Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Report
Half year ended 30 June 2018

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Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Magnum Mining and Exploration Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during the half year ended 30 June 2018.

Directors

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

G M Button	Chief Executive Officer
H Dawson	Non-Executive Chairman
S Robertson	Non-Executive Director
F Cannavo	Non-Executive Director (Appointed 6 August 2018)

Operating Results

The consolidated loss of the Group for the half year after income tax was $730,001 (2017: half year loss of $105,067).

Review of Operations

Gravelotte Project, South Africa

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

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

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

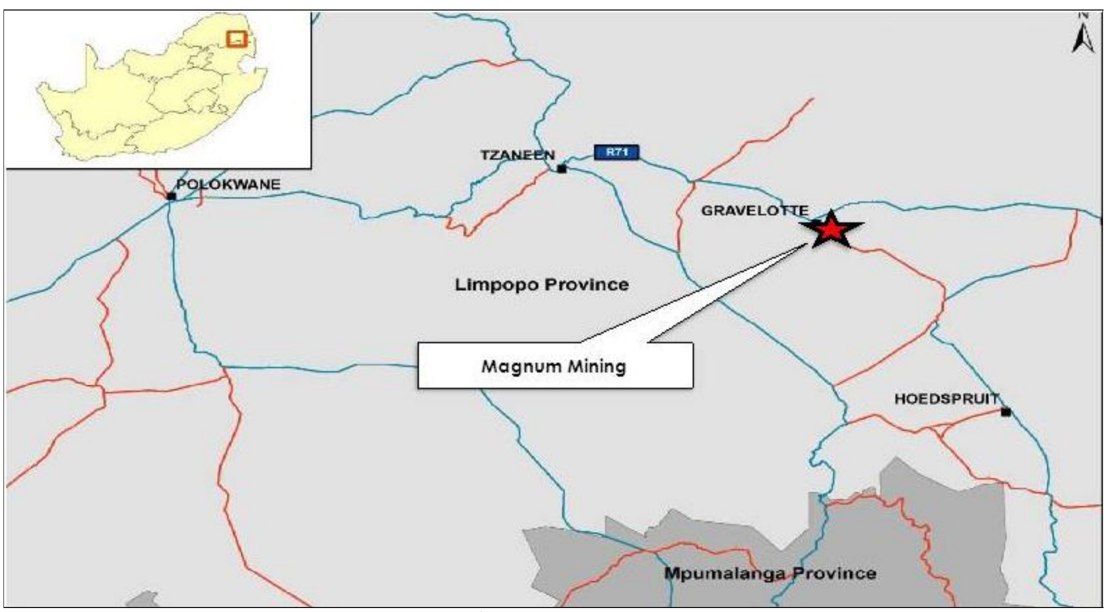

Figure 1: Gravelotte Location Map

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

The Gravelotte project provides the Company with a medium term production opportunity in emeralds, which is a niche commodity where demand is growing.

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

Photo 1: Aerial view of the Gravelotte Mine Site showing key infrastructure with Cobra and Discovery Pits in background.

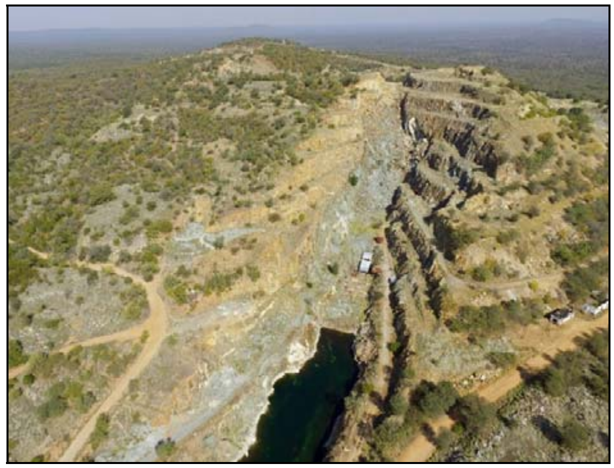

Photo 2: Cobra Pits.

During the period of this report, the Company has commenced its trial mining programme at Gravelotte to capitalise on the relatively simple mining and production pathway that the project presents.

A feature of this trial mining programme has been to better understand the physical characteristics of the Gravelotte ore to enable plant design to commence. The key part of this process is to test how best the ore is crushed – such that the maximum number of emeralds can be liberated from the host rock with the least amount of emerald breakage.

The second part of this process is to determine the most efficient processing route to recover the emeralds from the crushed ore.

Trial Mining Programme

<u>Phase 1</u>

<u>Phase 1 Programme Parameters</u>

Phase 1 of a trial mining programme was to source, mine and crush around 2,000 tonnes of material sourced from four historic low grade and waste rock dumps (“dumps”) contained within the Gravelotte mining lease.

