Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Annual report
Year ended 31 December 2019

Contents

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H Dawson
G M Button
F Cannavo

Company secretary
G M Button

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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

Gravelotte Project, South Africa

About the Gravelotte Project (South Africa)

Magnum's 74%-owned Gravelotte Project is located in the Limpopo Province of South Africa.

Emeralds were discovered in the province in 1927 and, since then, several companies have explored for and mined within the broader region for emeralds.

From 1929 to 1982 the total recorded emerald production from the Gravelotte Project, as well as the area surrounding the nearby Gravelotte township, was nearly 113 million carats.

It is reported that during the 1960's the Gravelotte Project itself was the largest emerald mine of its type in the world, employing over 400 sorters.

Figure 1: Gravelotte Infrastructure

Why is Magnum at Gravelotte?

The Gravelotte Project provides Magnum with a medium term production opportunity in the niche commodity of emeralds where demand is growing.

The project offers established infrastructure, existing and accessible open cuts together with extensive low grade dumps, a large (albeit incomplete) historic data base, a nearby and available work force, local on-site technical expertise and a nearby township that can serve as a supply centre.

The Company has maintained and refurbished much of the extensive mine site infrastructure at Gravelotte including offices, laboratory, workshops, garages, management accommodation complex and a mine hostel to accommodate mine workers.

The mine site is well situated with utilities and logistics being serviced by ESKOM grid power, has a sealed road to the mine gate and has a working airstrip.

Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

Trial Mining and Processing

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

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

Table 1: Run of Mine Sample Co-ordinates

The run of mine material was then stockpiled before being progressively processed to recover emeralds and to determine preferred host lithology, grade and stone quality.

The mining and stockpiling of an estimated 2,000 tonnes of emerald bearing rock from the Discovery Pit was a low priority and during the December quarter determined as unnecessary as sufficient similar material was available from the Cobra stockpiles.

Geology

The emerald mineralisation at Gravelotte is contained within a mafic schist that is bounded by a granite and a felsic porphyry. Historic production and drilling data shows that whilst the large majority of the schist is emerald mineralised, the grade distribution is heterogeneous.

One of the key aims therefore in the processing of the run of mine material was to gain an understanding of how to predict the higher grade zones within the schist so as to allow for the better grade material to form the bulk of the processed material.

The processing programme indicated that the schist zones that also contained biotite appear to be biased towards better grades and quality of emeralds.

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

Crushing Plant

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

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

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

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

Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

XRF Sorter

The XRF unit arrived on site in late May 2019 and calibration commenced almost immediately prior to the commencement of the processing of +3mm-10mm and +10mm-30mm fractions.

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

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

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

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

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

This operating problem, which was purely a machine fault, was only partly resolved before operations were completed late in the December quarter after sufficient emeralds had been recovered for marketing purposes.

Despite the inefficiency of machine operation on the finer size fraction the use of XRF technology has shown to be positive and discussions are continuing with alternate manufacturers for the supply of XRF sorters for a potentially commercial operation.

A total of 9,425 carats were recovered during the testing programme which crushed and treated an average run of mine (not ore) grade of 10.47 Carats per tonne (C/t).

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

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

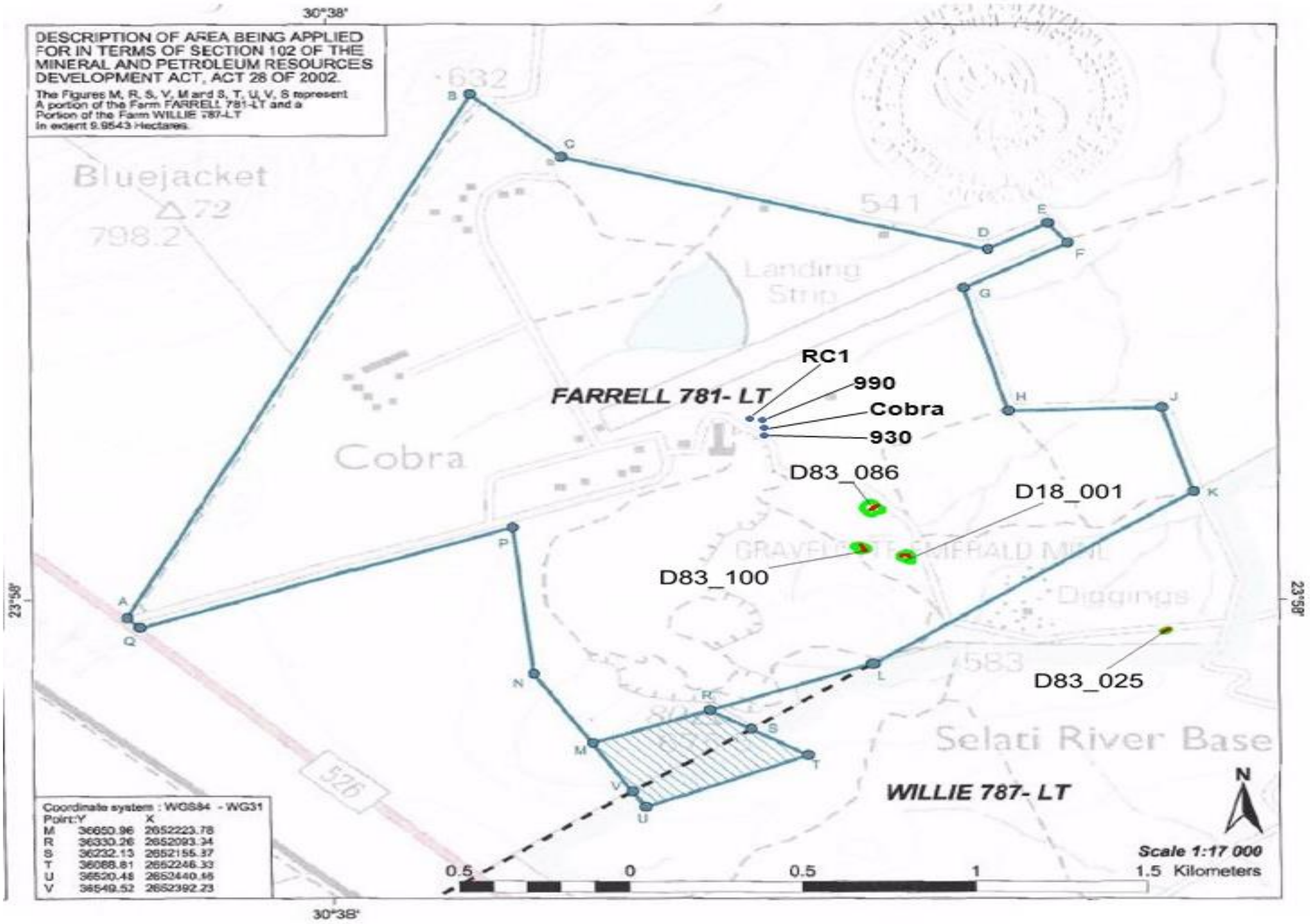
Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

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

Photo 2: Partially cleaned emeralds from 990 mining cut (see Figure 2)

Figure 2: Location Plan of Run of Mine locations relative to Mining Lease Boundary



Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

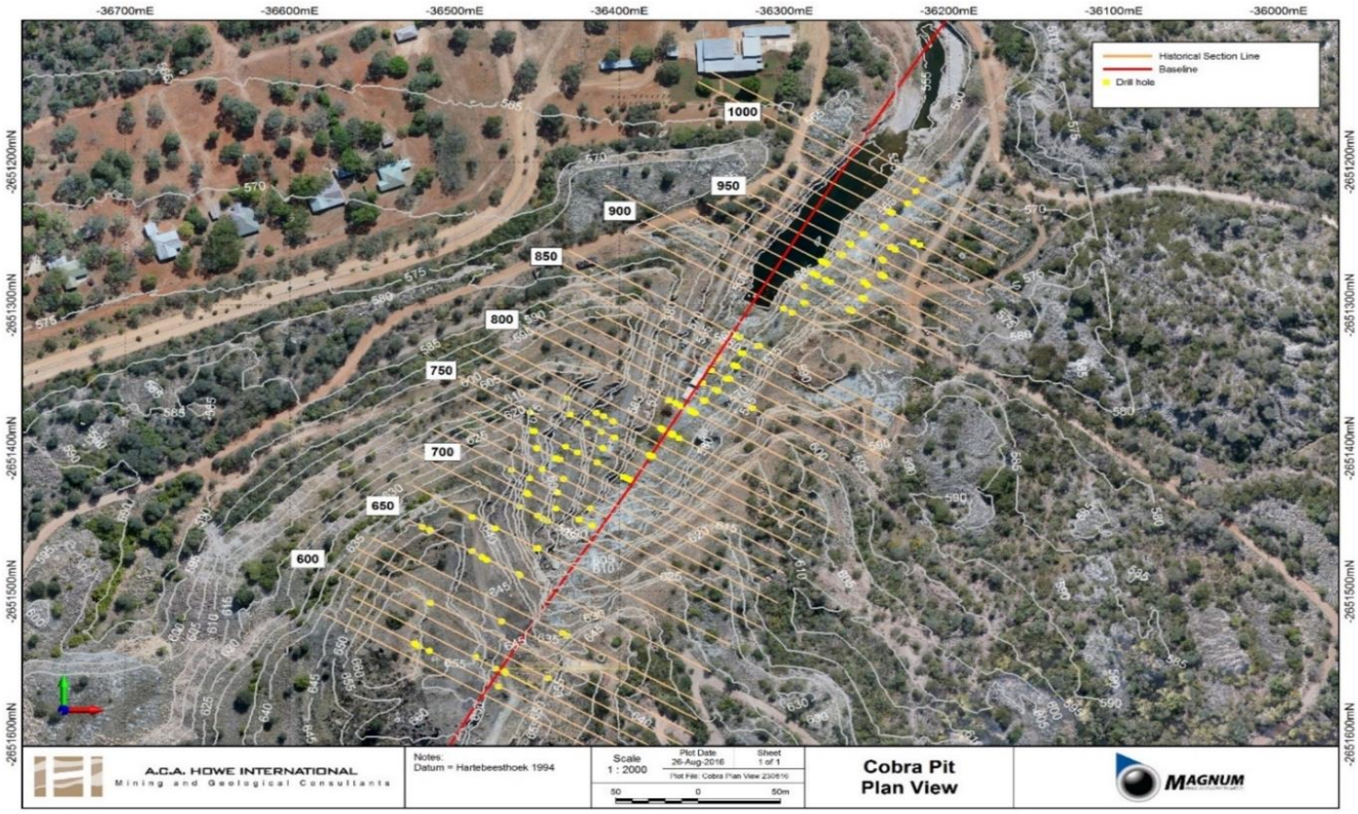


Figure 3: Gravelotte Cobra Pit

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

The processing of the mined material has been designed to recover a parcel of emeralds from Gravelotte of a sufficient size to allow a commercial assessment of pricing for the emeralds through a sales process.

The process of identifying potential buyers for the emeralds has commenced.

There has been a significant increase in demand for emeralds reported since 2000 so this will provide vital data for assessing the current demand and consequent pricing for emerald product from Gravelotte.

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

Where to now?

The trial mining and processing programme has delivered Magnum with critical data as a precursor to determining the economics of a potential commercial operation at Gravelotte.

Since operations were completed in late December the technical data has been collated and is being progressively but stringently assessed - to date no red flags have been raised.

Magnum has retained all key personnel whilst the technical review is being undertaken.

Review of Operations and Activities (continued)

Gravelotte Project, South Africa (continued)

Permitting for the export from South Africa of the emeralds required for testing of the various markets open to Magnum is imminent. Subject to improvement in the coronavirus (COVID-19) situation, Magnum will continue the process of identifying potential buyers to allow for a commercial assessment of pricing for the emeralds.

Magnum has commenced discussions with industry majors to refine the sorting and recovery technology options and configuration that will optimise commercial viability. Tests will be ongoing during this current quarter.

Tanami West Project, Northern Territory, Australia

During June 2019, the Company terminated the Agreement for the Exploration of EL 30256 and earn in of equity in Ferdies Find Pty Ltd.

Menzies Project, Western Australia, Australia

The Menzies Project consists of exploration license E29/1052 which is located approximately 100km north northwest of the Kalgoorlie Golden Mile, Western Australia.

On 7 January 2019 in accordance with the terms and conditions of a binding term sheet, Magnum sold its beneficial interest in the tenement to Dampier Gold Ltd. The consideration paid by Dampier Gold Ltd was an issue of 3,125,000 shares in Dampier Gold Ltd and a cash payment of $10,000. The shares will be held in voluntary escrow for a period of 24 months.

Corporate

Non-Renounceable Pro-Rata Entitlement Offer

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

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

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

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

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

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

Review of Operations and Activities (continued)

Corporate (continued)

Conversions of Unsecured Redeemable Convertible Notes to Shares

On 26 August 2019, 29 August 2019 and 14 November 2019, 990, 250 and 10 unsecured redeemable convertible notes ("Convertible Notes") respectively were converted to shares in the Company at the conversion price of $0.05 per share (20,000 shares per convertible note), pursuant to the Note Deed.

Following the conversions of unsecured redeemable convertible notes to shares, there is a nil balance of convertible notes on issue.

Exercise of Listed Options

On 11 November 2019, the Company announced that it issued 20,000 Ordinary Shares on the exercise of Listed Options (exercisable at $0.05 on or before 30 September 2022).

Unsecured Loans

As announced on 31 July 2019, the Company entered into loan agreements for a total of $500,000 with entities associated with Directors of Magnum, Grant Button and Howard Dawson and a non-related lending party and these loan facilities remain in place.

These loans are unsecured with interest payable calculated at 10% per annum on the daily aggregate amount outstanding and compounded monthly.

Entities associated with Grant Button and Howard Dawson provided loans of $125,000 and $75,000 respectively. Both of these loans were repaid in December 2019.

A non-related lending party also provided a line of credit of $300,000 if and when required by the Company.

This line of credit was not used.

Competent Person's Statements:

The information in this report that relates to Exploration Results and Mineral Resources complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and has been compiled and assessed under the supervision of Mr Howard Dawson, Non-Executive Director of Magnum Mining and Exploration Limited. Mr Dawson is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Dawson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Exploration Results are based on standard industry practices for drilling, logging, sampling, assay methods including quality assurance and quality control measures as detailed in Annexure A.

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 2019.

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:

H Dawson
G M Button
F Cannavo

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 8 of this annual report.

Operating result for the year

The consolidated net loss of the Group for the year after income tax was $1,500,005 (2018: loss of $1,495,399).

Financial position

As at 31 December 2019, the Group had cash reserves of $147,063 (2018: $900,808).

Significant changes in the state of affairs

There has not been any matter or circumstance that has arisen after balance date that has 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.

Matters subsequent to the end of the financial year

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

With the emergence of the recent coronavirus (COVID-19) outbreak, it has caused uncertainty to Magnum's operations and activities. Strict travel restriction, social distancing measure and some countries are in total locked down, all these have slowed the process of identifying potential buyers to allow for a commercial assessment of pricing for the emeralds through a sale process, which will allow for the financial modelling of potential future commercial mining operations.

Directors' Report (continued)

Matters subsequent to the end of the financial year (continued)

As the scale and duration of this outbreak remains uncertain, it could significantly impact Magnum's operation and activities and financial condition.

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.

Environmental legislation

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

Information on directors

H Dawson B. App. Sc. (Geology), Dip App. Sc. MAIG *Non-Executive Chairman*

Experience and expertise

Mr Dawson is a geologist with exploration and development experience across base, precious metals and bulk commodities in addition to strong experience across the securities industry. He has over 32 years of significant experience in both technical and corporate roles and was a Senior Fellow of FINSIA.

Other current directorships
Chairman of Discovery Capital Ltd

Former directorships in the last 3 years
Non-Executive Chairman of Entek Energy Ltd (Resigned 1 September 2018)
Non-Executive Chairman of SportsHero Ltd (Resigned 10 April 2018)

Special responsibilities
Chairman of the Board

Interest in shares and options of the Company and related bodies corporate
No ordinary share or option

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 29 years of 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
None

Former directorships in the last 3 years
Non-Executive Director of Europa Metals Ltd (Resigned 1 February 2018)

Directors' Report (continued)

Information on directors (continued)

Special responsibilities
Chief Executive Officer
Company Secretary

Interest in shares and options of the Company and related bodies corporate
2,940,000 ordinary shares
980,000 listed options

F Cannavo *Non-Executive Director*

Experience and expertise

Francesco is an experienced public company director with significant business and investment experience working with companies operating across various industries and in particular resources. This experience includes tenures as a non-executive director at Fortis Mining Ltd, Hannan's Reward Ltd and GBM Resources Ltd.

Francesco is an entrepreneur with a strong network of investors and industry contacts in the public company sector throughout the Asia-Pacific region and has extensive experience in capital raisings, investment activities and IPO's. He has been instrumental in assisting several listed and unlisted companies achieve their growth strategies through the raising of investment capital and the acquisition of assets.

Other current directorships
Non-Executive Director of Lifespot Health Ltd

Former directorships in the last 3 years
Non-Executive Director of GBM Resources Ltd (Resigned 19 May 2018)

Special responsibilities
None

Interest in shares and options of the Company and related bodies corporate
No ordinary share or option

Company secretary

Mr Grant Button

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

Ms Jacqueline Barry (Resigned 21 February 2020)

Ms Barry has over 16 years corporate administration experience and during this time has held assistant company secretarial roles for a number of publicly listed mining and exploration companies.

Directors' Report (continued)

Meetings of directors

During the financial year, there were eleven 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:

	Directors' meetings held whilst in office	***Directors' meetings attended***
H Dawson	11	11
G M Button	11	11
F Cannavo	11	11

Indemnification

Insurance of officers

During the financial year, the Company paid premiums to insure the directors and secretaries 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 2019. 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' Report (continued)

Remuneration report (continued)

Directors

Howard Dawson (Non-Executive Chairman)

Grant Button (Chief Executive Officer and Company Secretary)

Francesco Cannavo (Non-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

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 or 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 seventeen (17) financial years.

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.

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 Share Based Payments.

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

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.

Variable annual remuneration

Short-term incentives

There are no current short-term incentive remuneration arrangements.

Directors' Report (continued)

Remuneration report (continued)

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

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 2019 and 2018 are set out in Tables 1 and 2 in Section C.

Variable annual remuneration

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 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.

