



Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

**Annual report
Year ended 31 December 2015**

Contents

| | Page |
|--|------|
| Corporate Directory | 2 |
| Review of Operations and Activities | 3 |
| Directors' Report | 6 |
| Auditor's Independence Declaration | 17 |
| Corporate Governance Statement | 18 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Consolidated Statement of Cash Flows | 30 |
| Notes to the Financial Statements | 31 |
| Directors' Declaration | 62 |
| Independent Auditor's Report | 63 |
| Shareholder Information | 65 |

Corporate Directory

Directors

G M Button
D F Lynton-Brown
R Spencer

Company Secretary

G M Button
J Barry

Registered office

Suite 6, Ground Floor
South Mill Centre
9 Bowman Street
South Perth Western Australia 6151

Telephone: +61(8) 9474 2956
Facsimile: +61(8) 9474 2937

Share registry

Computershare Investor Services
45 St Georges Terrace
Perth Western Australia 6000

Telephone: +61(8) 9323 2000
Facsimile: +61(8) 9323 2033

Auditor

HLB Mann Judd
Chartered Accountants
Level 4
130 Stirling Street
Perth Western Australia 6000

Solicitor

Allen & Overy
Level 27, Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

Stock exchange listing

Magnum Mining and Exploration Limited shares are listed on the Australian Securities Exchange under the code MGU.

The Company is limited by shares, incorporated and domiciled in Australia.

Website address

www.mmel.com.au

Review of Operations and Activities

Operations

Gravelotte Project, South Africa

The Gravelotte Project is located close to the town of Gravelotte in the Limpopo province of South Africa, and benefits from being on the main sealed road between the regional centres of Tzaneen and Phalaborwa with Eskom power available on site. Accommodation for both senior and junior workers, and extensive office and workshop infrastructure is installed and has been rehabilitated by the Company.

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.

The Gravelotte Project was originally discovered in the Germania Hills in the Murchison Schist Belt in 1929 and covers an area of 389 ha surrounding the Cobra mine workings on the farms Farrell and Willie within that Germania Hills complex.

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.

Since acquisition of the project, it has been established that previous management had removed significant technical and production data from the mine site as well as disposing of core from previous drilling campaigns. Thus the Company has had to re-establish its own geological database for the Mining area. The Company has undertaken an international search to re-establish the data base, in particular, looking for lost historic technical data that had been produced over more than 50 years of production and also to conduct a review of the data. The Company has undertaken a number of geological campaigns to add to its database and the review of the historic data has been completed. Further, the Company has been able to resurrect ties with several mining professionals who worked at Cobra in the 1980's. This accumulated knowledge will be invaluable as we now proceed into further evaluation and mining activities.

The Company has also completed a 300 line kilometre low level, ultra-high precision helicopter-based magnetic and radiometric survey over an area of 12km, centred on the old emerald workings. This is the first time that modern geophysics has been used over the project area and was undertaken in order to firstly locate the emerald workings in a geological context and secondly, to investigate whether additional, as yet unrecognised, mineralisation may exist within the tenement area.

During the year, a topographic survey of the North and South Cobra open pits was completed and a survey of the tailings dump surrounding the open pits was undertaken by an independent surveyor to identify first pass tailings targets.

Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

The Company has also completed a trenching and pitting programme, primarily locating a number of pits and trenches around the northern area of the Cobra open pit and its extension to the north. This is an essential part of understanding the regional geology. A total of 82 holes have been completed during the year down to a maximum of 3 metres. To date, this has outlined a new granitic body located at the dam west of the open pits, and established that the talc chlorite schist package extends an additional 400 metres on strike to the eastern licence boundary.

The Company completed a total of 20 inclined Reverse Circulation drill holes along two traverses for 769 metres of drilling. The drilling was undertaken at the northern extension of the Cobra Pit. The sieving and concentrating activities have been completed and the logging of the holes was completed subsequent to year end. The next phase will be a concentrate examination programme.

Subsequent to year end SRK, the Cardiff-based consulting firm undertook a week long site visit to consolidate various geological plans that we have recovered to date and to undertake a structural survey of both open pits – Cobra and Discovery. SRK have been commissioned to produce a modern geological/structural plan that can be utilised to enhance future mapping/ sampling /drilling programmes and evaluation activities going forward.

The Company plans to construct a small recovery plant to test the dump material and will then progress to test the hard rock potential of the deposit.

Significant progress has been made on compliance and regulatory issues. The Company completed and submitted a mine work programme to the Department of Mineral Resources (DMR). The Company is now finalising the Social and Labour Plan and to that end have organised meetings with the local and regional authorities in the New Year. The Section 11 Document has now been finalised and has been submitted to the Ministry.

An environmental assessment (EMP) programme is being costed currently and will be contracted out in the New Year. In addition, the Company is working towards finalising its BEE structure as soon as practical.

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.

During the year, the Company completed the 100% sell-down of the Tantalite Valley Project via the sale of its two Namibian subsidiaries to a Namibian incorporated investment vehicle African Tantalum (Pty) Limited.

Consideration for the sell-down was R15,000,000, less an amount of R550,000 retained by the purchaser for estimated VAT payable by the subsidiaries. The net proceeds amounted to R14,450,000 (\$A equivalent approximately \$1.44 million).

The Company has also signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This will formally complete all requirements in relation to the sell-down of the Tantalite Valley Project.

Review of Operations and Activities (continued)

Corporate

Joint Company Secretary

On 2 April 2015, the Company announced the appointment of Ms Jacqueline Barry as a joint Company Secretary. Ms Barry will share the Company Secretary duties with Mr Grant Button.

Please refer to the Information on Company secretary section of the Directors' Report at page 8 for further details.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter, as the "consolidated entity" or "Group") consisting of Magnum Mining and Exploration Limited and the entities it controlled at the end of, or during, the financial year ended 31 December 2015.

Directors

The names of directors who held office during or since the end of the year and up until the date of this report are as follows:

G M Button
D F Lynton-Brown
R Spencer

Principal Activities

The principal activity of the Group during the financial year was mineral exploration.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Review of operations

Information on the operations and activities of the Group is set out in the review of operations and activities section on pages 3 to 5 of this annual report.

Operating result for the year

The consolidated net profit of the Group for the year after income tax was \$340,387 (2014: loss of \$686,672). The net profit includes a gain of \$1,377,751 on discontinued operations following the 100% sell-down of subsidiaries involved in the Tantalite Valley Project, Namibia.

Financial position

As at 31 December 2015, the Group had cash reserves of \$772,280 (2014: \$448,441).

Significant changes in the state of affairs

Sale of 100% Interest in Tantalite Valley Project, Namibia.

During the year, the Company has completed the sale of the 100% interest in the Tantalite Valley Project in Namibia to African Tantalum (Pty) Ltd. Please refer to "Tantalite Valley Project, Namibia" in the review of operations and activities section for further details.

Matters subsequent to the end of the financial year

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.

Likely developments and expected results

Additional comments on expected results of certain operations of the Group are included in the review of operations and activities section.

Directors' Report (continued)

Environmental legislation

The Group is subject to significant environmental legal regulations in respect of its exploration and evaluation activities in Namibia and South Africa. There have been no known breaches of these regulations and principles.

Information on directors

G M Button B. Bus. (Acc), C.P.A. *Executive Director*

Experience and expertise

G M Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He was appointed as a director in 2006 and was appointed as CEO of the Company on 16 July 2007. He has over 25 years experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary for a range of publicly listed companies.

