

# **MAGNUM MINING AND EXPLORATION LIMITED**

**ABN 70 003 170 376**

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## **NOTICE OF ANNUAL GENERAL MEETING**

**AND**

## **EXPLANATORY MEMORANDUM**

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Date of Meeting: 31 May 2007

Time of Meeting: 10 am

Place of Meeting: Level 7  
10 Barrack Street  
SYDNEY

This Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

**NOTICE OF ANNUAL GENERAL MEETING**  
**MAGNUM MINING AND EXPLORATION LIMITED**  
**ABN 70 003 170 376**

Notice is hereby given that the Annual General Meeting of Magnum Mining and Exploration Limited ("**Magnum**" or "**Company**") will be held at Level 7, 10 Barrack Street, Sydney on 31 May 2007 at 10.00am to conduct the following business.

**AGENDA**

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**Financial Statements and Reports**

To receive and consider:

- (a) the Income Statement of the Company for the year ended 31 December 2006 and the Balance Sheet as at the same date;
- (b) the Consolidated Financial Statements of the Company and controlled entities for the year ended 31 December 2006; and
- (c) the reports of the Directors and Auditors thereon.

**RESOLUTIONS**

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**1. Directors' Remuneration Report**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That the section of the Directors' Report dealing with remuneration of the Company's Directors and senior executives ('Remuneration Report') be adopted."*

The vote on this resolution is advisory only and does not bind the directors or the Company.
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**2. Re-election of Directors**

To consider and, if though fit, to pass the following as ordinary resolutions:

- (a) *"That Mr. G.A. Nealon, who retires in accordance with the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."*
- (b) *"That Dr. J.C. Schiller, who retires by rotation in accordance with the Company's constitution and being eligible, offers himself for re-election be re-elected as a Director."*

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**3. Change of Company Auditor**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, HLB Mann Judd be appointed as the auditor of the Company."*

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#### **4. Issue of Shares to Mr G.M. Button under the Share Plan**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 1,500,000 Shares at an issue price of \$0.30 per Share to Mr G.M. Button and the provision of a loan for up to \$450,000 to acquire up to 1,500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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#### **5. Issue of Shares to Mr G.A. Nealon under the Share Plan**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 1,500,000 Shares at an issue price of \$0.30 per Share to Mr G.A. Nealon and the provision of a loan for up to \$450,000 to acquire up to 1,500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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#### **6. Issue of Shares to Mr J.B. Rodger under the Share Plan**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 1,500,000 Shares at an issue price of \$0.30 per Share to Mr J.B. Rodger and the provision of a loan for up to \$450,000 to acquire up to 1,500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Mr Rodger and any other director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such person. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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#### **7. Issue of Shares to Dr J.C. Schiller under the Share Plan**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 500,000 Shares*

*at an issue price of \$0.30 per Share to Dr J.C. Schiller and the provision of a loan for up to \$150,000 to acquire up to 500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## **8. Issue of Shares to Mr P.R. Richard under the Share Plan**

To consider and, if thought fit, to pass the following as an ordinary resolution:

*"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 500,000 Shares at an issue price of \$0.30 per Share to Mr P.R. Richard and the provision of a loan of up to \$150,000 to acquire up to 500,000 Shares, in accordance with the Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by Mr Richard and any director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such person. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## **Other Business**

To transact any other business that may be lawfully brought forward in accordance with the constitution of the Company and the Corporations Act.

### **BY ORDER OF THE BOARD**

**G.A. Nealon**  
**Director**

16 April 2007

**EXPLANATORY MEMORANDUM**  
**MAGNUM MINING AND EXPLORATION LIMITED**  
**ABN 70 003 170 376**

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**1. Financial Report and Directors' Report**

The Corporations Act and the constitution of the Company require the following reports in respect to the financial year of the Company ended 31 December 2006 to be laid before the meeting:

- The Financial Report (which includes the financial statements and Directors' declaration); and
- The Directors' Report, the Corporate Governance Statement and the Auditor's Report.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these Reports and on the business, operations and management of the Company and the consolidated group.

There is no requirement in the Corporations Act or in the Company's constitution for shareholders to approve the Financial Statements and Reports.

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**2. Resolution 1 - Remuneration Report**

The Corporations Act requires that the section of the Directors' Report dealing with the remuneration of the Directors and senior executives ('Remuneration Report') be put to shareholders.

This resolution is an 'advisory only' resolution which does not bind the Directors or the Company.

