



## Quarterly Activities Report for three months ending 31 December 2020

### ASX Release

28 January 2021

### Magnum Mining and Exploration Limited

ABN 70 003 170 376

### ASX Code

MGU

### Non-Executive Chairman

Howard Dawson

### Chief Executive Officer

Grant Button

### Non-Executive Director

Francesco Cannavo

### Company Secretary

Grant Button

### Issued Shares

349,765,482

### Listed Options

109,839,606

Exp 30/09/2022 @ \$0.05

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## HIGHLIGHTS

### New Project - Buena Vista

- Due diligence for the acquisition of the Buena Vista magnetite iron ore project continued and subsequent to quarter end due diligence completed and acquisition confirmed.
- Buena Vista is a significant magnetite mineral resource with over \$A34 million expended over the past decade advancing the project to completed feasibility status in 2011 and 2013.
- The project has secured all major permits for the long-term production of a high grade magnetite concentrate grading +67.5% Fe.
- The project is well situated to existing rail, power and port facilities.
- Magnum is targeting completion of an updated feasibility study by mid 2021 before a decision to mine.

- Total acquisition cost is up to \$A7.0 million paid via a combination of shares in Magnum and cash with \$A5.5 million of the acquisition cost linked to key project milestones.

### Gravelotte

- Final sorting testing completed and Optical sorting selected as providing best solution for the Gravelotte emeralds.
- Mine planning continuing for commencement of production from Cobra North pit.
- Final economic and technical study commenced and targeted for completion in March 2021 quarter.

### Corporate

- On 9 October 2020 MGU undertook a placement of 25 million shares at \$0.03 to raise \$750,000 before costs. \$0.5 million was subject to shareholder approval which was received on 12 January 2021.
- On 9 December 2020 MGU announced the intention to undertake a placement of 50 million shares at \$0.04 with a 1:2 free attaching option to raise \$2 million before costs. This placement is subject to shareholder approval.

## THE BUENA VISTA MAGNETITE IRON ORE PROJECT

During the December 2020 quarter work continued on the technical and financial due diligence of the Buena Vista project. This work focused on ensuring the data base was robust, title was in good order and the corporate structure was as presented.

In addition to this review, time was also spent in establishing contacts with US based permitting, geotechnical and rail and port logistics consultants.

Subsequent to quarter end, on 22 January 2021 Magnum advised ASX that the due diligence had been completed successfully and the transaction settlement process had now commenced.



### *Location and History*

Buena Vista is located approximately 160km east-north-east of Reno in the mining friendly state of Nevada, United States.

The project was discovered in the late 1890's, and in the late 1950's to early 1960's around 900,000 tonnes of direct shipping magnetite ore with an estimated grade of 58% Fe was mined.

In the 1960's US Steel Corporation acquired the project and carried out an extensive exploration program including 230 diamond drill holes and considerable metallurgical test work.

The project was refreshed in 2009 when Richmond Mining Limited, an ASX listed company acquired the project and commenced a detailed exploration program culminating in a definitive feasibility study in July 2011 and an updated study in 2013 for an expanded production rate.

A key component of these studies was extensive investigation of the optimal logistics plan for development of Buena Vista.

This included the negotiation of in-principle agreements with existing rail and port operators and the securing of all major mining permits.

In addition, detailed costings were completed on the trucking or slurry pipeline options to deliver the concentrate to the rail head located some 50 kilometres from mine site.

A significant decline in iron ore prices to an eventual low of less than US\$50/ tonne caused the then proposed development of Buena Vista to be deferred.

### *Resources*

The Buena Vista magnetite deposits are the product of late stage alteration of a localized intrusive local gabbro that resulted in intensely scapolitised lithologies and the deposition of magnetite.

The most well-known example of this type of magnetite mineralization is the Kiruna magnetite deposit in Sweden which has been in production since the early 1900's.

The distribution and nature of the magnetite mineralization at Buena Vista is a function of ground preparation by faulting and fracturing forming a series of open fractures, breccia zones and networks of fine fractures. These ground conditions produce variations in mineralization types from massive pods grading +60% magnetite to lighter disseminations grading 10-20% magnetite.

