



Quarterly Activities Report 30 September 2019

HIGHLIGHTS

- Successful completion of New Option entitlement offer with \$1.02 million (before costs) raised.
- 1,240 convertible notes (\$1.14 million) converted to shares showing strong support by note holders for the Company's Gravelotte emerald project.
- Crushing and washing plant at Gravelotte performed well above design specifications allowing these operations to be suspended and operations staff to be re-directed to processing and sorting of emeralds.
- 689 tonnes of ROM ("Run of Mine") material now processed and 6,838 carats of emeralds recovered.

Corporate

- On 12 August 2019 Magnum announced a Non-Renounceable Pro-rata Entitlement Offer ("Entitlement Offer") of One (1) New Option, at A\$0.01 per New Option, for every three (3) Shares in Magnum held as at the Record Date (27 August 2019) and lodged an Entitlement Offer Prospectus with ASIC and ASX and also applied for quotation of the New Options with ASX.
- On 26 August 2019 and 29 August 2019, 990 and 250 unsecured redeemable convertible notes ("Convertible Notes") respectively were converted to shares in the Company at the conversion price of \$0.05 per share (20,000 shares per convertible note), pursuant to the Note Deed.
- Pursuant to the Entitlement Offer, on 30 September 2019 the Company issued 41,736,965 New Options and 20,913,917 Shortfall Options (representing a take-up of 61.7%). The Options have an exercise price of \$0.05 and will expire on 30 September 2022.
- As notified to ASX, the Company placed 38,875,391 Shortfall Options to professional and sophisticated investors on 17 October 2019.
- The Entitlement Offer and Shortfall Offer raised \$1,015,263 (before costs). The funds raised will be used to complete the hard rock trial mining and processing phase of the current test work being carried out at the Company's Gravelotte emerald project and for general working capital.

ASX Release

31 October 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

304,378,818

Listed Options

101,526,273
Exp 30/09/2022 @ \$0.05

Unlisted Options

9,000,000
Exp 31/12/2019 @ \$0.075

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OPERATIONS

Gravelotte Project, South Africa

Trial Mining and Processing

The trial mining of around 7,800 tonnes of hard rock from three benches within the historic Cobra pits was completed in May 2019.

The run of mine material has been stockpiled and is being progressively processed to recover emeralds to determine preferred host lithology, grade and stone quality.

The mining and stockpiling of an estimated 2,000 tonnes of emerald bearing rock from the Discovery Pit is now a low priority until the large bulk of the material from the Cobra pits has been processed.

Geology

The emerald mineralisation at Gravelotte is contained within a mafic schist that is bounded by a granite and a felsic porphyry. Historic production and drilling data shows that whilst the large majority of the schist is emerald mineralised, the grade distribution is inhomogenous. One of the challenges of the current processing of the run of mine material is to gain an understanding of how to predict higher grade zones within the schist to allow for the better grade material to form the bulk of the processed material, both in the current testing phase and a potential commercial operation.

At this stage the zones within the schist that contain biotite appear to have a greater chance of commercial grades. This has been determined from the logging of the blast hole material, hand lens examination of the run of mine material and preliminary processing data.

It has also been noted that cubic pyrite is often, but not always associated with areas of better grade.

As more material is processed and hence more grade data generated, the lithological and mineral associations will be further refined.

Crushing Plant

As previously reported, the 2,000 tonne per month crushing and washing plant was commissioned early in May and achieved steady state rates nearly 40% higher than design throughput capacity. The plant performed to design specifications with regards to crushing efficiency producing clean sort fractions of +3mm-10mm and +10mm-30mm.

These preferred sort fractions were determined from the testing carried out in late 2018 and represent the optimal fractions that preserve the integrity of the emeralds (avoiding fracturing) whilst allowing for efficient processing times.

The -3mm fraction was determined as the “waste” cut as it is considered that emeralds below this size will have minimal commercial value.