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

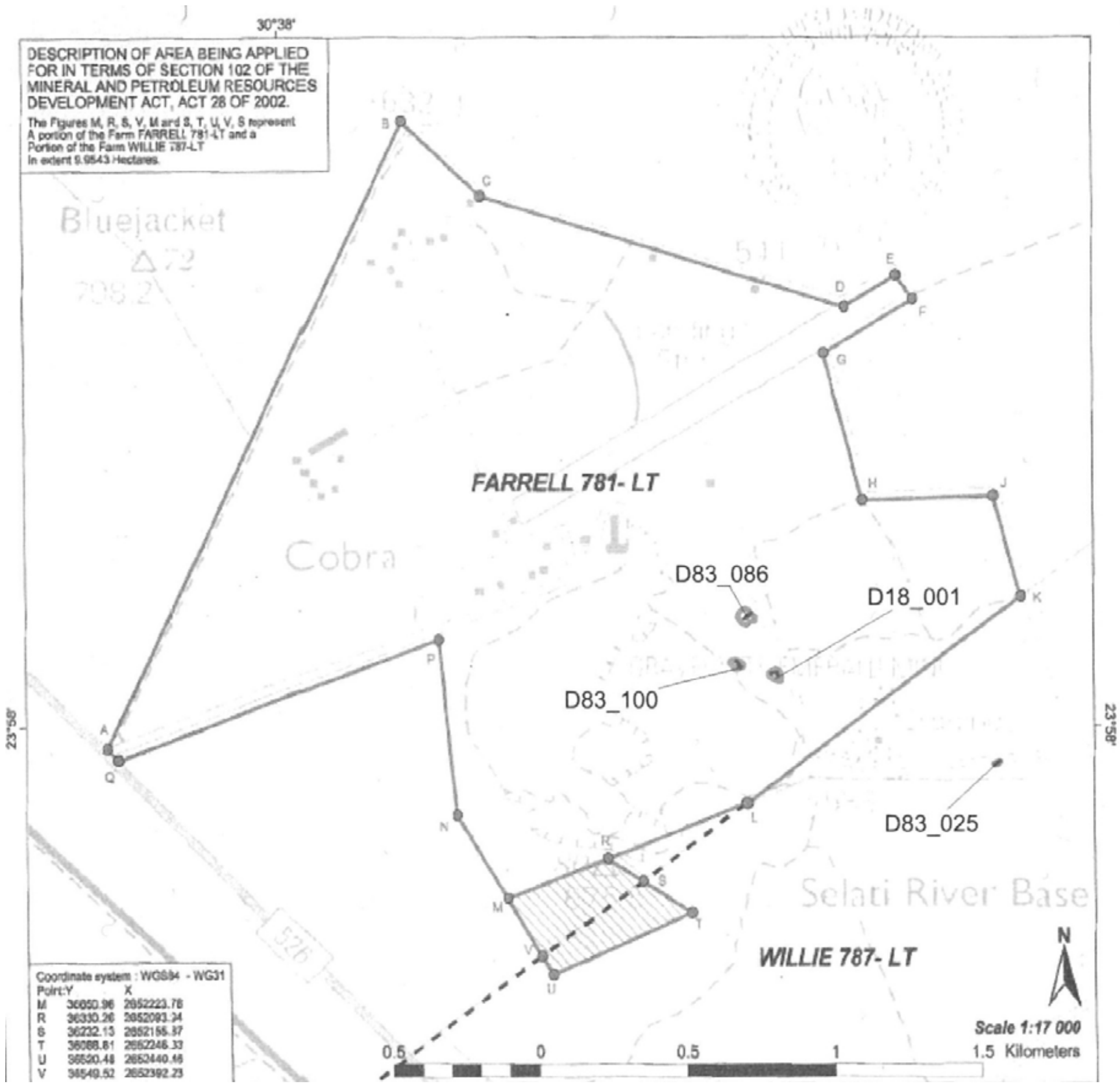

Figure 2: Location Plan of Dumps relative to Mining Lease Boundary

Dump No.	Dump (midpoint) Co-ordinates	
	Longitude	**Latitude**
01	30 deg 38' 53.37" E	23 deg 57' 56.70" S
25	30 deg 39' 18.31" E	23 deg 58' 05.34" S
86	30 deg 38' 50.06" E	23 deg 57' 50.51" S
100	30 deg 38' 50.54" E	23 deg 57' 56.18" S

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

In total 2,112 tonnes of waste and low grade material was mined.

As would be expected there is no grade information available on the various dumps.

Consequently, the dumps that were mined were selected based only on a combination of size, accessibility and appearing to being broadly representative of run-of-mine (ROM) material.