Metasomatic magnetite deposits such as those at Buena Vista have important positive beneficiation characteristics over the other main type of magnetite deposit which is a banded iron hosted magnetite, also known as a taconite.

	<b>Buena Vista (Magmatic)</b>	<b>Taconite (Banded iron)</b>
<b>Genesis</b>	Metasomatic (hot solutions)	Non-magmatic precipitate
<b>Grain size</b>	Coarse	Fine
<b>Grind size to liberate magnetite</b>	+100 microns	Sub 15-20 microns
<b>Capex</b>	Lower capital intensity	Higher capital intensity
<b>Opex</b>	Lower opex	Higher opex

Buena Vista has had two recent resource estimates completed. The first, a JORC 2004 resource estimate was completed for the definitive feasibility study by Western Australian based consultants Geostat Services in conjunction Veltex Pty Ltd in July 2011.

A N143-101 report was then commissioned by Nevada Iron for a dual listing on the Canadian TSX-V and completed in October 2013. This report was undertaken by consultants AMC Consultants, Crosscut Consulting and Holland and Holland.

The N143-101 study estimated Indicated and Inferred resources at Buena Vista as 178.5Mt at 18.9% Fe producing a magnetite concentrate grading 68.1% Fe with no significant impurities.

Based on established market economics the study concluded that the high-grade concentrate was expected to attract a minimum 20% price premium to the bench mark Hamersley 62% fines from buyers.

**Important Note**

***The Company considers these foreign estimates (pursuant to ASX LR 5.12) to be both material and relevant to the decision by the Company to acquire the Buena Vista Project. There is a significant data base available over the Project from various companies dating from the early 1960's through to the present day. This data base includes extensive diamond drilling and conventional and Davis Tube assay results, comprehensive metallurgical testing, hydrogeological drilling and test work. Logistical studies include quoted costings for power supply, road, rail, slurry pipe and port transport, tailings dam design, geotechnical studies for pit design and infrastructure placement, plant design, detailed capex and opex costings, detailed financial modelling and analysis and permitting approvals. The NI43-101 report, completed in October 2013 is based on this extensive data base and has synthesised this data into a comprehensive summary of the Project and its potential, including an estimate of available resources. The report was prepared on behalf of Nevada Iron Limited, a publicly listed ASX and TSX-V company by reputable and experienced consulting groups (AMC Consultants, Crosscut Consulting and Holland and Holland) and incorporated the extensive data utilized in a definitive feasibility study completed over the Project by GR Engineering Limited in July 2011. The Company's Competent Person has***

***reviewed the report and informed the Company that it was prepared in a competent and conservative manner. The resource as calculated pursuant to the NI43-101 report has been classified as Indicated and Inferred. These categories are comparable (see Cautionary Statement) with the categories used by JORC Code 2012. It is the opinion of the Company and the Competent Person that these estimates are reliable and represent the results of work done to high standards, using quality sampling, testing and geological and geostatistical modelling. The foreign estimates represent best practice work at the time.***

***Mineral Resource Estimation Methodology*** (carried out by AMC Consultants for the NI43-101 report dated October 2013)

- Drill hole samples were flagged to identify which geological and mineralogical zone they represent.
- Each sample was flagged according to where the mid-point of the sample lies relative to the relevant wireframes.
- Drill hole samples were flagged with a DOMAIN code to identify which mineralisation and lithological domain they represent.
- For the West deposit additional zone fields were created based on the structural interpretation.
- Samples were composited to 1.5m in length for the West deposit and 3m for the East deposit to ensure all samples have the same sample support. Compositing was not considered necessary for Section 5 as more than 97% of this deposit was collected in 1.5m lengths.
- A wire frame model was constructed for each deposit (Section 5, West and East) in Datamine using standard model prototype parameters.
- Sub celling down to 3.8m E x 3.8m N x 1.5m RL was used to ensure domain boundaries were honored as accurately as possible.
- The wireframe model parameters were determined after due consideration of the drill hole spacing over the entire deposit.
- To build the Fe mineralisation domain components AMC manually created 3D grade shell wireframes for the various Fe domains
- Low Grade >7.5% Fe, High Grade >15% Fe for Section 5 deposit
- Low Grade >10% Fe, Med Grade >20% Fe, High Grade >50% Fe for East and West deposits
- Variography was undertaken on Fe for the flagged 1.5m composites using Visor software for Section 5 and West deposits.
- Grade estimates were completed using ordinary kriging for all 3 deposits
- A Mineral Reserve was estimated using optimisation software to determine the optimal pit design.