A total of 3,600 tonnes of run of mine material has been crushed to date with crushing activities now suspended to allow staff resources to be re-directed to emerald recovery and final processing.

Magnum is collaborating with a Johannesburg engineering firm to utilise the information gathered from the trial mining operation, to design a plant that will optimise processing and preparation of material for sorting. This firm has an extensive history of designing and developing gem stone mining operations in Africa, including implementing sorting solutions across a range of sorting technologies including XRF.

This work will assist in determining capital expenditure and operating cost parameters for a potential commercial operation.

XRF Sorter

The XRF unit arrived on site in late May and calibration commenced almost immediately prior to the commencement of the processing of +3mm-10mm and +10mm-30mm fractions.

The processing of these fractions commenced as scheduled in early June.

The initial processing by the XRF is a multi-faceted test as the throughput rate, crush size, moisture content and type of rock (biotite schist, talc schist etc) are all variables that need to be considered to achieve a calibration that provides optimal accuracy and efficiency.

Whilst near design capacity with the +10mm-30mm fraction was achieved very early in the XRF commissioning, the test processing of the +3mm-10mm fraction has proceeded with less reliability during the September quarter.

This lack of processing reliability was initially the result of the XRF “over detecting” which caused throughput to decrease to less than 1 tonne per hour. This over detecting was thought to be a tuning problem in that the XRF unit was detecting the emeralds but also mineralogy very close to the wavelength of the emeralds. It was interpreted that this over detecting was the consequence of the smaller size material presenting an increased number of particles for detection.

A throughput of at least 3-5 tonnes per hour was projected based on the XRF operating specifications and as a consequence the manufacturer has spent considerable time at site during the September quarter in an attempt to improve operations.

It is important for the processing of the emerald bearing rock that the XRF can operate efficiently with the +3mm-10mm size fraction. This is because not only will processing of the smaller fraction provide greater accuracy and precision (less chance of gangue masking the emeralds) it will also reduce the cobbing time (the removal of gangue from the emeralds) of the resultant material significantly.

Another factor which has reduced the amount of run of mine material processed is the planned reprocessing by the XRF of selected batches of the discarded material (“rejects”). This is to ensure that material containing emeralds is not being rejected above what would be considered acceptable recovery levels.

As the processing has continued it has also become apparent that many of the processing delays with the XRF are also reliability issues related to the age of the machine being used rather than the technology itself.

Another issue which has arisen is the importance of controlling how the material is introduced into the XRF. In this regard the processing had been experiencing an unexpected bottleneck due to the clumping of material into the XRF feed chute. This is a simple engineering problem which has been temporarily rectified through additional screening but will require the incorporation of more sophisticated engineering solutions in plant design to allow the XRF machine to operate at optimal efficiency.

In summary, the issues with the availability of the XRF are being progressively resolved and the manufacturer continues to work closely with Magnum's Gravelotte management to keep improving the operation.

A positive from these delays has been the confirmation that an XRF unit such as the one being used, will create processing bottlenecks because of its small size and limited number of ejectors (8) that it contains.

Discussions have been initiated with various manufacturers and these discussions have determined that multi ejector XRF machines are available with up to 64 ejectors per machine. This larger throughput capacity will allow the Company to match XRF throughput capacity to mining and plant capacity.

Emeralds Produced



Photo 1: Partially cleaned emeralds ranging from 0.6 to 7.2 carats in weight and 2-12mm in size from RC1 (see Figure 3)



Photo 2: Partially cleaned emeralds 1.2 carats in weight and 3x8mm in size from 990 (see Figure 3)

To date 689 tonnes of run of mine schist has been XRF processed. As discussed, the distribution of emeralds across the schist unit is not homogeneous and as a consequence grades have varied considerably. This will continue as our on-site team gathers knowledge of the preferred mineral and lithological assemblages.

A total of 6,838 carats have been recovered which presents an average run of mine (not ore) grade of 9.93 Carats per tonne (C/t).