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 2019

2019	***Primary benefits***		***Post-employment benefits***	***Share-based payments***	***TOTAL***	***Performance related %***
Name	***Cash salary and consulting fees***	***Directors' fees***	***Superannuation***	***Unlisted options***		
	$	***$***	***$***	***$***	***$***	
H Dawson	**18,333**	**-**	**-**	**-**	**18,333**	**-**
G M Button	**36,667**	**-**	**-**	**-**	**36,667**	**-**
F Cannavo	**16,667**	**-**	**-**	**-**	**16,667**	**-**
TOTAL	**71,667**	**-**	**-**	**-**	**71,667**	**-**

Directors' Report (continued)

Remuneration report (continued)

C. Employment contracts of directors (continued)

Table 2: Directors' remuneration for the year ended 31 December 2018

2018	*Primary benefits*		*Post-employment benefits*	*Share-based payments*	*TOTAL*	*Performance related %*
Name	*Cash salary and consulting fees*	*Directors' fees*	*Superannuation*	*Unlisted options*		
	$	*$*	*$*	*$*	*$*	
H Dawson (i)	49,000	-	-	27,242	76,242	-
G M Button	83,333	-	-	40,863	124,196	-
F Cannavo (ii)	16,667	-	-	-	16,667	-
S Robertson	15,000	-	-	27,242	42,242	-
TOTAL	164,000	-	-	95,347	259,347	-

(i) Includes an amount of $4,167 owing to HG & L Dawson Discretionary Trust.
(ii) Includes an amount of $3,333 owing to Golden Venture LLC.

D. Shareholdings of directors

The number 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'.

2019 **Name**	**Type of holding**	**Balance at the start of the year**	**Purchased during the year**	**Sold during the year**	**Balance at the end of the year**
H Dawson	**Beneficially held**	**-**	**-**	**-**	**-**
G M Button	**Beneficially held**	**2,940,000**	**-**	**-**	**2,940,000**
F Cannavo	**Beneficially held**	**-**	**-**	**-**	**-**

Directors' Report (continued)

Remuneration report (continued)

D. Shareholdings of directors (continued)

2018 Name	Type of holding	Balance at the start of the year	Purchased during the year	Sold during the year	Balance at the end of the year
H Dawson	Beneficially held	-	-	-	-
G M Button	Beneficially held	4,440,000	-	(1,500,000)[(1)]	2,940,000
F Cannavo	Beneficially held	-	-	-	-
S Robertson	Beneficially held	-	-	-	-

[(1)] Shares held under the terms of the Magnum Employee Share Plan. The shares were sold on-market in accordance with the terms of the Share Plan.

E. Option holdings of directors

The number of listed and unlisted options in the Company held during the financial year by each director of the Company, including their personally related entities, is set out below. Where listed and unlisted options 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'. Listed and unlisted options 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'.

Listed options

2019 **Name**	**Type of holding**	**Balance at the start of the year**	**Purchased during the year**	**Sold during the year**	**Balance at the end of the year**
H Dawson	**Beneficially held**	**-**	**-**	**-**	**-**
G M Button	**Beneficially held**	**-**	**980,000**	**-**	**980,000**
F Cannavo	**Beneficially held**	**-**	**-**	**-**	**-**

No options were exercised prior to year-end.
The directors had no listed option holdings in the Company as at 31 December 2018.

Unlisted options

2019 **Name**	**Type of holding**	**Balance at the start of the year**	**Granted**	**Expired/ forfeited/ other**	**Balance at the end of the year**
H Dawson	**Beneficially held**	**1,000,000**	**-**	**(1,000,000)**	**-**
G M Button	**Beneficially held**	**3,000,000**	**-**	**(3,000,000)**	**-**
F Cannavo	**Beneficially held**	**-**	**-**	**-**	**-**

Directors' Report (continued)

Remuneration report (continued)

E. Option holdings of directors (continued)

Unlisted options

2018 Name	Type of holding	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
H Dawson	Beneficially held	-	2,000,000	(1,000,000)[(1)]	1,000,000
G M Button	Beneficially held	-	3,000,000	-	3,000,000
F Cannavo	Beneficially held	-	-	-	-
S Robertson	Beneficially held	-	2,000,000	(2,000,000)[(2)]	-

[(1)] Transferred to Wessel Marais, a project manager for Gravelotte Project in recognition of the service he provides in supervising Gravelotte Project.
[(2)] Resigned 3 October 2018.

F. 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
HG & L Dawson Discretionary Trust (i)	**2019**	**-**	**18,333**	**-**	**-**
Discovery Capital Ltd (ii)	**2019**	**-**	**-**	**-**	**-**
Wilberforce Pty Ltd (iii)	**2019**	**-**	**36,667**	**-**	**-**
Wilberforce Trust (iv)	**2019**	**-**	**-**	**-**	**-**
Golden Venture LLC (v)	**2019**	**-**	**16,667**	**-**	**-**
HG & L Dawson Discretionary Trust (i)	2018	-	49,000	-	4,167
Wilberforce Pty Ltd (ii)	2018	-	83,333	-	-
Golden Venture LLC (iii)	2018	-	16,667	-	3,333

(i) Mr H Dawson, a Non-Executive Chairman, is the trustee of HG & L Dawson Discretionary Trust. During the year, HG & L Dawson Discretionary Trust received the above fees for consultancy services.

(ii) Mr H Dawson, a Non-Executive Chairman, is a director of Discovery Capital Ltd. During the year, Discovery Capital Ltd entered into a loan agreement to provide the Company a loan facility of $75,000, this has been repaid in full prior to year-end. As at 31 December 2019, the loan facility remain in place and the loan balance is nil.

(iii) Mr G Button, an Executive director, is a director of Wilberforce Pty Ltd. During the year, Wilberforce Pty Ltd received the above fees for consultancy services.

(iv) Mr G Button, an Executive director, is the trustee of Wilberforce Trust. During the year, Wilberforce Trust entered into a loan agreement to provide the Company a loan facility of $125,000, this has been repaid in full prior to year-end. As at 31 December 2019, the loan facility remain in place and the loan balance is nil.

(v) Mr F Cannavo, a Non-Executive director, is the director of Golden Venture LLC. During the year, Golden Venture LLC received the above fees for consultancy services.

Directors' Report (continued)

Remuneration report (continued)

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 21 and forms part of this directors' report for the year ended 31 December 2019.

Non-audit services

There were no non-audit services provided by the Company's auditors during the financial year ended 31 December 2019.

Signed in accordance with a resolution of the directors.

G. Button.

Grant M Button
Director

Perth, Australia
30 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Magnum Mining & Exploration Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 March 2020

D I Buckley
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

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 30 March 2020.

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 and the number of directors constituting the Board. 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
Recommendation 1.5 A listed entity should: (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; (b) disclose that policy or a summary of it; and (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: (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 (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.	No	The Company has not established a Diversity Policy. Given the size of the Board, the Board considers that it is not practical to establish a Diversity Policy. No women are currently represented on the Board.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Yes	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.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	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 executives took place in accordance with the process disclosed above.
Principle 2 Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	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.
Recommendation 2.2 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.	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 considered 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 11 to 12 of the Directors' Report.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 (c) the length of service of each director.	No	Details of the Board of Directors, their length of service and independence are as follows: Mr Howard Dawson - 3 years - Independent - Non-Executive Chairman; Mr Grant Button - 13 years - Not Independent - Executive Director; Mr Francesco Cannavo – 1 year - Independent - Non-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.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	Yes	The Board comprises of three directors with two directors who are considered as independent in terms of Recommendation 2.3.
Recommendation 2.5 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.	Yes	The role of Chairman of the Company during the year, was held by Mr Howard Dawson (who is considered independent in terms of Recommendation 2.3) The Chief Executive Officer during the year, was held by Mr Grant Button (who is not considered independent in terms of Recommendation 2.3)
Recommendation 2.6 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.	Yes	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.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	No	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.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (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 (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.	No	The Board has not established a separate independent audit committee. Given the current size and composition of the Board, the Board believes that where 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.
Recommendation 4.2 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.	Yes	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.
Recommendation 4.3 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.	Yes	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.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	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.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	Information about the Company and its governance will be available on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	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.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	The Company gives adequate notice to shareholders of meetings of shareholders and encourages attendance at such meetings.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Company engages its share registry to manage the majority of communications with shareholders and encourage them to receive correspondence from the Company electronically.

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.		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	No	The Board has not established a separate independent risk committee. Given the current size and composition of the Board, the Board believes that where 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.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	No	The Board reviews the risks to the Company at regular Board meetings.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	No	Given the size of the Company's operation, the Company does not have an internal audit function.
Recommendation 7.4 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.	Yes	The Company does not believe it has any material exposure to economic, environmental and social sustainability risks.

