



# **Magnum Mining and Exploration Limited**

**A.B.N. 70 003 170 376**

**Report**

**Half - year ended 30 June 2014**

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## Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Magnum Mining and Exploration Limited (referred to hereafter as the "Company") and the entities it controlled at the end of, or during the half-year ended 30 June 2014.

### Directors

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

G M Button	Chief Executive Officer
D F Lynton-Brown	Non-Executive Chairman
M McMahon	Non-Executive Director

### Operating results

The consolidated loss of the Group for the half-year after income tax was \$218,292 (2013 half-year: loss of \$340,606).

### Review of operations

#### Tantalite Valley Project, Namibia

The Tantalite Valley Tantalum project is located on Mining Licence 77, located near Karasburg and Warmbad, within the magisterial district of Karas in southern Namibia.

Since acquiring the project in 2007, the Company has undertaken various exploration and evaluation activities to increase the understanding of the project, and to plan for development activities.

On 31 July 2014, the Company announced that it had signed a binding conditional heads of agreement (HOA) with Namibian incorporated investment vehicle Aftan Tantalum (Pty) Limited (Aftan) that provides a way forward for the development of the Tantalite Valley Project in Namibia.

Under the HOA, the Company will sell 60% of the shares in the TV Project companies (Namibia Tantalite Investments Pty Ltd and Tameka Shelf Company Four (Pty) Ltd) to Aftan for total consideration of R8,000,000 (\$A equivalent approximately \$806,000) and Aftan will assume sole responsibility for funding and operating the TV project and have an assignable, 100% interest in any revenues generated by the TV Project in the 30 months following completion (Transaction).

Completion of the Transaction is conditional on confirmation of mining tenure at the TV Project to the reasonable satisfaction of Aftan. The Company has been advised that the Namibian Minister of Mines and Energy is conducting a review of the TV Project's mining licence as part of a broad-reaching review of mining tenure in Namibia generally. Whilst the Company's Namibian legal advice is that it is unlikely that the review will result in the mining licence being cancelled, there can be no guarantee that the mining licence will not be cancelled as a result of the review.

**Review of operations (continued)****Tantalite Valley Project, Namibia (continued)**

Completion of the transaction is also conditional on the Company and Aftan obtaining any in-country regulatory approvals that may be required. The Company is currently taking local law advice on the Namibian regulatory approvals that may be required in order to complete the Transaction (if any).

Each of the conditions to the Transaction must be satisfied or waived by 31 December 2014 or such later date agreed by the Company and Aftan.

The Company and Aftan intend to enter into a detailed sale and purchase agreement and joint venture agreement to regulate their joint holding of the project – however completion of the Transaction is not subject to the successful negotiation and execution of either agreement.

**Gravelotte Emerald Project, South Africa**

During the period, the Company announced that it had signed a share purchase agreement (**SPA**) to acquire 100% of the issued shares in GEM Venus Holdings (Pty) Ltd (GEM Venus). Consideration to the vendors for GEM Venus included cash consideration of R8,500,000 (\$A equivalent approximately \$860,000 based on the payment dates exchange rates) and an equity component of 20 million fully paid ordinary shares in the Company (having an aggregate market value of approximately \$600,000 based on the Company's share price as at the settlement date). The SPA originally provided for these shares to be issued upon the earlier of economic production at the Gravelotte Project and the second anniversary of the completion of the sale (**Milestone Date**). The parties subsequently amended this arrangement and the shares have now been issued subject to a voluntary holding lock that will apply to the shares until the earlier of economic production at the Gravelotte Project and the second anniversary of the completion of the sale (being 19 June 2016).

GEM Venus is the ultimate holding company of the Gravelotte Project which comprises a mining lease in respect of emeralds and on-site infrastructure. Under the SPA, the vendors (who also hold legal title to the land underlying the Gravelotte Project) have also agreed to enter into a long term lease agreement with GEM Venus which will provide the Company with all access and rights required for on-going exploration and development at the Gravelotte Project.

**Gravelotte Project**

The Gravelotte Project is located close to the town of Gravelotte in the Limpopo province of South Africa. The Gravelotte Project shares a boundary with the Consolidated Murchison Mine, the oldest known antimony deposit in the world. Emeralds were discovered in the Gravelotte area in 1927 and since then several companies have mined and explored the area for emeralds. From 1929 to 1982 the total recorded emerald production from the Gravelotte Project and areas surrounding the Gravelotte township was reported as nearly 113 million carats. It is reported that during the 1960s the Gravelotte Project was the largest mine of its type in the world, employing over 400 sorters.