Despite this being run of mine processing, our on-site team reports that good colour stones are being recovered and the size distribution of the emeralds is towards the preferred larger end.

Size Fraction	Percentage of Emeralds Recovered
+5.60mm	54.5%
+4.75mm – 5.60mm	13.7%
+3.35mm – 4.75mm	21.7%
+2.80mm – 3.35mm	5.6%
+2.00mm – 3.35mm	3.2%
+1.00mm – 2.0mm	1.3%

Table 1: Size distribution of emeralds recovered to date

What is the next step after the processing of the mined material?

The current processing of the mined material 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 sales process. The process of identifying potential buyers for the emeralds is well advanced and will be expedited as a critical mass of emerald material is recovered.



Photo 3: Gravelotte Project showing existing infrastructure and mining stockpiles

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.

This in turn will allow the financial modelling for a potential future commercial mining operation to be completed.

About the 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.

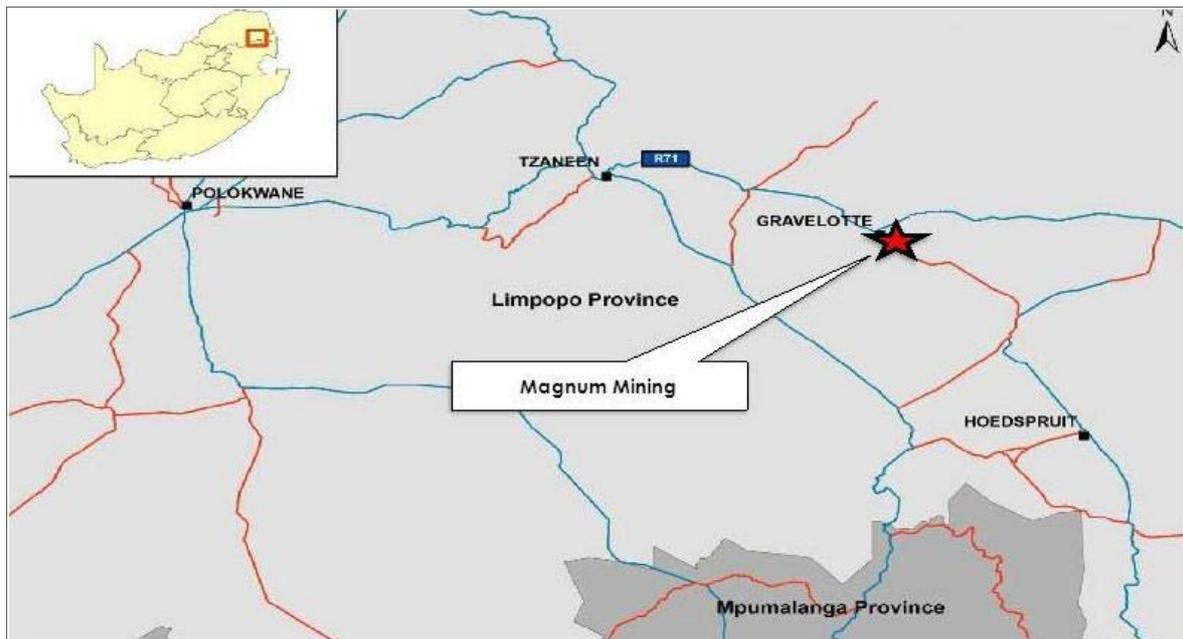


Figure 1: Gravelotte Location Map

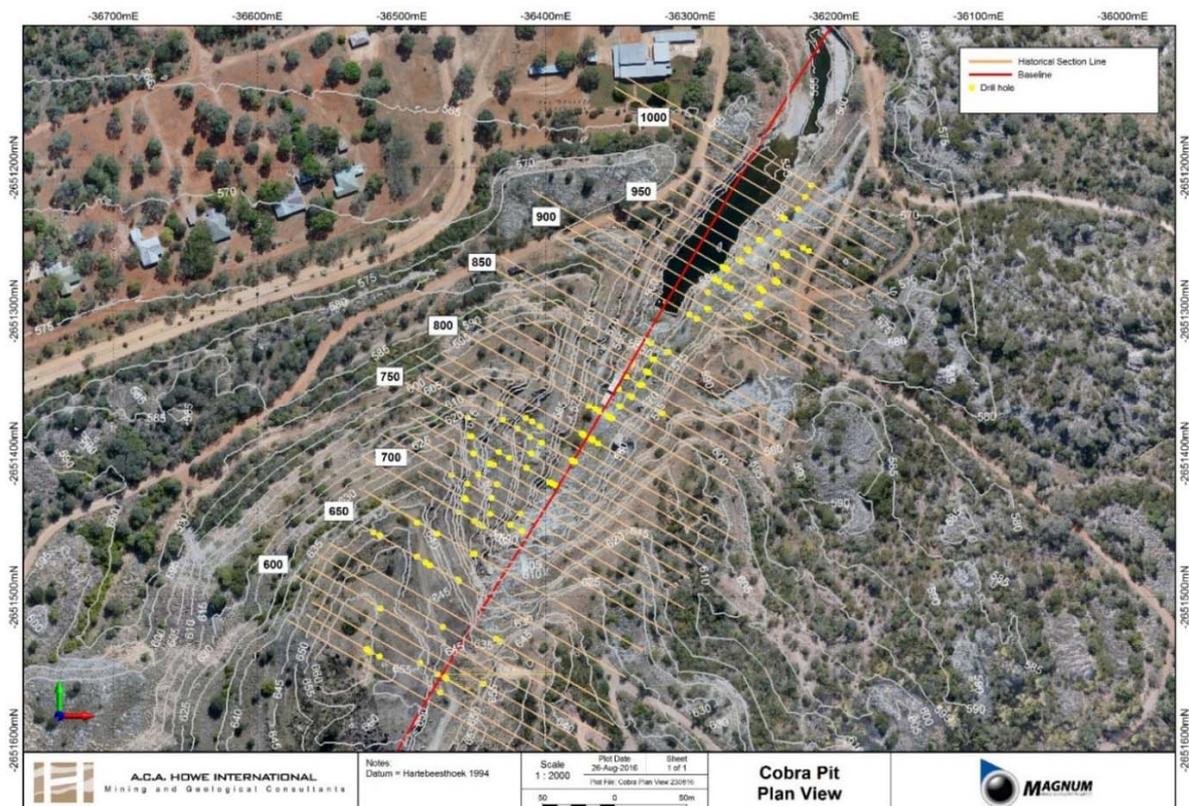


Figure 2: Cobra Pit Plans

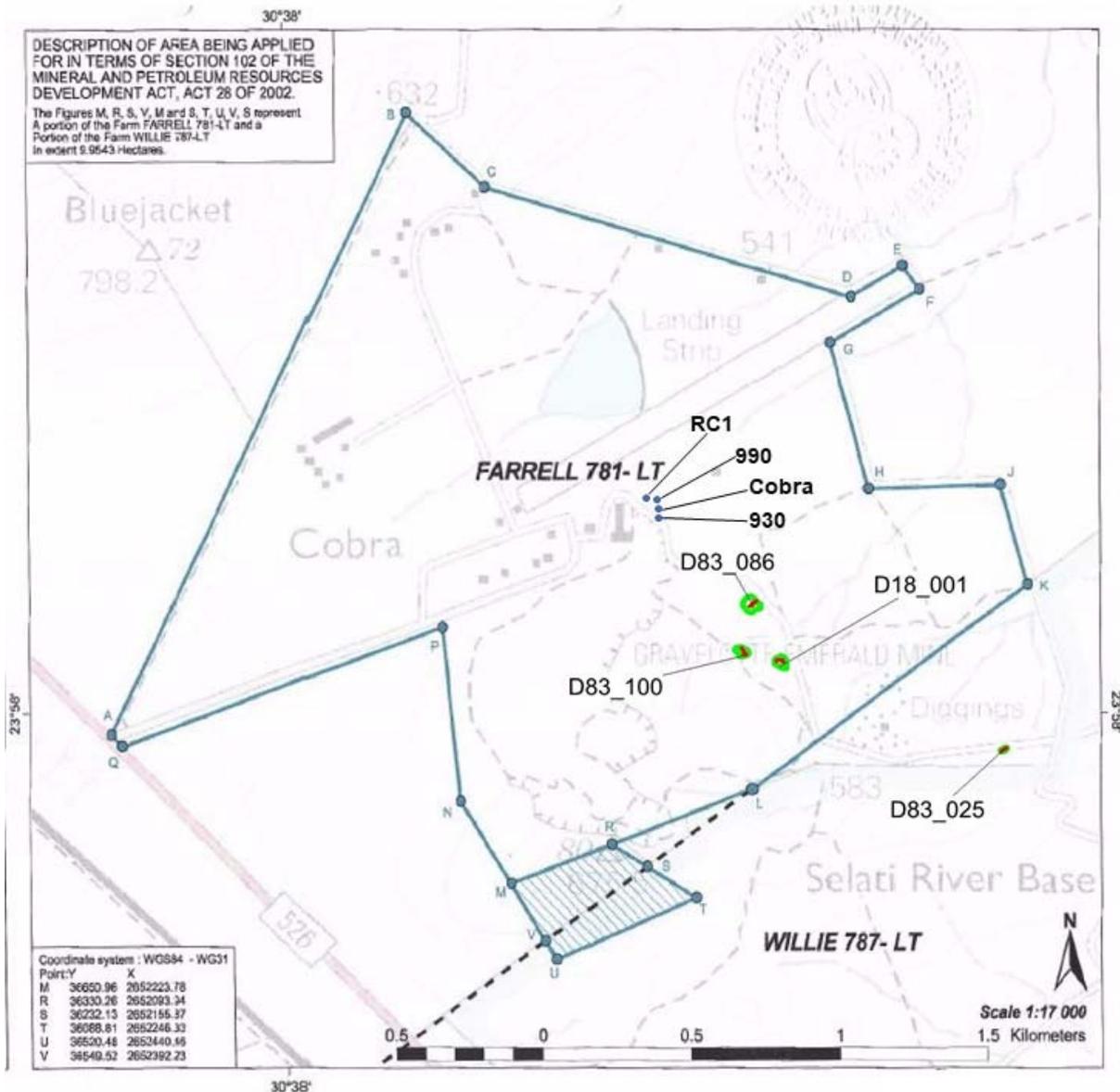


Figure 3: Location Plan of Run of Mine locations relative to Mining Lease Boundary

ROM Sample No.	ROM Sample Co-ordinates	
	Longitude	Latitude
RC1	30 deg 38' 40.28" E	23 deg 57' 43.12" S
990	30 deg 38' 38.06" E	23 deg 57' 46.74" S
930	30 deg 38' 37.07" E	23 deg 57' 48.06" S

Table 2: Run of Mine Sample Co-ordinates

Why is Magnum at Gravelotte?

The Gravelotte project provides Magnum with a medium term production opportunity in the niche commodity of 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.

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.

CORPORATE

Non-Renounceable Pro-rata Entitlement Offer

On 12 August 2019 Magnum announced a non-renounceable pro-rata Entitlement Offer to each Eligible Shareholder of one (1) New Option, exercisable at \$0.05 and with an expiry date of 30 September 2022, for every three (3) Shares held by those Shareholders registered at the Record Date, at an issue price of \$0.01 per New Option to raise up to \$1,015,263 ('Offer').

The Entitlement Offer was available to all Company shareholders registered on the Record Date whose registered address is in Australia or New Zealand ('Eligible Shareholders').