Other current directorships

Non-executive director of Ferrum Crescent Ltd

Former directorships in the last 3 years

Executive director of Sylvania Platinum Ltd (Resigned 30 April 2015)

Special responsibilities

Chief Executive Officer

Interest in shares and options of the Company and related bodies corporate

4,440,000 ordinary shares

D F Lynton-Brown. *Non-Executive Chairman*

Experience and expertise

D F Lynton-Brown has been involved within the Mining Industry for over 42 years. He has predominantly been involved with corporate development and promotional activities relating to a large number and range of business ventures, where he has been most instrumental with their initial establishment activities, along with attracting associated institutional investors.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Chairman of the Board

Interest in shares and options of the Company and related bodies corporate

920,000 ordinary shares

Directors' Report (continued)

Information on directors (continued)

R Spencer *Executive Director*

Experience and expertise

Mr Spencer has had over 41 years experience as a successful exploration and mining geologist in the international mineral resource industry in a number of commodities, including gemstones and diamonds. He has worked in various senior roles with major and junior companies and in corporate positions with various organisations, implementing and managing exploration and evaluation programmes in remote and challenging regions to PFS and Bankable FS level to JORC, SAMREC and 43-101 standards.

Other current directorships

Director of Grosvenor Exploration & Mining Services (Ireland) Ltd
Non-Executive Director of Emerging Market Plc

Former directorships in the last 3 years

None

Special responsibilities

None

Interest in shares and options of the Company and related bodies corporate

No ordinary shares in Magnum Mining and Exploration Limited

Company secretary

Mr Grant Button

Please refer to the above Information on Directors section for further details.

Ms Jacqueline Barry

Ms Barry has over 12 years corporate administration experience and during this time has held assistant company secretarial roles for a number of publicly listed mining and exploration companies.

Meetings of directors

During the financial year there were four formal directors' meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

The number of meetings of the Company's board of directors attended by each director was:

| | <i>Directors' meetings held whilst in office</i> | <i>Directors' meetings attended</i> |
|------------------|---|--|
| G M Button | 4 | 4 |
| D F Lynton-Brown | 4 | 4 |
| R Spencer | 4 | 4 |

Directors' Report (continued)

Indemnification

Insurance of officers

During the financial year, the Company paid premiums to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Remuneration report (audited)

This report outlines the remuneration arrangements in place for key management personnel of the Company for the financial year ended 31 December 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The remuneration report details remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The key management personnel of the Company are the Directors.

Directors

Grant Button (Chief Executive Officer and Company Secretary)

Darryl Lynton-Brown (Non-Executive Chairman)

Roy Spencer (Executive Director)

Details of key management personnel's remuneration are set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration including Share Based Payment compensation
- C Employment contracts of directors

Directors' Report (continued)**Remuneration report (continued)**

The information provided under headings A-C includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance incentives
- transparency
- capital management

The framework provides a mix of fixed fee, consultancy agreement based remuneration, and share based incentives.

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by the Board. The Board's aim is to ensure the remuneration packages properly reflect directors' and executives' duties and responsibilities. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past thirteen (13) financial years.

Below is a table showing the Company's performance and EPS over the last four financial years.

| | 31 December 2012 | 31 December 2013 | 31 December 2014 | 31 December 2015 |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Financial year profit/ (loss) - \$ | (922,875) | (553,705) | (686,672) | 340,387 |
| Earnings/ (loss) per share – cents | (0.54) | (0.32) | (0.33) | 0.21 |
| Share price - cents | 3 | 1 | 2 | 3 |

Directors' Report (continued)

Remuneration report (continued)

B. Details of remuneration including Share Based Payment compensation

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market. Directors are not present at any discussions relating to determination of their own remuneration.

The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 31 May 2007, when shareholders approved an aggregate remuneration of \$150,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Employee share plan

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

The objective of the Magnum Employee Share Plan is to ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees. The plans provide an incentive for participants to participate in the future growth of the Company and, upon becoming shareholders in the Company, to participate in the Company's profits and development. There are no performance criteria attached to shares given the Company's projects are currently within an exploration phase.

The key features of the scheme are set out in Note 26.

Executive director remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business team and individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

The executive pay and reward framework has the following components:

- Base pay and benefits such as superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in the Directors and Employees Share Plan.

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Directors' Report (continued)

Remuneration report (continued)

B. Details of remuneration including Share Based Payment compensation (continued)

Fixed annual remuneration

Fixed annual remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate external advice on policies and practices. The Board of Directors has access to external and independent advice where necessary.

Some of the directors perform at least some executive or consultancy services. However, each director receives a separate fixed fee for their services as a director, as the Board considers it important to distinguish between the executive and non-executive roles held by those individuals.

Variable annual remuneration

Short-term incentives

There are no current short term incentive remuneration arrangements.

Long-term incentives

Retirement allowances for directors:

Apart from superannuation payments paid on base director fees there are no retirement allowances for directors.

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2015 and 2014 are set out in Tables 1 and 2 in Section C.

Employee share plan

To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees, the Company has established a Directors' and Employees' Share Plan (the "Plan"), which was approved by the Shareholders on 31 July 2006 at the Company's Annual General Meeting.

The number of Ordinary Shares that may be offered to a Participant is entirely within the discretion of the Board. The Company does not intend to offer more than 10% of the issued share capital of the Company under the current Plan.

The Board's policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold securities in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

Directors' Report (continued)**Remuneration report (continued)****B. Details of remuneration including Share Based Payment compensation (continued)**

Participants of the Plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the Plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan; and
- The Company will have a lien over the shares in respect of which a loan is outstanding.

The market value of the option implicit in the share issued under the Plan (funded by way of a loan on the conditions noted above), measured using the Black and Scholes option pricing model, is recognised in the financial statements as a share-based payment reserve and as employee benefit costs in the period over which the shares vest.

No new shares have been provided as remuneration to directors in the current or prior year, under the Employee Share Plan.

C. Employment contracts of directors

The employment arrangements of the directors are not formalised in a contract of employment.

Table 1: Directors' remuneration for the year ended 31 December 2015

| 2015 | <i>Primary benefits</i> | | <i>Post-employment benefits</i> | <i>Share-based payments</i> | <i>TOTAL</i> | <i>Performance related %</i> |
|------------------|--|------------------------|---------------------------------|-----------------------------|---------------|------------------------------|
| Name | <i>Cash salary and consulting fees</i> | <i>Directors' fees</i> | <i>Superannuation</i> | <i>Equity shares</i> | | |
| | \$ | \$ | \$ | \$ | \$ | |
| G M Button | - | 22,831 | 2,169 | - | 25,000 | - |
| D F Lynton-Brown | - | 22,831 | 2,169 | - | 25,000 | - |
| R Spencer | - | 25,000 | - | - | 25,000 | - |
| TOTAL | - | 70,662 | 4,338 | - | 75,000 | |

Directors' Report (continued)**Remuneration report (continued)****C. Employment contracts of directors (continued)***Table 2: Directors' remuneration for the year ended 31 December 2014*

| 2014 | Primary benefits | | Post-employment benefits | Share-based payments | TOTAL | Performance related % |
|------------------|---------------------------------|-----------------|--------------------------|----------------------|---------------|-----------------------|
| Name | Cash salary and consulting fees | Directors' fees | Superannuation | Equity shares | | |
| | \$ | \$ | \$ | \$ | \$ | |
| G M Button | - | 25,000 | 2,375 | - | 27,375 | - |
| D F Lynton-Brown | - | 25,000 | 2,375 | - | 27,375 | - |
| M McMahon | - | 22,740 | 2,160 | - | 24,900 | - |
| R Spencer | - | 2,260 | - | - | 2,260 | - |
| TOTAL | - | 75,000 | 6,910 | - | 81,910 | - |

D. Shareholdings of directors

The numbers of shares in the Company held during the financial year by each director of the Company, including their personally related entities, is set out below. Where shares are held by the individual director or executive and any entity under the joint or several control of the individual director or executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the individual director or executive are shown as 'non-beneficially held'.

| 2015 | | Balance at the start of the year | Purchased during the year | Other changes during the year | Balance at the end of the year |
|-------------------------|--------------------------|----------------------------------|---------------------------|-------------------------------|--------------------------------|
| Name | Type of holding | | | | |
| G M Button | Beneficially held | 4,440,000 | - | - | 4,440,000 |
| D F Lynton Brown | Beneficially held | 920,000 | - | - | 920,000 |
| R Spencer | Beneficially held | - | - | - | - |

Directors' Report (continued)**Remuneration report (continued)****D. Shareholdings of directors (continued)**

2014

| | | | | | |
|---------------------|-------------------|-----------|---------|---|-----------|
| G M Button | Beneficially held | 3,700,000 | 740,000 | - | 4,440,000 |
| D F Lynton Brown | Beneficially held | 920,000 | - | - | 920,000 |
| R Spencer | Beneficially held | - | - | - | - |
| M McMahon | Beneficially held | - | - | - | - |

The directors have no option holdings in the Company.