**Review of operations (continued)****Acquisition of the Gravelotte Emerald Project in South Africa (continued)**

During the period from 1978 to 1982 the following Plant Throughput, Consigned Emerald rough and Grades were reported for the plant at the Gravelotte Mine:

**Figure 1**

Year	Source	Plant Throughput (tonne)	Consigned Emerald (gram)	Grade (gram/tonnes)
1978-1982	Production from primary ore	394,686	3,252,152	8.24
1978-1982	Production from tailings and dumps only	73,798	508,423	6.89
1978-1982	Total Production	468,484	3,760,575	8.03

The host rocks are 3.3 billion year old Archaean greenstone schists enclosed and intruded by younger Archaean granitic rock and late stage albite-quartz pegmatoids. Emerald mineralisation is closely related to the pegmatoids.

The mine area hosts schists that form a star-shaped outcrop pattern defined by two structural trends and northeast-trending and steep-sided granite bodies. The emerald-bearing zones and their sub-divisions are as follows:

- Cobra – comprising Cobra North, Cobra South and Cobra Underground;
- Discovery – comprising Discovery Pit, Discovery East and Discovery South;
- Beryl Kop – comprising Beryl Kop East and Beryl Kop West; and
- Sable Kop.

The Company intends to conduct exploration activities to produce a JORC compliant resource estimate as soon as possible. The Project also includes several tailings dumps which may provide an early source of revenue.

**Events occurring after the balance date**

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

*Rights Issue*

As announced with ASX on 31 July 2014, the Company undertook a non-renounceable, pro-rata rights issue of up to 38,263,122 new shares to eligible shareholders on the basis of 1 New Share at an issue price of \$0.02 per share for every 5 shares owned by eligible shareholders.

The proceeds of the Rights Issue will be used to:

- (a) Repay the \$150,000 interest free loan advanced to the Company by Grant Button;
- (b) Fund the exploration of the Gravelotte Emeralds Project in South Africa; and
- (c) If the conditions of the sale of a 60% interest in the Company's Namibian Tantalite Valley Project are not satisfied, fund the exploration of the Tantalite Valley Project.

**Review of operations (continued)****Events occurring after the balance date (continued)**

The rights issue closed on 20 August 2014 and the Company was successful in raising \$382,584. The Company will seek to place the shortfall, being 19,133,994 shares over the next three months to raise a further \$382,680.

*Execution of Conditional Binding Heads of Agreement for Tantalite Valley Project Partial Sale*

On 31 July 2014, the Company announced that it has signed a binding heads of agreement with Namibian incorporated investment vehicle Aftan Tantalum (Pty) Limited (Aftan) that provides a way forward for the development of the Tantalite Valley Project in Namibia. Please refer to Tantalite Valley Project, Namibia summary above for further details.

*Advance of Grant Button*

As announced with ASX on 31 July 2014, in order to ensure corporate costs could be met until the receipts of proceeds from the Rights Issue detailed above, Grant Button, a director of the Company, advanced the Company \$150,000 by way of an unsecured loan. The loan will be repaid by the Company upon receipt of the proceeds from the Rights Issue. No interest or fees are payable by the Company in connection with the loan.

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' Report for the half-year ended 30 June 2014.

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



**Grant M Button**  
**Chief Executive Officer**  
Perth, Australia

10th September 2014

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Magnum Mining & Exploration Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
10 September 2014

**L Di Giallonardo**  
Partner

**Condensed Consolidated Statement of Comprehensive Income  
for the half-year ended 30 June 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>1,805</b>	<b>26,229</b>
Share of loss of associate accounted for using the equity method	<b>(1,242)</b>	(950)
Raw materials and consumables used	<b>(1,422)</b>	(1,095)
Depreciation expense	<b>(7,264)</b>	(2,159)
Exploration and evaluation expense	<b>(73,743)</b>	(63,097)
Employee loans impaired	-	(143,000)
Other expenses	<b>(136,426)</b>	(156,534)
<b>Loss before income tax expense</b>	<b>(218,292)</b>	<b>(340,606)</b>
Income tax expense	-	-
<b>Loss for the period</b>	<b>(218,292)</b>	<b>(340,606)</b>
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>(31,179)</b>	(5,284)
Total other comprehensive loss for the period	<b>(31,179)</b>	(5,284)
<b>Total comprehensive loss for the period</b>	<b>(249,471)</b>	<b>(345,890)</b>
	<b>Cents</b>	<b>Cents</b>
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share	<b>(0.13)</b>	(0.21)