Following consideration of the Remuneration Report, the Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments upon the Remuneration Report.

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**3. Resolutions 2(a) and 2(b) - Re-election of directors**

It is a requirement under the Company's constitution that Mr Nealon and Dr. Schiller retire at the Annual General Meeting. Mr Nealon and Dr Schiller, each being eligible for re-election pursuant to the Company's constitution, offer themselves for re-election.

The remaining directors recommend to shareholders that Mr Nealon and Dr Schiller be re-elected.

The Company advises that Mr Rodger and Mr Richard have resigned as Directors of the Company effective from the time at which the Annual General Meeting closes. The Company thanks Mr Rodger and Mr Richard for the significant role they have both played in the development of the Company. The Company further advises that Mr Rodger and Mr Richard may continue in an advisory role with the Company.

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**4. Resolution 3 - Appointment of Auditor**

PricewaterhouseCoopers ("PwC") has been the Company's auditors since the Company's incorporation. PwC have provided auditing services in accordance with the Corporations Act

and relevant Accounting Standards and other mandatory financial reporting requirements since this date. At all times, PwC's well established policies and processes have ensured that they have consistently followed applicable auditing and independence requirements of Australian professional ethical pronouncements and the Corporations Act.

The Board in reviewing all cost aspects of the business, also considered audit costs as part of this process. It considered the market expectations, the Company's relative size, the appropriateness of engaging a second tier auditing firm, and, from a corporate governance view point, the length of time PwC have been auditors.

After this review, the Board decided it was appropriate to change auditors and as a result recommends that HLB Mann Judd, an audit firm with significant audit experience and an excellent track record in auditing public listed companies be appointed as the Company's auditors.

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## **5. Resolutions 4 to 8 - Issue of Shares to Directors under the Share Plan**

### **5.1 Details of proposed issues of Shares to Directors**

The Company proposes to issue Shares to the directors of the Company, Mr Button, Mr Nealon and Dr Schiller, Mr Rodger and Mr Richard, in accordance with the terms of the Share Plan.

The proposed issue of Shares to the Ongoing Directors (Mr Button, Mr Nealon and Dr Schiller) is intended to:

- (a) provide an appropriate and adequate incentive for the Directors;
- (b) ensure that the Company may retain the services of the Directors; and
- (c) reinforce the commitment of the Directors to the Company.

The proposed issue of Shares to the Retiring Directors (Mr Rodger and Mr Richard) is intended to:

- (a) reward the Retiring Directors for services provided to the Company during their terms as Directors;
- (b) provide an appropriate and adequate incentive for the Retiring Directors to provide further services to the Company in the future if the Company so requires; and
- (c) reinforce the commitment of the Retiring Directors to the Company in the future in any capacity other than director if the Company so requires.

The Directors will only benefit from an issue of Shares under the Share Plan when there is an improvement in the Company's share price since the date on which they were offered the Shares.

Resolutions 4 to 8 seek shareholder approval for the issue of Shares to the Directors as follows:

<b>Name of Director</b>	<b>Maximum Number of Shares to be Issued</b>
G.M. Button	1,500,000
G.A. Nealon	1,500,000

<b>Name of Director</b>	<b>Maximum Number of Shares to be Issued</b>
J.B. Rodger	1,500,000
J.C. Schiller	500,000
P.R. Richard	500,000

The number of Shares proposed to be issued to the Ongoing Directors reflects the level of commitment provided or to be provided by each Director to the Company, taking into account the responsibilities of each Director and the time commitments required from each Director. The number of Shares proposed to be issued to the current Directors also reflects the value the Board feels that each Director brings to the enhancement of the Company.

The number of Shares proposed to be issued to the Retiring Directors reflects the level of commitment provided by the Retiring Directors during their terms as Directors, taking into account their levels of responsibility and the time they have contributed to the Company. The number of Shares proposed to be issued also reflect the value the Retiring Directors may add to the Company in providing services to the Company in a capacity other than director.

The issue price of the Shares offered to the Directors under the Share Plan is \$0.30, being greater than the weighted average price of Shares during the 5 day trading period immediately before the date on which the Shares were offered to the Directors, being 16 April 2007.

The Shares to be issued pursuant to Resolutions 4 to 8 may not be transferred or otherwise dealt with and will not be quoted until the later to occur of the following:

- (a) the loan amount in respect of the relevant share being paid; and
- (b) in respect of:
  - (i) one half of the Shares issued, 12 months after the date of issue of the Shares; and
  - (ii) the remaining one half of the Shares issued, 24 months after the date of issue of the Shares.

