



Quarterly Activities Report 31 March 2019

ASX Release

30 April 2019

**Magnum Mining and
Exploration Limited**
ABN 70 003 170 376

ASX Code

MGU

Non-Executive Chairman

Howard Dawson

Chief Executive Officer

Grant Button

Non-Executive Director

Francesco Cannavo

Company Secretaries

Grant Button
Jacqueline Barry

Issued Shares

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Unlisted Options

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HIGHLIGHTS

Gravelotte Emerald Project, South Africa

- Trial Mining Phase 2 commenced on 20 March 2019, and mining of the Cobra bulk samples has been completed.
- Mining of the Discovery bulk sample has been delayed until early June as a result of wet weather restricting access.
- On site assembly of the crushing and wash plant has been completed and commissioning commenced using material from the low grade and waste dumps.
- Upgrade of onsite electrical, water and security completed.

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 emerald production from the Gravelotte Project, as well as the area surrounding the nearby Gravelotte township, was nearly 113 million carats.

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

Why is MGU at Gravelotte?

The Gravelotte project provides Magnum with a medium term production opportunity in a niche commodity such as emeralds where demand is growing.

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

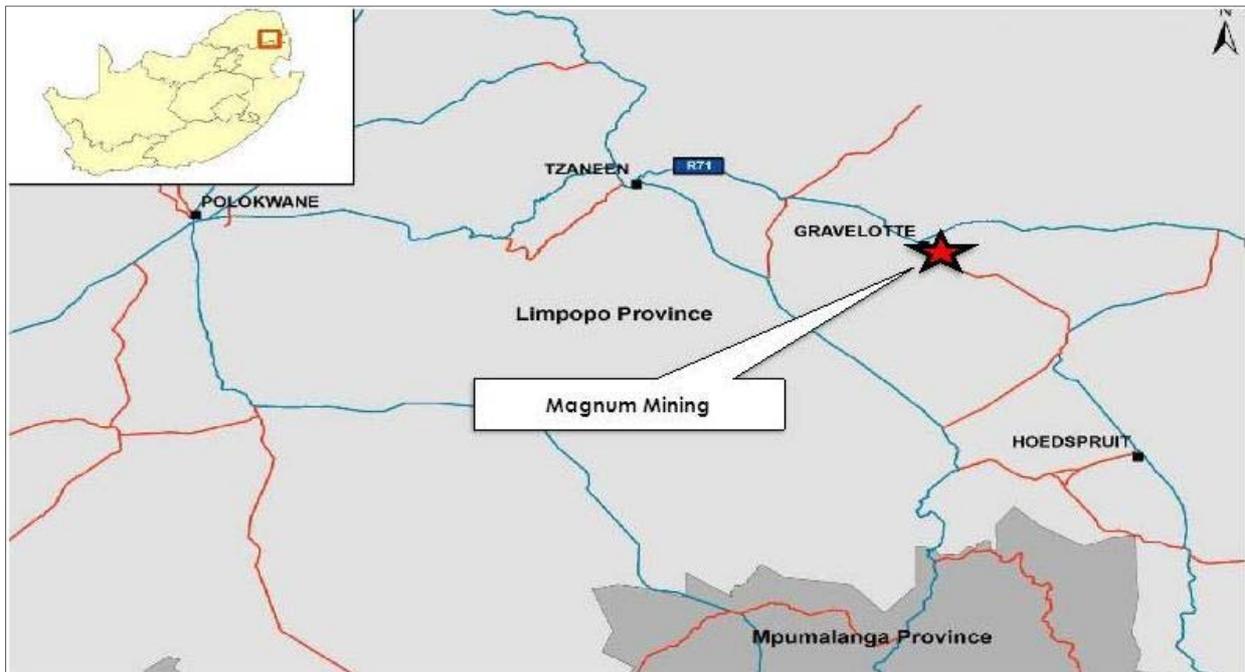


Figure 1: Gravelotte Location Map

During the past three years, Magnum has worked to re-establish the historical database and develop a strong understanding of the geology, structure and controls of mineralisation within the project area.

The Company has maintained and refurbished much of the extensive mine site infrastructure at Gravelotte including offices, laboratory, workshops, garages, management accommodation complex and a mine hostel to accommodate mine workers.

The mine site is well situated with utilities and logistics being serviced by ESKOM grid power, has a sealed road to the mine gate and has a working airstrip.