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



**Condensed Consolidated Statement of Financial Position  
as at 30 June 2014**

	Note	30 June 2014 \$	31 December 2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		73,114	1,195,704
Trade and other receivables		33,351	28,517
<b>Total current assets</b>		<b>106,465</b>	<b>1,224,221</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		93,459	104,206
Plant and equipment		10,517	17,781
Exploration and evaluation expenditure	3	2,066,648	-
Rehabilitation guarantee	3	27,303	-
<b>Total non-current assets</b>		<b>2,197,927</b>	<b>121,987</b>
<b>Total assets</b>		<b>2,304,392</b>	<b>1,346,208</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		154,422	88,133
<b>Total current liabilities</b>		<b>154,422</b>	<b>88,133</b>
<b>Total liabilities</b>		<b>154,422</b>	<b>88,133</b>
<b>Net assets</b>		<b>2,149,970</b>	<b>1,258,075</b>
<b>Equity</b>			
Issued capital		19,778,927	19,182,068
Reserves		44,069	75,248
Accumulated losses		(18,217,533)	(17,999,241)
Equity attributable to owners of the parent		1,605,463	1,258,075
Non-controlling interests		544,507	-
<b>Total equity</b>		<b>2,149,970</b>	<b>1,258,075</b>

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

**Condensed Consolidated Statement of Changes in Equity****for the half-year ended 30 June 2014**

	Issued capital \$	Accumulated losses \$	Reserves \$	Non- controlling interests \$	Total \$
<b>Balance as at 1 January 2014</b>	<b>19,182,068</b>	<b>(17,999,241)</b>	<b>75,248</b>	<b>-</b>	<b>1,258,075</b>
<b>Shares issued during the half year</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600,000</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(218,292)</b>	<b>(31,179)</b>	<b>-</b>	<b>(249,471)</b>
<b>Costs associated with shares issued</b>	<b>(3,141)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,141)</b>
<b>Non-controlling interests:</b>					
<b>-on acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>544,427</b>	<b>544,427</b>
<b>-movements post-acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>80</b>
<b>Balance as at 30 June 2014</b>	<b>19,778,927</b>	<b>(18,217,533)</b>	<b>44,069</b>	<b>544,507</b>	<b>2,149,970</b>

**Half-Year ended 30 June 2013**

	Issued capital \$	Accumulated losses \$	Reserves \$	Non-controlling interests \$	Total \$
<b>Balance as at 1 January 2013</b>	<b>18,682,792</b>	<b>(17,445,536)</b>	<b>452,732</b>	<b>-</b>	<b>1,689,988</b>
<b>Share based payments reserve transferred to issued capital during the period</b>	<b>276,345</b>	<b>-</b>	<b>(276,345)</b>	<b>-</b>	<b>-</b>
<b>Share subscriptions received</b>	<b>105,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,600</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(340,606)</b>	<b>(5,284)</b>	<b>-</b>	<b>(345,890)</b>
<b>Balance as at 30 June 2013</b>	<b>19,064,737</b>	<b>(17,786,142)</b>	<b>171,103</b>	<b>-</b>	<b>1,449,698</b>

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

**Condensed Consolidated Statement of Cash Flows  
for the half-year ended 30 June 2014**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments for exploration and evaluation (exclusive of GST)	(41,615)	(64,192)
Payments to suppliers and employees (exclusive of GST)	(151,378)	(177,430)
Interest received	1,805	12,730
<b>Net cash (outflow) from operating activities</b>	<b>(191,188)</b>	<b>(228,892)</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of Gem Venus Project	(949,524)	-
Payments for purchases of plant and equipment	-	(250)
<b>Net cash (outflow) from investing activities</b>	<b>(949,524)</b>	<b>(250)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	105,600
Partial payment for shares	-	8,800
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>114,400</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,140,712)</b>	<b>(114,742)</b>
Cash and cash equivalents at the beginning of the half-year	1,195,704	1,507,867
Effects of exchange rate changes on cash and cash equivalents	18,122	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>73,114</b>	<b>1,393,125</b>

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2014****1. Statement of Significant Accounting Policies**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2013 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Basis of preparation**

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

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

**Significant accounting judgments and key estimates**

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2013.