***Cautionary Statement: The information disclosed above was prepared and first disclosed under the NI43-101. National Instrument 43-101 is a national instrument for the disclosure for mineral projects within Canada or mineral properties owned by, or explored by, companies which report these results on stock exchanges within Canada. The NI43-101 is broadly comparable to the JORC 2012 Code. The content of the technical reports, and the scientific rigors to which the [mineral resource classifications](#) within them are put, are often very similar and in many cases, NI43-101 and JORC Code technical reports are considered inter-changeable. The NI43-101 report was based on the historic exploration work completed by parties prior to 2012 and hence to update the NI43-101 analysis to JORC 2012 the same historic data base will be evaluated. The NI43-101 report has not been prepared by the Company and has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The resource estimates may not comply with JORC***



***Code 2012 and a Competent Person has not done sufficient work to classify the estimates to comply with the JORC Code 2012. A review of the data on behalf of the Company indicates the estimates were prepared in a competent manner and nothing has come to the attention of the Company that causes it to question the accuracy or reliability of the former owners' estimates but the Company has not independently validated the former owners' estimates and therefore is not to be regarded as reporting, adopting or endorsing these estimates.***

***It is possible that following further evaluation and/or further exploration work that the estimates presented may materially change and will be needed to be reported afresh under and accordance with the JORC Code 2012.***

#### ***JORC 2012 Mineral Resource Estimate***

Magnum is of the opinion that the Buena Vista data base is sufficiently detailed to allow a JORC 2012 mineral resource estimate to be carried out without additional drilling or other technical activities such as metallurgical test work or geotechnical studies. As a consequence the work required to update the NI43-101 estimate to JORC 2012 will comprise verification of the data base and confirmation of the mineral resource estimate using three dimensional software.



**Buena Vista Project Area showing historic loadout facility and stockpiles**

#### ***Historic Drilling***

Buena Vista has been extensively drilled with three main programmes having been carried out.

The initial programme was by US Steel in the early 1960's and was by BQ, NQ and HQ diamond drilling and holes were surveyed for dip using a Tropari instrument.

A total of around 13,600 metres of core was completed and all holes were geologically logged.

Around 5,000 samples across the magnetite mineralized zones were taken from the drill core and the magnetite content determined by Davis Tube. All testing was carried out at the Colorado school of Mines Research foundation.