Evaluation Programme

Magnum has the benefit of a significant mining and exploration data base at Gravelotte. The key to the potential establishment of modern mining and production is therefore to utilise this data base to fast track the technical evaluation of the project.

During the early stages of this evaluation programme it was recognised by Magnum that the key knowledge gaps were in determining the optimal processing and sorting methods to liberate the emeralds for eventual sale.

As a consequence, Magnum's operations at Gravelotte over the past year has been twofold – undertake testing to determine the best crushing, washing and processing techniques and then utilize this information in a trial mining exercise with material from the existing open pits.

The first part of this programme was completed in 2018 and Magnum now has a strong understanding of the crushing and beneficiation characteristics of the Gravelotte emerald bearing rocks. This has allowed the Company to design and have constructed a processing plant capable of processing around 2,000 tonnes per month.

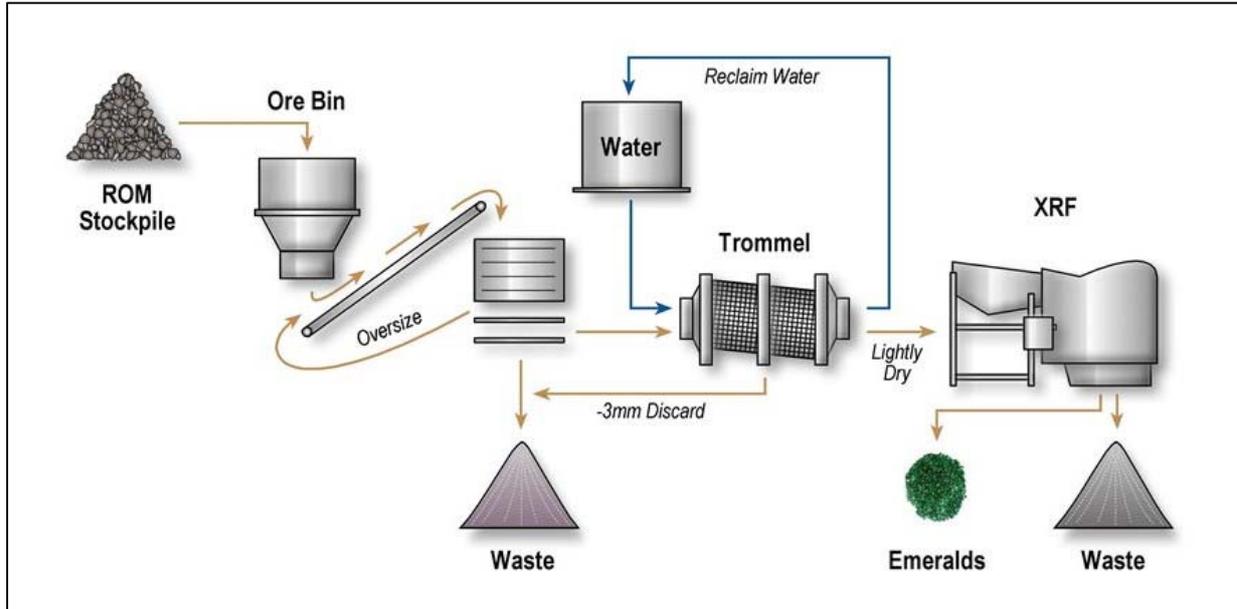


Figure 2: Flow Diagram of the processing circuit

This plant has now been assembled on site and is being commissioned using low grade and waste material from the historic mining operations.

The initial programme also allowed the company to test the best sorting methods available – be it hand sorting, optical sorting or XRF sorting. As a result of this work an XRF unit has been sourced and will be used during the second stage of the evaluation programme.

Stage 2 Trial Mining Programme

The objective of the second stage of the evaluation programme is to mine, process and sort around 8,000 tonnes of hard rock from multiple locations within the Cobra and Discovery historic pits.

Based on a conservative base case it is targeted that around 250,000 carats of emeralds will be produced.

The mining part of this programme commenced on 20 March 2019 with the drill and blast and excavation of around 7,000 tonnes of rock from 3 locations from within the historic Cobra pit. A single location within the Discovery pit has also been drilled and blasted but unseasonal wet weather has restricted its mining to date. It is anticipated that the mining contractor will return to site in early June to mine and stockpile this Discovery material.