E. Transactions with related parties of directors

| | | Income from Related Parties | Expenditure to Related Parties | Amounts Owed by Related Parties at year end | Amounts Owed to Related Parties at year end |
|--|-------------|-----------------------------------|--------------------------------------|---|---|
| Grosvenor Exploration & Mining Services (Ireland) Ltd (i) | 2015 | - | 143,466 | - | - |
| | 2014 | - | 18,067 | - | - |

(i) Mr R Spencer, an Executive director, is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd. During the year, Grosvenor Exploration & Mining Services received the above fees for geological exploration consultancy services. These fees are based on normal commercial terms and conditions.

This is the end of the audited remuneration report.

Auditor independence and non-audit services

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 audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 31 December 2015.

Non-audit services

There were no non-audit services provided by the Company's auditors during the financial year ended 31 December 2015.

Directors' Report (continued)

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "G. Button". The signature is written in a cursive style with a large, looping initial "G".

Grant M Button
Director

Perth, Australia
31 March 2016



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Magnum Mining and Exploration Limited for the year ended 31 December 2015, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
31 March 2016

L Di Giallonardo
Partner

Corporate Governance Statement

The Board of Directors (Board) of the Company are committed to attaining and implementing the highest standards of corporate governance. The Board has reviewed the Company's corporate governance practices in accordance with the 3rd Edition of the Australian Securities Exchanges (ASX) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the present size and scope of the Company it is not practical to institute all of the best practice recommendations at present.

The Company reports below on how it has followed and "if not, why not" disclosure on each of the Principles & Recommendations.

The Corporate Governance statement has been approved by the Board and is current as at 31 March 2016.

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|--|-----------------|--|
| Principle 1: Lay solid foundations for management and oversight | | |
| Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management. | No | The Company considers Corporate Governance Recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the Company's operation, the number of directors constituting the Board and the fact that the Company has one part time employee. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions. |
| Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Yes | The Company undertakes comprehensive reference checks before appointing a person, or putting a person forward for election to shareholders, as a director. |
| Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes | The Company has written agreements with each director in accordance with Recommendation 1.3. |
| Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes | The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|--|-----------------|--|
| <p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> | No | <p>The Company has not established a Diversity Policy. Given the size of the Board, and the Company's limited employee, the Board considers that it is not practical to establish a Diversity Policy. At the date of this report, the Company has one part-time female employee. No women are currently represented on the Board.</p> |
| <p>Recommendation 1.6</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process</p> | Yes | <p>The Board undertakes annual self assessment of its collective performance and the performance of the Chairman. The Board is evaluated annually via round table discussion. The evaluation includes consideration of the following matters: assessment of the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and annual budget, review of the level and effectiveness of the Board's interaction with management review of the content, format and timing of information provided to directors, and review of Board and committee charters to assess if they remain appropriate to the Company's activities. Similar procedures to those for the Board review are applied to evaluate the performance of any Board committees. An assessment will be made of the performance of each committee and areas identified where improvements can be made. During the year, an evaluation of the Board and individual directors took place in accordance with the process disclosed above.</p> |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|---|-----------------|--|
| <p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Yes | The Chairman reviews the performance of senior executives by way of a formal interview with each senior executive. During the year, an evaluation of senior executive took place in accordance with the process disclosed above. |
| Principle 2 Structure the board to add value | | |
| <p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | No | The Board has not established a separate independent nomination committee. Given the current size and composition of the Board, the Board believes that where would be no efficiencies gained by establishing a nomination committee separate from the Board. Accordingly, the Board performs the role of Nomination Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions. |
| <p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | No | Given the current size and composition of the Board, the Company does not maintain a formal skills matrix setting out the skills and diversity of the Board. However, the current Board does have a mixture of experience and corporate, technical, financial and management skills that are consider appropriate for the Company's present operations. A profile of each director setting out their skills, experience, expertise and period of office is set out on page 6 and 7 of the Directors' Report. |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|---|-----------------|--|
| <p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | No | <p>Details of the Board of Directors, their length of service and independence are as follow: Mr Darryl Lynton-Brown - 8 years - Independent - Non-Executive Chairman; Mr Grant Button - 10 years - Not Independent - Executive Director; Mr Roy Spencer - 1 year - Not Independent - Executive Director. Given, the current size and composition of the Board, the Board is of the opinion that the Company is best served by its current Board's composition of executive and non-executive directors.</p> |
| <p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p> | No | <p>The Board comprises one director who is considered as independent in terms of Recommendation 2.3.</p> |
| <p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> | Yes | <p>The role of Chairman of the Company during the year, was held by Mr Darryl Lynton-Brown (who is considered as independent in terms of Recommendation 2.3) The Chief Executive Office during the year, was held by Mr Grant Button (who is not considered as independent in terms of Recommendation 2.3)</p> |
| <p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p> | Yes | <p>The Company has an informal induction process, due to the Board's size. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors will undertake their own continuing educations.</p> |
| Principle 3: Act ethically and responsibly | | |
| <p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> | No | <p>The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavor to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in Recommendation 3.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its shareholders for their conduct.</p> |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|---|-----------------|---|
| Principle 4: Safeguard integrity in financial reporting | | |
| <p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | No | <p>The Board has not established a separate independent audit committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing an audit committee separate from the Board. Accordingly, the Board performs the role of Audit Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.</p> |
| <p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | Yes | <p>The Chair and the Chief Executive Officer have provided a declaration to the Board, before it approves the Company's financial statements for a period.</p> |
| <p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | Yes | <p>A representative of the Company's external audit firm attends the AGM and is available to answer questions to security holders relevant to the audit.</p> |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|--|-----------------|--|
| Principle 5: Make timely and balanced disclosure | | |
| <p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p> | Yes | <p>The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules. The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirement and accountability at a senior management level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in Recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.</p> |
| Principle 6: Respect the rights of security holders | | |
| <p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p> | Will Comply | <p>Information about the Company and its governance will be available on the Company's website.</p> |
| <p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> | Yes | <p>The Company is committed to promoting effective communications with shareholders by ensuring they and the broader investment community is provided with full and timely disclosure of its activities providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.</p> |
| <p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> | Yes | <p>The Company gives adequate notice to shareholders of meetings of shareholders and encourages attendance at such meetings.</p> |
| <p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | Yes | <p>The Company engages its share registry to manage the majority of communications with shareholders and encourage them to receive correspondence from the Company electronically.</p> |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|---|-----------------|---|
| Principle 7: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework. | | |
| <p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | No | <p>The Board has not established a separate independent risk committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a risk committee separate from the Board. Accordingly, the Board performs the role of Risk Committee. The Board deals with any conflicts of interest that may occur when convening in the capacity of one of the committees by ensuring that the director with conflicting interests is not party to the relevant discussions.</p> |
| <p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | No | <p>The Board reviews the risks to the Company at regular Board's meeting.</p> |
| <p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | No | <p>Given, the size of the company's operation, the Company does not have an internal audit function.</p> |
| <p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> | Yes | <p>The Company does not believe it has any material exposure to economic, environmental and social sustainability risks.</p> |

