

MAGNUM GOLD N.L.
A.B.N. 70 003 170 376

HALF-YEAR REPORT
30 JUNE 2004

DIRECTORS' REPORT

Your directors present their report on the company for the half-year ended 30 June 2004.

Directors

The following persons were directors of Magnum Gold N.L. during the whole of the half-year and up to the date of this report:

P.A. Lincoln Smith
W.V. Annis-Brown
M.P. Lincoln Smith

J.B. Rodger was appointed a director on 17 August 2004 and continues in office at the date of this report.

Review of Operations

Western Australia

Kalgoorlie Tenements (ML M26/497 and ML M26/498 - "Corsair North")

No work was undertaken on these tenements during the reporting period.

New South Wales

Murray Basin "Biogas" Project

New South Wales Biogas Tenements (PELs 439 and 440 which are subject to joint venture agreement (JV) with Australian Coalbed Methane Pty Ltd (ACM), a wholly owned subsidiary of associated company, Carbon Minerals NL. ACM is operator of the JV.)

Disappointing results from the operator's Noonameena #1 test production well in adjoining PEL 436 has significantly detracted from the seam gas potential of PEL 439, and it is unlikely that the company will apply for renewal of the tenement whose initial 3-year term expires in October, 2004.

No work was conducted in PEL 440 during the reporting period, but work by ACM in PSPA 8 (which adjoins to the north of PEL 440) continues to produce high levels of methane in groundwater adjacent to the Ivanhoe structural high, and for this reason the north-western segment of PEL 440 remains prospective. A further phase of testing is planned for the current quarter, upon which a decision regarding renewal can be made (PEL 440 has concurrent tenure with PEL 439).

Other Activities

The company continues to monitor exploration opportunities both in areas of current company activity and other regions throughout Australia.

This report is made in accordance with a resolution of directors.

P.A. Lincoln Smith
Director

Sydney
9 September 2004.

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 30 JUNE 2004

	Half Year	
	2004	2003
	\$	\$
Revenue from ordinary activities	2,480	37,855
Exploration expense	--	(21,375)
Borrowing costs expense	--	(315)
Administration expense	(28,173)	(24,389)
Other expenses from ordinary activities	--	--
Loss from ordinary activities before income tax expense	(25,693)	(8,224)
Income tax expense	--	--
Loss from ordinary activities after income tax expense	(25,693)	(8,224)
Net loss	(25,693)	(8,224)
Total changes in equity other than those resulting from transactions with owners as owners	(25,693)	(8,224)
	Cents	Cents
Earnings per share	(0.04)	(0.01)
Diluted earnings per share	(0.04)	(0.01)

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

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	NOTES	30 JUNE 2004	31 DECEMBER 2003
		\$	\$
Current Assets			
Cash assets		1,045	3,693
Short term deposits		64,958	89,552
Receivables		2,375	2,223
		<hr/>	<hr/>
Total Current Assets		68,378	95,468
Non-Current Assets			
Exploration and evaluation expenditure		27,842	27,842
		<hr/>	<hr/>
Total Non-Current Assets		27,842	27,842
		<hr/>	<hr/>
Total Assets		96,220	123,310
Current Liabilities			
Payables		8,653	10,050
		<hr/>	<hr/>
Total Current Liabilities		8,653	10,050
		<hr/>	<hr/>
Total Liabilities		8,653	10,050
		<hr/>	<hr/>
Net Assets		87,567	113,260
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Contributed equity		7,851,129	7,851,129
Accumulated losses	2	(7,763,562)	(7,737,869)
		<hr/>	<hr/>
Total Equity		87,567	113,260
		<hr/> <hr/>	<hr/> <hr/>

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

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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2004

	Half Year	
	2004	2003
	\$	\$
Cash flows from operating activities		
Interest received	2,175	2,855
Exploration expenditure recouped	517	--
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(29,934)	(30,737)
- for exploration expenditure (inclusive of goods and services tax)	--	(2,268)
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(27,242)	(30,150)
Cash flows from investing activities		
Proceeds from sale of other non-current asset	--	35,000
	<hr/>	<hr/>
Net cash inflow from investing activities	--	35,000
Net increase (decrease) in cash held	(27,242)	4,850
Cash at the beginning of the reporting period	<hr/> 93,245	<hr/> 111,187
Cash at the end of the reporting period	<hr/> 66,003 <hr/>	<hr/> 116,037 <hr/>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004**

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2004 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcements made by Carbon Minerals N.L. during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Company's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 January 2005.

The Company's Board of Directors will manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. To date the Board has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Company.

Major changes identified to date that will be required to the Company's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Income tax

Under the new AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004 (Continued)**

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (Continued)

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Recoverable amounts of non-current assets

Expected net cash flows included in determining recoverable amounts of non-current assets will be discounted to their present values, pursuant to the corresponding Australian standard to IAS36. The consequence of this will be a change to the current accounting policy under which expected net cash flows are not discounted.

(iii) Exploration and Evaluation Expenditure

An exposure draft (IASB ED6) has been issued on "Exploration for and Evaluation of Minerals Resources". Management are monitoring this exposure draft and the impact it would have on the company's financial statements.

NOTE 2. ACCUMULATED LOSSES

	30 JUNE 2004	31 DECEMBER 2003
	\$	\$
Accumulated losses at the beginning of the half-year	(7,737,869)	(7,704,106)
Net loss	(25,693)	(33,763)
	(7,763,562)	(7,737,869)

NOTE 3. CONTINGENT LIABILITIES

Guarantees

Secured guarantees in respect of Department of Mineral Resources deposits. Secured by deposits held by the company in financial institutions:

	30,000	30,000
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Native Title Claims

The company has been notified of a number of competing native title claims under the Commonwealth Native Title Act, 1993 over tenements held by the company.

Until further information is available, the company will not be in a position to assess the likely effect, if any, of any claim on the company. However, the directors of the company expect that the existing tenements will not be materially affected by any claim or the claims in aggregate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2004 (Continued)

NOTE 4. FINANCIAL REPORTING BY SEGMENTS

The company operates primarily as a natural resources explorer and in one geographical location, being Australia.

NOTE 5. EVENT OCCURRING AFTER BALANCE DATE

On 17 August 2004 the Company issued 12,000,000 fully paid ordinary shares to John Brian Rodger at a price of 3.3 cents per share. The purpose of the share placement was to raise working capital of \$396,000.

The financial effects of the above transaction have not been brought to account at 30 June 2004.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 2 to 7:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the entity's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Magnum Gold N.L. will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

P.A. Lincoln Smith
Director

Sydney
9 September 2004.

Independent review report to the members of Magnum Gold N.L.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Magnum Gold N.L.:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Magnum Gold N.L. at 30 June 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Magnum Gold N.L. for the half-year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

**Independent review report to the members of
Magnum Gold N.L. (continued)**

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
September 2004