Phase 1 Programme Objectives

The key objectives of phase 1 of the trial mining operation were:

- Determine the optimum crushing methodologies to maximise the liberation of emeralds from the host rock, whilst minimising damage to the emeralds.
- Determine the critical data for the design and construction of a trial mining plant capable of processing up to 10,000 tonnes or ore.
- Assess the relative viability of traditional hand sorting methods versus modern optical sorting alternatives for the recovery of emeralds from the processed ore.
- Recover a sample of emeralds of a sufficient quantity to enable a commercial appraisal and valuation of Gravelotte emeralds to be made.

Crushing

Phase 1 of the trial mining programme tested both jaw and SAG crushing to determine the optimum method to maximise liberation of the emeralds, minimise damage to the emeralds, and provide a uniform ore fraction size for efficient recovery of the emeralds.

The ore material from the dumps was stockpiled and then crushed using a mobile jaw crushing plant. The crusher's sizing gap was operated at different settings (25mm and 50mm) to test which aperture would produce the better particle size distribution for sorting and recovery.

In addition, the Company also commenced an onsite small-scale crushing operation to evaluate different crush sizes and methods to re-crush the oversize material. This test work has identified the optimum crush size in which the maximum number of stones is liberated without excess breakage is in the range 9.5mm - 12.5mm.

This data will be used to finalise the crushing circuit for a trial plant.

Sorting

All of the historic ore processing at Gravelotte was done by hand sorting.

To test the efficiency of this method, the Company established on-site facilities to commence processing of the mined material in tandem with the various crushing tests.

As a result, the Company has trained eight employees to recover emeralds by hand washing and sorting the crushed material.

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

Recoveries

Up to the end of this reporting period Phase 1 of the trial mining programme had treated 256.6 tonnes of crushed dump material from four dumps and recovered 11,774.8 carats of emeralds.

This is an average recovered grade of 46 carats per tonne.

Dump No.	Material Treated to date	Recovered Emeralds	Average Grade
01	38.0 tonnes	132 carats	3.5 carats/tonne
25	46.9 tonnes	9,136 carats	194.9 carats/tonne
86	137.6 tonnes	2,337 carats	17.0 carats/tonne
100	34.1 tonnes	170 carats	5.0 carats/tonne

As would be expected from a mining exercise sourcing low grade and waste dumps, the recovered grade across the dumps is highly variable.

This means that prior to any exploitation of these dumps a detailed sampling programme will be required.

A strong positive however is that within these dumps there is material of high grade. As additional material is processed we will gain a more statistically robust understanding of what average grade the dumps is and the benefit they may provide to any mining operation as a source of potential ore.

Photo 3: Partially cleaned emeralds ranging from 3.5 to 41.5 carats in weight and 5-25mm is size

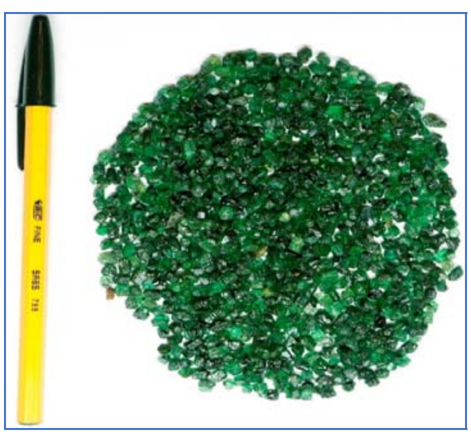

Photo 4: Emeralds 3mm

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

<u>Important Note</u>

The average grade in carats is a measure of the quantity of emeralds per tonne but does not necessarily represent the number of carats per tonne that have economic value. Emeralds, in common with other precious stones such as diamonds, rubies and sapphires for example, exhibit a broad range of characteristics peculiar to each stone. As a consequence, the value of each stone can vary considerably. As previously reported a prime objective of the trial mining programme is to generate a sufficient parcel of emeralds that will allow the Company to market to a range of buyers to determine a ROM average value per carat for Gravelotte emeralds.

Photo 5: Hand washing and sorting

A review of operating performance has shown that hand sorting is significantly slower than anticipated, and our external consultants have recommended the evaluation of an optical sorter for emerald concentration.

<u>Optical Sorters test work</u>

Optical sorters are widely used in precious stone recovery with the key parameters for successful recovery being colour calibration, moisture content and consistent feed size.

During the half year the Company undertook significant test work and discussions with optical sorting manufacturers and this work will ramp up further during the September quarter.

This work highlighted the need for fine-tuning to clarify issues around uniformity of particle size, moisture content and washing of material in order to maximise the recovery of both liberated and host rock-attached emeralds.

The optical sorting trials to be undertaken by various optical sorting manufacturers will focus on the customisation of the sorter’s various parameters to suit the Gravelotte Project requirements.

Two 250kg samples of representative material have been sent to Europe for trials with two manufacturers.