**New, revised or amended Accounting Standards and Interpretations**

In the half-year ended 30 June 2014, 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.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2014. As a result of this review, the Directors have determined that there is no impact, material or otherwise of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2014****1. Statement of Significant Accounting Policies (continued)****Going Concern**

The Group has cash balances at 30 June 2014 of \$73,114 and a deficiency in working capital at that date of \$47,957. Notwithstanding this, the Directors are of the opinion that the Group is a going concern due to the following:

1. The Company was successful in raising capital of \$382,584 subsequent to balance date following a non-renounceable rights issue to shareholders as announced with ASX on 31 July 2014 (see Note 5).
2. A director of the Company, Grant Button, advanced the Company \$150,000 by way of an unsecured loan in order to ensure corporate costs could be met until the receipt of proceeds from the rights issue noted above (see Note 5).

In addition to the above, The Directors are confident that the matters noted below will be completed successfully:

1. The Company will seek to place the shortfall from the rights issue noted above of 19,133,994 shares in the next three months to raise up to a further \$382,680.
2. The Company expects to receive approximately \$806,000 from the sale of 60% of its investment in the Tantalite Valley Project associated companies, following the signing of a binding conditional heads of agreement as announced with ASX on 31 July 2014. Completion of this sale is conditional on confirmation of mining tenure to the reasonable satisfaction of the purchaser.
3. The Company has the ability to sell approximately 10 million shares which were forfeited from the staff incentive scheme in prior years. Should these shares be taken up by shareholders, the Company could raise approximately \$200,000.

Whilst the Directors are confident that the above initiatives 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 these initiatives 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 CONDENSED FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2014****2. Segment information**

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

The following table presents the financial information regarding these segments provided to the Board of Directors for the interim periods ended 30 June 2014 and 30 June 2013.

	Australia \$	Namibia \$	South Africa \$	Consolidated \$
<b>30 June 2014</b>				
<b>Segment Revenue</b>	1,804	-	1	1,805
<b>Segment result</b>	166,322	49,407	2,563	218,292
<b>Unallocated Results from operating activities</b>				-
				<u>218,292</u>
<b>Segment assets</b>	205,214	22	2,099,156	2,304,392
<b>Segment liabilities</b>	121,576	32,344	502	154,422
<b>Included within segment results:</b>				
<b>Depreciation</b>	7,264	-	-	7,264
<b>Share of loss from investment in equity method associates</b>	-	1,242	-	1,242
	Australia \$	Namibia \$	South Africa \$	Consolidated \$
<b>30 June 2013</b>				
<b>Segment Revenue</b>	26,229	-	-	26,229
<b>Segment result</b>	322,991	15,320	2,295	340,606
<b>Unallocated Results from operating activities</b>				-
				<u>340,606</u>
<b>Segment assets</b>	1,531,711	230	9,793	1,541,734
<b>Segment liabilities</b>	82,237	9,483	316	92,036
<b>Included within segment results:</b>				
<b>Depreciation</b>	2,159	-	-	2,159
<b>Share of loss from investment in equity method associates</b>	-	950	-	950

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 30 JUNE 2014

## 3. Interest in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity	
		30 June 2014	30 June 2013
Tameka Shelf Company Four (Pty) Ltd	Namibia	100%	100%
Namibian Tantalite Investment (Pty) Ltd	Namibia	100%	100%
Magnum Tantalite (Pty) Ltd	South Africa	100%	100%
GEM Venus Holdings (Pty) Ltd	South Africa	100%	-
Venus Emeralds (Pty) Ltd	South Africa	74%	-
Adit Mining Consultants & Trading (Pty) Ltd	South Africa	74%	-

During the period, the Company acquired 100% of the shares in GEM Venus Holdings (Pty) Ltd which is the ultimate holding company of the Gravelotte Project that comprises a mining lease in respect of emeralds and on-site infrastructure. The acquisition cost was funded by existing cash at bank and equity. The cash component to fund the acquisition was R8,500,000 which was paid via two separate instalments. At the time the cash instalments were settled, this translated to the \$A equivalent of approximately \$860,000. The acquisition has been accounted for as an asset acquisition as it is not considered to constitute a business combination.

In addition to the cash component described above, the vendors of GEM Venus were also issued 20 million ordinary shares in the Company at \$0.03 per share which are subject to a holding lock and cannot be traded until the earlier of:

- (i) economic production at the Gravelotte Project; or
- (ii) milestone date 19 June 2016.