Corporate Governance Statement (continued)

| Principles and Recommendations | Comply (Yes/No) | Explanation |
|---|-----------------|---|
| <p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | No | The functions that would be performed by a remuneration committee are performed by the full Board. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a remuneration committee separate from the Board. |
| <p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | No | An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remunerations Reports section of the Directors' Report. |
| <p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | Yes | The Company has a share trading policy which includes prohibiting participants of an equity-based remuneration scheme from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. |

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

| | Notes | Consolidated 2015 \$ | 2014 \$ |
|---|-------|----------------------------|------------|
| Revenue from continuing operations | 3 | 415 | 1,990 |
| Depreciation expense | | (3,712) | (10,420) |
| Exploration expensed as incurred | | (558,068) | (290,219) |
| Other expenses | | (475,999) | (351,257) |
| Loss before income tax expense | 4 | (1,037,364) | (649,906) |
| Income tax expense | 5 | - | - |
| Loss from continuing operations | | (1,037,364) | (649,906) |
| Profit / (loss) from discontinued operations | 6 | 1,377,751 | (36,766) |
| Net profit / (loss) for the year | | 340,387 | (686,672) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | (8,617) | (56,798) |
| <i>Reclassifications:</i> | | | |
| Reclassification to profit or loss on deconsolidation of subsidiaries | | 54,189 | - |
| Other comprehensive income/ (loss) for the year net of tax | | 45,572 | (56,798) |
| Total comprehensive income (loss) for the year | | 385,959 | (743,470) |
| Profit/ (loss) attributable to: | | | |
| Equity holder of the parent | | 489,966 | (619,961) |
| Non-controlling interests | | (149,579) | (66,711) |
| Net profit/ (loss) for the year | | 340,387 | (686,672) |

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

| | Notes | Consolidated | |
|--|-------|---------------|-----------|
| | | 2015 | 2014 |
| | | \$ | \$ |
| Total comprehensive income/ (loss) attributable to: | | | |
| Equity holder of the parent | | 535,538 | (676,759) |
| Non-controlling interests | | (149,579) | (66,711) |
| | | 385,959 | (743,470) |
| Total comprehensive income/ (loss) for the year | | | |
| | | 385,959 | (743,470) |
| Basic earnings/ (loss) per share (cents) | 25 | 0.21 | (0.33) |
| | | 0.21 | (0.33) |
| Basic earnings/ (loss) per share (cents) from continuing operations | 25 | (0.39) | (0.31) |
| | | (0.39) | (0.31) |

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

Consolidated Statement of Financial Position as at 31 December 2015

| | Notes | Consolidated | |
|---|-------|------------------|--------------|
| | | 2015 \$ | 2014 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 772,280 | 448,441 |
| Trade and other receivables | 8 | 51,082 | 145,715 |
| Total Current Assets | | 823,362 | 594,156 |
| Non-Current Assets | | | |
| Investments accounted for using the equity method | 9 | - | 114,497 |
| Plant and equipment | 10 | 8,572 | 7,361 |
| Exploration and evaluation expenditure | 12 | 2,060,834 | 2,060,834 |
| Rehabilitation guarantee | | 36,902 | 36,902 |
| Total Non-Current Assets | | 2,106,308 | 2,219,594 |
| Total Assets | | 2,929,670 | 2,813,750 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 148,428 | 418,467 |
| Total Current Liabilities | | 148,428 | 418,467 |
| Total Liabilities | | 148,428 | 418,467 |
| Net Assets | | 2,781,242 | 2,395,283 |
| EQUITY | | | |
| Issued capital | 14 | 20,517,335 | 20,517,335 |
| Reserves | 15 | 64,022 | 18,450 |
| Accumulated losses | 15 | (18,129,236) | (18,619,202) |
| Equity attributable to owners of the parent | | 2,452,121 | 1,916,583 |
| Non-controlling interests | | 329,121 | 478,700 |
| Total Equity | | 2,781,242 | 2,395,283 |

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

| Consolidated | Issued capital | Accumulated losses | Reserves | Non- controlling interests | Total equity |
|---|-------------------|-----------------------|----------------|----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 January 2014 | 19,182,068 | (17,999,241) | 75,248 | - | 1,258,075 |
| Loss for the year | - | (619,961) | - | (66,711) | (686,672) |
| Other comprehensive income: | | | | | |
| Currency translation differences | - | - | (56,798) | - | (56,798) |
| Total other comprehensive loss | - | - | (56,798) | - | (56,798) |
| Total comprehensive loss | - | (619,961) | (56,798) | (66,711) | (743,470) |
| Shares issued during the year | 1,365,264 | - | - | - | 1,365,264 |
| Share issue costs | (29,997) | - | - | - | (29,997) |
| Non-controlling interests: | | | | | |
| - on acquisition | - | - | - | 544,427 | 544,427 |
| - movement post acquisition | - | - | - | 984 | 984 |
| Balance at 31 December 2014 | 20,517,335 | (18,619,202) | 18,450 | 478,700 | 2,395,283 |
| Balance at 1 January 2015 | 20,517,335 | (18,619,202) | 18,450 | 478,700 | 2,395,283 |
| Profit/ (Loss) for the year | - | 489,966 | - | (149,579) | 340,387 |
| Other comprehensive income: | | | | | |
| Reclassification to profit/ (loss) on sale of subsidiaries | - | - | 54,189 | - | 54,189 |
| Currency translation differences | - | - | (8,617) | - | (8,617) |
| Total other comprehensive income/ (loss) | - | - | 45,572 | - | 45,572 |
| Total comprehensive income/ (loss) | - | 489,966 | 45,572 | (149,579) | 385,959 |
| Balance at 31 December 2015 | 20,517,335 | (18,129,236) | 64,022 | 329,121 | 2,781,242 |

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

Consolidated Statement of Cash Flows for the year ended 31 December 2015

| | Notes | Consolidated | |
|---|-------|------------------|------------------|
| | | 2015 \$ | 2014 \$ |
| Cash flows from operating activities | | | |
| Interest received | | 415 | 1,989 |
| GST | | 23,733 | 24,370 |
| Exploration expenditure | | (572,837) | (258,022) |
| Payments to suppliers and employees | | (437,314) | (371,325) |
| Cash flows from discontinued operations from operating activities | | - | (75,628) |
| Net cash outflow from operating activities | 24 | (986,003) | (678,616) |
| Cash flows from investing activities | | | |
| Payments for purchase of Gem Venus Project | | - | (952,324) |
| Payments for purchases of property, plant and equipment | | (6,303) | - |
| Repayments received from other entities | | 52,067 | - |
| Loans to other entities | | - | (52,067) |
| Cash flows from discontinued operations from investing activities | | 1,206,486 | 200,477 |
| Net cash inflow/ (outflow) from investing activities | | 1,252,250 | (803,914) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | - | 765,264 |
| Share issue costs | | - | (29,997) |
| Net cash inflow from financing activities | | - | 735,267 |
| Net increase/ (decrease) in cash and cash equivalents | | 266,247 | (747,263) |
| Cash and cash equivalents at the beginning of the year from continuing operations | | 448,441 | 1,195,704 |
| Effects of exchange rate changes on cash and cash equivalent | | 57,592 | - |
| Cash and cash equivalents at the end of the year | 7 | 772,280 | 448,441 |

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

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Magnum Mining and Exploration Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Namibia and South Africa. The Group's principal activity is mineral exploration.

Where appropriate, prior year disclosures have been reclassified for consistency with current year classifications. Any reclassifications do not impact the net result for the prior year.