Corporate Governance Statement (continued)

Principles and Recommendations	Comply (Yes/No)	Explanation
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	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.
Recommendation 8.2 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.	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.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	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 Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Notes	Consolidated 2019 $	2018 $
Revenue from continuing operations	3	**126,061**	19,357
Depreciation expense		**(22,072)**	(2,840)
Exploration expensed as incurred	12	**(1,074,751)**	(800,904)
Finance costs		**(509,269)**	(92,798)
Changes in fair value of derivative liability	14	**486,655**	(72,125)
Other expenses	4	**(506,629)**	(593,081)
Loss before income tax expense		**(1,500,005)**	(1,542,391)
Income tax expense	5	-	-
Loss from continuing operations		**(1,500,005)**	(1,542,391)
Profit from discontinued operations		**-**	46,992
Net loss for the year		**(1,500,005)**	(1,495,399)
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Changes in fair value of equity investments designated at FVOCI		**(65,625)**	-
Exchange differences on translation of foreign operations		**13,539**	(13,090)
Other comprehensive loss for the year net of tax		**(52,086)**	(13,090)
Total comprehensive loss for the year		**(1,552,091)**	(1,508,489)
Loss attributable to:			
Equity holder of the parent		**(1,216,421)**	(1,340,438)
Non-controlling interests		**(283,584)**	(154,961)
Net loss for the year		**(1,500,005)**	(1,495,399)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Notes	Consolidated 2019 $	2018 $
Total comprehensive loss attributable to:			
Equity holder of the parent		**(1,268,507)**	(1,353,528)
Non-controlling interests		**(283,584)**	(154,961)
Total comprehensive loss for the year		**(1,552,091)**	(1,508,489)
Basic loss per share (cents)	27	**(0.42)**	(0.48)
Basic loss per share (cents) from continuing operations	27	**(0.42)**	(0.50)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	Consolidated 2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**147,063**	900,808
Trade and other receivables	7	**147,233**	136,423
Total Current Assets		**294,296**	1,037,231
Non-Current Assets			
Plant and equipment	8	**161,745**	105,323
Other financial assets	9	**50,000**	-
Deferred exploration and evaluation expenditure	11	**2,060,834**	2,060,834
Rehabilitation guarantee	11	**36,902**	50,074
Total Non-Current Assets		**2,309,481**	2,216,231
Total Assets		**2,603,777**	3,253,462
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**237,948**	187,078
Convertible notes - host	14	**-**	848,529
Convertible notes - derivative liability	14	**-**	486,655
Total Current Liabilities		**237,948**	1,522,262
Total Liabilities		**237,948**	1,522,262
Net Assets		**2,365,829**	1,731,200
EQUITY			
Issued capital	15	**24,177,078**	22,937,628
Reserves	17	**636,855**	(258,329)
Accumulated losses	17	**(22,151,345)**	(20,934,924)
Equity attributable to owners of the parent		**2,662,588**	1,744,375
Non-controlling interests		**(296,759)**	(13,175)
Total Equity		**2,365,829**	1,731,200

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 2019

Consolidated	Issued capital	Accumulated losses	Reserves	Non-controlling interests	Total equity
	$	$	$	$	$
Balance at 1 January 2018	21,911,047	(19,594,486)	107,550	141,786	2,565,897
Employees share plan shares sold	1,028,331	-	(448,136)	-	580,195
Options issued during the year	-	-	95,347	-	95,347
Shares issue costs	(1,750)	-	-	-	(1,750)
Loss for the year	-	(1,340,438)	-	(154,961)	(1,495,399)
Other comprehensive loss:					
Currency translation differences	-	-	(13,090)	-	(13,090)
Total comprehensive loss	-	(1,340,438)	(13,090)	(154,961)	(1,508,489)
Balance at 31 December 2018	22,937,628	(20,934,924)	(258,329)	(13,175)	1,731,200
Balance at 1 January 2019	**22,937,628**	**(20,934,924)**	**(258,329)**	**(13,175)**	**1,731,200**
Shares issued during the year	**1,250,000**	**-**	**-**	**-**	**1,250,000**
Options issued during the year	**-**	**-**	**1,015,263**	**-**	**1,015,263**
Options exercised during the year	**1,200**	**-**	**(200)**	**-**	**1,000**
Shares or options issue costs	**(11,750)**	**-**	**(67,793)**	**-**	**(79,543)**
Loss for the year	**-**	**(1,216,421)**	**-**	**(283,584)**	**(1,500,005)**
Other comprehensive loss:					
Changes in fair value of equity investments designated at FVOCI	**-**	**-**	**(65,625)**	**-**	**(65,625)**
Currency translation differences	**-**	**-**	**13,539**	**-**	**13,539**
Total comprehensive loss	**-**	**(1,216,421)**	**(52,086)**	**(283,584)**	**(1,552,091)**
Balance at 31 December 2019	**24,177,078**	**(22,151,345)**	**636,855**	**(296,759)**	**2,365,829**

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 2019

	Notes	Consolidated	
		2019	2018
		$	$
Cash flows from operating activities			
Receipts from customers		**92**	44,414
Interest received		**344**	492
GST paid		**42,837**	66,188
Payments for exploration and evaluation expenditure		**(1,035,860)**	(849,317)
Payments to suppliers and employees		**(532,753)**	(583,567)
Finance costs		**(108,974)**	-
Net cash outflow from operating activities	25	**(1,634,314)**	(1,321,790)
Cash flows from investing activities			
Payments for purchases of plant and equipment		**(84,187)**	(92,334)
Proceeds from sale of tenement		**10,000**	-
Cash flows from discontinued operations		**-**	46,992
Net cash outflow from investing activities		**(74,187)**	(45,342)
Cash flows from financing activities			
Proceeds from exercise of options		**1,000**	-
Proceeds from issue of options		**1,015,263**	
Proceeds from sale of employee share plan shares		**-**	580,195
Proceeds from issue of convertible notes, net of costs		**-**	1,190,000
Payments for share or option issue costs		**(60,953)**	(1,750)
Net cash inflow from financing activities		**955,310**	1,768,445
Net (decrease)/ increase in cash and cash equivalents		**(753,191)**	401,313
Cash and cash equivalents at the beginning of the year from continuing operations		**900,808**	502,026
Effects of exchange rate changes on cash and cash equivalents		**(554)**	(2,531)
Cash and cash equivalents at the end of the year	6	**147,063**	900,808

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 2019

Note 1: Statement of Significant Accounting Policies

(a) Basis of Preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and comply 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 Company is a for-profit entity.

The financial statements have been prepared on a historical cost basis, except for selected non-current financial assets, which have been measured at fair value as explained in the relevant accounting policies. Historical cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in both Australia 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 30 March 2020.

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 2019, 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.

The following Standards and Interpretations have been adopted from 1 January 2019.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and related interpretations. AASB 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases.

Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a right of use of the asset. The right of use of the asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies

(c) Adoption of new and revised standards (continued)

This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing an operating lease expense. There are exemptions for short-term leases and leases of low-value items.

The Group has applied AASB 16 retrospectively, with the initial application date of 1 January 2019. The Group does not have any leases that are greater than 12 months, hence the Directors considered the impact to be insignificant.

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

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant on the Group's operations and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no Standard and Interpretation in issue not yet adopted that will have a material effect on Group accounting policies in future financial periods.

(e) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Magnum Mining and Exploration Limited and its subsidiaries as at 31 December each year (the Group). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it have the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicates that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Notes to the Financial Statements

For the Year Ended 31 December 2019

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.

Inventory

Emeralds are traditionally sold in parcels to buyers and these parcels contain a mixture of sizes and grades of emeralds. This is the way to maximize the value achieved per carat.

In completion of the Trial Mining Phase One and the Trial Mining Phase Two the Group has recovered a parcel of emeralds of a sufficient size to allow for a commercial assessment of pricing. Given the nature of trial mining it is expected that the net realisable value of the parcel will be lower than cost.

The Group is expecting to receive its export license imminently, however, with the emergence of the recent coronavirus (COVID-19) outbreak, this has slowed the process of identifying potential buyers to allow for a commercial assessment of pricing for the emeralds.

The Directors believe that prior to getting a commercial assessment of pricing for the emeralds, it would be irresponsible and imprudent for them to provide an estimate of net realisable value of the emeralds for inclusion as inventory at 31 December 2019 and accordingly the carrying value of the emeralds should be nil.

Exploration and evaluation expenditure:

The Board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written of. The Directors' decision is made after considering the likely hood of commercially viable reserves.

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.

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.

(g) Comparatives

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

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(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 measured at the fair value of the consideration received or receivable after taking into account returns, trade allowance and duties and tax paid. Revenue is recognised to the extent that control of the goods or service has passed and it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

(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 30 days to 60 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 an expectation 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 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 expected 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 profit or loss and other 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 profit or loss and other comprehensive income.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(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 profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(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 profit or loss and other 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 profit or loss and other 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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(m) Income Tax (continued)

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.

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/ VAT except:

- when the GST/ VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/ VAT 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/ VAT included.

The net amount of GST/ VAT 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/ VAT 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/ VAT 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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(o) Property, plant and equipment (continued)

(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.

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 profit or loss and other comprehensive income in the other expenses 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 instruments

Recognition and initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement
(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Equity investments
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at fair value through other comprehensive income. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

The fair value of equity investments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(p) Financial instruments (continued)

(iii) Financial liabilities

Non-derivative financial liabilities initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised where the contractual rights to receipts of cash flows expired or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(q) 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.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(r) 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.

(s) 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 profit or loss and other 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 an interest expense.

(t) Employee benefits

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.

(u) 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).

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(u) Share-based payment transactions (continued)

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 profit or loss and other comprehensive income 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.

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.