The net funds raised from the Entitlement Offer will be used primarily to complete the hard rock trial mining and processing phase of the current test work being carried out at the Company's Gravelotte emerald project. This hard rock trial mining and processing test work is one of the final steps in the technical evaluation of Gravelotte and will provide important information towards the potential establishment of commercial operations at the project.

As notified to ASX on 26 September 2019, the Company received acceptances from 206 eligible shareholders for 41,736,965 New Options and 20,913,917 Shortfall Options (applied for by eligible shareholders in excess of their entitlement), each exercisable at \$0.05 on or before 30 September 2022, raising total funds of \$626,508.82 before costs, as per the Entitlement Offer.

This left a shortfall of 38,875,391 Shortfall Options which were placed at the discretion of the Directors and subject to the Corporations Act and ASX Listing Rules to professional and sophisticated investors on 17 October 2019.

The Entitlement Offer and Shortfall Offer raised \$1,015,263 (before costs).

Conversion of Unsecured Redeemable Convertible Notes to Shares

On 26 August 2019, the Company announced the conversion of 990 unsecured redeemable convertible notes ('Convertible Notes') to shares in the Company, at the conversion price of \$0.05 per share (20,000 shares per convertible note), pursuant to the Note Deed. The convertible notes were issued on 2 November 2018, at a face value of \$1,000 per convertible note. The Company issued 19,800,000 Ordinary Fully Paid shares in the Company which will rank equally with existing shares on issue and welcomed a number of new shareholders onto the Magnum register who were then eligible to participate in the Pro-rata Non-renounceable Entitlement Offer, as announced on 12 August 2019.

On 29 August 2019, a further 250 Convertible Notes were converted to 5,000,000 Ordinary Fully Paid shares in the Company which rank equally with existing shares on issue.

Following both conversions of Convertible Notes, there is a balance of 10 convertible notes on issue redeemable or convertible by 2 November 2019.

EXPLORATION INTERESTS

The following tenement information is provided in accordance with ASX Listing Rule 5.3.3 for the quarter ended 30 September 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
Kalgoorlie Boulder, Western Australia	Exploration Licence	E29/1052	20%	-	-	20%	Granted

ASX:MGU Announcements Released During the September 2019 Quarter

18/07/19 Gravelotte Project Operations Update
31/07/19 Quarterly Activities and Cashflow Report
06/08/19 Response to Appendix 5B Query
12/08/19 Pause in Trading
12/08/19 Trading Halt
12/08/19 Non-Renounceable Pro-Rata Entitlement Offer
12/08/19 Entitlement Offer Prospectus
12/08/19 Appendix 3B
12/08/19 Letter to Convertible Note Holders
12/08/19 Letter to Option Holders
12/08/19 Entitlement Offer - Amended Timetable
13/08/19 Entitlement Offer - Letters to Eligible and Ineligible Shareholders
26/08/19 Issue of Shares on Conversion of Convertible Notes
26/08/19 Cleansing Notice
29/08/19 Issue of Shares on Conversion of Convertible Notes
29/08/19 Cleansing Notice
12/09/19 Half Yearly Report and Accounts
26/09/19 Entitlement Offer - Notification of Shortfall



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.

JORC CODE, 2012 EDITION – TABLE 1 REPORT TEMPLATE

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> The selected benches were prepared using drill and blast and then mined using a wheel loader and an excavator. The mining as supervised by a geologist to ensure quality control and provide direction for where the mined material was to be stockpiled and nomenclature for recording said dumps. Each bench was geologically examined to determine lithology and dominant alteration type and effects.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> Not applicable
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> Not applicable
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. 	<ul style="list-style-type: none"> Not applicable