(b) Statement of Compliance

The financial report was authorised for issue in accordance with a resolution of the Directors on 31 March 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Adoption of new and revised standards

New accounting standards and interpretations

In the year ended 31 December 2015, 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.

(d) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the year ended 31 December 2015.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Magnum Mining and Exploration Limited and its subsidiaries as at 31 December each year (the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

When applicable, non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

Investment in associated entities

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate, and its share of post-acquisition movements in reserves is recognised in reserves.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses unless it has incurred an obligation or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(f) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of exploration and evaluation expenditure and investments accounted for using the equity method

The Group determines whether exploration and evaluation expenditure and investments accounted for using the equity method are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the assets. The recoupment of costs carried forward is dependent on the successful exploration, development and commercial exploitation or sale of respective areas of interest.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions, as discussed in Note 26.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 26.

(g) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(h) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Magnum Mining and Exploration Limited.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest income is recognised on a time proportion basis using the effective interest method.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(j) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(l) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(l) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences is recognised in the statement of comprehensive income as part of the gain or loss on sale.

(m) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(m) Income Tax (continued)

As the Company has no wholly-owned Australian controlled entities it has not implemented the tax consolidation legislation.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment; furniture, fixtures and fittings – over 3 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(o) Property, plant and equipment (continued)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at fair value, impairment losses on land and buildings are treated as a revaluation decrement, to the extent of any previous revaluation increments.

(ii) De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(p) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(p) Financial assets (continued)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(q) Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(r) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(r) Impairment of assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(u) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(v) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of financial position charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(v) Share-based payment transactions (continued)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share.

(w) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Earnings per share

Basic earnings per share are calculated as net result attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net result attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Exploration and evaluation

Exploration and evaluation expenditure incurred may be accumulated in respect of each identifiable area of interest. Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred. Acquisition costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated acquisition costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward acquisition costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation in relation to an area may still be written off if considered to be appropriate to do so.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 1: Statement of Significant Accounting Policies (continued)

(y) Exploration and evaluation (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within plant and equipment.

(z) Going concern

The Group has a cash balance at 31 December 2015 of \$772,280. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. Thus the Directors are of the opinion that the Group is a going concern due to the following:

- (i) 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 the shareholders, the Company could raise approximately \$250,000.
- (ii) The Company will seek to raise additional working capital from capital raising.

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 Financial Statements

For the Year Ended 31 December 2015

Note 2: Financial reporting by segments

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 years ended 31 December 2015 and 31 December 2014.

| | Australia \$ | Namibia \$ | South Africa \$ | Consolidated \$ |
|---|-----------------|---------------|--------------------|--------------------|
| 31 December 2015 | | | | |
| Segment revenue | 415 | - | - | 415 |
| Segment profit/ (loss) | (458,281) | 1,377,751 | (579,083) | 340,387 |
| Segment assets | 828,218 | - | 2,101,452 | 2,929,670 |
| Segment liabilities | 82,665 | - | 65,763 | 148,428 |
| Included within segment results: | | | | |
| Depreciation | 3,712 | - | - | 3,712 |
| Discontinued operations | - | 1,377,751 | - | 1,377,751 |
| Interest revenue | 415 | - | - | 415 |
| 31 December 2014 | | | | |
| Segment revenue | 1,989 | - | 1 | 1,990 |
| Segment profit/ (loss) | (389,958) | (36,766) | (259,948) | (686,672) |
| Segment assets | 706,198 | 5,798 | 2,101,754 | 2,813,750 |
| Segment liabilities | 369,792 | 323 | 48,352 | 418,467 |
| Included within segment results: | | | | |
| Depreciation | 10,420 | - | - | 10,420 |
| Discontinued operations | - | 27,762 | - | 27,762 |
| Interest revenue | 1,989 | - | 1 | 1,990 |

Notes to the Financial Statements

For the Year Ended 31 December 2015

| | Consolidated | |
|---|---------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Note 3: Revenue | | |
| From continuing operations | | |
| <i>Other revenue</i> | | |
| Interest received | 415 | 1,990 |
| | 415 | 1,990 |
| Note 4: Expenses | | |
| Loss before income tax includes the following specific expenses: | | |
| Depreciation | 3,712 | 10,420 |
| Superannuation contributions | 11,656 | 12,488 |
| Foreign exchange loss | - | 8,246 |
| Exploration expensed as incurred | 558,068 | 290,219 |
| Other than directors, the Company has 1 employee (2014: 1). | | |
| Note 5: Income tax benefit | | |
| (a) Numerical reconciliation of income tax benefit to prima facie tax payable | | |
| Profit/ (Loss) before income tax expense | 340,387 | (686,672) |
| Tax at the Australian rate of 30% (2014: 30%) | (102,116) | 206,002 |
| Tax effect of amounts which are (not deductible)/ taxable in calculating taxable income | (130,360) | (37,099) |
| Deferred tax asset not brought to account | 232,476 | (168,903) |
| Income tax benefit | - | - |
| (b) Tax losses | | |
| Unused tax losses for which no deferred tax asset has been recognised | 5,405,220 | 6,180,140 |
| Potential tax benefit @ 30% | 1,621,566 | 1,854,042 |

This potential tax benefit will be reduced by any applicable income tax payable on the disposal of the interest in Tameka Shelf Company Four (Pty) Ltd, Namibian Tantalite Investments (Pty) Ltd and Tantalite Valley Estate (Pty) Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 5: Income tax benefit (continued)

The benefit of these tax losses will only be realised if the Group derives further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; the Group continues to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affects the Group's ability in realising the benefit from the deductions.

Note 6: Profit/ (loss) from discontinued operations

During the year, the Company completed the 100% sell-down of the Tantalite Valley Project via the sale of its two Namibian subsidiaries to a Namibian incorporated investment vehicle African Tantalum (Pty) Limited.

Consideration for the sell-down was R15,000,000, less an amount of R550,000 retained by the purchaser for estimated VAT payable by the subsidiaries. The net proceeds amounted to R14,450,000 (\$A equivalent approximately \$1.44 million).

The Company has also signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This will formally complete all requirements in relation to the sell-down of the Tantalite Valley Project.

The profit from discontinued operations in the current year has been determined as follows:

| | <u>\$</u> |
|---|------------------|
| Net proceeds from sale | 1,440,794 |
| Loss on investment in associate (shares donated) | (96,506) |
| Impairment of loans | (20,726) |
| Reclassification of items of Comprehensive Income | 54,189 |
| | <u>1,377,751</u> |
| <u>Statement of Cash Flows reconciliation:</u> | |
| Net proceeds as per above | 1,440,794 |
| Less: Deposit received in the previous year | (211,333) |
| Less: Costs of sale | (22,975) |
| Cash received | <u>1,206,486</u> |

In the previous year, the net loss from the discontinued operations amounted to \$36,766.

| | Consolidated | |
|--|---------------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Note 7: Cash and cash equivalents | | |
| Cash at bank and on hand | 771,964 | 448,441 |
| Petty cash | 316 | - |
| | <u>772,280</u> | <u>448,441</u> |

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 7: Cash and cash equivalents (continued)

(a) Cash at bank and on hand

Cash at bank balances are subject to interest at variable rates and the average rate for the year was 0.05% (2014: 0.05%).

(b) Deposits at call

As at reporting date, the Company does not hold any funds on deposits at call.

Note 8: Trade and other receivables

| | | |
|--|---------------|----------------|
| Sundry debtors | 13,818 | 8,796 |
| Other debtors | 6,927 | 76,546 |
| Bonds | 9,818 | - |
| Costs associated to the sale of interest in subsidiaries | - | 42,017 |
| Prepayments | 20,519 | 18,356 |
| | <u>51,082</u> | <u>145,715</u> |

Note 9: Investments accounted for using the equity method

| | | |
|-------------------------------|----------|----------------|
| Shares in associate (Note 22) | - | 114,497 |
| | <u>-</u> | <u>114,497</u> |

During, the year, the Company signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This company was the owner of the land on which the subsidiaries disposed of (Note 6) had a license to mine. This formally completed all requirements in relation to the sell-down of the Tantalite Valley Project.