The Shares to be issued pursuant to Resolutions 4 to 8 are in addition to the fee and remuneration packages payable by the Company to the Directors. In calculating the fee and remuneration packages provided to the Directors (including the fee and remuneration packages provided to Mr Rodger and Mr Richard for their services as Directors) as set out in section 5.2(j) of the Explanatory Memorandum, the Board has taken into consideration the issue of Shares proposed in Resolutions 4 to 8. The Board considers that the appropriate remuneration package for each of the Directors comprises both the remuneration set out in 5.2(j) and the Shares to be issued if Resolutions 4 to 8 are passed by Shareholders. Although issuing shares to non-executive directors does not generally comply with corporate governance principles, given the size of the Company, the Board considers it appropriate for part of the remuneration package to comprise non-cash, incentive-based remuneration.

## **5.2 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions of the provisions; or

- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each Director is a related party and the issue of Shares and provision of loans by the Company to fund payment of the subscription price of the Shares constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

In accordance with the requirements of Chapter 2E, and in particular with section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares and the provisions of loans by the Company to fund payment of the subscription price of the Shares:

- (a) the Directors are each related parties of the Company to whom proposed Resolutions 4 to 8 would permit the financial benefit to be given;
- (b) the nature of the financial benefit to be given to Mr Button is the issue of 1,500,000 Shares and a loan in respect of those Shares, being \$450,000 as at the date of this Notice of Meeting;
- (c) the nature of the financial benefit to be given to Mr Nealon is the issue of 1,500,000 Shares and a loan in respect of those Shares, being \$450,000 as at the date of this Notice of Meeting;
- (d) the nature of the financial benefit to be given to Mr Rodger is the issue of 1,500,000 Shares and a loan in respect of those Shares, being \$450,000 as at the date of this Notice of Meeting;
- (e) the nature of the financial benefit to be given to Mr Richard is the issue of 500,000 Shares and a loan in respect of those Shares, being \$150,000 as at the date of this Notice of Meeting;
- (f) the nature of the financial benefit to be given to Dr Schiller is the issue of 500,000 Shares and a loan in respect of those Shares, being \$150,000 as at the date of this Notice of Meeting;
- (g) the Shares will be issued and the loans will be provided under the Share Plan;
- (h) as at the date of this Notice, the capital structure of the Company is as follows:

<b>Capital</b>	<b>Number</b>
Ordinary Shares	126,165,617

If Shareholders approve all resolutions in this Notice and all Shares are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

<b>Capital</b>	<b>Number</b>
Ordinary Shares	131,665,617

If Shareholders approve the issue of 5,500,000 Shares to Directors, the effect will be to dilute the shareholding of existing members by approximately 4.18%, based on the existing number of Shares as at the date of this Notice.

- (i) as at the date of this Notice, the Directors hold the following securities in the Company, representing 11.18% of the issued capital of the Company:

<b>Director</b>	<b>Number of Shares held directly</b>	<b>Number of Shares held indirectly</b>
G.M. Button	Nil	100,000
G.A. Nealon	Nil	Nil
J.B. Rodger	Nil	12,000,000
J.C. Schiller	1,000,000	1,000,000
P.R. Richard	Nil	Nil

If Shareholders approve all Resolutions contained in this Notice, the Shares are issued as contemplated by this Notice, the Directors will hold the following securities in the Company, representing 14.89% of the issued capital of the Company:

<b>Director</b>	<b>Number of Shares held directly</b>	<b>Number of Shares held indirectly</b>
G.M. Button	1,500,000	100,000
G.A. Nealon	1,500,000	Nil
J.B. Rodger	1,500,000	12,000,000
J.C. Schiller	1,500,000	1,000,000
P.R. Richard	500,000	Nil

- (j) details of the Directors' remuneration for the year end 31 December 2006 (based on information extracted from the Company's 2006 Annual Report) are as follows:

<b>Director</b>	<b>Director's fees (\$)</b>	<b>Superannuation (\$)</b>	<b>Total (\$)</b>
G.M. Button	22,917	2,062	24,979
G.A. Nealon	14,583	1,313	15,896
J.B. Rodger	25,000	2,250	27,250
J.C. Schiller	25,000	2,250	27,250
P.R. Richard	25,000	2,250	27,250