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> • As close as possible to 100% of the drill blasted material was mined stockpiled. • Multiple stockpiles were created to differentiate the different bench locations mined. • Processing of the mined material is ongoing. The material is processed using a jaw crusher to crush to -30mm and then washed through a trommel and screened to separate into the three fractions: -3mm, 3mm-10mm, +10mm-30mm. • The -3mm material is discarded and returned to a waste stockpile. • Any oversize material is re-crushed.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> • No assays were carried out. • For emerald count the sample was crushed, washed, screened and then hand sorted. • For quality control a limited number of trained sorters are being used with cross checks on precision and accuracy carried out on a daily basis.
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> • The mining was supervised by a Geologist.
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. 	<ul style="list-style-type: none"> • Each bench location was surveyed prior to mining and then post mining located to +/-5 metres using GPS.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> • <i>Quality and adequacy of topographic control.</i> 	
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Not applicable, this programme was a mining exercise to obtain in pit material to test crushing, screening and processing (XRF) techniques.
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • Not applicable.
<i>Sample security</i>	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • All mining and processing is supervised by the onsite Geologist or the mine manager.
<i>Audits or reviews</i>	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • Ongoing self-assessment by onsite personnel.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> • <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i> • <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i> 	<ul style="list-style-type: none"> • Mining Right, Portion 7 of the Farm Farrell 781LT, LP30/5/1/2/2/0153MR, located 2km from Gravelotte in the Phalaborwa magisterial district of South Africa. The Company has a 74% ownership of the project with the remaining portion owned by Black Economic Empowered (“BEE”) shareholders to ensure compliance with South African BEE ownership requirements.
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • The collating of the historic exploration and production results is a work in progress by restricted because of multiple previous owners and some poor record keeping. Magnum has engaged consultants to assemble and digitise as much data as can be sourced.
<i>Geology</i>	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • Hydrothermal breccia.

Criteria	JORC Code explanation	Commentary
Drill hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> • Magnum is only partially relying on the previous exploration but as the historic data base is incomplete use of the data is by necessity selective.
Data aggregation methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> • Not applicable.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> • Not applicable.
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> • Not applicable.
Balanced reporting	<ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of 	<ul style="list-style-type: none"> • Not applicable.

Criteria	JORC Code explanation	Commentary
	<i>Exploration Results.</i>	
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> • <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> • Not applicable.
<i>Further work</i>	<ul style="list-style-type: none"> • <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> • Not applicable.

Section 5 Estimation and Reporting of Diamonds and Other Gemstones

(Criteria listed in other relevant sections also apply to this section. Additional guidelines are available in the 'Guidelines for the Reporting of Diamond Exploration Results' issued by the Diamond Exploration Best Practices Committee established by the Canadian Institute of Mining, Metallurgy and Petroleum.)

Criteria	JORC Code explanation	Commentary
<i>Indicator minerals</i>	<ul style="list-style-type: none"> • <i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i> 	<ul style="list-style-type: none"> • Not applicable.
<i>Source of diamonds</i>	<ul style="list-style-type: none"> • <i>Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.</i> 	<ul style="list-style-type: none"> • Emeralds, introduction into breccia of Cr rich solutions through hydrothermal activity
<i>Sample collection</i>	<ul style="list-style-type: none"> • <i>Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (eg large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).</i> • <i>Sample size, distribution and representivity.</i> 	<ul style="list-style-type: none"> • Historic waste and low grade ore dumps. • Dumps cannot be considered representative. • Historic pit benches
<i>Sample treatment</i>	<ul style="list-style-type: none"> • <i>Type of facility, treatment rate, and accreditation.</i> • <i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i> • <i>Processes (dense media separation, grease, X-ray, hand-sorting, etc).</i> • <i>Process efficiency, tailings auditing and granulometry.</i> 	<ul style="list-style-type: none"> • On site treatment facilities, supervised onsite geologist and senior management personnel. • Crushing, washing, screening, hand sorting, XRF sorting.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Laboratory used, type of process for micro diamonds and accreditation. 	
Carat	<ul style="list-style-type: none"> One fifth (0.2) of a gram (often defined as a metric carat or MC). 	<ul style="list-style-type: none"> 1 gram = 5 carats
Sample grade	<ul style="list-style-type: none"> Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume. The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation. In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne). 	<ul style="list-style-type: none"> Determined by weight of emeralds recovered from each sample.
Reporting of Exploration Results	<ul style="list-style-type: none"> Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry. Sample density determination. Per cent concentrate and undersize per sample. Sample grade with change in bottom cut-off screen size. Adjustments made to size distribution for sample plant performance and performance on a commercial scale. If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples. The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated. 	<ul style="list-style-type: none"> Only emeralds 3mm or greater reported.
Grade estimation for reporting Mineral Resources	<ul style="list-style-type: none"> Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation. The sample crush size and its relationship to that achievable in a commercial treatment plant. Total number of diamonds greater than the specified and reported 	<ul style="list-style-type: none"> Not applicable