Notes to the Financial Statements**For the Year Ended 31 December 2015****Note 10: Plant and equipment**

| Consolidated | Plant and equipment \$ | Furniture, fixtures and fittings \$ | Total \$ |
|------------------------------------|---------------------------------------|--|---------------------|
| At 1 January 2014 | | | |
| Cost | 32,165 | 32,067 | 64,232 |
| Accumulated depreciation | (18,602) | (27,849) | (46,451) |
| Net book amount | 13,563 | 4,218 | 17,781 |
| Year ended 31 December 2014 | | | |
| Opening net book amount | 13,563 | 4,218 | 17,781 |
| Depreciation charge | (6,248) | (4,172) | (10,420) |
| Closing net book amount | 7,315 | 46 | 7,361 |
| At 31 December 2014 | | | |
| Cost | 21,908 | 145 | 22,053 |
| Accumulated depreciation | (14,593) | (99) | (14,692) |
| Net book amount | 7,315 | 46 | 7,361 |
| At 1 January 2015 | | | |
| Cost | 21,908 | 145 | 22,053 |
| Accumulated depreciation | (14,593) | (99) | (14,692) |
| Net book amount | 7,315 | 46 | 7,361 |
| Year ended 31 December 2015 | | | |
| Opening net book amount | 7,315 | 46 | 7,361 |
| Acquisition of assets | 2,423 | 2,500 | 4,923 |
| Depreciation charge | (3,484) | (228) | (3,712) |
| Closing net book amount | 6,254 | 2,318 | 8,572 |
| At 31 December 2015 | | | |
| Cost | 24,331 | 2,645 | 26,976 |
| Accumulated depreciation | (18,077) | (327) | (18,404) |
| Net book amount | 6,254 | 2,318 | 8,572 |

Notes to the Financial Statements**For the Year Ended 31 December 2015****Note 11: Interest in subsidiaries**

| Name | Country of Incorporation | Percentage of equity interest held by consolidated entity | |
|---|--------------------------|---|------------------|
| | | 31 December 2015 | 31 December 2014 |
| Tameka Shelf Company Four (Pty) Ltd | Namibia | - | 100% |
| Namibian Tantalite Investments (Pty) Ltd | Namibia | - | 100% |
| Magnum Tantalite (Pty) Ltd | South Africa | 100% | 100% |
| GEM Venus Holdings (Pty) Ltd | South Africa | 100% | 100% |
| Venus Emeralds (Pty) Ltd (i) | South Africa | 74% | 74% |
| Adit Mining Consultants & Trading (Pty) Ltd (i) | South Africa | 74% | 74% |

(i) Interest held by GEM Venus Holdings (Pty) Ltd

During the year, the Company completed the 100% sell-down of the Tantalite Valley Project via the sale of its two Namibian subsidiaries to a Namibian incorporated investment vehicle African Tantalum (Pty) Limited.

Consideration for the sell-down was R15,000,000, less an amount of R550,000 retained by the purchaser for estimated VAT payable by the subsidiaries. The net proceeds amounted to R14,450,000 (\$A equivalent approximately \$1.44 million).

The Company has also signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This will formally complete all requirements in relation to the sell-down of the Tantalite Valley Project.

Note 12: Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

| Exploration and evaluation phase at cost | Consolidated | |
|---|--------------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Balance at beginning of the year | 2,060,834 | - |
| Costs of acquisition of prospecting right | - | 2,060,834 |
| Balance at end of year | 2,060,834 | 2,060,834 |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependant on the successful development and commercial exploitation or sale of the respective areas.

Notes to the Financial Statements

For the Year Ended 31 December 2015

| | Consolidated | |
|--|----------------|----------------|
| | 2015 | 2014 |
| Note 13: Trade and other payables | \$ | \$ |
| Trade payables | 2,465 | 42,408 |
| Other creditors and accruals | 145,963 | 148,897 |
| Deposit on sale of interest in subsidiaries | - | 211,333 |
| Loan due from Tantalite Valley Estates (Pty) Ltd | - | 15,829 |
| | 148,428 | 418,467 |

Note 14: Issued capital

Share capital

| | | Consolidated | | Consolidated | |
|---|------------|--------------------|----------------|-------------------|------------|
| | | 2015 Shares | 2014 Shares | 2015 \$ | 2014 \$ |
| (a) Share Capital | | | | | |
| Ordinary shares | | | | | |
| Ordinary shares fully paid | (a) | 218,128,812 | 218,128,812 | 19,615,977 | 19,615,977 |
| Employee share plan shares that are subject to restrictions | (b) | 11,450,000 | 11,450,000 | 901,358 | 901,358 |
| At reporting date | | 229,578,812 | 229,578,812 | 20,517,335 | 20,517,335 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 31 December 2015 there were 229,578,812 ordinary shares fully paid on issue.

(a) Ordinary shares issued

| | Consolidated | | Consolidated | |
|--|--------------------|-------------------|----------------|------------|
| | 2015 Number | 2015 \$ | 2014 Number | 2014 \$ |
| Movements in ordinary share capital | | | | |
| Balance at the beginning of the year | 218,128,812 | 19,615,977 | 159,865,612 | 18,280,710 |
| Shares issued pursuant to the non-renounceable, pro rata rights issue | - | - | 38,263,200 | 765,264 |
| Shares issued as part consideration for the purchase of Gem Venus Project | - | - | 20,000,000 | 600,000 |
| Less: Transaction costs arising on non-renounceable pro rata rights issue | - | - | - | (26,905) |
| Less: Transaction costs arising on shares issued as part consideration for the purchase of Gem Venus Project | - | - | - | (3,092) |
| Balance at end of the year | 218,128,812 | 19,615,977 | 218,128,812 | 19,615,977 |

Notes to the Financial Statements**For the Year Ended 31 December 2015****Note 14: Issued capital (continued)****(b) Shares issued under the employee share plan shares**

| | Consolidated | | Consolidated | |
|--|-------------------|----------------|--------------|---------|
| | 2015 | 2015 | 2014 | 2014 |
| | Number | \$ | Number | \$ |
| Movements in employee share plan shares | | | | |
| Balance at the beginning of the year | <u>11,450,000</u> | <u>901,358</u> | 11,450,000 | 901,358 |
| Balance at end of the year | <u>11,450,000</u> | <u>901,358</u> | 11,450,000 | 901,358 |

Note 15: Reserves and accumulated losses

| | Consolidated | Consolidated |
|---------------------------|--------------|--------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Accumulated losses | | |

Movements in accumulated losses were as follows:

| | | |
|--|---------------------|--------------|
| Balance at beginning of financial year | (18,619,202) | (17,999,241) |
| Net profit/ (loss) for the year | <u>489,966</u> | (619,961) |
| Balance at end of financial year | <u>(18,129,236)</u> | (18,619,202) |

Reserves**(a) Movements in reserves were as follows:**

| | Share-based payment reserve | Foreign currency translation reserve | Total |
|--|-----------------------------------|--|---------------|
| | \$ | \$ | \$ |
| Consolidated | | | |
| At 1 January 2015 | 448,137 | (429,687) | 18,450 |
| Foreign currency translation | - | (8,617) | (8,617) |
| Reclassification to profit on sale of subsidiaries | - | 54,189 | 54,189 |
| At 31 December 2015 | <u>448,137</u> | <u>(384,115)</u> | <u>64,022</u> |

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 15: Reserves and accumulated losses (continued)

Reserves (continued)

| | Share-based payment reserve \$ | Foreign currency translation reserve \$ | Total \$ |
|------------------------------|--------------------------------------|--|-------------|
| Consolidated | | | |
| At 1 January 2014 | 448,137 | (372,889) | 75,248 |
| Foreign currency translation | - | (56,798) | (56,798) |
| At 31 December 2014 | 448,137 | (429,687) | 18,450 |

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve is used to recognise:

- the fair value of options issued to employees but not exercised; and
- the fair value of shares issued to employees.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in the statement of comprehensive income when the net investment is disposed of. The reserve also includes the Group's share of the post-acquisition movements in the associated Company's foreign currency translation reserve, refer to Note 22(b).