Review of Operations (continued)

Gravelotte Project, South Africa (continued)

In addition, the Company assessed a third optical sorting machine during the period under review and significant progress was made in understanding how best to sort Gravelotte material. As a consequence Magnum has finalised an agreement to rent this machine for a three month period to allow onsite assessment of the sorter in a practical environment.

The Company is firmly convinced that an optical sorter to concentrate the material is the best way to proceed, and that identifying a sorter to specifically sort Gravelotte material is achievable.

<u>Phase 2</u>

Phase 2 of the trial mining programme will involve the mining and processing of around 8,000 tonne of hard rock from the existing pits at Cobra (north and south) and Discovery.

The initial processing of this material, together with the balance of the material sourced in Phase 1 will be through the proposed trial mining plant.

Subject to successful testing the final processing of this material will be by optical sorting.

Proposed Trial Mining Processing plant design

The current treatment methodology employed on-site is for the ore to be washed over a 3mm screen to remove the minus 3mm material and clean up the ore for hand sorting and recovery.

In a positive implication for the potential commercial operation, the testing to date indicates that a significant percentage of the crushed ore reports to the minus 3mm fraction which, even when emerald bearing, has little to no commercial value.

This has highlighted the importance of a trommel to wash the ore to remove the fine material and hence the volume of ore to be sorted which in turn will maximise the utilisation and efficiency of an optical sorter.

The trial mining plant proposed under Phase 2 of the trial mining programme will be designed to recover and re-use all water used in the trommel washing operation.

The trial mining plant will also require sizing of various ore fractions to accommodate maximum efficiency parameters of the optical sorter.

Assuming a single shift operation on a 5 day week, the trial mining plant has been designed to treat 2,000 tonnes of ROM per month.

In this regard plant specifications have been completed and the Company is currently assessing the design and specifications to ensure they are appropriate for a trial mining plant.

In tandem the Company is scoping various service providers for indicative pricing and timing.

Phase 2 of the trial mining programme will commence once the processing plant has been constructed. A more precise timetable will be provided once costings are available.

Review of Operations (continued)

Cloncurry East Project, Queensland, Australia

Magnum's Cloncurry East project consists of two tenements groups which lie between 10-20 kilometres east of Cloncurry in North West Queensland. The project lies within the highly mineralised Mt Isa Eastern succession of rocks with nearby mining operations and advanced projects including Ernest Henry (Cu-Au), Monakoff (Cu-Au-Pb-U), Great Australia (Cu-Au), Rocklands (Cu-Au) and Dugald River (Zn-Pb-Ag).