Details of the estimated remuneration payable to the Directors for the year beginning 1 January 2007 are as follows:

<b>Director</b>	<b>Fees (\$)</b>	<b>Superannuation (\$)</b>	<b>Equity (\$)</b>	<b>Total (\$)</b>
G.M. Button	25,000	2,250	61,275	88,525
G.A. Nealon	25,000	2,250	61,275	88,525
J.B. Rodger	10,417	938	61,275	72630
J.C. Schiller	25,000	2,250	20,425	47,675
P.R. Richard	10,417	938	20,425	31,780

- (k) the subscription price at which 5,500,000 Shares may be issued to the Directors will be \$0.30 per Share (being greater than the weighted average price of Shares on ASX over the past 5 trading days immediately before the date on which the Shares were offered to Directors being 9 April 2007), with the subscription price being loaned to the Directors on the terms set out in Section 5.4(k) of the Explanatory Memorandum, in accordance with the terms of the Share Plan;
- (l) during the last 12 months before the date of lodgement of this Notice with the ASIC, the highest trading price of the Shares was \$0.27 on 6 December 2006 and the lowest trading price of the Shares was \$0.15 on 15 June 2006. The market price of the Company's Shares over the 5 day trading on ASX up to and including 13 April 2007 has been between a minimum of \$0.245 per Share to a maximum of \$0.27 per Share. On 13 April 2007, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.27 per Share;
- (m) assuming a market price on the date of repayment of the loans of \$0.27, being the market price on the last trading day before this Notice of Meeting was lodged with the ASIC, the Company will receive \$1,485,000 from the issue of the Shares to Directors;
- (n) the primary purpose of the issue of the Shares to the Directors under the Share Plan is to provide an incentive and reward to the Directors. Given this purpose, the Board does not consider that there is any opportunity cost or benefit foregone to the Company in issuing the Shares proposed by Resolutions 4 to 8;
- (o) the issue of Shares to the Directors is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (p) Mr Button has a material personal interest in the outcome of Resolution 4, Mr Nealon has a material personal interest in the outcome of Resolution 5, Mr Rodger has a material personal interest in the outcome of Resolution 6, Dr Schiller has a material personal interest in the outcome of Resolution 7 and Mr Richard has a material personal interest in the outcome of Resolution 8;
- (q) none of the Directors wish to make a recommendation to Shareholders about Resolutions 4 to 8 because each has an interest in the outcome of those Resolutions;
- (r) a valuation of the Shares proposed to be issued to the Directors has been calculated by HLB Mann Judd using the Black and Scholes pricing model and based on the following assumptions:
- (i) the underlying valuation of each share in the Company is based on the closing price of \$0.245 as at 10 April 2007;

- (ii) Risk free rate or return - 6.23% (based on the 2 year treasury bond rate as at 10 April 2007);
- (iii) share price volatility of 71.07%, determined utilising the daily closing share prices of the Company for the preceding 12 months;
- (iv) shares may not be transferred or otherwise dealt with, and will not be quoted on ASX, until the later of the following occurs:
  - A. any loan in respect of the shares is repaid;
  - B. in respect of:
    - 1) one half of the Shares issued under the offer, the expiry of 12 months from the date of issue of the Shares; and
    - 2) the remaining one half of the Shares issued under the offer, the expiry of 24 months after the date of issue of the Shares; and
- (v) issue price of \$0.30.

Based on the assumptions outlined above, the Black and Scholes pricing model attributes a theoretical value to each share of \$0.1167.

The Black and Scholes pricing model assumes that the equity instruments the subject of the valuation can be sold on a secondary market. The terms and conditions of the Share Plan state that no application will be made for the shares to be listed for official quotation on ASX, until certain milestones are met. Accordingly, a discount for lack of marketability is required to determine an indicative fair value of the Shares.

HLB Mann Judd have calculated an indicative fair value of the shares, based on a discount factor of 30% applied to the theoretical valuation of the shares of \$0.1167 per share. For the purposes of arriving at an appropriate discount rate HLB Mann Judd have considered that discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities and the fact that the shares will be unlisted.