Note 16: Parent Entity Disclosures

| | 2015 \$ | 2014 \$ |
|------------------------------------|--------------|--------------|
| Assets | | |
| Current assets | 819,646 | 584,340 |
| Non-current assets | 2,044,172 | 1,924,630 |
| Total assets | 2,863,818 | 2,508,970 |
| Liabilities | | |
| Current liabilities | 82,576 | 353,998 |
| Total liabilities | 82,576 | 353,998 |
| Equity | | |
| Issued capital | 20,517,335 | 20,517,335 |
| Accumulated losses | (18,184,230) | (18,810,500) |
| Shares based payment reserve | 448,137 | 448,137 |
| Total equity | 2,781,242 | 2,154,972 |
| Financial performance | | |
| Profit/ (Loss) for the year | 626,270 | (435,237) |
| Total comprehensive income/ (loss) | 626,270 | (435,237) |

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 17: Key management personnel disclosures

(a) Directors

The following persons were directors of the Company during the financial year:

(i) *Chairman – Non-executive*
D F Lynton Brown

(ii) *Executive director*
G M Button
R Spencer

No other key management personnel were identified during the period.

(b) Key management personnel compensation

| | Consolidated | |
|------------------------------|---------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Short-term employee benefits | 70,662 | 75,000 |
| Post-employment benefits | 4,338 | 6,910 |
| Total compensation | 75,000 | 81,910 |

The Company has taken advantage of the relief provided by the *Corporations Regulations* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-E of the remuneration report.

(c) Other transactions of key management personnel

| | | Income from Related Parties | Expenditure to Related Parties | Amounts Owed by Related Parties at year end | Amounts Owed to Related Parties at year end |
|--|-------------|--|---|--|--|
| | | \$ | \$ | \$ | \$ |
| Grosvenor Exploration & Mining Services (Ireland) Ltd (i) | 2015 | - | 143,466 | - | - |
| | 2014 | - | 18,067 | - | - |

(i) Mr R Spencer, an Executive director, is a director of Grosvenor Exploration & Mining Services (Ireland) Ltd. During the year, Grosvenor Exploration & Mining Services received the above fees for geological exploration consultancy services. These fees are based on normal commercial terms and conditions.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 18: Remuneration of auditors

| (a) Audit services | Consolidated | |
|---|---------------|--------|
| | 2015 | 2014 |
| | \$ | \$ |
| <i>Audit and review services</i> | | |
| Auditors of parent entity (HLB Mann Judd) | | |
| Audit and review of financial reports under the <i>Corporations Act 2001</i> | 27,570 | 24,000 |
| Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group | 1,737 | 4,456 |
| | | |
| Total remuneration for audit services | 29,307 | 28,456 |

(b) Non-audit services

During the year ended 31 December 2015, the auditors did not provide any non-audit services.

It is the Group's policy to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. It is Group policy to seek competitive tenders for all major consulting projects.

Note 19: Contingencies

(a) Contingent liabilities

As at the reporting date the Company had no contingent liabilities.

(b) Contingent assets

As at reporting date the Company had no contingent assets.

Note 20: Commitments

There were no commitments to external parties during the year.

Note 21: Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is Magnum Mining and Exploration Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 11.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

Notes to the Financial Statements**For the Year Ended 31 December 2015****Note 22: Investments in associates****Tantalite Valley Estates (Pty) Ltd****(a) Carrying amounts**

| Name of Entity | Ownership interest | | Consolidated | |
|------------------------------------|--------------------|------|--------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| | % | % | \$ | \$ |
| Tantalite Valley Estates (Pty) Ltd | - | 49 | - | 114,497 |

(b) Movement in carrying amounts

| | | |
|--|----------|---------|
| Carrying amount at the beginning of the year | 114,497 | 104,206 |
| Share of income/ (loss) before income tax | - | 12,287 |
| Share of foreign currency translation reserve | (2,162) | (1,996) |
| Loss of investment in associate (shares donated) | (96,506) | - |
| Loans impaired | (15,829) | - |
| Carrying amount at the end of the year | - | 114,497 |

(c) Summarised financial information of associates

| | Group's share of: | | | |
|------------------------------------|-------------------|-------------|----------|-------------------|
| | Assets | Liabilities | Revenues | Profit / (Losses) |
| | \$ | \$ | \$ | \$ |
| 2015 | | | | |
| Tantalite Valley Estates (Pty) Ltd | - | - | - | - |
| 2014 | | | | |
| Tantalite Valley Estates (Pty) Ltd | 154,531 | - | - | 12,287 |

During the year, the Company signed a deed of donation to dispose of all the issued shares held by the Company, being 9,800 ordinary shares, representing 49% of the total issued shares in Tantalite Valley Estate (Pty) Ltd. This formally completed all requirements in relation to the sell-down of the Tantalite Valley Project.

Note 23: Events occurring after the reporting 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.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 24: Reconciliation of loss after income tax to net cash outflow from operating activities

| | Consolidated | |
|---|------------------|------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Profit / (loss) for the year | 340,387 | (686,672) |
| Depreciation | 3,712 | 10,420 |
| Profit on sale of plant and equipment | - | (15,332) |
| Write down of plant and equipment | 1,380 | - |
| Impairment of loans | 38,314 | - |
| Profit from discontinued operations | (1,377,751) | 2,572 |
| Foreign exchange loss | 45,690 | 8,246 |
| Change in operating assets and liabilities: | | |
| (Increase) / decrease in trade receivables | (38,284) | (23,114) |
| Increase / (decrease) in trade payables | 549 | 25,264 |
| Net cash outflow from operating activities | <u>(986,003)</u> | <u>(678,616)</u> |

Note 25: Earnings/ (loss) per share

| | Consolidated | |
|--|--------------------|--------------------|
| | 2015 | 2014 |
| | Cents | Cents |
| Basic earnings / (loss) per share | 0.22 | (0.33) |
| Basic earnings / (loss) per share from continuing operations | <u>(0.37)</u> | <u>(0.33)</u> |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share | <u>229,578,812</u> | <u>190,805,771</u> |

| | \$ | \$ |
|--|------------------|------------------|
| Profit / (loss) attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share | <u>489,966</u> | <u>(619,961)</u> |
| Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share from continuing operations | <u>(887,785)</u> | <u>(583,195)</u> |

The Company's potential ordinary shares, being its share plan shares, are not considered dilutive as the conversion of these share plan shares would not have a dilutive effect.

Note 26: Share-based payments

(a) Employee Share Plan

Schemes under which shares may be issued by the Company to directors, consultants or employees for no cash consideration were approved by shareholders at the 2006 and 2008 Annual General Meetings.

Participants of the Plan are determined by the Board and can be directors, consultants or employees to the Company or a subsidiary. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 26: Share-based payments (continued)

The issue price for the shares issued under the Plan is not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as share capital and as part of employee benefit costs in the period the shares are vested.

A participant who is invited to subscribe for shares under the Plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Interest free;
- Applied directly against the issue price of the shares to be acquired under the Plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal; and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the Plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the Plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

All shares issued under the Plan with non-recourse loans are considered to be equivalent in nature to options. Therefore, the fair value of shares issued under the Plan is determined in the same way as options would be.