Photo 1: Before blasting at the Discovery Pit



Photo 2: Blast at the Discovery Pit



Photo 3: After blasting at the Discovery Pit



Photo 4: Blast material being loaded from the Cobra Pit



Photo 5: Drill Rig in operation at night

Contemporaneous with the mining of the hard rock the onsite processing plant has commenced commissioning and it is anticipated that the first tranche of Cobra material will commence processing in early May.

The resultant crushed and washed material will then be processed through an XRF sorter with the emeralds produced batched and then provided later this year for sale to various buyers to ascertain the price range for the Gravelotte stones.



Photo 6: Plant dewatering screen with trommel and screen feed conveyor



Photo 7: Plant crusher with oversize return conveyor and trommel

What is the rationale for the Trial Mining Phase 2 Operation?

The Trial Mining Phase 2 has been designed to recover a parcel of emeralds from Gravelotte of a sufficient size to allow a commercial assessment of pricing for the emeralds through a sale process.

There has been a significant increase in demand for emeralds reported since 2000 so this will provide vital data for assessing the current demand and consequent pricing for emerald product from Gravelotte.

The Trial Mining Phase 2 will also provide geological, mining, processing and recovery data for input into financial modelling for a potential future commercial mining operation. This data, together with extensive existing drill data and information from a proposed small drill programme later this year, will allow Magnum to prepare a JORC compliant resource statement for the Cobra, Cobra North and Discovery pits.

CORPORATE

On 7 January 2019 in accordance with the terms and conditions of a binding term sheet, Magnum sold its interest in the Menzies Project (Exploration Licence Application E29/1052) to Dampier Gold Ltd. The consideration paid by Dampier Gold Ltd was an issue of 3,125,000 shares in Dampier Gold Ltd and a cash payment of \$10,000. The shares will be held in voluntary escrow for a period of 24 months.

EXPLORATION INTERESTS

The following tenement information is provided in accordance with ASX Listing Rule 5.3.3 for the quarter ended 31 March 2019:

Location	Tenement Type	Number	Interest at beginning of Quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of Quarter	Status
Limpopo Province, South Africa	Mining Right	LP 153 CMR	74%	-	-	74%	Granted
Limpopo Province, South Africa	Prospecting Right	LP 30/5/1/1/3/2/1/204 PR	74%	-	-	74%	Granted
Tanami West, Northern Territory	Exploration Licence	ELA32015	Earn in Agreement with Ferdies Find Pty Ltd	-	-	Earn in Agreement with Ferdies Find Pty Ltd	
Kalgoorlie Boulder, Western Australia	Exploration Licence	E29/1052	100%	100%	-	0%	Application pending grant

ASX:MGU Announcements Released During the March 2019 Quarter

31/01/19	Quarterly Activities and Cashflow Report
25/03/19	Trial Mining Programme Phase 2 has commenced at the Gravelotte Project
29/03/19	Annual Report to Shareholders
29/03/19	Appendix 4G



GRANT BUTTON
 Chief Executive Officer/Joint Company Secretary



Further information please contact:

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Competent Persons Statement

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Magnum Mining and Exploration Limited

ABN

70 003 170 376

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(162)	(162)
(b) development		
(c) production		
(d) staff costs	(35)	(35)
(e) administration and corporate costs	(74)	(74)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (GST/ VAT Refund)	25	25
1.9 Net cash from / (used in) operating activities	(246)	(246)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(71)	(71)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)	10	10
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details)		
2.6 Net cash from / (used in) investing activities	(61)	(61)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details)		
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	901	901
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(246)	(246)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(61)	(61)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(1)	(1)
4.6 Cash and cash equivalents at end of period	593	593

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	593	593
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	593	593

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

28

Consulting fees paid to Wilberforce Pty Ltd, where Mr G Button is a director and consulting fees paid to Golden Ventures LLC, where Francesco Cannavo is a director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (convertible notes)	1,250	1,250
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Unsecured convertible notes issued with a 12 month maturity date from the date of issue (2 November 2018) with interest of 10% per annum. The terms of the Convertible Notes are set out in the announcement which was released to ASX on 2 November 2018 titled "Capital Raising via Redeemable Convertible Notes."

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	180
9.2 Development	
9.3 Production	
9.4 Staff costs	30
9.5 Administration and corporate costs	70
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	280

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E29/1052, Kalgoorlie Boulder, Western Australia	Sold to Dampier Gold Ltd	100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 30 April 2019

Print name: Grant Button
Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.