Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Annual report
Year ended 31 December 2017

Contents

Corporate Directory

Directors
G M Button
H Dawson
S Robertson

Company Secretary
G M Button
J A Barry

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Solicitor
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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

Gravelotte Project, South Africa

Magnum's 74% owned Gravelotte Project is located in the Limpopo province of South Africa. Emeralds were discovered in the province in 1927 and since then several companies have explored for and mined within the broader region for emeralds.

From 1929 to 1982 the total recorded emeralds 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.

Trial Mining Exercise (Bulk Sample)

During the December quarter of 2017, a new team of consultants was engaged in South Africa with the specific task to advance a trial mining exercise over the project.

This new team has advanced the technical review of Gravelotte to a point where the proposed trial mining exercise can be initiated with a high degree of confidence.

The trial mining exercise will be conducted in two phases with the initial phase comprising the processing of around 2,000 tonnes of material from four of the historic mining waste dumps.

Limited processing of selected dumps in the 1990's returned run of mine grades averaging around 3g/t per tonne of emeralds and it is projected that the four dumps to be processed should average around this grade.

The second phase of the trial mining exercise will be to mine and process around 8,000 tonnes of hard rock from the historic Cobra and Discovery open pits.

Based on the average recovered grades from the hard rock and waste dump processing over the near 70 years production history of Gravelotte, the trial mining exercise is projected to produce in excess of 250,000 carats of emeralds.

The key objectives of the trial mining exercise are:

- Confirm historic emerald grades within the ore dumps and the respective Cobra and Discovery open pits;

- Optimise the mining and processing techniques to be used in a potential commercial operation including determining the optimum blast pattern, the best type and size of mining equipment to be used, the preferred crushing and screening technique and how best to process and recover the resultant emeralds; and

- Using the recovered emeralds to determine the likely value of Gravelotte emeralds in the open market place.

The use of optical sorting as an alternate or in conjunction with the proposed hand sorting of the processed material will be considered as part of the trial mining exercise.

Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

Timing of the Trial Mining Exercise

Processing of the ore dumps (phase 1 of the trial mining exercise) is expected to be completed by late April through to late May 2018 – the time variance for completion is the consequence of the need to train the hand sorters and provide time for their expertise to develop.

Mining of the hard rock is expected to commence early in the June quarter with a more precise timing to be advised once scheduling of the mining equipment has been confirmed.

Cloncurry East Project, Queensland, Australia

Magnum's Cloncurry East Project (CEP) consists of two tenement groups, both located between 10-20km east of Cloncurry in North West Queensland.

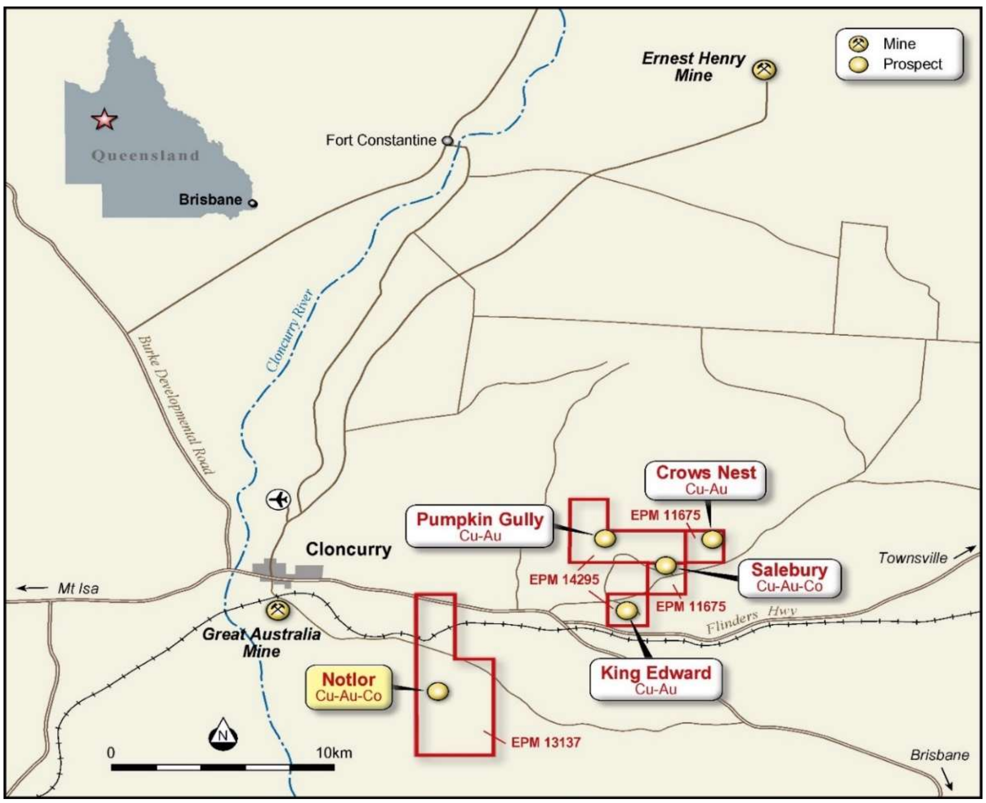

Figure 1: Cloncurry East Project: Location of Notlor EPM

The 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".

These tenements, are Exploration Permits for Minerals ("EPM"), EPM 13137 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).

Pursuant to the terms of the farm-in, Magnum 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. Magnum can withdraw from the farm-in at any time after its year one expenditure obligation has been fulfilled.

Review of Operations and Activities (continued)

Cloncurry East Project, Queensland, Australia (continued)

Magnum 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 Magnum.

Geology

The Project lies within the highly mineralised Mt Isa Eastern succession 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).

The CEP area 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.

Work Completed

A 17-hole, 2,004 metre Reverse Circulation drilling program was completed within the Project area in December 2017. Three prospects – Notlor, Salebury and King Edward – were drill tested.

All drill samples were presented to the laboratory before year end and the assay results for the initial six metre composites submitted and have been received, collated and reviewed during the first quarter of calendar year 2018.

In January and February 2018, two metre splits were progressively submitted for the six metre composites that showed economic mineralisation. As these assay results have been received, they have been incorporated into the dataset.

Results

Very impressive drilling results were recorded at Notlor North and Kind Edward.

At Notlor North, drilling intersected a thick pod of Cu-Au-Co mineralisation with best results including

- MNRC 009 - **78 metres @ 1.36% Cu 0.55 g/t Au and 0.13%** Co from 22m to end of hole. This intersection includes **48m @ 1.78%Cu 0.66 g/t Au and 0.19% Co** from 22m.
- MNRC 010 - **30 metres @ 0.81% Cu 0.37 g/t Au and 0.27% Co** from 60m. This interval included **18m@ 0.92% Cu 0.4 g/t Au and 0.42% Co** from 66m and the peak two metre sample within this intersection assayed an outstanding **1.38% Co.**

At the King Edward Prospect drill hole MNRC014 has returned a very encouraging high grade six metre intersection of **5.0% Cu & 14.4 g/t Au from 42m depth.**

Follow-up Work

The follow-up programmes will likely include additional drilling over Notlor in addition to selected metallurgical test work to determine the treatment characteristics of the high grade Co mineralisation.