The table below summarises the values attributed by HLB Mann Judd to the Share issues:

Allottee	Theoretical Value per Share (\$)	Discount (%)	Indicative value per Share (\$)	Number of Shares issued to each Allottee	Total value (\$)
G.M. Button	0.1167	30	0.0817	1,500,000	122,550
G.A. Nealon	0.1167	30	0.0817	1,500,000	122,550
J.B. Rodger	0.1167	30	0.0817	1,500,000	122,550
J.C. Schiller	0.1167	30	0.0817	500,000	40,850
P.R. Richard	0.1167	30	0.0817	500,000	40,850

- (s) additional information in relation to Resolutions 4 to 8 is set out throughout this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolutions 4 to 8;
- (t) the Company will incur no liabilities or costs in respect of the proposed issue of the Shares to the Directors other than:
  - (i) the fees payable to ASX for quotation of the Shares. At the rates applying at the date of this Notice, these fees would be approximately \$5,775.00. However, these fees will not be payable until after the later of loans in respect of the Shares have been repaid and the vesting periods have expired; and
  - (ii) a value equal to the weighted average trading price of Shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and *the Taxation Administration Act 2003 (WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
- (u) neither the Board nor the Company is aware of any other information that would be reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4 to 8, other than as stated in this Explanatory Memorandum.

### 5.3 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolutions is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) director;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Each of the Directors is a Director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Directors to acquire Shares under the Share Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

### 5.4 Listing Rule disclosure requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 4 to 8:

- (a) Mr Button, Mr Nealon, Dr Schiller, Mr Rodger and Mr Richard are Directors;
- (b) the maximum number of Shares that may be issued to Mr Button under Resolution 4 is 1,500,000 Shares, to Mr Nealon under Resolution 5 is 1,500,000 Shares, to Mr Rodger under Resolution 6 is 1,500,000, to Dr Schiller under Resolution 7 is 500,000 and to Mr Richard under Resolution 8 is 500,000;

- (c) no Shares have been issued under the Share Plan;
- (d) directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries, may participate in the Share Plan;
- (e) it is proposed that the Shares will be issued on one date within 12 months from the date of the Meeting, but the Company reserves the right to issue the Shares progressively;
- (f) the issue price of the Shares is \$0.30, being greater than the weighted average price of Shares on ASX over the 5 trading days prior to the offer being made;
- (g) subject to compliance with the Listing Rules, the Shares to be issued to Mr Button, Mr Nealon, Mr Rodger, Dr Schiller and Mr Richard pursuant to Resolutions 4 to 8 will not be quoted on ASX and may not be transferred or otherwise dealt with until the later to occur of the following:
  - (i) the loan in respect of those Shares has been repaid; and
  - (ii) in respect of:
    - A. one half of the Shares issued, 12 months after the date of issue of the Shares; and
    - B. the remaining one half of the Shares issued, 24 months after the date of issue of the Shares;
- (h) other than the restriction on trading referred to above, the Shares issued pursuant to Resolutions 4 to 8 will rank equally with all other Shares on issue;
- (i) the Company will provide loans ("**Loan**") to Mr Button, Mr Nealon, Mr Rodger, Dr Schiller and Mr Richard in relation to the acquisition of the Shares under the Share Plan. The loans are repayable within 3 years and on the following terms:
  - (i) Loans must be made solely to the Director and in the name of the Director.
  - (ii) Loans will be interest free.
  - (iii) Any Loan made available to a Director shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
  - (iv) The term of the Loan, the time in which repayment of the Loan must be made by the Director and the manner for making such payments shall be determined by the Board and set out in the invitation.
  - (v) The amount repayable on the Loan by the Director will be the lesser of:
    - A. the issue price of the Shares, less any cash dividends paid in respect of the Shares and applied by the Company to the Loan and any amount of the Loan repaid by the Director; and
    - B. the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
- (ii) A Director must repay the Loan in full prior to the expiry of the term of the Loan.

- (iii) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Director.
  - (iv) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
  - (v) A Share issued under the Share Plan will not be tradeable by the Director until the Loan amount in respect of that Share has been repaid.
- (j) initially no funds will be raised by the issue of Shares due to the provision of the loans to Directors. However, when the loans have been repaid, the funds raised by the issue of the Shares will be used for working capital purposes of the Company as the Board thinks fit; and
- (k) If, prior to the repayment in full of a loan by a Director, the Director:
- (i) becomes bankrupt; or
  - (ii) ceases to be a Director of, or a consultant, to the Company or any of its subsidiaries,

then the Director (or his or her personal representative) shall elect one of the following two alternatives:

**Alternative 1**

To have the Company sell the Plan Shares on ASX and apply the proceeds of sale in repayment of the Loan and refund the surplus (if any) to the Director.