The fair value of identifiable assets and liabilities of GEM Venus and its subsidiaries as at the date of acquisition were:

	\$
Prospecting and mining licenses	2,066,648
Rehabilitation guarantee	27,303
Total identifiable nets assets at fair value	2,093,951
Non-controlling interest in Venus Emeralds (Pty) Ltd and ADIT Mining Consultants & Trading (Pty) Ltd	(544,427)
Purchase consideration transferred	1,549,524

There are no identifiable quantifiable liabilities as at the date of acquisition. Under the acquisition agreement all outstanding liabilities of GEM Venus and its subsidiaries were to be settled in full prior to settlement.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2014****3. Interest in subsidiaries (continued)**

Analysis of acquisition:

	<u>\$</u>
Cash consideration (acquisition date)	864,839
20,000,000 ordinary shares issued at \$0.03 per share	600,000
Direct acquisition costs	105,633
Effects of exchange rates	<u>(20,948)</u>
	<u>1,549,524</u>

From the date of acquisition, GEM Venus has not contributed revenue to the net loss before tax of the Group.

**4. Equity securities issued**

On 19 June 2014, the Company issued 20,000,000 shares subject to holding lock as part consideration for the acquisition of GEM Venus.

As at 30 June 2014 there were 191,315,612 fully paid ordinary shares on issue in the Company.

**5. Events occurring after the balance date**

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

*Rights Issue*

As announced with ASX on 31 July 2014, the Company has undertaken a non-renounceable, pro-rata rights issue of up to 38,263,122 of new shares to eligible shareholders on the basis of 1 New Share at an issue price of \$0.02 per share for every 5 shares owned by eligible shareholders.

The proceeds of the Rights Issue will be used to:

- (a) Repay the \$150,000 interest free loan advanced to the Company by Grant Button;
- (b) Fund the exploration of the Gravelotte Emeralds Project in South Africa; and
- (c) If the conditions of the sale of a 60% interest in the Company's Namibian Tantalite Valley Project are not satisfied, fund the exploration of the Tantalite Valley Project.

The rights issue closed on 20 August 2014 and the Company was successful in raising \$382,584. The Company will seek to place the shortfall, being 19,133,994 shares over the next three months to raise a further \$382,680.

*Execution of Conditional Binding Heads of Agreement for Tantalite Valley Project Partial Sale*

On 31 July 2014, the Company announced that it has signed a binding heads of agreement with Namibian incorporated investment vehicle Aftan Tantalum (Pty) Limited (Aftan) that provides a way forward for the development of the Tantalite Valley Project in Namibia. Please refer to the Tantalite Valley Project summary contained within the Review of Operations report for further details.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS****FOR THE HALF YEAR ENDED 30 JUNE 2014****5. Events occurring after the balance date (continued)***Advance of Grant Button*

As announced with ASX on 31 July 2014, in order to ensure corporate costs could be met until the receipts of proceeds from the Rights Issue detailed above, Grant Button, a director of the Company, advanced the Company \$150,000 by way of an unsecured loan. The loan will be repaid by the Company upon receipt of the proceeds from the Rights Issue. No interest or fees are payable by the Company in connection with the loan.

**6. Tenements on hand**

<b>Location</b>	<b>Project</b>	<b>Tenement Type</b>	<b>Number</b>	<b>Interest</b>	<b>Status</b>
Namibia	Tantalite Valley	Mining Lease	Mining License Number 77	100%	Granted
Limpopo Province South Africa	Gravelotte	Mining Right	MPT 85/2013	74%	Granted
Limpopo Province South Africa	Gravelotte	Prospecting Right	LP 204 PR	74%	Granted

**7. Related party transactions**

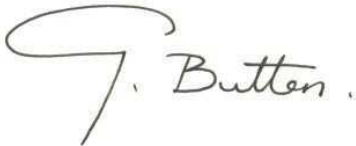
As disclosed in Note 5 above, Grant Button, a director of the Company advanced the Company \$150,000 by way of an unsecured loan, as announced with ASX on 31 July 2014. The loan will be repaid by the Company upon receipt of the proceeds from the Rights Issue. No interest or fees are payable by the Company in connection with the loan.

**Directors' Declaration**

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**G M Button**  
**Chief Executive Officer**  
Perth, Australia

10th September 2014

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Magnum Mining & Exploration Limited

### **Report on the Condensed Consolidated Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Magnum Mining & Exploration Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

*Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of matter*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the ability of the Group to continue as a going concern for at least the period of 12 months from the date of signing the financial report is dependent upon raising sufficient funds in that period. Should the various initiatives planned to generate these funds be unsuccessful, there is a material uncertainty that may cast significant doubt whether the Group will be able 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.

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

**Perth, Western Australia  
10 September 2014**



**L Di Giallonardo  
Partner**