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Company Announcements Office
Australian Stock Exchange
By electronic transmission

Dear Sirs,

Announcement to ASX

BUNAWAN GOLD PROSPECT, PHILIPPINES

Magnum Gold NL (“Magnum”) advises that it has agreed in principle with Philsaga Mining Corporation (“Philsaga”) of the Philippines to enter into a Joint Venture with that company to explore the Bunawan Prospect for gold, silver and other minerals. Philsaga is a Philippine-based company that is producing gold 5 km north of the Bunawan Prospect area. Magnum will have guaranteed access to Philsaga’s CIP treatment plant for any ore that may be discovered on the prospect, and the use of Philsaga’s management and local exploration base.

The terms are to be finalized but will contain the following:

1. The Joint Venture is with respect to the application for Mining & Production Sharing Agreement APSA(XIII)000054 (“Property”).
2. Magnum will spend up to US\$1.5 million on exploration and/or development to gain a 50% interest in the Property.
3. Philsaga will make available to Magnum all assistance with staff and machinery, as required, in aiding Magnum to carry out its obligations to satisfy the contract
4. Should the Property prove to be unsuitable for development as a gold producing area then Philsaga will make every endeavour to make available another area, comparable and on similar terms and credit Magnum with funds already spent

5. Philsaga will make available time, as required, in their mill to process any material provided by Magnum and that costs for the treatment will be on terms similar to those enjoyed by other Joint Venture partners.

The Bunawan Prospect is located in central eastern Mindanao, 180 km north of the capital, Davao City, and beside the national highway. It is between two areas of known gold mineralization. Five kilometres to the north is Philsaga's current Co-O Mine. This mine has produced gold from underground mining of high grade quartz veins for several years. Its current production rate is approximately 20,000-25,000 oz Au per annum. Ore from the Co-O Mine is treated at Philsaga's CIP plant 12 km by road to the NNW. The treatment plant has spare capacity to expand its throughput rate.

Immediately to the south of the Bunawan Prospect is the Saugon Joint Venture between Philsaga and Medusa Mining Ltd. This area contains several known gold bearing quartz veins. Some of the gold prospects in the Saugon area are less than one kilometre from the boundary of Magnum's Bunawan ground. The Saugon veins include the First Hit Vein, from which Medusa has reported drill intersections up to 1.0 m @ 35.95 gpt Au and 541 gpt Ag. Small tonnages of gold ore are being produced from the First Hit Vein as a result of underground development. The ore is being stockpiled and will be processed at the Co-O CIP plant.

Further to the south in the same belt is the recently depleted Diwalwal Mine, reputed to have produced 7.5 million ounces of gold from underground mining of an epithermal vein system.

Despite its attractive location in a known gold-bearing district, the Bunawan Prospect appears to have received little previous exploration. Most of the prospect area is hilly and timbered. Philsaga's exploration team, giving Magnum the benefit of its strong local knowledge, will conduct exploration on Magnum's behalf. Work has commenced and is focused on stream reconnaissance and sampling, an inexpensive method that has proved to be successful in surrounding areas. Results of these explorations will be announced immediately they come to hand.

For any further information please contact John Rodger, Company Director, on telephone (02) 9360 0080

Yours faithfully,

Steven J. Danielson
Company Secretary