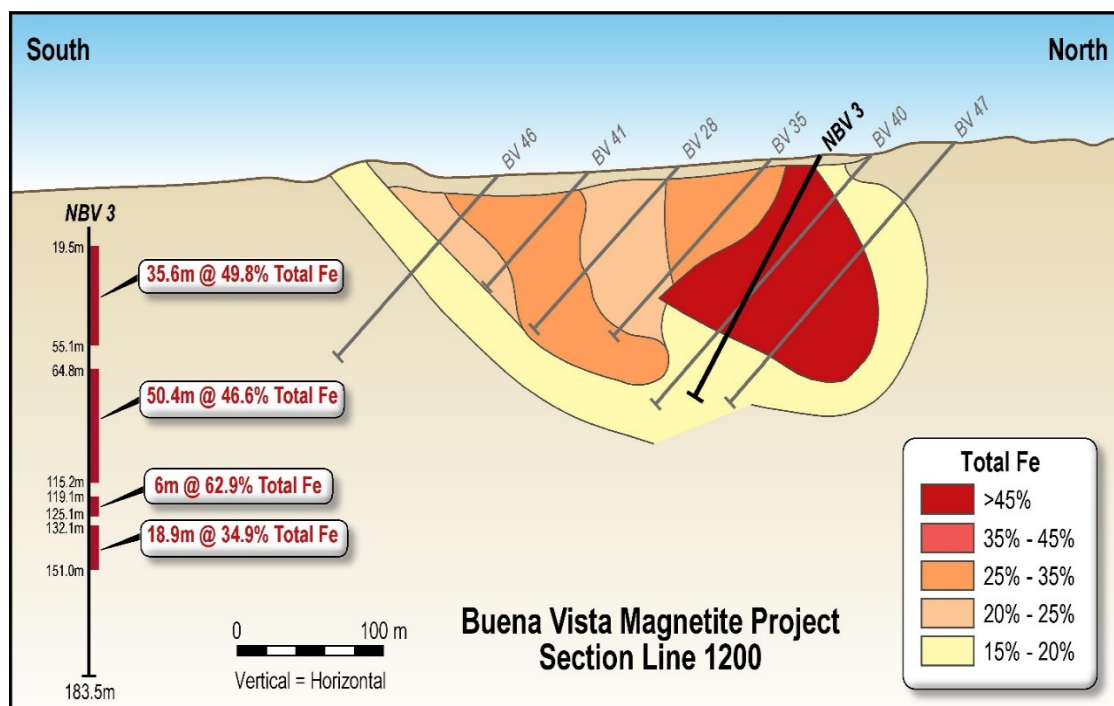
In 2010 a confirmatory diamond drill programme of around 930 metres was carried out by Richmond Mining Limited. This programme, which was HQ was designed to twin various 1960's holes in order to test for vertical and lateral continuity as well as provide QA/QC information on the historic drilling.

All of the core was geologically logged and then halved or quartered and samples assayed by American Assay Laboratories in Reno and SGS Laboratories in Perth.

In 2012 Nevada Iron Limited carried out a programme comprising 3,420 metres of HQ diamond drilling and 13,024 metres of 138 mm reverse circulation drilling.

This programme was designed to provide infill drilling for an expanded resource estimate, extend the boundaries of the known mineralized areas and provide additional core for definitive metallurgical beneficiation test work. All drill holes from this programme were geologically logged and the diamond holes surveyed down hole.

Samples from this programme were prepared by ALS Global Laboratories in Reno and analysed by ALS Laboratories in Perth.



Section Line 1200 (2011 feasibility study)

### Metallurgy

Unlike banded iron hosted magnetite deposits (taconites) where the magnetite mineralization is finely disseminated in siliceous bedding planes, the Buena Vista ore is of magmatic origin and as a consequence is coarser grained in association with the siliceous host rock.

The prime benefit of this is that metallurgical test work has shown that the primary crush of the Buena Vista ore on average increases the mill grade to +45% irrespective of the primary ore grade. This is an important distinction to taconites and results in reduced energy usage for the subsequent crushing and grinding upgrade to the concentrate grade of +67.5%.



The Buena Vista concentrate contains no deleterious concentrations of impurities with silica typically 1.4-1.5%, alumina less than 1% and negligible sulphur and phosphorous content (around-0.003% respectively). In addition titanium and vanadium levels are low in the Buena Vista concentrate, typical levels are around 0.2% TiO<sub>2</sub> and 0.3% V.

### ***Project Logistics***

The Buena Vista mine site is ideally located with towns Fallon (20,000 population) and Lovelock (8,000 population) within close proximity to the mine site. This provides site personal and their families the opportunity to reside in local communities with existing infrastructure and facilities.

The mine site is around 50kms from the Union Pacific rail line which connects with multiple export port options including Stockton, West Sacramento, Oakland, San Francisco and Richmond.

Grid power is available within 40km of the deposits and sufficient water can be sourced from ground water aquifers located in the North Carson sink. The Nevada Department of Conservation and Natural Resources has already granted the required water rights for the life of the mine.