The fair value at grant date of the director shares is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No new shares have been issued under the plans during the current or prior financial year.

Note 27: Financial Instruments

(a) Capital risk management

The Group does not have any debt facilities outside of normal creditor trading terms and thus does not deem it necessary for a formal capital risk management charter.

The Group manages its capital to ensure that companies within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings.

None of the Group's companies are subject to externally imposed capital requirements.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 27: Financial Instruments (continued)

(a) Capital risk management (continued)

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as general administrative outgoings.

(b) Categories of financial instruments

| | Consolidated | |
|------------------------------|---------------------|-------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Financial assets | | |
| Loans & receivables | 51,082 | 145,715 |
| Cash and cash equivalents | 772,280 | 448,441 |
| | 823,362 | 594,156 |
| Financial liabilities | | |
| Financial liabilities | 148,428 | 418,467 |
| | 148,428 | 418,467 |

(c) Financial risk management objectives

The Group does not speculate in the trading of derivatives. The Group is exposed to market risk (including currency risk, fair value interest rate risk and other price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it primarily to the financial risks of foreign currency exchange rates. There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

(ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(iii) Interest rate risk

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company had no external borrowings or loans as at 31st December 2015.

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company had no external borrowings or loans as at 31st December 2015.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 27: Financial Instruments (continued)

(d) Market risk (continued)

| | 31 December 2015 | | 31 December 2014 | |
|---------------|--|---------------|--|---------------|
| | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Cash balances | 0.05% | 772,280 | 0.05% | 448,441 |

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency exposure in light of exchange rate movements.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | Liabilities | | Assets | |
|--------------------------|-------------|------------|------------|------------|
| | 2015 \$ | 2014 \$ | 2015 \$ | 2014 \$ |
| South African Rand (ZAR) | (65,763) | (48,352) | 2,101,452 | 2,101,754 |
| Namibian dollar | - | (323) | - | 5,798 |

(f) Foreign currency sensitivity analysis

The Group has no material exposure to foreign currency fluctuations.

(g) Interest rate risk management

The Group and parent entity are exposed to interest rate risk as entities in the Group maintain funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate liquid funds.

During the year ended 31 December 2015, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year. The impact on equity would have been the same.

The Group and parent entity's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Notes to the Financial Statements

For the Year Ended 31 December 2015

Note 27: Financial Instruments (continued)

(h) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

(i) Liquidity risk management

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

Liquidity and interest rate risk tables

Consolidated

| | Weighted average effective interest rates % | Less than 1 month \$ | 1 – 3 months \$ | 3 months – 1 year \$ | 1 – 5 years \$ | 5 + years \$ |
|---|---|----------------------|-----------------|----------------------|----------------|--------------|
| 2015 | | | | | | |
| Non-interest bearing | - | - | 148,428 | - | - | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |
| | | | | | | |

Notes to the Financial Statements**For the Year Ended 31 December 2015****Note 27: Financial Instruments (continued)****(i) Liquidity risk management (continued)****Consolidated**

| | Weighted average effective interest rates % | Less than 1 month \$ | 1 – 3 months \$ | 3 months – 1 year \$ | 1 – 5 years \$ | 5 + years \$ |
|---------------------------------------|--|-------------------------------------|--------------------------------|-------------------------------------|---------------------------|-----------------------------|
| 2014 | | | | | | |
| Non-interest bearing | - | - | 402,638 | - | 15,829 | - |
| Variable interest rate instruments | - | - | - | - | - | - |
| Fixed interest rate instruments | - | - | - | - | - | - |

The above table details the Group's contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

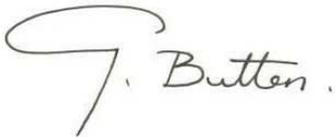
(j) Fair value of financial instruments

For financial assets and liabilities, the net fair value approximates the carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where carrying amount exceeds net fair value at reporting date.

Directors' Declaration

1. In the opinion of the directors of Magnum Mining and Exploration Limited (the 'Company'):
 - a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2015.

This declaration is signed in accordance with a resolution of the Board of Directors.



Grant M Button
Director
31 March 2016



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Magnum Mining and Exploration Limited

Report on the Financial Report

We have audited the accompanying financial report of Magnum Mining and Exploration Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hib@hibwa.com.au. Website: <http://www.hib.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.



Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

- (a) the financial report of Magnum Mining and Exploration Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(z) to the financial report which indicates that the ability of the Group to continue as a going concern is dependent upon raising additional capital. Should the Group be unable to raise sufficient additional capital, there is a material uncertainty that may cast significant doubt about 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.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Magnum Mining and Exploration Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'L Di Giallonardo'.

L Di Giallonardo
Partner

Perth, Western Australia
31 March 2016

Shareholder Information

The shareholder information set out below was applicable as at 22 March 2016.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

| | Fully Paid Shares | % |
|---------------------|--------------------------|----------|
| Farmingacre Limited | 17,000,000 | 7.40 |

2. Voting Rights

The voting rights attaching to the shares are, on a show of hands every member present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

(i) Analysis of numbers of shareholders by size of holding:

| No. of Shares | No. of Shareholders |
|----------------------|----------------------------|
| 1 – 1,000 | 124 |
| 1,001 – 5,000 | 318 |
| 5,001 – 10,000 | 130 |
| 10,001 – 100,000 | 298 |
| 100,001 and over | 189 |
| | 1,059 |

(ii) There were 639 holders of less than a marketable parcel of shares.

Shareholder Information (continued)**5. Twenty Largest Shareholders**

| Name of Shareholder: | Number Held: | Percentage of Issued Shares: |
|--|---------------------|-------------------------------------|
| 1. Farmingacre Limited | 17,000,000 | 7.40 |
| 2. Second Impact Investments Limited | 14,159,994 | 6.17 |
| 3. Sunshore Holdings Pty Ltd | 11,152,200 | 4.86 |
| 4. Rogue Investments Pty Ltd | 10,500,000 | 4.57 |
| 5. J P Morgan Nominees Australia Limited | 8,293,951 | 3.61 |
| 6. Aero Agencies International | 8,000,000 | 3.48 |
| 7. Sorrel Enterprises Limited | 6,000,000 | 2.61 |
| 8. Stately Glory Limited | 6,000,000 | 2.61 |
| 9. Cintra Holdings Pty Ltd <Account Cintra Family> | 5,191,866 | 2.26 |
| 10. Allgreen Holdings Pty Ltd | 5,000,000 | 2.18 |
| 11. Juneday Pty Ltd | 5,000,000 | 2.18 |
| 12. Dr Salim Cassim | 4,440,000 | 1.93 |
| 13. Timriki Pty Ltd | 4,290,816 | 1.87 |
| 14. Ruby Hall Pty Ltd | 3,712,016 | 1.62 |
| 15. Mr Grant Button | 3,600,000 | 1.57 |
| 16. Platinum Investment Corporation Pty Ltd | 3,220,000 | 1.40 |
| 17. Balloch Rise Corporation | 3,200,000 | 1.39 |
| 18. Mr Ed Nealon | 3,120,000 | 1.36 |
| 19. Houtbay International Limited | 3,000,000 | 1.31 |
| 20. Legend Holdings (Proprietary) Limited | 3,000,000 | 1.31 |
| Top 20 holders of Ordinary Shares (Total) | 127,880,843 | 55.70 |

6. Schedule of Tenements

| Location | Project | Tenement Type | Number | Interest | Status |
|--------------------------------|----------------|----------------------|---------------|-----------------|---------------|
| Limpopo Province, South Africa | Gravelotte | Mining Right | MPT 85/2014 | 74% | Granted |
| Limpopo Province, South Africa | Gravelotte | Prospecting Right | LP 204 PR | 74% | Granted |

THIS PAGE IS LEFT BLANK INTENTIONALLY