(v) Convertible notes

Convertible notes are initially recognised at fair value. Borrowings (host contract) are subsequently measured at amortised cost. Any difference between the proceeds (net of allocated transaction costs) after deducting the derivative liability component and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

The component parts of convertible loans issued are classified separately as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Embedded derivative liability components of convertible notes are initially measured at fair value and are subsequently measured at fair value through profit or loss at the end of each reporting period.

The fair value of the conversion feature was determined using Black Scholes model, Monte Carlo Simulation and binomial algorithms. Transaction costs allocated to the derivative liability are expensed as incurred.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(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/ (loss) per share

Basic earnings/ (loss) 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.

(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.

Once the technical feasibility and commercially 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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 1: Statement of Significant Accounting Policies (continued)

(z) Going concern

The Group has a cash balance at 31 December 2019 of $147,063 and operating and investing cash outflows of $1,708,501. The Group has undertaken a number of initiatives to reduce the cost of operations and seek further funding. The Directors are of the opinion that the Group is a going concern due to the following:

(i) The Company has entered into unsecured loan agreements for a total of $500,000 with entities associated with Mr Howard Dawson, Mr Grant Button and an external third party.

(ii) The Company anticipates receiving a VAT refund of approximately $80,000 from South African Revenue Service (SARS).

(iii) The Company will seek to raise additional working capital from a capital raising.

Whilst the Directors are confident that the above initiative 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 that 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 2019

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 2019 and 31 December 2018.

	Australia $	South Africa $	Namibia $	Consolidated $
31 December 2019				
Segment revenue and other income	**125,717**	**-**	**-**	**125,717**
Interest	**344**	**-**	**-**	**344**
Segment profit/ (loss)	**(392,094)**	**(1,107,911)**	**-**	**(1,500,005)**
Segment assets	**216,881**	**2,386,896**	**-**	**2,603,777**
Segment liabilities	**87,859**	**150,089**	**-**	**237,948**
Included within segment results:				
Depreciation	**988**	**21,084**	**-**	**22,072**
Capital purchases	**-**	**84,187**	**-**	**84,187**
31 December 2018				
Segment revenue and other income	18,865	-	-	18,865
Interest	492	-	-	492
Segment profit/ (loss)	(831,987)	(710,404)	46,992	(1,495,399)
Segment assets	990,432	2,263,030	-	3,253,462
Segment liabilities	1,414,323	107,939	-	1,522,262
Included within segment results:				
Depreciation	1,759	1,081	-	2,840
Discontinued operations	-	-	46,992	46,992
Capital purchases	-	100,531	-	100,531

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 3: Revenue and other income

	Consolidated 2019 $	2018 $
From continuing operations		
Profit on sale of tenement interest (i)	**125,625**	-
Administration overhead recoveries	**92**	18,865
Interest received	**344**	492
	126,061	19,357

(i) On 7 January 2019 in accordance with the terms and conditions of a binding term sheet, Magnum sold its beneficial interest in the Menzies Project, which consists of exploration license E29/1052 to Dampier Gold Ltd. The consideration paid by Dampier Gold Ltd was an issue of 3,125,000 shares in Dampier Gold Ltd and a cash payment of $10,000. The shares will be held in voluntary escrow for a period of 24 months.

Note 4: Expenses

Loss before income tax includes the following specific expenses:

	2019 $	2018 $
Audit services	**44,611**	36,300
Bad debts	**11,083**	-
Consulting fees	**33,000**	80,600
Legal and professional services	**88,074**	102,293
Staff expenses	**144,995**	98,918
Superannuation contributions	**11,321**	9,397
Share based payments	**-**	95,347
Others	**173,545**	170,226
	506,629	593,081

Note 5: Income tax benefit

(a) Numerical reconciliation of income tax benefit to prima facie tax payable

	2019 $	2018 $
Profit/ (Loss) before income tax expense	**(1,500,005)**	(1,495,399)
Tax at the Australian rate of 27.5% (2018: 27.5%)	**412,501**	411,235
Tax effect of amounts which are (not deductible)/ taxable in calculating taxable income	**(258,880)**	(234,006)
Deferred tax asset not brought to account	**(153,621)**	(177,229)
Income tax benefit	**-**	-

Notes to the Financial Statements

For the Year Ended 31 December 2019

	Consolidated	
	2019	2018
	$	$

Note 5: Income tax benefit (continued)

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	**7,527,764**	6,969,141
Potential tax benefit @ 27.5% (2018: 27.5%)	**2,070,135**	1,916,514

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.

(c) Deferred tax liabilities

Exploration	**2,060,834**	2,060,834
Potential deferred tax liability @ 27.5% (2018: 27.5%)	**566,729**	566,729

Deferred tax liabilities have been recognised in respect of these items. The entity has sufficient carry forward losses to be able to offset any deferred tax liability arising.

Note 6: Cash and cash equivalents

Cash at bank and on hand	**101,745**	880,814
Petty cash	**45,318**	19,994
	147,063	900,808

(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 0.10% (2018: 0.10%).

(b) Deposits at call

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

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 7: Trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Deposit paid	**1,775**	-
Rehabilitation guarantee refund receivable	**13,172**	-
Sundry debtors	**-**	12,192
GST/ VAT receivable	**95,567**	69,364
Prepayments	**36,719**	54,867
	147,233	136,423

Note 8: Plant and equipment

Consolidated	Plant and equipment $	Furniture, fixtures and fittings $	Plant and equipment work in progress $	Total $
At 1 January 2018				
Cost	30,459	2,645	-	33,104
Accumulated depreciation	(24,601)	(790)	-	(25,391)
Net book amount	5,858	1,855	-	7,713
Year ended 31 December 2018				
Opening net book amount	5,858	1,855	-	7,713
Acquisition of assets	4,798	-	95,733	100,531
Depreciation charge	(2,652)	(188)	-	(2,840)
Exchange difference on translation of foreign operations	(81)	-	-	(81)
Closing net book amount	7,923	1,667	95,733	105,323
At 31 December 2018				
Cost	35,139	2,645	95,733	133,517
Accumulated depreciation	(27,216)	(978)	-	(28,194)
Net book amount	7,923	1,667	95,733	105,323

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 8: Plant and equipment (continued)

Consolidated	Plant and equipment $	Furniture, fixtures and fittings $	Plant and equipment work in progress $	Total $
At 1 January 2019				
Cost	**35,139**	**2,645**	**95,733**	**133,517**
Accumulated depreciation	**(27,216)**	**(978)**	**-**	**(28,194)**
Net book amount	**7,923**	**1,667**	**95,733**	**105,323**
Year ended 31 December 2019				
Opening net book amount	**7,923**	**1,667**	**95,733**	**105,323**
Acquisition of assets	**84,187**	**-**	**-**	**84,187**
Reallocation of plant and equipment work in progress	**95,733**	**-**	**(95,733)**	**-**
Depreciation charge	**(21,905)**	**(167)**	**-**	**(22,072)**
Exchange difference on translation of foreign operations	**(5,693)**	**-**	**-**	**(5,693)**
Closing net book amount	**160,245**	**1,500**	**-**	**161,745**
At 31 December 2019				
Cost	**204,749**	**2,500**	**-**	**207,249**
Accumulated depreciation	**(44,504)**	**(1,000)**	**-**	**(45,504)**
Net book amount	**160,245**	**1,500**	**-**	**161,745**

Note 9: Other financial assets

	Consolidated 2019 $	2018 $
Shares in Dampier Gold	**50,000**	-
	50,000	-

On 7 January 2019 in accordance with the terms and conditions of a binding term sheet, Magnum sold its beneficial interest in the Menzies Project, which consists of exploration license E29/1052 to Dampier Gold Ltd. The consideration paid by Dampier Gold Ltd was an issue of 3,125,000 shares in Dampier Gold Ltd and a cash payment of $10,000. The shares will be held in voluntary escrow for a period of 24 months.

The shares in Dampier Gold Ltd are listed and therefore represent a level 1 financial instrument.

The Company made an irrevocable election to carry the investment at fair value through other comprehensive income.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 10: Interest in subsidiaries

Name	**Country of Incorporation**	**Percentage of equity interest held by consolidated entity** **31 December 2019**	31 December 2018
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.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Venus Emeralds (Pty) Ltd (Venus) and Adit Mining Consultants & Trading (Pty) Ltd (Adit)	**2019**		2018	
	VENUS	**ADIT**	VENUS	ADIT
	$ **Year Ended 31 December 2019**	$ **Year Ended 31 December 2019**	$ Year Ended 31 December 2018	$ Year Ended 31 December 2018
Current Assets	**49,509**	**80,577**	37,982	25,651
Non-Current Assets	**2,265,030**	**190,640**	1,124,046	124,438
Current Liabilities	**(29,854)**	**(120,235)**	(19,620)	(88,319)
Non-Current Liabilities	**(3,430,116)**	**(2,369,668)**	(2,177,308)	(1,219,758)
Equity attributable to owners of the Company	**(847,619)**	**(1,641,828)**	(765,826)	(856,911)
Non-controlling interests	**(297,812)**	**(576,858)**	(269,074)	(301,077)
Revenue	**-**	**-**	-	-
Expenses	**(76,778)**	**(1,013,929)**	(55,935)	(540,068)
Loss for the year	**(76,778)**	**(1,013,929)**	(55,935)	(540,068)
Loss attributable to owners of the company	**(56,816)**	**(750,307)**	(41,392)	(399,650)
Loss attributable to the non-controlling interests	**(19,962)**	**(263,622)**	(14,543)	(140,418)
Loss for the year	**(76,778)**	**(1,013,929)**	(55,935)	(540,068)
Other comprehensive income/ (loss) attributable to owners of the Company	**(1,489)**	**(19,668)**	1,703	16,161
Other comprehensive income/ (loss) attributable to the non-controlling interests	**-**	**-**	-	-
Other comprehensive income/ (loss) for the year	**(1,489)**	**(19,668)**	1,703	16,161