Review of Operations and Activities (continued)

Corporate

Board Changes

On 20 February 2017, the Company announced the appointment of Mr Howard Dawson to the Company's Board as a Non-Executive Director and the resignation of Mr Roy Spencer as an Executive Director.

On 3 October 2017, the Company announced the appointment of Mr Scott Robertson as a Non-Executive Director and the resignation of Mr Darryl Lynton-Brown as a Non-Executive Chairman. Following the Board changes, Mr Howard Dawson was appointed as a Non-Executive Chairman.

Please refer to the Information on Directors section in the Directors' Report at page 8 to 10 for further details.

Issue of Placement Shares

On 9 June 2017, the Company announced that it has issued 50,000,006 fully paid ordinary shares in the capital of the Company at $0.03 per share to raise approximately $1,500,000 (before costs). The Placement Shares were issued to sophisticated and institutional investors. Shareholder approval for the issue of 50,000,000 Placement Shares was obtained at the Company's Annual General Meeting on 18 May 2017. The remainder of the Placement Shares were issued utilising the Company's 15% placement capacity under Listing Rule 7.1.

Grant of Options

On 14 December 2017, the Company granted two million unlisted options to the Company's Senior Geological Consultant, Mr Stephen Konecny. Mr Konecny is the supervising geologist of the Company's Queensland exploration activities and is assisting the Company in evaluating potential new opportunities. The Company has agreed the option package with Mr Konecny as part of a reduced consultancy rate for his services.

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

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter, as the "consolidated entity" or "Group") consisting of Magnum Mining and Exploration Limited and the entities it controlled at the end of, or during, the financial year ended 31 December 2017.

Directors

The names of directors who held office during or since the end of the year and up until the date of this report are as follows:

G M Button
H Dawson (Appointed 20 February 2017)
S Robertson (Appointed 3 October 2017)
D F Lynton-Brown (Resigned 3 October 2017)
R Spencer (Resigned 20 February 2017)

Principal Activities

The principal activity of the Group during the financial year was 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 section on pages 3 to 6 of this annual report.

Operating result for the year

The consolidated net loss of the Group for the year after income tax was $767,846 (2016: loss of $884,739).

Financial position

As at 31 December 2017, the Group had cash reserves of $502,026 (2016: $206,492).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

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 section.

Directors' Report (continued)

Environmental legislation

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

Information on directors

G M Button B. Bus. (Acc), C.P.A. *Executive Director*

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. He has over 27 years of 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
None

Former directorships in the last 3 years
Non-Executive Director of Ferrum Crescent Ltd (Resigned 01 February 2018)
Executive Director of Sylvania Platinum Ltd (Resigned 30 April 2015)

Special responsibilities
Chief Executive Officer
Company Secretary

Interest in shares and options of the Company and related bodies corporate
4,440,000 ordinary shares

H Dawson B. App. Sc. (Geology), Dip App. Sc. MAIG *Non-Executive Chairman*
(Appointed as Non-Executive Director on 20 February 2017 and appointed Non-Executive Chairman on 3 October 2017)

Experience and expertise

Mr Dawson is a geologist with exploration and development experience across base, precious metals and bulk commodities in addition to strong experience across the securities industry. He has over 30 years of significant experience in both technical and corporate roles and was a Senior Fellow of FINSIA.

Other current directorships
Chairman of Discovery Capital Ltd

Former directorships in the last 3 years
Non-Executive Chairman of Entek Energy Ltd (Resigned 1 September 2017)
Non-Executive Chairman of SportsHero Ltd (Resigned 10 April 2017)
Non-Executive Chairman of Migme Ltd (Resigned 31 May 2016)

Special responsibilities
Chairman of the Board

Interest in shares and options of the Company and related bodies corporate
No ordinary shares in Magnum Mining and Exploration Limited

Directors' Report (continued)

Information on directors (continued)

S Robertson B. Com. (Economics & Finance) *Non-Executive Director*
(Appointed 3 October 2017)

Experience and expertise

Scott has 9 years of capital markets experience having most recently worked as Director of Corporate Finance with a prominent West Australian corporate advisory and stockbroking firm focusing on emerging company advisory, M&A advisory, equity capital markets transactions and financing strategy across a wide range of sectors. He is currently studying towards a Master of Business Administration at the University of Western Australia. He is an Accredited Derivatives Adviser (ADA1) and holds the Professional Diploma of Stockbroking & RG 146 accreditation.

Other current directorships
None

Former directorships in the last 3 years
Non-Executive Director of Overland Resources Ltd (Resigned 19 May 2017)

Special responsibilities
None

Interest in shares and options of the Company and related bodies corporate
No ordinary shares in Magnum Mining and Exploration Limited

D F Lynton-Brown Non-*Executive Chairman*
(Resigned 3 October 2017)

Experience and expertise

Darryl has been involved within the Mining Industry for over 44 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
None

Former directorships in the last 3 years
None

Special responsibilities
None

Interest in shares and options of the Company and related bodies corporate
920,000 ordinary shares on resignation

Directors' Report (continued)

Information on directors (continued)

R Spencer *Executive Director*
(Resigned 20 February 2017)

Experience and expertise

Roy has had over 43 years' experience as a successful exploration and mining geologist in the international mineral resource industry in a number of commodities, including gemstones and diamonds. He has worked in various senior roles with major and junior companies and in corporate positions with various organisations, implementing and managing exploration and evaluation programmes in remote and challenging regions to PFS and Bankable FS level to JORC, SAMREC and 43-101 standards.

Other current directorships
Director of Grosvenor Exploration & Mining Services (Ireland) Ltd
Non-Executive Director of Emerging Market Plc

Former directorships in the last 3 years
None

Special responsibilities
None

Interest in shares and options of the Company and related bodies corporate
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.

Ms Jacqueline Barry

Ms Barry has over 14 years corporate administration experience and during this time has held assistant company secretarial roles for a number of publicly listed mining and exploration companies.

Meetings of directors

During the financial year, there were eight 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	8	8
H Dawson (Appointed 20 February 2017)	8	8
S Robertson (Appointed 3 October 2017)	2	2
D F Lynton-Brown (Resigned 3 October 2017)	6	6
R Spencer (Resigned 20 February 2017)	-	-

Directors' Report (continued)

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*.

Directors' Report (continued)

Remuneration report (audited)

This report outlines the remuneration arrangements in place for key management personnel of the Company for the financial year ended 31 December 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The key management personnel of the Company are the Directors.

Directors

Grant Button (Chief Executive Officer and Company Secretary)

Howard Dawson (Non-Executive Chairman) (Appointed 20 February 2017)

Scott Robertson (Non-Executive Director) (Appointed 3 October 2017)

Darryl Lynton-Brown (Non-Executive Chairman) (Resigned 3 October 2017)

Roy Spencer (Executive Director) (Resigned 20 February 2017)

Details of key management personnel's remuneration are set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration including Share Based Payment compensation
C Employment contracts of directors

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.

Directors' Report (continued)

Remuneration report (continued)

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

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by the Board. The Board's aim is to ensure the remuneration packages properly reflect directors' and executives' duties and responsibilities. The Board 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.

The current remuneration policy adopted is that no element of any director or 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 fifteen (15) financial years.