**Alternative 2**

To repay the loan:

- (i) within 12 months of the date of the event that caused the election where the Director either retired or is retrenched; or
- (ii) within one (1) month in the event that the Director resigns or is terminated.

Upon repayment of the Loan in full, the Plan Shares shall vest in the name of the Directors.

## Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Memorandum have the following meanings:

"**Annual General Meeting**" or "**Meeting**" means the annual general meeting of Shareholders to be held at Level 7, 10 Barrack Street, Sydney on 31 May 2007 at 10am or any adjournment thereof.

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited ACN 008 624 691.

"**Board**" means the board of Directors.

"**Company**" and "**Magnum**" means Magnum Mining and Exploration Limited ABN 70 003 170 376.

"**Corporations Act**" means the *Corporations Act 2001* (Commonwealth).

"**Directors**" means the directors of the Company, from time to time.

"**Explanatory Memorandum**" means this explanatory memorandum.

"**Listing Rules**" means the official listing rules of ASX.

"**Notice of Meeting**" means the notice of Meeting which accompanies the Explanatory Memorandum.

"**Ongoing Directors**" means Mr Button, Mr Nealon and Dr Schiller.

"**Plan Share**" means a Share issued pursuant to the Share Plan.

"**Resolution**" means a resolution in this Notice of Meeting.

"**Retiring Directors**" means Mr Rodger and Mr Richard, Directors of the Company who are retiring following completion of the Annual General Meeting.

"**Shareholders**" means registered holders of Shares.

"**Share Plan**" means the Magnum Share Plan approved by Shareholders on 31 July 2006.

"**Shares**" means fully paid ordinary shares in the capital of the Company.

## **Proxies**

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed form of proxy. This form must be received by the company's share registrar, Mitchell & Partners, by 10am on 29 May 2007.

The completed form of proxy may be:

1. Mailed to Mitchell & Partners, GPO Box 5460, SYDNEY NSW 2001, or
2. Faxed to Mitchell & Partners on (02) 9299 8195.

A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the company.

# MAGNUM MINING AND EXPLORATION LIMITED

ABN 70 003 170 376

## FORM OF PROXY

The Secretary  
Magnum Mining and Exploration Limited  
C/- Mitchell & Partners,  
Level 7, 10 Barrack Street,  
SYDNEY NSW 2000  
AUSTRALIA.

I/We \_\_\_\_\_  
(print shareholder(s) name(s))

of \_\_\_\_\_  
(print address of shareholder(s))

being a member/members of Magnum Mining and Exploration Limited hereby appoint

\_\_\_\_\_

(print proxy's name in full)

of \_\_\_\_\_  
(print proxy's address)

and (if you wish to appoint two proxies) \_\_\_\_\_  
(print second proxy's name in full)

of \_\_\_\_\_  
(print second proxy's address)

or, in the proxy's/proxies' absence or if no other appointee is mentioned, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on 31 May 2007 and at any adjournment of that meeting.

I/We desire to vote on the resolutions as indicated below:-

Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy may vote as he/she thinks fit. The resolutions are numbered as in the notice of meeting.

Item	For	Against	Abstain
1. To adopt the remuneration report			
2.(a) Election of Mr. G.A. Nealon as a director			
2.(b) Election of Dr. J.C. Schiller as a director			
3. Change of Company Auditor			
4. Issue of Shares to Mr G.M. Button under the Share Plan			
5. Issue of Shares to Mr G.A. Nealon under the Share Plan			
6. Issue of Shares to Mr J.B. Rodger under the Share Plan			
7. Issue of Shares to Dr. J.C. Schiller under the Share Plan			
8. Issue of Shares to Mr P.R. Richard under the Share Plan			

## Voting of Chairman

In relation to undirected proxies, the Chairman intends to vote in favour of each resolution.

*If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.*

*By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.*

*If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.*

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Signature(s) of members(s)

\_\_\_\_\_  
  
\_\_\_\_\_

- NOTES:
1. If you have appointed two proxies please indicate what proportion of your voting rights each proxy is to represent.
  2. If the appointment of a proxy is signed by the appointer's attorney, this form must be accompanied by the authority under which the appointment was signed, or a certified copy of the authority.

The completed form of proxy may be:

1. mailed to Mitchell & Partners, GPO Box 5460, SYDNEY NSW 2001, or
2. faxed to Mitchell & Partners on (02) 9299 8195