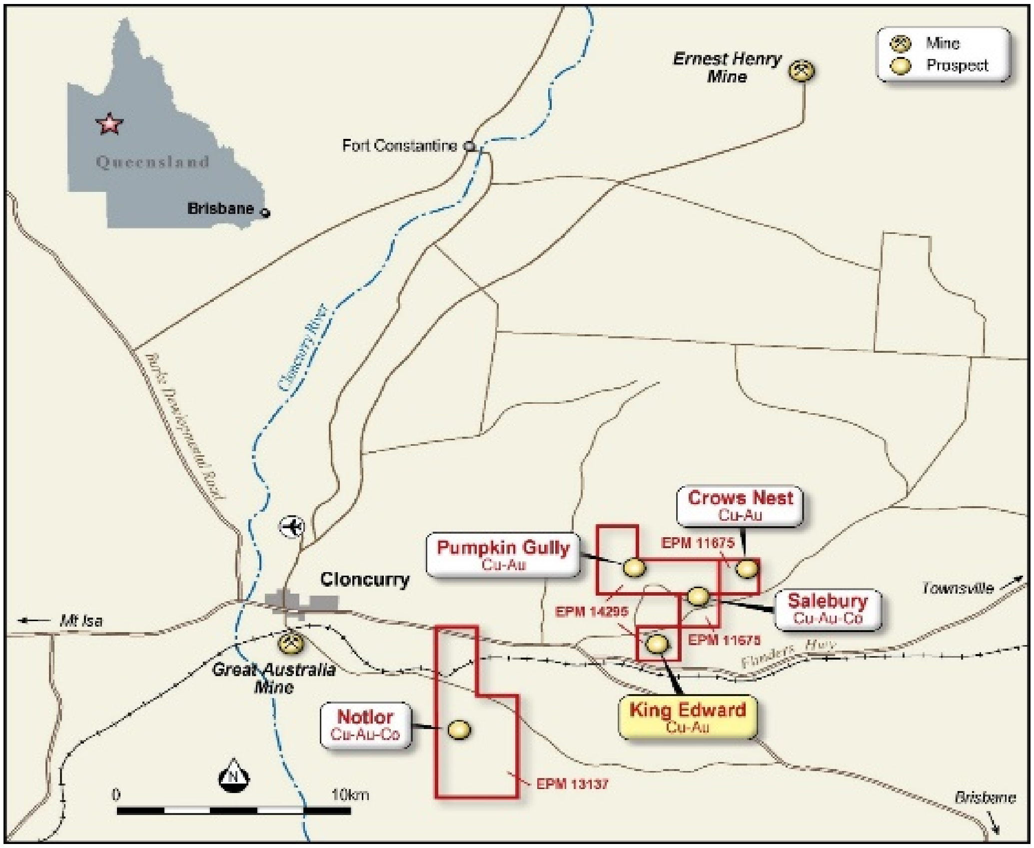

Figure 3: Cloncurry East Project: Location of EPM's

The Cloncurry East project is at an advanced stage of exploration and is considered to be highly prospective for iron oxide copper-gold ("IOCG") +/- cobalt mineralisation and variants of this style of mineralisation.

Background

The Cloncurry East Project ("CEP") is a farm in between Magnum Mining and Exploration Ltd ("Magnum"), and Exco Resources Ltd ("Exco") and Copperchem Limited ("CCL"). Together Exco and CCL form the CopperChem Group or "CCG".

The tenements are Exploration Permits for Minerals ("EPM") comprising EPM13137 containing the Notlor Prospect (held by CCL), EPM11675 containing the Salebury Deposit (held by Exco) and EPM14295 which contains the King Edward, Pumpkin Gully and Crow's Nest Prospects (held by Exco).

Review of Operations (continued)

Cloncurry East Project, Queensland, Australia (continued)

Pursuant to the terms of the farm-in, the Company can earn a 50% equity stake in the CEP by expending $2 million over a three-year period with a minimum of $350,000 to be expended in year one. The Company can withdraw from the farm-in at any time after its year one expenditure obligation has been fulfilled.

The Company can earn an additional 25% equity stake in the CEP through the expenditure of an additional $2 million in year four. CCG retains the right to claw back to 50% ownership in consideration of the payment of $2.66 million to the Company.

Work to Date

The Company has previously announced the results from the drilling programme completed over the Cloncurry East Project.

These results included two very encouraging intersections within the Notlor prospect:

- MNRC 009 returned **78 metres @ 1.36% Cu, 0.55g/t Au and 0.13% Co** from 22m to end of hole (100m). This intersection included **48m @ 1.78% Cu, 0.66g/t Au and 0.19% Co** from 22m.

- MNRC 010 returned **30 metres @ 0.81% Cu, 0.37g/t Au and 0.27% Co** from 60m. This intersection included **18m @ 0.92% Cu, 0.4g/t Au and 0.42% Co** from 66m, with a peak two-metre sample within this intersection assaying an outstanding **1.38% Co.**

At the King Edward prospect only two holes were drilled with MNRC 014 having the following intersection:

- **12m @ 1.92% Cu and 2.78g/t Au** from 36m, including **8m @ 2.76% Cu and 4.06g/t Au** from 36m.

- this zone had a peak interval of **2m @ 9.98% Cu and 14.8g/t Au** from 42m downhole depth.

Notlor Metallurgical test work

During the June quarter, the Company submitted two samples from the Notlor drilling for metallurgical testing.

Results from Composite sample 1 have been received.

These results are very encouraging for the production of a Cu-Au-Co concentrate but further work needs to be undertaken to ascertain how the Cobalt can be best recovered from the concentrate.

ASSAY DATA

Product	Mass	Assays					
		As	Au	C-org	Co	Cu	S2-
	(g)	(%)	(g/t)	(%)	(%)	(%)	(%)
Pre-float Con	91.6	0.15	3.10	0.36	0.17	29.3	34.4
Rougher Con 1	77.6	0.47	4.99	0.18	0.62	10.2	44.7
Rougher Con 2	101.1	0.55	4.62	0.18	0.69	10.6	43.6
Rougher Con 3	74.3	1.14	5.65	0.24	1.08	11.6	40.7
Rougher Con 4	40.8	1.31	5.75	0.27	1.21	9.70	38.2
Flotation Tail	1605.3	0.12	0.41	0.12	0.10	0.36	1.16
Calc. Head Grade	**1990.7**	**0.22**	**1.23**	**0.14**	**0.21**	**3.21**	**8.78**
Head Assay		**0.22**	**1.05/1.15**	**0.09**	**0.2**	**3.20**	**8.84**

Review of Operations (continued)

Cloncurry East Project, Queensland, Australia (continued)

CUMULATIVE RECOVERY

Product	RECOVERY TO FLOAT CON (%)						
	Mass	As	Au	C-org	Co	Cu	S2-
Pre-float con	4.6	3.1	11.6	11.5	3.7	42.0	18.0
Rougher Con 1	8.5	11.5	27.4	16.4	15.2	54.5	37.9
Rougher Con 1-2	13.6	24.2	46.4	22.7	31.9	71.2	63.1
Rougher Con 1-3	17.3	43.6	63.6	28.9	51.0	84.7	80.4
Rougher Con 1-4	19.4	55.9	73.1	32.8	62.8	90.9	89.3