B. Details of remuneration including Share Based Payment compensation

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors' remuneration

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.

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.

Employee share plan

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved polices to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

The objective of the Magnum Employee Share Plan is 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 plans provide an incentive for participants to participate in the future growth of the Company and, upon becoming shareholders in the Company, to participate in the Company's profits and development. There are no performance criteria attached to shares given the Company's projects are currently within an exploration phase.

The key features of the scheme are set out in Note 26.

Directors’ Report (continued)

Remuneration report (continued)

B. Details of remuneration including Share Based Payment compensation (continued)

Executive director remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business team and individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

The executive pay and reward framework has the following components:

- Base pay and benefits such as superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in the Directors and Employees Share Plan.

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed annual remuneration

Fixed annual remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate external advice on policies and practices. The Board of Directors has access to external and independent advice where necessary.

Some of the directors perform at least some executive or consultancy services.

Variable annual remuneration

Short-term incentives

There are no current short-term incentive remuneration arrangements.

Long-term incentives

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

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2017 and 2016 are set out in Tables 1 and 2 in Section C.

Directors' Report (continued)

Remuneration report (continued)

B. Details of remuneration including Share Based Payment compensation (continued)

Variable annual 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 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.

The Board's policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold securities in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

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.

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; and
- The Company will have a lien over the shares in respect of which a loan is outstanding.

Directors' Report (continued)

Remuneration report (continued)

B. Details of remuneration including Share Based Payment compensation (continued)

Variable annual remuneration (continued)

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 a share-based payment reserve and as employee benefit costs in the period over which the shares vest.

No new shares have been provided as remuneration to directors in the current or prior year, under the Employee Share Plan. The Company has closed the Plan and will not be issuing shares under this Plan.

C. Employment contracts of directors

The employment arrangements of the directors are not formalised in a contract of employment.

Table 1: Directors' remuneration for the year ended 31 December 2017

2017	*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	**58,333**	**-**	**-**	**-**	**58,333**	**-**
H Dawson (i)	**30,333**	**-**	**-**	**-**	**30,333**	**-**
S Robertson (ii)	**7,500**	**-**	**-**	**-**	**7,500**	**-**
D F Lynton-Brown	**-**	**-**	**-**	**-**	**-**	**-**
R Spencer	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**96,166**	**-**	**-**	**-**	**96,166**	**-**

(i) Include an amount of $13,000 owing to HG & L Dawson Discretionary Trust.
(ii) Include an amount of $7,500 owing to Scott Robertson.

Note: The directors have agreed to forgive all accrued Directors' fees refer to Note 4. The amount forgiven was $41,062 each for G M Button, D F Lynton-Brown and $37,500 for R Spencer for a total of $119,624.

Directors' Report (continued)

Remuneration report (continued)

Table 2: Directors' remuneration for the year ended 31 December 2016

2016	*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	-	-	-	-	-	-
D F Lynton-Brown	-	-	-	-	-	-
R Spencer	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

Note: The directors have agreed to forgive all accrued Directors' fees for year ended 31 December 2016, totalling $79,750.

D. Shareholdings of directors

The number of shares in the Company held during the financial year by each director of the Company, including their personally related entities, is 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'.

2017 **Name**	**Type of holding**	**Balance at the start of the year**	**Purchased during the year**	**Other changes during the year**	**Balance at the end of the year**
G M Button	**Beneficially held**	**4,440,000**	**-**	**-**	**4,440,000**
H Dawson	**Beneficially held**	**-**	**-**	**-**	**-**
S Robertson	**Beneficially held**	**-**	**-**	**-**	**-**
D F Lynton Brown (Resigned 3 October 2017)(i)	**Beneficially held**	**920,000**	**-**	**(920,000)(i)**	**-**
R Spencer (Resigned 20 February 2017)	**Beneficially held**	**-**	**-**	**-**	**-**
2016					
G M Button	Beneficially held	4,440,000	-	-	4,440,000
H Dawson	Beneficially held	-	-	-	-
D F Lynton Brown	Beneficially held	920,000	-	-	920,000
R Spencer	Beneficially held	-	-	-	-

The directors have no option holdings in the Company.

Directors' Report (continued)

Remuneration report (continued)

E. Transactions with related parties of directors

		Income from Related Parties	Expenditure to Related Parties	Amounts Owed by Related Parties at year end	Amounts Owed to Related Parties at year end
Wilberforce Pty Ltd (i)	**2017**	**-**	**58,333**	**-**	**-**
HG & L Dawson Discretionary Trust (ii)	**2017**	**-**	**30,333**	**-**	**13,000**
Grosvenor Exploration & Mining Services (Ireland) Ltd (iii)	**2017**	**-**	**-**	**-**	**-**
Wilberforce Pty Ltd	2016	-	-	-	-
HG & L Dawson Discretionary Trust	2016	-	-	-	-
Grosvenor Exploration & Mining Services (Ireland) Ltd	2016	-	104,275	-	7,411

(i) Mr G Button, an Executive director, is a director of Wilberforce Pty Ltd. During the year, Wilberforce Pty Ltd received the above fees for consultancy services.

(ii) Mr H Dawson, a Non-Executive Chairman, is the trustee of HG & L Dawson Discretionary Trust. During the year, HG & L Dawson Discretionary Trust received the above fees for consultancy services.

(iii) Mr R Spencer, an Executive director, (resigned 20 February 2017), is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd.

This is the end of the audited remuneration report.

Auditor independence and non-audit services

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 audit of the financial report. This Independence Declaration is set out on page 19 and forms part of this directors' report for the year ended 31 December 2017.

Non-audit services

There were no non-audit services provided by the Company's auditors during the financial year ended 31 December 2017.

Signed in accordance with a resolution of the directors.

G. Button.

Grant M Button
Director

Perth, Australia
29 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Magnum Mining and Exploration Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia
29 March 2018

D I Buckley
Partner

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

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Corporate Governance Statement

The Board of Directors (Board) 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 accordance with the 3rd Edition of the Australian Securities Exchanges (ASX) Corporate Governance Principles and Recommendations of the ASX 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.

The Company reports below on how it has followed and "if not, why not" disclosure on each of the Principles & Recommendations.

The Corporate Governance statement has been approved by the Board and is current as at 29 March 2018.

