685** | 3,157,425 | **3,309,371** | 3,041,441 |
| Available for sale financial assets | **-** | 14,522 | **-** | 14,522 |
| | **3,390,435** | 3,210,165 | **3,346,913** | 3,094,181 |
| **Financial liabilities** | | | | |
| Financial liabilities | **114,968** | 137,388 | **94,971** | 48,540 |
| | **114,968** | 137,388 | **94,971** | 48,540 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

### (c) Financial risk management objectives

The Group does not speculate in the trading of derivatives. The group is exposed to market risk (including currency risk, fair value interest rate risk and other price risk), credit risk, liquidity risk and cash flow interest rate risk.

### (d) Market risk

The Group's activities expose it primarily to the financial risks of foreign currency exchange rates. There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

(ii) Price risk

Given the current level of operations, neither the Group nor the parent entity is exposed to price risk.

(iii) Interest rate risk

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company had no external borrowings or loans as at 31st December 2009.

| | **31 December 2009** | | **31 December 2008** | |
|---|---|---|---|---|
| | Weighted average interest rate % | Balance | Weighted average interest rate % | Balance |
| Cash balances | 4.26% | 3,352,696 | 5.13% | 3,157,425 |

### (e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| South African Rand (ZAR) | **-** | (12,770) | **39,102** | 112,273 |
| Namibian dollar | **(20,033)** | (76,114) | **4,420** | 3,711 |

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Note 28: Financial Instruments (continued)**

**(f) Foreign currency sensitivity analysis**

The Group is exposed to South African Rand (ZAR) and Namibian dollar (NAD) currency fluctuations.

The following details the Group's sensitivity to a 10% increase and decrease in the Australian dollar (AUD) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

During the year ended 31 December 2009, if exchange rates had been 10% higher or lower than the prevailing rates, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year.

**(g) Interest rate risk management**

The Group and parent entity are exposed to interest rate risk as entities in the Group maintain funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate liquid funds.

The Group and parent entity's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

During the year ended 31 December 2009, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year. The impact on equity would have been the same.

**(h) Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

### (i) Liquidity risk management

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and parent entity are confined to trade and other payables as disclosed in the statements of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

### Liquidity and interest rate risk tables

**Consolidated**

| | Weighted average effective interest rates % | Less than 1 month $'000 | 1 – 3 months $'000 | 3 months – 1 year $'000 | 1 – 5 years $'000 | 5 + years $'000 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2009** | | | | | | |
| Non-interest bearing | - | - | 114,968 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | | | | | |
| **2008** | | | | | | |
| Non-interest bearing | - | - | 137,388 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |

**Parent**

| | Weighted average effective interest rates % | Less than 1 month $'000 | 1 – 3 months $'000 | 3 months – 1 year $'000 | 1 – 5 years $'000 | 5 + years $'000 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2009** | | | | | | |
| Non-interest bearing | - | - | 94,971 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | | | | | |
| **2008** | | | | | | |
| Non-interest bearing | - | - | 48,540 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |

## Note 28: Financial Instruments (continued)

### Liquidity and interest rate risk tables (continued)

The above tables detail the Company's and Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group's can be required to pay. The table includes both interest and principal cash flows.

The following tables detail the Company and the Group's remaining contractual maturity for its financial assets. These are based on the undiscounted cash flows of financial assets based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**Consolidated**

| | Weighted average effective interest rates % | Less than 1 month $'000 | 1 – 3 months $'000 | 3 months – 1 year $'000 | 1 – 5 years $'000 | 5 + years $'000 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2009** | | | | | | |
| Non-interest bearing | - | - | 41,962 | - | - | - |
| Variable interest rate instruments | 2.03% | - | 829,277 | - | - | - |
| Fixed interest rate instruments | 5.00% | - | 2,519,196 | - | - | - |
| | | | | | | |
| **2008** | | | | | | |
| Non-interest bearing | - | - | 56,451 | - | - | - |
| Variable interest rate instruments | 2.22% | - | 546,305 | - | - | - |
| Fixed interest rate instruments | 5.75% | - | 2,607,409 | - | - | - |

**Parent**

| | Weighted average effective interest rates % | Less than 1 month $'000 | 1 – 3 months $'000 | 3 months – 1 year $'000 | 1 – 5 years $'000 | 5 + years $'000 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2009** | | | | | | |
| Non-interest bearing | - | - | 37,542 | - | - | - |
| Variable interest rate instruments | 1.75% | - | 790,175 | - | - | - |
| Fixed interest rate instruments | 5.00% | - | 2,519,196 | - | - | - |
| | | | | | | |
| **2008** | | | | | | |
| Non-interest bearing | - | - | 52,740 | - | - | - |
| Variable interest rate instruments | 1.5% | - | 434,032 | - | - | - |
| Fixed interest rate instruments | 5.75% | - | 2,607,409 | - | - | - |

### (j) Fair value of financial instruments

For financial assets and liabilities, the net fair value approximates the carrying value. No financial assets and financial liabilities are readily traded on organized markets in standardized form, other than listed investments. The Group has no financial assets where carrying amount exceeds net fair value at reporting date.