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 10: Interest in subsidiaries (continued)

Venus Emeralds (Pty) Ltd (Venus) and Adit Mining Consultants & Trading (Pty) Ltd (Adit)	**2019**		2018	
	VENUS	**ADIT**	VENUS	ADIT
	$	$	$	$
	Year Ended 31 December 2019	**Year Ended 31 December 2019**	Year Ended 31 December 2018	Year Ended 31 December 2018
Total comprehensive loss attributable to owners of the Company	**(57,918)**	**(764,862)**	(40,132)	(387,691)
Total comprehensive loss attributable to the non-controlling interests	**(20,349)**	**(268,735)**	(14,100)	(136,216)
Total comprehensive loss for the year	**(78,267)**	**(1,033,597)**	(54,232)	(523,907)
Dividends paid to non-controlling interests	**-**	**-**	-	-

Note 11: Exploration and evaluation expenditure

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

	Consolidated	
Exploration and evaluation phase at cost	**2019**	2018
	$	$
Balance at beginning of the year	**2,060,834**	2,060,834
Expenditure incurred	**-**	-
Balance at end of the 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 dependent on the successful development and commercial exploitation or sale of the respective areas.

Rehabilitation guarantee

Project Gravelotte (South Africa)	**36,902**	36,902
Project Tanami West (Australia) (i)	**-**	13,172
	36,902	50,074

The rehabilitation guarantee reflects money held on trust by the Department of Mineral Resources, South Africa for future rehabilitation of exploration areas.

(i) During June 2019, the Company terminated the Agreement for the Exploration of EL 30256 and earn in of equity in Ferdies Find Pty Ltd. The Directors have submitted a rehabilitation report to the Northern Territory Mining and Petroleum Department to get the rehabilitation guarantee refunded. Up until the date of this report, the process of getting the rehabilitation guarantee refunded is still pending with the Northern Territory Mining and Petroleum Department. Refer to Note 7.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 12: Exploration and evaluation expenditure expensed as incurred

	Life to date project expenditure expensed	**Project expenditure (recouped)/ expensed in the period**	Life to date project expenditure expensed	Project expenditure expensed in the period
	31 December 2019		31 December 2018	
	$	**$**	$	$
Project Gravelotte	**3,110,891**	**1,039,457**	2,071,434	574,413
Project Cloncurry East	**367,520**	**-**	367,520	73,604
Project Tanami West	**177,382**	**36,926**	140,456	140,456
Other Exploration Expenses	**23,212**	**(1,632)**	24,844	12,431
	3,679,005	**1,074,751**	2,604,254	800,904

Note 13: Trade and other payables

	Consolidated	
	2019	2018
	$	$
Trade payables	**41,039**	10,176
Other creditors and accruals	**196,909**	176,902
	237,948	187,078

Note 14: Convertible notes

Host contract at amortised cost		
Balance at beginning of the year	**848,529**	-
Borrowings	**-**	775,470
Amortisation	**401,471**	73,059
Conversion to shares	**(1,250,000)**	-
Balance at end of the year	**-**	848,529
Derivative liability at fair value		
Balance at beginning of the year	**486,655**	-
Conversion feature on recognition	**-**	414,530
Movement in fair value through profit or loss	**(486,655)**	72,125
Balance at end of the year	**-**	486,655

On 26 August 2019, 29 August 2019 and 14 November 2019, 990, 250 and 10 unsecured redeemable convertible notes (“Convertible Notes”) respectively were converted to shares in the Company at the conversion price of $0.05 per share (20,000 shares per convertible note), pursuant to the Note Deed.

Interest paid on the convertible notes was $103,467.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 15: Issued capital

Share capital

		Consolidated		Consolidated	
(a) Share Capital		**2019 Shares**	2018 Shares	**2019 $**	2018 $
Ordinary shares					
Ordinary shares fully paid	**(a)**	**304,598,818**	279,578,818	**24,177,078**	22,937,628
At reporting date		**304,598,818**	279,578,818	**24,177,078**	22,937,628

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 2019 there were 304,598,818 ordinary shares fully paid on issue.

(a) Ordinary shares issued

	Consolidated		Consolidated	
Movements in ordinary share capital	**2019 Number**	**2019 $**	2018 Number	2018 $
Balance at beginning of the year	**279,578,818**	**22,937,628**	279,578,818	21,911,047
Issue of shares on conversion of Convertible Notes	**25,000,000**	**1,250,000**	-	-
Exercise of options	**20,000**	**1,200**		
Employee share plan shares sold (cash received)	**-**	**-**	-	580,195
Employee share plan shares sold (transfer from reserve)	**-**	**-**	-	448,136
Less: Share issue costs	**-**	**(11,750)**	-	(1,750)
Balance at end of the year	**304,598,818**	**24,177,078**	279,578,818	22,937,628

Note 16: Options

	2019 No. of Options	2018 No. of Options
Listed options		
At the end of the reporting period the following options were on issue:		
- 30 September 2019 options exercisable at $0.05 per share expiring 30 September 2020	**101,506,273**	-
	101,506,273	-

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 16: Options (continued)	**2019 No. of Options**	2018 No. of Options
Movements in listed options		
Balance at beginning of the year	**-**	-
Options issued during the year	**101,526,273**	-
Options exercised during the year	**(20,000)**	-
Balance at end of the year	**101,506,273**	-

Unlisted options
At the end of the reporting period the following options were on issue:

- 14 December 2017 options exercisable at $0.075 per share expiring 31 December 2019	**-**	2,000,000
- 13 June 2019 options exercisable at $0.075 per share expiring 31 December 2019(1)	**-**	7,000,000
	-	9,000,000

(1)Issued to Directors after receiving shareholder approval on 30 May 2019.

Movements in unlisted options

Balance at beginning of the year	**9,000,000**	2,000,000
Options issued during the year	**-**	7,000,000
Options expired	**(9,000,000)**	-
Balance at end of the year	**-**	9,000,000

Note 17: Reserves and accumulated losses

Accumulated losses	**Consolidated 2019 $**	Consolidated 2018 $
Movements in accumulated losses were as follows:		
Balance at beginning of the year	**(20,934,924)**	(19,594,486)
Net loss for the year	**(1,216,421)**	(1,340,438)
Balance at end of the year	**(22,151,345)**	(20,934,924)

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 17: Reserves and accumulated losses (continued)

Reserves

(a) Movements in reserves were as follows:

Consolidated	Option issue reserve $	Share-based payment reserve $	Investment revaluation reserve $	Foreign currency translation reserve $	Total $
At 1 January 2019	**-**	**157,333**	**-**	**(415,662)**	**(258,329)**
Options issued during the year	**1,015,263**	**-**	**-**	**-**	**1,015,263**
Less: Options exercised during the year	**(200)**	**-**	**-**	**-**	**(200)**
Less: Option issue costs	**(67,793)**	**-**	**-**	**-**	**(67,793)**
Changes in fair value of equity investments designated at FVOCI	**-**	**-**	**(65,625)**	**-**	**(65,625)**
Foreign currency translation	**-**	**-**	**-**	**13,539**	**13,539**
At 31 December 2019	**947,270**	**157,333**	**(65,625)**	**(402,123)**	**636,855**
At 1 January 2018	-	510,122	-	(402,572)	107,550
Options issued to directors (i)	-	95,347	-	-	95,347
Employee share plan shares sold	-	(448,136)	-	-	(448,136)
Foreign currency translation	-	-	-	(13,090)	(13,090)
At 31 December 2018	-	157,333	-	(415,662)	(258,329)

(i) The value of the service could not be reliably determined and therefore, the options are valued using the Black Scholes Model.

(b) Nature and purpose of reserves

(i) Option issue reserve
The option issue reserve is used to accumulate the net proceeds received from the issue of options.

(ii) 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 or consultants.

(iii) Investment revaluation reserve
The investment revaluation reserve is used to record increases and decreases in the fair value of equity instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 17: Reserves and accumulated losses (continued)

Reserves (continued)

(b) Nature and purpose of reserves (continued)

(iv) 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 profit or loss and other 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.