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	No	The Company considers Corporate Governance 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 operation, 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.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	The Company undertakes comprehensive reference checks before appointing a person, or putting a person forward for election to shareholders, as a director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has written agreements with each director in accordance with Recommendation 1.3.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	No	The Company has not established a Diversity Policy. Given the size of the Board, and the Company's limited number of employees, the Board considers that it is not practical to establish a Diversity Policy. At the date of this report, the Company has one part-time female employee. No women are currently represented on the Board.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Yes	The Board undertakes annual self-assessment of its collective performance and the performance of the Chairman. The Board is evaluated annually via round table discussion. The evaluation includes consideration of the following matters: assessment of the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and annual budget, review of the level and effectiveness of the Board's interaction with management review of the content, format and timing of information provided to directors, and review of Board and committee charters to assess if they remain appropriate to the Company's activities. Similar procedures to those for the Board review are applied to evaluate the performance of any Board committees. An assessment will be made of the performance of each committee and areas identified where improvements can be made. During the year, an evaluation of the Board and individual directors took place in accordance with the process disclosed above.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	The Chairman reviews the performance of senior executives by way of a formal interview with each senior executive. During the year, an evaluation of senior executives took place in accordance with the process disclosed above.
Principle 2 Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	The Board has not established a separate independent nomination committee. Given the current size and composition of the Board, the Board believes that where would be no efficiencies gained by establishing a nomination committee separate from the Board. Accordingly, the Board performs the role of Nomination Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions.
Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	No	Given the current size and composition of the Board, the Company does not maintain a formal skills matrix setting out the skills and diversity of the Board. However, the current Board does have a mixture of experience and corporate, technical, financial and management skills that are consider appropriate for the Company's present operations. A profile of each director setting out their skills, experience, expertise and period of office is set out on page 8 to 10 of the Directors' Report.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	No	Details of the Board of Directors, their length of service and independence are as follows: Mr Howard Dawson - Appointed 20 February 2017 - Independent - Non-Executive Chairman; Mr Grant Button - 11 years - Not Independent - Executive Director; Mr Scott Robertson – Appointed 3 October 2017 – Independent – Non-Executive Director; Mr Darryl Lynton-Brown - 9 years – Resigned 3 October 2017 - Independent - Non-Executive Chairman; Mr Roy Spencer - 2 years - Resigned 20 February 2017 - Not Independent - Executive Director. Given, the current size and composition of the Board, the Board is of the opinion that the Company is best served by its current Board's composition of executive and non-executive directors.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	Yes	The Board comprises of three directors with two directors who are considered as independent in terms of Recommendation 2.3.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The role of Chairman of the Company was held by Mr Darryl Lynton-Brown from January 2017 to 2 October 2017. Mr Howard Dawson took on the role from 3 October 2017 (both are considered independent in terms of Recommendation 2.3) The Chief Executive Officer during the year, was held by Mr Grant Button (who is not considered independent in terms of Recommendation 2.3)
Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	The Company has an informal induction process, due to the Board's size. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors will undertake their own continuing educations.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	No	The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavor to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in Recommendation 3.1, 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.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	No	The Board has not established a separate independent audit committee. Given the current size and composition of the Board, the Board believes that where would be no efficiencies gained by establishing an audit committee separate from the Board. Accordingly, the Board performs the role of Audit Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Chair and the Chief Executive Officer have provided a declaration to the Board, before it approves the Company's financial statements for a period.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	A representative of the Company's external audit firm attends the AGM and is available to answer questions to security holders relevant to the audit.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	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 requirement 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 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.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	Information about the Company and its governance will be available on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company is committed to promoting effective communications with shareholders by ensuring they and the broader investment community is provided with full and timely disclosure of its activities providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	The Company gives adequate notice to shareholders of meetings of shareholders and encourages attendance at such meetings.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Company engages its share registry to manage the majority of communications with shareholders and encourage them to receive correspondence from the Company electronically.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 7: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No	The Board has not established a separate independent risk committee. Given the current size and composition of the Board, the Board believes that where would be no efficiencies gained by establishing a risk committee separate from the Board. Accordingly, the Board performs the role of Risk Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	No	The Board reviews the risks to the Company at regular Board meetings.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	No	Given, the size of the company's operation, the Company does not have an internal audit function.
Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	The Company does not believe it has any material exposure to economic, environmental and social sustainability risks.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	No	The functions that would be performed by a remuneration committee are performed by the full Board. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a remuneration committee separate from the Board.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	No	An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remunerations Reports section of the Directors' Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company has a share trading policy which includes prohibiting participants of an equity-based remuneration scheme from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	Consolidated 2017 $	2016 $
Revenue from continuing operations	3	**145,585**	103,745
Depreciation expense		**(3,360)**	(3,622)
Exploration expensed as incurred	11	**(597,152)**	(436,992)
Other expenses	4	**(312,919)**	(547,870)
Loss before income tax expense		**(767,846)**	(884,739)
Income tax expense	5	-	-
Loss from continuing operations		**(767,846)**	(884,739)
Net profit / (loss) for the year		**(767,846)**	(884,739)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(5,154)**	(13,303)
Other comprehensive income/ (loss) for the year net of tax		**(5,154)**	(13,303)
Total comprehensive income/ (loss) for the year		**(773,000)**	(898,042)
Profit/ (loss) attributable to:			
Equity holder of the parent		**(696,590)**	(768,660)
Non-controlling interests		**(71,256)**	(116,079)
Net profit/ (loss) for the year		**(767,846)**	(884,739)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	Consolidated 2017 $	2016 $
Total comprehensive income/ (loss) attributable to:			
Equity holder of the parent		**(701,744)**	(781,963)
Non-controlling interests		**(71,256)**	(116,079)
Total comprehensive income/ (loss) for the year		**(773,000)**	(898,042)
Basic earnings/ (loss) per share (cents)	25	**(0.27)**	(0.33)

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

Consolidated Statement of Financial Position
as at 31 December 2017

	Notes	Consolidated 2017 $	2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**502,026**	206,492
Trade and other receivables	7	**130,497**	48,269
Total Current Assets		**632,523**	254,761
Non-Current Assets			
Plant and equipment	8	**7,713**	5,931
Deferred exploration and evaluation expenditure	10	**2,060,834**	2,060,834
Rehabilitation guarantee		**36,902**	36,902
Total Non-Current Assets		**2,105,449**	2,103,667
Total Assets		**2,737,972**	2,358,428
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**172,075**	275,228
Borrowings	13	**-**	200,000
Total Current Liabilities		**172,075**	475,228
Total Liabilities		**172,075**	475,228
Net Assets		**2,565,897**	1,883,200
EQUITY			
Issued capital	14	**21,911,047**	20,517,335
Reserves	16	**107,550**	50,719
Accumulated losses	16	**(19,594,486)**	(18,897,896)
Equity attributable to owners of the parent		**2,424,111**	1,670,158
Non-controlling interests		**141,786**	213,042
Total Equity		**2,565,897**	1,883,200

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

Consolidated	Issued capital $	Accumulated losses $	Reserves $	Non-controlling interests $	Total equity $
Balance at 1 January 2016	20,517,335	(18,129,236)	64,022	329,121	2,781,242
Loss for the year	-	(768,660)	-	(116,079)	(884,739)
Other comprehensive income/ (loss):					
Currency translation differences	-	-	(13,303)	-	(13,303)
Total comprehensive loss	-	(768,660)	(13,303)	(116,079)	(898,042)
Balance at 31 December 2016	20,517,335	(18,897,896)	50,719	213,042	1,883,200
Balance 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	**(106,288)**	**-**	**-**	**-**	**(106,288)**
Options issued during the year	**-**	**-**	**61,985**	**-**	**61,985**
Loss for the year	**-**	**(696,590)**	**-**	**(71,256)**	**(767,846)**
Other comprehensive income/ (loss):					
Currency translation differences	**-**	**-**	**(5,154)**	**-**	**(5,154)**
Total comprehensive loss	**-**	**(696,590)**	**(5,154)**	**(71,256)**	**(773,000)**
Balance at 31 December 2017	**21,911,047**	**(19,594,486)**	**107,550**	**141,786**	**2,565,897**