Criteria	JORC Code explanation	Commentary
<i>and Ore Reserves</i>	<p><i>lower cut-off sieve size.</i></p> <ul style="list-style-type: none"> <i>Total weight of diamonds greater than the specified and reported lower cut-off sieve size.</i> <i>The sample grade above the specified lower cut-off sieve size.</i> 	
<i>Value estimation</i>	<ul style="list-style-type: none"> <i>Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.</i> <i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i> <ul style="list-style-type: none"> <i>diamonds quantities by appropriate screen size per facies or depth.</i> <i>details of parcel valued.</i> <i>number of stones, carats, lower size cut-off per facies or depth.</i> <i>The average \$/carat and \$/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.</i> <i>The basis for the price (eg dealer buying price, dealer selling price, etc).</i> <i>An assessment of diamond breakage.</i> 	<ul style="list-style-type: none"> Not applicable
<i>Security and integrity</i>	<ul style="list-style-type: none"> <i>Accredited process audit.</i> <i>Whether samples were sealed after excavation.</i> <i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i> <i>Core samples washed prior to treatment for micro diamonds.</i> <i>Audit samples treated at alternative facility.</i> <i>Results of tailings checks.</i> <i>Recovery of tracer monitors used in sampling and treatment.</i> <i>Geophysical (logged) density and particle density.</i> <i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i> 	<ul style="list-style-type: none"> On site security provided by senior on site management.
<i>Classification</i>	<ul style="list-style-type: none"> <i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.</i> 	<ul style="list-style-type: none"> Not applicable.

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(310)	(804)
(b) development		
(c) production		
(d) staff costs	(35)	(101)
(e) administration and corporate costs	(77)	(256)
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)	9	39
1.9 Net cash from / (used in) operating activities	(413)	(1,122)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(81)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 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	(1)	(71)

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)	(3)
3.5	Proceeds from borrowings	100	300
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Proceeds from issues of options)	627	627
3.10	Net cash from / (used in) financing activities	724	924

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	323	901
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(413)	(1,122)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(71)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	724	924
4.5	Effect of movement in exchange rates on cash held	(1)	-
4.6	Cash and cash equivalents at end of period	632	632

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	632	323
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)	632	323

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	23
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	

6.1 Consulting fees paid to HG & L Dawson Discretionary Trust, where Mr Howard Dawson is a trustee.
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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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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	600	300
8.2 Credit standby arrangements		
8.3 Other (convertible notes)	10	10
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.		

8.1

\$110,000 loan facility from Discovery Capital Ltd, a company of which Mr Howard Dawson is a director. The loan is unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly.

\$190,000 loan facility from Wilberforce Trust, a trust of which Mr Grant Button is a trustee. The loan is unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly.

\$300,000 loan facility from a non-related lending party. The loan is unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly. This facility has not been drawn down as at quarter end.

The above loans have been issued with a 12-month maturity date from commencement date of the loan facility agreements. However, repayment of the loans must be made within 14 days following receipt by Magnum of a minimum of \$500,000 from the sale of emeralds from the Gravelotte project.

8.3

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 that 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	270
9.2 Development	
9.3 Production	
9.4 Staff costs	30
9.5 Administration and corporate costs	50
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	350

Mining exploration entity and oil and gas exploration entity quarterly report

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				
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: 31 October 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.