Note 18: Parent Entity Disclosures

	2019	2018
	$	$
Assets		
Current assets	**164,210**	973,598
Non-current assets	**2,289,478**	2,171,925
Total assets	**2,453,688**	3,145,523
Liabilities		
Current liabilities	**87,859**	1,414,323
Total liabilities	**87,859**	1,414,323
Equity		
Issued capital	**24,177,078**	22,937,628
Accumulated losses	**(22,915,852)**	(21,363,761)
Reserves	**1,104,603**	157,333
Total equity	**2,365,829**	1,731,200
Financial performance		
Loss for the year	**(1,552,091)**	(1,508,489)
Total comprehensive loss	**(1,552,091)**	(1,508,489)

Note 19: Key management personnel disclosures

(a) Directors

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

(i) Chairman – Non-Executive
H Dawson

(ii) Executive director
G M Button

(iii) Non-Executive director
F Cannavo

No other key management personnel were identified during the period.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 19: Key management personnel disclosures (continued)

(b) Key management personnel compensation

	Consolidated 2019 $	2018 $
Short-term employee benefits	**71,667**	164,000
Share based payments	**-**	95,347
Total compensation	**71,667**	259,347

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
HG & L Dawson Discretionary Trust (i)	**2019**	**-**	**18,333**	**-**	**-**
Discovery Capital Ltd (ii)	**2019**	**-**	**-**	**-**	**-**
Wilberforce Pty Ltd (iii)	**2019**	**-**	**36,667**	**-**	**-**
Wilberforce Trust (iv)	**2019**	**-**	**-**	**-**	**-**
Golden Venture LLC (v)	**2019**	**-**	**16,667**	**-**	**-**
HG & L Dawson Discretionary Trust (i)	2018	-	49,000	-	4,167
Wilberforce Pty Ltd (ii)	2018	-	83,333	-	-
Golden Venture LLC (iii)	2018	-	16,667	-	3,333

(i) Mr H Dawson, a Non-Executive Chairman, is the trustee of HG & L Dawson Discretionary Trust. During the year, HG & L Dawson Discretionary Trust received the above fees for consultancy services.

(ii) Mr H Dawson, a Non-Executive Chairman, is a director of Discovery Capital Ltd. During the year, Discovery Capital Ltd entered into a loan agreement to provide the Company a loan facility of $75,000, this has been repaid in full prior to year-end. As at 31 December 2019, the loan facility remain in place and the loan balance is nil.

(iii) Mr G Button, an Executive director, is a director of Wilberforce Pty Ltd. During the year, Wilberforce Pty Ltd received the above fees for consultancy services.

(iv) Mr G Button, an Executive director, is the trustee of Wilberforce Trust. During the year, Wilberforce Trust entered into a loan agreement to provide the Company a loan facility of $125,000, this has been repaid in full prior to year-end. As at 31 December 2019, the loan facility remain in place and the loan balance is nil.

(v) Mr F Cannavo, a Non-Executive director, is the director of Golden Venture LLC. During the year, Golden Venture LLC received the above fees for consultancy services.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 20: Remuneration of auditors

(a) Audit services	Consolidated 2019 $	2018 $
Audit and review services		
Auditors of parent entity (HLB Mann Judd)		
Audit and review of financial reports under the *Corporations Act 2001*	**38,343**	33,300
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	**6,268**	-
Total remuneration for audit services	**44,611**	33,300

During the year ended 31 December 2019, 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 21: Contingencies

(a) Contingent liabilities

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

(b) Contingent assets

As at reporting date the Group had no contingent assets.

Note 22: Commitments

Exploration commitments

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of operations of the Group. These commitments have not been provided for in the financial statements.

Due to the nature of the Group's operations in exploring and evaluating areas of the interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

	Consolidated 2019 $	2018 $
Within 1 year	**-**	5,000
2 to 3 years	**-**	-
Total commitments	**-**	5,000

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 23: 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 10.

(c) Joint arrangements
As at 31 December 2019, the Group did not have an interest in a joint venture or joint operation that met the definition of a joint arrangement under AASB 11.

(d) Key management personnel
Disclosures relating to key management personnel are set out in Note 19.

Note 24: Events occurring after the reporting date

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

With the emergence of the recent coronavirus (COVID-19) outbreak, it has caused uncertainty to Magnum's operations and activities. Strict travel restriction, social distancing measure and some countries are in total locked down, all these have slowed the process of identifying potential buyers to allow for a commercial assessment of pricing for the emeralds through a sale process, which will allow for the financial modelling of potential future commercial mining operations

As the scale and duration of this outbreak remains uncertain, it could significantly impact Magnum's operation and activities and financial condition.

Note 25: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2019	2018
	$	$
Loss for the year	**(1,500,005)**	(1,495,399)
Depreciation	**22,072**	2,840
Profit on sale of tenement	**(125,625)**	-
Profit from discontinued operations	**-**	(46,992)
Provision for annual leave	**(8,622)**	(7,516)
Share based payments	**-**	95,347
Fair value movement of derivative liability	**(486,655)**	72,125
Foreign exchange loss	**7,297**	(9,115)
Change in operating assets and liabilities:		
(Increase)/ decrease in trade receivables	**2,445**	(19,098)
Increase / (decrease) in trade payables	**454,779**	86,018
Net cash outflow from operating activities	**(1,634,314)**	(1,321,790)

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 25: Reconciliation of loss after income tax to net cash outflow from operating activities (continue)

Non-cash financing and investing activity

On 26 August 2019, 29 August 2019 and 14 November 2019, 990, 250 and 10 unsecured redeemable convertible notes ("Convertible Notes") respectively were converted to 19,800,000, 5,000,000 and 200,000 shares in the Company at the conversion price of $0.05 per share, effectively increasing share capital by $1,250,000.

Note 26: Changes in liabilities arising from financing activities

	Convertible notes $	**Other loans and borrowings $**	**Total $**
Balance at 1 January 2018	-	-	-
Net cash from financing activities	1,190,000	-	1,190,000
Recognition of derivative liability on inception	(414,530)	-	(414,530)
Amortisation	73,059	-	73,059
Balance at 31 December 2018	848,529	-	848,529
Balance at 1 January 2019	**848,529**	**-**	**848,529**
Conversion to shares	**(1,250,000)**	**-**	**(1,250,000)**
Amortisation	**401,471**	**-**	**401,471**
Balance at 31 December 2019	**-**	**-**	**-**

Note 27: Earnings/ (loss) per share

	Consolidated	
	2019 Cents	2018 Cents
Basic earnings / (loss) per share	**(0.42)**	(0.48)
Basic earnings / (loss) per share from continuing operations	**(0.42)**	(0.50)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/ (loss) per share	**288,263,805**	279,578,818
	$	$
Profit / (loss) attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share	**(1,216,421)**	(1,340,438)
Loss attributable to ordinary equity holders of the Group used in calculating basic earnings / (loss) per share from continuing operations	**(1,216,421)**	(1,387,430)

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 28: Share-based payments

Unlisted options

The granting of unlisted options to the directors in the prior year were approved by Shareholders at the Annual General Meeting held on 30 May 2018. The issue of options formed part of the reduced consultancy rates agreed to by the directors.

Terms and conditions of the options were as follows:

- The options will be granted for nil consideration.
- Upon exercise, each option entitles the holder to subscribe for and be issued with one fully paid ordinary share.
- The exercise price shall be $0.075.
- Any option not exercised before 31 December 2019 (Expiry Date) will automatically lapse.
- Each option may be exercised before the Expiry Date by lodging with the Company Secretary a Notice of Exercise, duly completed with payment of an amount equal to the number of options being exercised multiplied by the exercise price.
- Options cannot be transferred without the approval of the Board.
- The Company will not apply for quotation of the options but will apply for quotation of shares issued on exercise of options.
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issue of capital offered to Shareholders during the exercise period of the options. However, the Company will give the holders of options notice of a proposed issue prior to the date for determining entitlements to participate in such issues.
- If the Company completes a bonus issue during the term of an option, the number of shares the holder of the options is then entitled to will be increased by the number of shares which the holder would have been issued in respect of the options if they were exercised immediately prior to the record date of the bonus issue.
- In the event that a pro rata issue (except bonus issue) is made to the holders of the underlying securities of the Company, the exercise price of the options may be adjusted in accordance with ASX Listing Rule 6.22.
- In the event of any reorganization (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the ASX Listing Rules.

All unlisted options expired on 31 December 2019.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 29: Financial Instruments

(a) Capital risk management

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 2018.

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.

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	
	2019	2018
	$	$
Financial assets		
Trade and other receivables	**147,233**	136,423
Cash and cash equivalents	**147,063**	900,808
Other financial assets	**50,000**	-
	344,296	1,037,231
Financial liabilities		
Trade and other payables	**237,948**	187,078
Borrowings (host contract)	**-**	848,529
Derivative liability	**-**	486,655
	237,948	1,522,262

(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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 29: Financial Instruments (continued)

(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 materially 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. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising return.

Interest on convertible notes is fixed.

	31 December 2019		31 December 2018	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Cash balances	**0.10%**	**147,063**	0.10%	900,808

(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**	
	2019 $	2018 $	**2019 $**	2018 $
South African Rand (ZAR)	**(150,089)**	(107,939)	**326,062**	202,196
Great British Pound (GBP)	**-**	-	**1,016**	2,787

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 29: Financial Instruments (continued)

(f) Foreign currency sensitivity analysis

The Group has no material exposure to foreign currency fluctuations.

(g) Interest rate risk management

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising return.

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.

(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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

The Group manages liquidity risk by regularly 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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Note 29: Financial Instruments (continued)

(i) Liquidity risk management (continued)

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 $**
2019						
Non-interest bearing	**-**	**-**	**88,678**	**149,270**	**-**	**-**
Variable interest rate instruments	**-**	**-**	**-**	**-**	**-**	**-**
Fixed interest rate instruments	**-**	**-**	**-**	**-**	**-**	**-**

Consolidated

2018						
Non-interest bearing	-	-	167,339	19,739	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	10%	-	-	1,335,184	-	-

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 all financial assets and liabilities recognised in the Consolidated Statement of Financial Position, the carrying amount approximates fair value unless otherwise stated in the applicable notes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

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 2019 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 2019.