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Notes	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		**104,639**	107,287
Interest received		**649**	182
GST paid		**11,735**	7,470
Payments for exploration and evaluation expenditure		**(555,277)**	(412,301)
Payments to suppliers and employees		**(453,957)**	(399,890)
Net cash outflow from operating activities	24	**(892,211)**	(697,252)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		**(5,147)**	(981)
Net cash outflow from investing activities		**(5,147)**	(981)
Cash flows from financing activities			
Proceeds from issue of shares		**1,500,000**	-
Transaction costs on issue of shares		**(106,288)**	-
Proceed/ (repayment) of borrowings		**(200,000)**	200,000
Net cash inflow from financing activities		**1,193,712**	200,000
Net increase/ (decrease) in cash and cash equivalents		**296,354**	(498,233)
Cash and cash equivalents at the beginning of the year from continuing operations		**206,492**	772,280
Effects of exchange rate changes on cash and cash equivalent		**(820)**	(67,555)
Cash and cash equivalents at the end of the year	6	**502,026**	206,492

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

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies

(a) Basis of Preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Magnum Mining and Exploration Limited and its subsidiaries. The Company is a for-profit entity.

The financial statements have also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in both Australia and South Africa. The Group's principal activity is mineral exploration.

Where appropriate, prior year disclosures have been reclassified for consistency with current year classifications. Any reclassifications do not impact the net result for the prior year.

(b) Statement of Compliance

The financial report was authorised for issue in accordance with a resolution of the Directors on 29 March 2018.

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).

(c) Adoption of new and revised standards

New accounting standards and interpretations

In the year ended 31 December 2017, the Directors have reviewed the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

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

(d) Accounting Standards and Interpretations issued but not yet effective

The Directors have also reviewed all new standards and interpretations that have been issued but are not yet effective for the year ended 31 December 2017. As a result of this review, the Directors have determined that no standards and interpretations issued but not yet effective impact the Group.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(e) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Magnum Mining and Exploration Limited and its subsidiaries as at 31 December each year (the Group). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it have the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicates that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

(f) 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.

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, as discussed in Note 15 and 26.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 26.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(g) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(h) Segment reporting

Operating segments are 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 Limited.

(i) 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.

(j) 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.

(k) 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 allowance 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(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.

(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 is 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 applicable 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(m) Income Tax (continued)

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.

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/ VAT except:

- when the GST/ VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/ VAT 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/ VAT included.

The net amount of GST/ VAT 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/ VAT 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/ VAT 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.

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

Plant and equipment; furniture, fixtures and fittings – over 3 to 15 years

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(o) Property, plant and equipment (continued)

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.

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 other expenses line item. However, because land and buildings are measured at fair value, impairment losses on land and buildings are treated as a revaluation decrement, to the extent of any previous revaluation increments.

(ii) 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.

(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 transaction 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(p) Financial assets (continued)

(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.

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) 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.

(i) 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 2017

Note 1: Statement of Significant Accounting Policies (continued)

(q) 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 or loss.

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.

(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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(r) Impairment of assets (continued)

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.

(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 asset 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(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 expect 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).

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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(v) Share-based payment transactions (continued)

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.

(w) Borrowings

Borrowings are recognised at fair value net of transaction costs incurred.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharges, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(x) 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.

(y) Earnings per share

Basic earnings per share are calculated as net result 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 result 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 1: Statement of Significant Accounting Policies (continued)

(z) Exploration and evaluation

Exploration and evaluation expenditure incurred may be accumulated in respect of each identifiable area of interest. Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred. Acquisition costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated acquisition costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made, a regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward acquisition costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation in relation to an area may still be written off if considered to be appropriate to do so.

Once the technical feasibility and commercially viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within plant and equipment.

(aa) Going concern

The Group has a cash balance at 31 December 2017 of $502,026. 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 has the ability to sell approximately 11 million shares which were forfeited from the staff incentive scheme in prior years.

(ii) The Company will seek to raise additional working capital from capital raising.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 2: Financial reporting by segments

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 years ended 31 December 2017 and 31 December 2016.

	Australia $	South Africa $	Consolidated $
31 December 2017			
Segment revenue and other income	**105,288**	**40,297**	**145,585**
Interest revenue	**649**	**-**	**649**
Segment profit/ (loss)	**(491,444)**	**(276,402)**	**(767,846)**
Segment assets	**600,983**	**2,136,989**	**2,737,972**
Segment liabilities	**110,129**	**61,946**	**172,075**
Included within segment results:			
Depreciation	**3,269**	**91**	**3,360**
Capital Purchase	**2,759**	**2,388**	**5,147**
31 December 2016			
Segment revenue	103,730	15	103,745
Interest revenue	167	15	182
Segment profit/ (loss)	(438,163)	(446,576)	(884,739)
Segment assets	260,045	2,098,383	2,358,428
Segment liabilities	393,049	82,179	475,228
Included within segment results:			
Depreciation	3,622	-	3,622
Capital Purchase	981	-	981

Notes to the Financial Statements

For the Year Ended 31 December 2017

	Consolidated 2017 $	2016 $
Note 3: Revenue and other income		
From continuing operations		
Administration overhead recoveries	**104,639**	103,563
Interest received	**649**	182
Forgiveness of VAT and tax liabilities	**40,297**	-
	145,585	103,745

Note 4: Expenses

Loss before income tax includes the following specific expenses:

	2017 $	2016 $
Directors remunerations (i)	**(119,624)**	75,000
Consulting fees	**36,667**	-
Legal and professional services	**79,596**	80,964
Staff expenses (ii)	**121,992**	75,572
Superannuation contributions	**11,589**	10,312
Others	**182,699**	306,022
	312,919	547,870

(i) The directors have agreed to forgive all accrued directors' fees up to 31 December 2016.
(ii) Other than directors, the Company had a maximum of 2 employees during the year (2016: 1).

Note 5: Income tax benefit

(a) Numerical reconciliation of income tax benefit to prima facie tax payable

	2017 $	2016 $
Profit/ (Loss) before income tax expense	**(767,846)**	(884,739)
Tax at the Australian rate of 27.5% (2016: 30%)	**211,158**	265,422
Tax effect of amounts which are (not deductible)/ taxable in calculating taxable income	**(46,680)**	(164,231)
Deferred tax asset not brought to account	**(164,478)**	(101,191)
Income tax benefit	**-**	-

(b) Tax losses

	2017 $	2016 $
Unused tax losses for which no deferred tax asset has been recognised	**6,324,674**	5,726,575
Potential tax benefit @ 27.5% (2016: 30%)	**1,739,285**	1,717,973

The benefit of these tax losses will only be realised if the Group derives further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; the Group continues to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affects the Group's ability in realising the benefit from the deductions.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 5: Income tax benefit (continued)

	Consolidated	
	2017	2016
	$	$
(c) Deferred tax liabilities		
Explorations	**2,060,834**	2,060,834
Potential deferred tax liability @ 27.5% (2016: 30%)	**566,729**	618,250

Deferred tax liabilities have been recognised in respect of these items. The entity has sufficient carry forward losses to be able to offset any deferred tax liability arising.