*The information in this report that relates to Exploration Results and Mineral Resources complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and has been compiled and assessed under the supervision of Mr Howard Dawson, Non-Executive Director of Magnum Mining and Exploration Limited. Mr Dawson is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Dawson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

Corporate

Sale of Magnum Employee Share Plan Shares

On 18 April 2018, the Company announced that 11,450,000 ordinary Magnum shares (**Plan Shares**), originally issued pursuant to the terms of the Magnum Employee Share Plan (the **Share Plan**), had been sold on-market, in accordance with the terms of the Share Plan. The sale of the Plan Shares raised approximately $580,195, which will be used by the Company for general working capital purposes.

Grant of Options

On 13 June 2018, the Company granted seven million unlisted options to the Company's Directors after receiving shareholder approval on 30 May 2018.

On grant date, the options had an exercise period of two years and an exercise price of $0.075.

Events Occurring After the Balance Date

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

Earn-in Tanami Gold-Copper Project

On 15 August 2018, the Company announced that it has reached an earn-in agreement with Ferdies Find Pty Ltd ("Ferdies"), 100% owner of exploration license 30256 ("Exploration License" or "Tenement") located in the Tanami region of the Northern Territory.

Pursuant to the agreement, the Company can earn up to an initial 80% of the issued capital of Ferdies subject to an exploration expenditure of $0.9 million over a minimum of three years.

The Tanami Gold-Copper project provides the Company with exposure to a rich mineral province with a project area that appears to offer many of the attributes for a potential gold or polymetallic discovery.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is set out on page 12 and forms part of this Directors' Report for the half year ended 30 June 2018.

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

Grant M Button
Chief Executive Officer
Perth, Australia
13 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Magnum Mining and Exploration Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Perth, Western Australia **D I Buckley**

13 September 2018 **Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 30 June 2018

	Note	2018 $	2017 $
Revenue		**19,080**	54,547
Depreciation expense		**(1,325)**	(1,312)
Exploration expensed as incurred		**(411,284)**	(53,785)
Share based payments		**(95,347)**	-
Other expenses		**(241,125)**	(104,517)
Loss before income tax expense		**(730,001)**	(105,067)
Income tax expense		-	-
Loss for the period		**(730,001)**	(105,067)
Other comprehensive income/ (loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**2,436**	16,351
Other comprehensive income/ (loss) for the period		**2,436**	16,351
Total comprehensive loss for the period		**(727,565)**	(88,716)
Loss attributable to:			
Equity holders of the parent		**(643,980)**	(88,751)
Non-controlling interests		**(86,021)**	(16,316)
Net loss for the period		**(730,001)**	(105,067)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(641,544)**	(72,400)
Non-controlling interests		**(86,021)**	(16,316)
Total comprehensive loss for the period		**(727,565)**	(88,716)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 30 June 2018

	Note	2018 $	2017 $
Basic loss per share (cents)	10	**(0.23)**	(0.03)

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2018

	Note	**30 June 2018 $**	31 December 2017 $
Assets			
Current assets			
Cash and cash equivalents		**555,572**	502,026
Trade and other receivables		**68,137**	130,497
Total current assets		**623,709**	632,523
Non-current assets			
Plant and equipment		**9,104**	7,713
Exploration and evaluation expenditure		**2,060,834**	2,060,834
Rehabilitation guarantee		**36,902**	36,902
Total non-current assets		**2,106,840**	2,105,449
Total assets		**2,730,549**	2,737,972
Liabilities			
Current liabilities			
Trade and other payables		**218,425**	172,075
Total current liabilities		**218,425**	172,075
Total liabilities		**218,425**	172,075
Net assets		**2,512,124**	2,565,897
Equity			
Issued capital	4	**22,937,628**	21,911,047
Reserves		**(242,803)**	107,550
Accumulated losses		**(20,238,466)**	(19,594,486)
Equity attributable to owners of the parent		**2,456,359**	2,424,111
Non-controlling interests		**55,765**	141,786
Total equity		**2,512,124**	2,565,897