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

G. Button.

Grant M Button
Director
30 March 2020

INDEPENDENT AUDITOR'S REPORT
To the members of Magnum Mining and Exploration Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Magnum Mining and Exploration Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

As at balance date the Group has completed Trial Mining Phase 1 and Trial Mining Phase 2. As a result of the trial mining, milling and processing, a parcel of emeralds has been recovered of a sufficient size to allow for a commercial assessment of pricing. Given the nature of trial mining it is expected that the net realisable value of the parcel will be lower than cost. As disclosed in Note 1(f) the Directors believe that prior to getting a commercial assessment of pricing for the emeralds, it would be irresponsible and imprudent for them to provide an estimate of the net realisable value for inclusion in inventory. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of inventory as at 31 December 2019. We were unable to attend a stock take to verify existence and condition of the inventory or perform alternate procedures such as the inspection of documentation of the subsequent sale of the inventory as there have been no sales.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1(z) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter. In addition, as disclosed in Note 24, as the scale and duration of the COVID-19 outbreak remains uncertain, it could significantly impact the Company's operations, activities and financial condition.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis of qualified opinion* section and Material uncertainty related to going concern section, we have determined the matter below to be the key audit matter to be communicated in our report.

Key Audit Matter	**How our audit addressed the key audit matter**
Carrying amount of exploration and evaluation asset Note 12	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources,* the Group capitalises acquisition costs of rights to explore and applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard and whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to: • We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; • We considered the Director's assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for 2020 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and minutes of Directors' meeting to ensure that the Group had not decided to discontinue exploration and evaluation at its area of interest; and • We examined the disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Magnum Mining and Exploration Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 March 2020

D I Buckley
Partner

Shareholder Information

The shareholder information set out below was applicable as at 18 February 2020.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

	Fully Paid Shares	%
Juneday Pty Ltd	17,753,152	5.83
Farmingacre Limited	17,000,000	5.58

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) Fully Paid Ordinary Shares and Unlisted Options:

Ordinary Shares No. of Shares	No. of Shareholders
1 – 1,000	130
1,001 – 5,000	303
5,001 – 10,000	123
10,001 – 100,000	277
100,001 and over	198
	1,031

(ii) There were 556 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.	Juneday Pty Ltd	17,753,152	5.83
2.	Farmingacre Limited	17,000,000	5.58
3.	Rogue Investments Pty Ltd	14,200,000	4.66
4.	McLaren Investments Limited	13,713,994	4.50
5.	Citi Corp Nominees Pty Ltd	11,378,146	3.74
6.	Sunshore Holdings Pty Ltd	11,152,200	3.66
7.	Aero Agencies International Ltd	8,000,000	2.63
8.	HSBC Custody Nominees (Australia) Limited	7,534,995	2.47
9.	Mr Adrian Stephen Paul + Mrs Noelene Faye Paul <ZME Superannuation Fund A/C>	7,200,017	2.36
10.	Zero Nominees Pty Ltd	7,200,000	2.36
11.	Sunshore Holdings Pty Ltd	6,666,667	2.19
12.	Timriki Pty Ltd	6,655,677	2.19
13.	Cintra Holdings Pty Ltd <The Cintra A/C>	6,550,000	2.15
14.	Stately Glory Limited	6,000,000	1.97
15.	Allgreen Holdings Pty Ltd	5,000,000	1.64
16.	Juneday Pty Ltd	5,000,000	1.64
17.	Wimalex Pty Ltd <Trio S/F A/C>	5,000,000	1.64
18.	Dr Salim Cassim	4,885,000	1.60
19.	Bell Potter Nominees Ltd <100905 A/C>	4,550,000	1.49
20.	Sunset Capital Management Pty Ltd <Sunset Superfund A/C>	4,440,000	1.46
	Top 20 holders of Ordinary Shares (Total)	169,879,848	55.76

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

ANNEXURE A

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data
(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• The selected benches were prepared using drill and blast and then mined using a wheel loader and an excavator. • The mining as supervised by a geologist to ensure quality control and provide direction for where the mined material was to be stockpiled and nomenclature for recording said dumps. • Each bench was geologically examined to determine lithology and dominant alteration type and effects.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• Not applicable
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Not applicable
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Not applicable

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• As close as possible to 100% of the drill blasted material was mined stockpiled. • Multiple stockpiles were created to differentiate the different bench locations mined. • Processing of the mined material is ongoing. The material is processed using a jaw crusher to crush to -30mm and then washed through a trommel and screened to separate into the three fractions: -3mm, 3mm-10mm, +10mm-30mm. • The -3mm material is discarded and returned to a waste stockpile. • Any oversize material is re-crushed.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• No assays were carried out. • For emerald count the sample was crushed, washed, screened and then hand sorted. • For quality control a limited number of trained sorters are being used with cross checks on precision and accuracy carried out on a daily basis.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• The mining was supervised by a Geologist.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Each bench location was surveyed prior to mining and then post mining located to +/-5 metres using GPS.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Not applicable, this programme was a mining exercise to obtain in pit material to test crushing, screening and processing (XRF) techniques.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Not applicable.
Sample security	• *The measures taken to ensure sample security.*	• All mining and processing is supervised by the onsite Geologist or the mine manager.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Ongoing self-assessment by onsite personnel.

Section 2 Reporting of Exploration Results

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• Mining Right, Portion 7 of the Farm Farrell 781LT, LP30/5/1/2/2/0153MR, located 2km from Gravelotte in the Phalaborwa magisterial district of South Africa. The Company has a 74% ownership of the project with the remaining portion owned by Black Economic Empowered (“BEE”) shareholders to ensure compliance with South African BEE ownership requirements.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• The collating of the historic exploration and production results is a work in progress by restricted because of multiple previous owners and some poor record keeping. Magnum has engaged consultants to assemble and digitise as much data as can be sourced.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Hydrothermal breccia.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar*	• Magnum is only partially relying on the previous exploration but as the historic data base is incomplete use of the data is by necessity selective.

Criteria	JORC Code explanation	Commentary
	○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Not applicable.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Not applicable.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Not applicable.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Not applicable.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Not applicable.

Criteria	JORC Code explanation	Commentary
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Not applicable.

Section 5 Estimation and Reporting of Diamonds and Other Gemstones

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

Criteria	JORC Code explanation	Commentary
Indicator minerals	• *Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.*	• Not applicable.
Source of diamonds	• *Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.*	• Emeralds, introduction into breccia of Cr rich solutions through hydrothermal activity
Sample collection	• *Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (eg large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).* • *Sample size, distribution and representivity.*	• Historic waste and low grade ore dumps. • Dumps cannot be considered representative. • Historic pit benches
Sample treatment	• *Type of facility, treatment rate, and accreditation.* • *Sample size reduction. Bottom screen size, top screen size and re-crush.* • *Processes (dense media separation, grease, X-ray, hand-sorting, etc).* • *Process efficiency, tailings auditing and granulometry.* • *Laboratory used, type of process for micro diamonds and accreditation.*	• On site treatment facilities, supervised onsite geologist and senior management personnel. • Crushing, washing, screening, hand sorting, XRF sorting.
Carat	• *One fifth (0.2) of a gram (often defined as a metric carat or MC).*	• 1 gram = 5 carats
Sample grade	• *Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.*	• Determined by weight of emeralds recovered from each sample.

Criteria	JORC Code explanation	Commentary
	• *The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.* • *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).*	
Reporting of Exploration Results	• *Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.* • *Sample density determination.* • *Per cent concentrate and undersize per sample.* • *Sample grade with change in bottom cut-off screen size.* • *Adjustments made to size distribution for sample plant performance and performance on a commercial scale.* • *If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.* • *The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.*	• Only emeralds 3mm or greater reported.
Grade estimation for reporting Mineral Resources and Ore Reserves	• *Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.* • *The sample crush size and its relationship to that achievable in a commercial treatment plant.* • *Total number of diamonds greater than the specified and reported lower cut-off sieve size.* • *Total weight of diamonds greater than the specified and reported lower cut-off sieve size.* • *The sample grade above the specified lower cut-off sieve size.*	• Not applicable
Value estimation	• *Valuations should not be reported for samples of diamonds processed using total liberation method, which is commonly used for processing exploration samples.* • *To the extent that such information is not deemed commercially sensitive, Public Reports should include:*	• Not applicable

Criteria	JORC Code explanation	Commentary
	○ *diamonds quantities by appropriate screen size per facies or depth.* ○ *details of parcel valued.* ○ *number of stones, carats, lower size cut-off per facies or depth.* • *The average $/carat and $/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.* • *The basis for the price (eg dealer buying price, dealer selling price, etc).* • *An assessment of diamond breakage.*	
Security and integrity	• *Accredited process audit.* • *Whether samples were sealed after excavation.* • *Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.* • *Core samples washed prior to treatment for micro diamonds.* • *Audit samples treated at alternative facility.* • *Results of tailings checks.* • *Recovery of tracer monitors used in sampling and treatment.* • *Geophysical (logged) density and particle density.* • *Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.*	• On site security provided by senior on site management.
Classification	• *In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.*	• Not applicable.

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