Note 6: Cash and cash equivalents

Cash at bank and on hand	**482,167**	206,492
Petty cash	**19,859**	-
	502,026	206,492

(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 0.10% (2016: 0.05%).

(b) Deposits at call

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

Note 7: Trade and other receivables

Sundry debtors	**39,305**	10,093
GST/ VAT receivable	**48,910**	7,307
Bonds	**9,818**	9,818
Prepayments	**32,464**	21,051
	130,497	48,269

All sundry debtors are still receivable. No amounts are impaired.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 8: Plant and equipment

Consolidated	Plant and equipment $	Furniture, fixtures and fittings $	Total $
At 1 January 2016			
Cost	24,331	2,645	26,976
Accumulated depreciation	(18,077)	(327)	(18,404)
Net book amount	6,254	2,318	8,572
Year ended 31 December 2015			
Opening net book amount	6,254	2,318	8,572
Acquisition of assets	981	-	981
Depreciation charge	(3,379)	(243)	(3,622)
Closing net book amount	3,856	2,075	5,931
At 31 December 2016			
Cost	25,312	2,645	27,957
Accumulated depreciation	(21,456)	(570)	(22,026)
Net book amount	3,856	2,075	5,931
At 1 January 2017			
Cost	**25,312**	**2,645**	**27,957**
Accumulated depreciation	**(21,456)**	**(570)**	**(22,026)**
Net book amount	**3,856**	**2,075**	**5,931**
Year ended 31 December 2017			
Opening net book amount	**3,856**	**2,075**	**5,931**
Acquisition of assets	**5,147**	**-**	**5,147**
Depreciation charge	**(3,140)**	**(220)**	**(3,360)**
Exchange difference on translation of foreign operations	**(5)**	**-**	**(5)**
Closing net book amount	**5,858**	**1,855**	**7,713**
At 31 December 2017			
Cost	**30,459**	**2,645**	**33,104**
Accumulated depreciation	**(24,601)**	**(790)**	**(25,391)**
Net book amount	**5,858**	**1,855**	**7,713**

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 9: Interest in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity 31 December 2017	31 December 2016
GEM Venus Holdings (Pty) Ltd	South Africa	**100%**	100%
Venus Emeralds (Pty) Ltd (i)	South Africa	**74%**	74%
Adit Mining Consultants & Trading (Pty) Ltd (i)	South Africa	**74%**	74%

(i) Interest held by GEM Venus Holdings (Pty) Ltd.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Venus Emeralds (Pty) Ltd (Venus) and Adit Mining Consultants & Trading (Pty) Ltd (Adit)	**2017**		2016	
	VENUS	**ADIT**	VENUS	ADIT
	$ **Year Ended 31 December 2017**	$ **Year Ended 31 December 2017**	$ Year Ended 31 December 2016	$ Year Ended 31 December 2016
Current Assets	**36,699**	**262**	521	126
Non-Current Assets	**585,709**	**28,447**	58,391	36,902
Current Liabilities	**(61,946)**	**-**	(82,089)	(90)
Non-Current Liabilities	**(1,591,848)**	**(695,583)**	(1,268,474)	(105,043)
Equity attributable to owners of the Company	**(763,226)**	**(493,487)**	(955,822)	(50,398)
Non-controlling interests	**(268,160)**	**(173,387)**	(335,829)	(17,707)
Revenue	**358,031**	**-**	15	-
Expenses	**(78,234)**	**(555,099)**	(416,816)	(29,698)
Profit/ (Loss) for the year	**279,797**	**(555,099)**	(416,801)	(29,698)
Profit/ (Loss) attributable to owners of the company	**207,050**	**(410,773)**	(308,433)	(21,978)
Profit/ (Loss) attributable to the non-controlling interests	**72,747**	**(144,326)**	(108,368)	(7,720)
Profit/ (Loss) for the year	**279,797**	**(555,099)**	(416,801)	(29,698)
Other comprehensive income attributable to owners of the Company	**15,546**	**(30,842)**	(41,853)	(2,982)
Other comprehensive income attributable to the non-controlling interests	**-**	**-**	-	-
Other comprehensive income/ (loss) for the year	**15,546**	**(30,842)**	(41,853)	(2,982)

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 9: Interest in subsidiaries (continued)

Venus Emeralds (Pty) Ltd (Venus) and Adit Mining Consultants & Trading (Pty) Ltd (Adit)	**2017**		2016	
	VENUS	**ADIT**	VENUS	ADIT
	$	$	$	$
	Year Ended 31 December 2017	**Year Ended 31 December 2017**	Year Ended 31 December 2016	Year Ended 31 December 2016
Total comprehensive income/ (loss) attributable to owners of the Company	**222,596**	**(441,615)**	(350,286)	(24,960)
Total comprehensive income/ (loss) attributable to the non-controlling interests	**72,747**	**(144,326)**	(108,368)	(7,720)
Total comprehensive income/ (loss) for the year	**295,343**	**(585,941)**	(458,654)	(32,680)
Dividends paid to non-controlling interests	**-**	**-**	-	-
Net cash inflow/ (outflow) from operating activities	**279,613**	**(555,053)**	(400,292)	(29,599)
Net cash inflow/ (outflow) from investing activities	**(2,388)**	**-**	-	-
Net cash inflow/ (outflow) from financing activities	**-**	**-**	-	-
Net cash inflow/ (ouflow)	**277,225**	**(555,053)**	(400,292)	(29,599)

Note 10: Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

Exploration and evaluation phase at cost	**Consolidated 2017**	2016
	$	$
Balance at beginning of the year	**2,060,834**	2,060,834
Expenditure incurred	**-**	-
Balance at end of year	**2,060,834**	2,060,834

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 11: Exploration and evaluation expenditure expensed as incurred

	Life to date project expenditure expensed	**Project expenditure expensed in the period**	Life to date project expenditure expensed	Project expenditure expensed in the period
	31 December 2017		31 December 2016	
	$	**$**	$	$
Project Gravelotte	**1,497,021**	**290,823**	1,206,198	436,992
Project Cloncurry East	**293,916**	**293,916**	-	-
Other Exploration Expenses	**12,413**	**12,413**	-	-
	1,803,350	**597,152**	1,206,198	436,992

Note 12: Trade and other payables

	Consolidated	
	2017	2016
	$	$
Trade payables	**22,742**	12,444
Other creditors and accruals	**149,333**	262,784
	172,075	275,228

Note 13: Borrowings

Loan from Sunshore Holdings Pty Ltd (i)	**-**	200,000
	-	200,000

(i) The loan from Sunshore Holdings is unsecured and interest free.