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

Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2018

	Issued capital $	Accumulated losses $	Reserves $	Non-controlling interests $	Total $
2018					
Balance as at 1 January 2018	**21,911,047**	**(19,594,486)**	**107,550**	**141,786**	**2,565,897**
Employees share plan shares sold	**1,028,331**	**-**	**(448,136)**	**-**	**580,195**
Share issue costs	**(1,750)**	**-**	**-**	**-**	**(1,750)**
Options issued	**-**	**-**	**95,347**	**-**	**95,347**
Loss for the period	**-**	**(643,980)**	**-**	**(86,021)**	**(730,001)**
Other comprehensive income:					
Currency translation differences	**-**	**-**	**2,436**	**-**	**2,436**
Total comprehensive income/ (loss)	**-**	**(643,980)**	**2,436**	**(86,021)**	**(727,565)**
Balance as at 30 June 2018	**22,937,628**	**(20,238,466)**	**(242,803)**	**55,765**	**2,512,124**
2017					
Balance as at 1 January 2017	20,517,335	(18,897,896)	50,719	213,042	1,883,200
Shares issued during the year	1,500,000	-	-	-	1,500,000
Shares issue costs	(105,625)	-	-	-	(105,625)
Loss for the period	-	(88,751)	-	(16,316)	(105,067)
Other comprehensive income:					
Currency translation differences	-	-	16,351	-	16,351
Total comprehensive loss	-	(88,751)	16,351	(16,316)	(88,716)
Balance as at 30 June 2017	21,911,710	(18,986,647)	67,070	196,726	3,188,859

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

Condensed Consolidated Statement of Cash Flows
for the half year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		**35,854**	41,636
Payments for exploration and evaluation		**(341,521)**	(94,159)
Payments to suppliers and employees		**(219,081)**	(188,488)
Interest received		**215**	187
Net cash (outflow) from operating activities		**(524,533)**	(240,824)
Cash flows from investing activities			
Payments for purchases of plant and equipment		**(2,802)**	(3,327)
Net cash (outflow) from investing activities		**(2,802)**	(3,327)
Cash flows from financing activities			
Proceed from the issue of shares		**-**	1,300,000
Proceed from sale of employees share plan shares		**580,195**	-
Payments for share issue costs		**(1,750)**	(99,000)
Net cash inflow from financing activities		**578,445**	1,201,000
Net increase in cash and cash equivalents		**51,110**	956,849
Cash and cash equivalents at the beginning of the half year		**502,026**	206,492
Effects of exchange rate changes on cash and cash equivalents		**2,436**	1,887
Cash and cash equivalents at the end of the half year		**555,572**	1,165,228

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

1. Statement of Significant Accounting Policies

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by the Company and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

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

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

In preparing this half year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2017.

New, revised or amended Accounting Standards and Interpretations
In the half year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current reporting period.

The following Standards and Interpretations have been adopted from 1 January 2018.

AASB 9 Financial Instruments (2014)
AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018 and considered the impact on comparative information for the period beginning 1 January 2017 to be insignificant.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

1. Statement of Significant Accounting Policies

(a) Classification and measurement
Except for certain trade receivables, under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The statement of financial position as at 31 December 2017 did not require restatement as the application of AASB 9 has had immaterial effect. The statement of profit or loss for the six months ended 30 June 2017 also did not require restatement as the application of AASB 9 had no material impact.

(b) Impairment
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. This is not applicable to the Group as there are no loans or other debt financial assets not held at FVPL.

AASB 15 Revenue from Contracts with Customers
It has been determined by the Directors that the adoption of this standard did not have a significant impact on the current reporting period.

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

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

AASB 16 Leases
The Group have elected not to early adopt this Standard and Interpretation.

Going concern
The Group has a cash balance at 30 June 2018 of $555,572 and cash outflows from operating and investing activities of $527,335 (2017: $244,151) for the half year. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. The Directors are of the opinion that the Group is a going concern due to the following:
(i) The Company will seek to raise additional working capital from capital raisings.
Whilst the Directors are confident that the above initiative will generate sufficient funds to enable the Group to continue as a going concern for at least the period of 12 months from the date of signing this financial report, should that be unsuccessful, there exists a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. Segment information

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

The following table presents the financial information regarding these segments provided to the Board of Directors for the half year ended 30 June 2018 and 30 June 2017.

	Australia	**South Africa**	**Consolidated**
	$	**$**	**$**
30 June 2018			
Segment Revenue	**19,080**	**-**	**19,080**
Segment result	**(381,908)**	**(348,093)**	**(730,001)**
Unallocated			**-**
Results from operating activities			**(730,001)**
Segment assets	**605,203**	**2,125,346**	**2,730,549**
Segment liabilities	**80,404**	**138,021**	**218,425**
Included within segment results:			
Depreciation	**872**	**453**	**1,325**
30 June 2017			
Segment Revenue	54,547	-	54,547
Segment result	(26,239)	(78,828)	(105,067)
Unallocated			-
Results from operating activities			(105,067)
Segment assets	1,212,706	2,121,696	3,334,402
Segment liabilities	84,437	61,106	145,543
Included within segment results:			
Depreciation	1,029	283	1,312

3. Interest in subsidiaries

Name	**Country of Incorporation**	**Percentage of equity interest held by consolidated entity**	
		30 June 2018	**31 December 2017**
GEM Venus Holdings (Pty) Ltd	South Africa	**100%**	100%
Venus Emeralds (Pty) Ltd	South Africa	**74%**	74%
Adit Mining Consultants & Trading (Pty) Ltd	South Africa	**74%**	74%