## Directors' declaration

1. In the opinion of the directors of Magnum Mining & Exploration Ltd (the 'Company'):

   a. the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year then ended; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2009

This declaration is signed in accordance with a resolution of the Board of Directors.

G. Button.

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

Perth
30th March 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REPORT**

**To the members of**
**Magnum Mining and Exploration Limited**

**Report on the Financial Report**

We have audited the accompanying financial report of Magnum Mining and Exploration Limited ("the company"), which comprises the statements of financial position as at 31 December 2009, the statements of comprehensive income, statements of changes in equity, statements of cash flows and notes to the financial statements for the year ended on that date, and the directors' declaration for both the company and the consolidated entity as set out on pages 18 to 60. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

*Auditor's Responsibility Continued*

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

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

*Auditor's Opinion*

In our opinion:

(a) the financial report of Magnum Mining and Exploration Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 7 to 12 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Magnum Mining and Exploration Limited for the year ended 31 December 2009 complies with section 300A of the *Corporations Act 2001.*

HLB Mann Judd

**HLB MANN JUDD**
**Chartered Accountants**

W M Clark

**W M CLARK**
**Partner**

**Perth, Western Australia**
**30 March 2010**

## Shareholder information

The shareholder information set out below was applicable as at 30 March 2010.

### 1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

| | Fully paid shares | % |
|---|---|---|
| Sunshore Holdings Pty Ltd | 9,293,500 | 5.46% |
| Citi Corp Nominees Pty Ltd | 7,395,310 | 4.34% |
| Aero Agencies International Ltd | 7,000,000 | 4.11% |
| | | |

### 2. Voting Rights

The voting rights attaching to the shares are, on a show of hands every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

### 3. On-Market Buy-Back

There is no current on-market buy-back.

### 4. Distribution of Shareholders

(i) Analysis of numbers of shareholders by size of holding:

| No. of Shares | No. of Shareholders |
|---|---|
| 1 – 1,000 | 128 |
| 1,001 – 5,000 | 338 |
| 5,001 – 10,000 | 158 |
| 10,001 – 100,000 | 421 |
| 100,001 and over | 206 |
| | 1,251 |

(i) There were 414 holders of less than a marketable parcel of shares.

### 5. Twenty Largest Shareholders

| Name of Shareholder: | Number Held: | Percentage of Issued Shares: |
|---|---|---|
| 1. Sunshore Holdings Pty Ltd | 9,293,500 | 5.46 |
| 2. Citi Corp Nominees Pty Ltd | 7,395,310 | 4.34 |
| 3. Aero Agencies International Ltd | 7,000,000 | 4.11 |
| 4. Mclaren Investments Ltd | 6,400,000 | 3.76 |
| 5. Sorrel Enterprises Ltd | 5,000,000 | 2.94 |
| 6. Stately Glory Ltd | 5,000,000 | 2.94 |
| 7. Rogue Investments Pty Ltd | 4,400,000 | 2.58 |
| 8. Dr Salim Cassim | 3,350,000 | 1.97 |
| 9. Mr Grant Button | 3,000,000 | 1.76 |
| 10. Mr Gerry Nealon | 3,000,000 | 1.76 |
| 11. HSBC Custody Nominees (Australia) Ltd | 2,939,711 | 1.73 |
| 12. Houtbay International Ltd | 2,500,000 | 1.47 |
| 13. Platinum Investment Corporation Pty Ltd | 2,500,000 | 1.47 |
| 14. CIMB – GK Securities Pte Ltd | 2,202,062 | 1.29 |
| 15. National Nominees Ltd | 2,200,000 | 1.29 |
| 16. Australian Sport & Recreation Link Pty Ltd | 2,000,000 | 1.17 |
| 17. Mr Peter Bowman | 2,000,000 | 1.17 |
| 18. Sunshore Holdings Pty Ltd | 2,000,000 | 1.17 |
| 19. Mr Ed Nealon | 1,800,000 | 1.06 |
| 20. Ms Melissa Sturgess | 1,800,000 | 1.06 |
| Top 20 holders of Ordinary Shares (Total) | 75,780,583 | 44.49 |

## 6. Schedule of Tenements

Magnum Mining and Exploration Limited hold no current tenements.

THIS PAGE IS LEFT BLANK INTENTIONALLY