Note 14: Issued capital

Share capital

		Consolidated		**Consolidated**	
(a) Share Capital		**2017 Shares**	2016 Shares	**2017 $**	2016 $
Ordinary shares					
Ordinary shares fully paid	**(a)**	**279,578,818**	224,078,812	**21,911,047**	19,615,977
Employee share plan shares that are subject to restrictions	**(b)**	**-**	5,500,000	**-**	901,358
At reporting date		**279,578,818**	229,578,812	**21,911,047**	20,517,335

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 2017 there were 279,578,818 ordinary shares fully paid on issue.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 14: Issued capital (continued)

(a) Ordinary shares issued

Movements in ordinary share capital	Consolidated 2017 Number	Consolidated 2017 $	Consolidated 2016 Number	Consolidated 2016 $
Balance at the beginning of the year	**224,078,812**	**19,615,977**	218,128,812	19,615,977
Issue of placement shares	**50,000,006**	**1,500,000**	-	-
Less: transaction costs arising from issue of placement shares	**-**	**(106,288)**	-	-
Employee share plan shares with restriction lifted	**5,500,000**	**901,358**	5,950,000	-
Balance at end of the year	**279,578,818**	**21,911,047**	224,078,812	19,615,977

Note: Includes 11,450,000 employee share plan shares that are forfeited by the Eligible Employees. In accordance to the Share Plan, the Company have the right to dispose of those shares.

(b) Shares issued under the employee share plan shares

Movements in employee share plan shares	Number	$	Number	$
Balance at the beginning of the year	**5,500,000**	**901,358**	11,450,000	901,358
Employee share plan shares with restrictions lifted:				
(i) June 2007 Share Plan	**(5,500,000)**	**(901,358)**		
(ii) May 2008 Share Plan	**-**	**-**	(3,450,000)	-
(iii) June 2008 Share Plan	**-**	**-**	(1,500,000)	-
(iv) July 2010 Share Plan	**-**	**-**	(1,000,000)	-
Balance at end of the year	**-**	**-**	5,500,000	901,358

Note 15: Unlisted options

	2017 No. of Options	2016 No. of Options
Options		
At year end the following options were on issue:		
- 14 December 2017 options exercisable at $0.075 per share	**2,000,000**	-
	2,000,000	-

Movements in 14 December 2017 options		
Beginning of the financial year	**-**	-
Options issued during the year	**2,000,000**	-
End of the financial year	**2,000,000**	-

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 15: Unlisted options (continued)

The table below summarises the model inputs (post consolidation) for options granted during the year ended 31 December 2017:

Options granted for no consideration	2,000,000
Exercise price (AUD)	0.075
Issue date	14 December 2017
Expiry date	31 December 2019
Underlying security spot price at grant date (AUD)	0.060
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Expected life	2
Risk-free interest rate	1.93%
Binomial model valuation per option (AUD)	0.031
Total fair value	$61,985

Note 16: Reserves and accumulated losses

Accumulated losses	**Consolidated 2017 $**	Consolidated 2016 $
Movements in accumulated losses were as follows:		
Balance at beginning of financial year	**(18,897,896)**	(18,129,236)
Net profit/ (loss) for the year	**(696,590)**	(768,660)
Balance at end of financial year	**(19,594,486)**	(18,897,896)

Reserves

(a) Movements in reserves were as follows:

	Share-based payment reserve $	**Foreign currency translation reserve $**	**Total $**
Consolidated			
At 1 January 2017	**448,137**	**(397,418)**	**50,719**
Options issued to consultant (i)	**61,985**	**-**	**61,985**
Foreign currency translation	**-**	**(5,154)**	**(5,154)**
At 31 December 2017	**510,122**	**(402,572)**	**107,550**

(i) The value of the service could not be reliably determined and therefore, the options are valued using the Black Scholes Model.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 16: Reserves and accumulated losses (continued)

(a) Movements in reserves were as follows (continued):

	Share-based payment reserve $	Foreign currency translation reserve $	Total $
Consolidated			
At 1 January 2016	448,137	(384,115)	64,022
Foreign currency translation	-	(13,303)	(5,154)
At 31 December 2016	448,137	(397,418)	107,550

(b) Nature and purpose of reserves

(i) 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 or consultants.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities 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. The reserve also includes the Group's share of the post-acquisition movements in the associated Company's foreign currency translation reserve.

Note 17: Parent Entity Disclosures

	2017 **$**	2016 $
Assets		
Current assets	**595,562**	254,114
Non-current assets	**2,080,465**	2,005,105
Total assets	**2,676,027**	2,259,219
Liabilities		
Current liabilities	**110,130**	376,019
Total liabilities	**110,130**	376,019
Equity		
Issued capital	**21,911,047**	20,517,335
Accumulated losses	**(19,855,272)**	(19,082,272)
Shares based payment reserve	**510,222**	448,137
Total equity	**2,565,897**	1,883,200
Financial performance		
Profit/ (Loss) for the year	**(773,000)**	(898,042)
Total comprehensive income/ (loss)	**(773,000)**	(898,042)

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 18: Key management personnel disclosures

(a) Directors

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

(i) Chairman – Non-Executive
H Dawson (Appointed 3 October 2017)
D F Lynton Brown (Resigned 3 October 2017)

(ii) Executive directors
G M Button
R Spencer (Resigned 20 February 2017)

(iii) Non-Executive director
S Robertson (Appointed 3 October 2017)

No other key management personnel were identified during the period.

(b) Key management personnel compensation

	Consolidated	
	2017	2016
	$	$
Short-term employee benefits	**96,166**	-
Post-employment benefits	**-**	-
Total compensation	**96,166**	-

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-E of the remuneration report.

Included within other creditors and accruals in Note 12 is an amount of $20,500 (2016: $119,624) owing to the Directors and Directors' related parties for consulting fees.

The directors have agreed to forgive all Directors' fees up to 31 December 2016.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 18: Key management personnel disclosures (continued)

(c) Other transactions of key management personnel

		Income from Related Parties	Expenditure to Related Parties	Amounts Owed by Related Parties at year end	Amounts Owed to Related Parties at year end
		$	$	$	$
Wilberforce Pty Ltd (i)	**2017**	**-**	**58,333**	**-**	**-**
HG & L Dawson Discretionary Trust (ii)	**2017**	**-**	**30,333**	**-**	**13,000**
Grosvenor Exploration & Mining Services (Ireland) Ltd (iii)	**2017**	**-**	**-**	**-**	**-**
Wilberforce Pty Ltd	2016	-	-	-	-
HG & L Dawson Discretionary Trust	2016	-	-	-	-
Grosvenor Exploration & Mining Services (Ireland) Ltd	2016	-	104,275	-	7,411

(i) Mr G Button, an Executive director, is a director of Wilberforce Pty Ltd. During the year, Wilberforce Pty Ltd received the above fees for consultancy services.

(ii) Mr H Dawson, a Non-Executive Chairman, is the trustee of HG & L Dawson Discretionary Trust. During the year, HG & L Dawson Discretionary Trust received the above fees for consultancy services.

(iii) Mr R Spencer, an Executive director, (resigned 20 February 2017), is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 19: Remuneration of auditors

(a) Audit services	Consolidated 2017 $	2016 $
Audit and review services		
Auditors of parent entity (HLB Mann Judd)		
Audit and review of financial reports under the *Corporations Act 2001*	**29,000**	28,250
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	**6,710**	-
Total remuneration for audit services	**35,710**	28,250

During the year ended 31 December 2017, 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 20: Contingencies

(a) Contingent liabilities

As at the reporting date the Group had no contingent liabilities.

(b) Contingent assets

As at reporting date the Group had no contingent assets.

Note 21: Commitments

Exploration commitments

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of operations of the Group. These commitments have not been provided for in the financial statements.