4. Issued capital

Share capital

(a) Share Capital		**Consolidated** 30 June 2018 Shares	Consolidated 31 December 2017 Shares	**Consolidated** 30 June 2018 $	Consolidated 31 December 2017 $
Ordinary shares					
Ordinary shares fully paid	**(a)**	**279,578,818**	279,578,818	**22,937,628**	21,911,047
At reporting date		**279,578,818**	279,578,818	**22,937,628**	21,911,047

(a) Ordinary shares issued

Movements in ordinary share capital	**Consolidated** 30 June 2018 Shares	**Consolidated** 30 June 2018 $	Consolidated 31 December 2017 Shares	Consolidated 31 December 2017 $
Balance at the beginning of the reporting period	**279,578,818**	**21,911,047**	224,078,812	19,615,977
Placement shares	**-**	**-**	50,000,006	1,500,000
Employee share plan shares with restriction lifted	**-**	**-**	5,500,000	901,358
Employee share plan shares sold (cash received)	**-**	**580,195**	-	-
Employee share plan shares sold (transfer from reserve)	**-**	**448,136**	-	-
Less: Share issue costs	**-**	**(1,750)**	-	(106,288)
Balance at reporting date	**279,578,818**	**22,937,628**	279,578,818	21,911,047

5. Unlisted options

	30 June 2018 No. of Options	31 December 2017 No. of Options
Options At the end of the reporting period the following options were on issue:		
- 14 December 2018 options exercisable at $0.075 per share expiring 31 December 2019	**2,000,000**	2,000,000
- 13 June 2018 options exercisable at $0.075 per share expiring 31 December 2019[1]	**7,000,000**	-
	9,000,000	2,000,000

[1]Issued to Directors after receiving shareholder approval on 30 May 2018.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

5. Unlisted options (continued)

Movements in unlisted options	30 June 2018 No. of Options	31 December 2017 No. of Options
Options issued during the period	**7,000,000**	2,000,000
Balance at reporting date	**9,000,000**	2,000,000

The table below summarises the model inputs (post consolidation) for options granted during the six months ended 30 June 2018.

Options granted for no consideration on 30 May 2018	7,000,000
Exercise price (AUD)	0.075
Issue date	13 June 2018
Expiry date	31 December 2019
Underlying security spot price at grant date (AUD)	0.052
Expected price volatility of the Company's shares	75%
Expected dividend yield	0%
Expected life	1.79
Risk-free interest rate	1.97%
Black Scholes option pricing model valuation per option (AUD)	0.0136
Total fair value	$95,347

6. Contingencies

There were no contingencies of the Group at 30 June 2018. (31 December 2017: $Nil)

7. Events occurring after the balance date

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

Earn-in Tanami Gold-Copper Project

On 15 August 2018, the Company announced that it has reached an earn-in agreement with Ferdies Find Pty Ltd ("Ferdies"), 100% owner of exploration license 30256 ("Exploration License" or "Tenement") located in the Tanami region of the Northern Territory.

Pursuant to the agreement, the Company can earn up to an initial 80% of the issued capital of Ferdies subject to an exploration expenditure of $0.9 million over a minimum of three years.

The Tanami Gold-Copper project provides the Company with exposure to a rich mineral province with a project area that appears to offer many of the attributes for a potential gold or polymetallic discovery.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

8. Tenements on hand

Location	Project	Tenement Type	Number	Interest	Status
Limpopo Province South Africa	Gravelotte	Mining Right	MPT 85/2013	74%	Granted
Limpopo Province South Africa	Gravelotte	Prospecting Right	LP 204 PR	74%	Granted
Kalgoorlie Boulder Western Australia	Lake Rebecca	Exploration License	E31/1172	100%	Application pending grant

9. Financial instruments

The methods and valuation techniques used for measuring fair value are unchanged compared to the previous reporting period.

The Group has a number of financial instruments which are not measured at fair value on the statement of financial position.

The carrying amounts of financial assets and liabilities are considered to be a reasonable approximation of their fair value.

10. Earnings/ (loss) per share

	2018 Cents	2017 Cents
Basic earnings / (loss) per share	**(0.23)**	(0.03)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share	**279,578,818**	279,578,818
	$	$
Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share	**(643,980)**	(88,751)

The Company's potential ordinary shares, being its share plan shares, are not considered dilutive as the conversion of these share plan shares would not have a dilutive effect.

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half year then ended.

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

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

G. Button.

Grant M Button
Chief Executive Officer
Perth, Australia
13 September 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnum Mining and Exploration Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Magnum Mining and Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Buckley

D I Buckley
Partner

Perth, Western Australia
13 September 2018