Due to the nature of the Group's operations in exploring and evaluating areas of the interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 21: Commitments (continued)

Exploration commitments (continued)

	Consolidated	
	2017	2016
	$	$
Within 1 year	**140,000**	-
2 to 3 years	**280,000**	-
Total commitments	**420,000**	-

Note 22: 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 9.

(c) Joint arrangements
As at 31 December 2017, the Group did not have an interest in a joint venture or joint operation that met the definition of a joint arrangement under AASB 11.

(d) Key management personnel
Disclosures relating to key management personnel are set out in Note 18.

(e) Other interests
On 31 July 2017, the Company announced it has reached agreement to farm into three exploration tenements held by Exco Resources Ltd and CopperChem Ltd located in the Cloncurry region of Queensland. Pursuant to the terms of the farm-in, the Company can earn a 50% equity stake in the Cloncurry East Project (CEP) by expending $2 million over three years 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.

Note 23: Events occurring after the reporting date

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

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 24: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2017	2016
	$	$
Profit / (loss) for the year	**(767,846)**	(884,739)
Depreciation	**3,360**	3,622
Provision for annual leave	**892**	17,030
Foreign exchange loss	**(4,329)**	54,254
Change in operating assets and liabilities:		
(Increase) / decrease in trade receivables	**(82,228)**	2,813
Increase / (decrease) in trade payables	**(42,060)**	109,768
Net cash outflow from operating activities	**(892,211)**	(697,252)

Note 25: Earnings/ (loss) per share

	2017	2016
	Cents	Cents
Basic earnings / (loss) per share	**(0.27)**	(0.33)
Basic earnings / (loss) per share from continuing operations	**(0.27)**	(0.33)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share	**257,661,007**	229,578,812

	$	$
Profit / (loss) attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share	**(696,590)**	(768,660)
Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share from continuing operations	**(696,590)**	(768,660)

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.

Note 26: 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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 26: Share-based payments (continued)

(a) Employee Share Plan (continued)

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.

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.

The fair value at grant date of the director shares is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No new shares have been provided as remuneration to directors in the current or prior year, under the Employee Share Plan. The Company has closed the Plan and will not be issuing shares under this Plan.

Note 27: 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 2016.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 27: Financial Instruments (continued)

(a) Capital risk management (continued)

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	
	2017	2016
	$	$
Financial assets		
Trade and other receivables	**130,497**	48,269
Cash and cash equivalents	**502,026**	206,492
	632,523	254,761
Financial liabilities		
Trade and other payables	**172,075**	275,228
Borrowings	**-**	200,000
	172,075	475,228

(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, the Group is not exposed to price risk.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 27: Financial Instruments (continued)

(d) Market risk (continued)

(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 31 December 2017 that have exposure to the risks of changes in market interest rates.

	31 December 2017		31 December 2016	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Cash balances	**0.10%**	**502,026**	0.05%	206,492

(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 exposure 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**	
	2017 $	2016 $	**2017 $**	2016 $
South African Rand (ZAR)	**(61,946)**	(82,179)	**76,155**	37,549
Great British Pound (GBP)	**-**	(7,411)	**2,662**	10,073

(f) Foreign currency sensitivity analysis

The Group has no material exposure to foreign currency fluctuations.

(g) Interest rate risk management

The Group is not exposed to interest rate risk as it has not borrowed funds at fixed or variable interest rates.

During the year ended 31 December 2017, 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.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 27: Financial Instruments (continued)

(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.

(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 are confined to trade and other payables as disclosed in the statement 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 $	1 – 3 months $	3 months – 1 year $	1 – 5 years $	5 + years $
2017						
Non-interest bearing	-	-	172,075	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2017

Note 27: Financial Instruments (continued)

(i) Liquidity risk management (continued)

Consolidated

	Weighted average effective interest rates %	Less than 1 month $	1 – 3 months $	3 months – 1 year $	1 – 5 years $	5 + years $
2016						
Non-interest bearing	-	-	138,573	319,625	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-

The above table details the Group's 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 can be required to pay. The table includes both interest and principal cash flows.

(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 organised markets in standardised 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 and Exploration Limited (the 'Company'):
    a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
        i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year then ended; and
        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
    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; and
    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 2017.

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

G. Button.

Grant M Button
Director
29 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Magnum Mining and Exploration Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnum Mining and Exploration Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty regarding going concern

We draw attention to Note 1 (aa) in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Regarding Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report**.**

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of exploration and evaluation asset Note 11	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to: ▪ We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; ▪ We considered the Director's assessment of potential indicators of impairment; ▪ We obtained evidence that the Group has current rights to tenure of its area of interest; ▪ We examined the exploration budget for 2018 and discussed with management the nature of planned ongoing activities; ▪ We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interest: and ▪ We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Magnum Mining and Exploration Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D Buckley

D I Buckley
Partner

Perth, Western Australia
31 March 2018

Shareholder Information

The shareholder information set out below was applicable as at 26 March 2018.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

	Fully Paid Shares	**%**
HSBC Custody Nominees (Australia) Limited	20,833,958	7.47
Citi Corp Nominees Pty Ltd	17,126,616	6.13
Farmingacre Limited	17,000,000	6.08

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	125
1,001 – 5,000	312
5,001 – 10,000	129
10,001 – 100,000	280
100,001 and over	182
	1,028

(ii) There were 510 holders of less than a marketable parcel of shares.

Shareholder Information (continued)

5. Twenty Largest Shareholders

	Name of Shareholder:	Number Held:	Percentage of Issued Shares:
1.	HSBC Custody Nominees (Australia) Limited	20,833,958	7.47
2.	Citi Corp Nominees Pty Ltd	17,126,616	6.13
3.	Farmingacre Limited	17,000,000	6.08
4.	Rogue Investments Pty Ltd	13,450,000	4.81
5.	Magnum Mining and Exploration Limited <Employee Share Plan>	11,450,000	4.10
6.	Sunshore Holdings Pty Ltd	11,152,200	3.99
7.	Aero Agencies International Ltd	8,000,000	2.86
8.	Zero Nominees Pty Ltd	7,200,000	2.58
9.	Cintra Holdings Pty Ltd <The Cintra A/C>	6,700,000	2.40
10.	Sunshore Holdings Pty Ltd	6,666,667	2.38
11.	Stately Glory Limited	6,000,000	2.15
12.	Allgreen Holdings Pty Ltd	5,000,000	1.79
13.	Jundeday Pty Ltd	5,000,000	1.79
14.	Timriki Pty Ltd	4,925,000	1.76
15.	Mr Adrian Stephen Paul + Mrs Noelene Faye Paul <ZME Superannuation Fund A/C>	4,700,017	1.68
16.	Dr Salim Cassim	4,440,000	1.59
17.	Occasio Holdings Pty Ltd <Occasio Unit A/C>	4,000,000	1.43
18.	Platinum Investment Corporation Pty Limited <Platinum Investment Fund A/C>	3,941,667	1.41
19.	Ruby Hall Pty Ltd	3,712,016	1.33
20.	Juneday Pty Ltd	3,648,435	1.30
	Top 20 holders of Ordinary Shares (Total)	164,996,576	59.02

6. Schedule of Tenements

Location	Project	Tenement Type	Number	Interest	Status
Limpopo Province, South Africa	Gravelotte	Mining Right	MPT 85/2014	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

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