The mine is located in Churchill County in the State of Nevada which has a strong history of supporting mining developments and is easily accessed via the sealed Coal Canyon road.



**Massive high grade magnetite core**

### ***Proposed Works Programme***

As a result of the modern feasibility studies the Buena Vista project has already completed all of the required technical studies such as drilling and metallurgy which are integral to support development.

In addition, important logistical options such as road, rail and port access have been evaluated and costed.

Based on the historical feasibility studies the Buena Vista project presents a unique near-term development opportunity with low capital and low estimated operating costs presenting a robust case against current iron ore prices.

The historic data provides a sound basis for Magnum to undertake an updated feasibility study with the main variable being the optimum annual average production rate.

## **THE GRAVELOTTE PROJECT, SOUTH AFRICA**

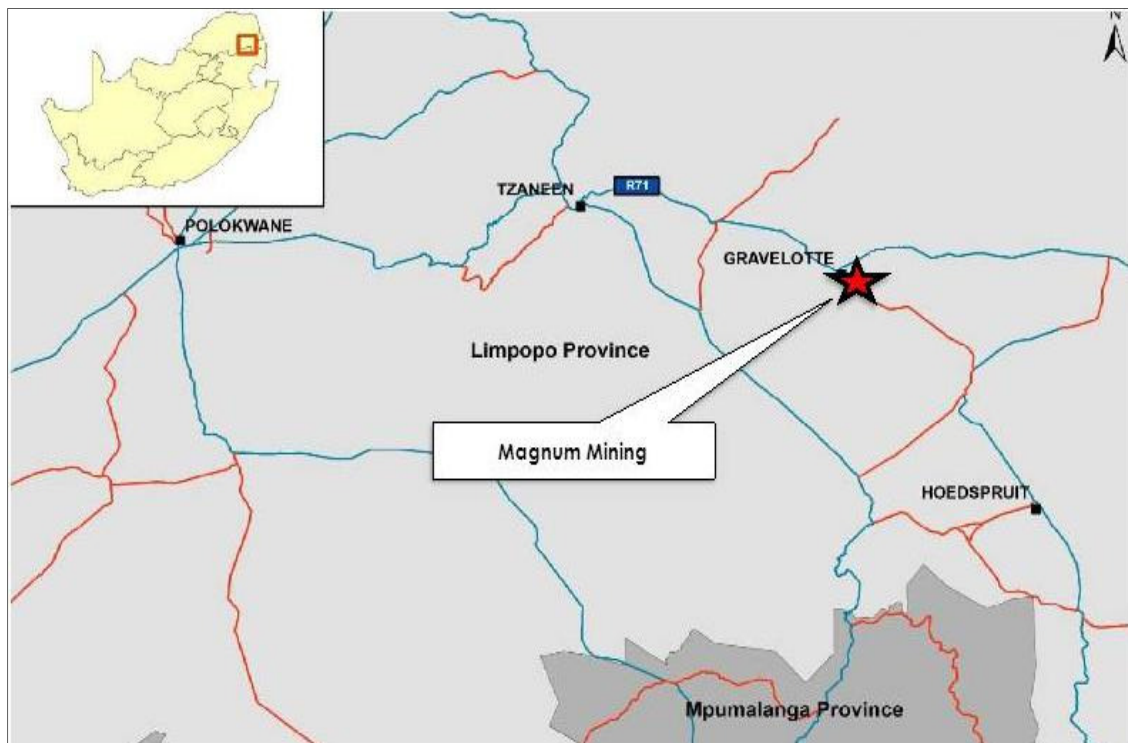
### ***Location and History***

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.



**Gravelotte Location Map**

### ***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.

### ***The Next Steps to Development***

The Gravelotte Project is now at the pre-development stage and activities during the quarter focused on finalising mine planning and preferred sorting options.

In addition the economic analysis of the project was commenced.

This report will be a comprehensive technical and financial overview of the project with the aim to determine with an accuracy of +/- 10% the economics of developing the project.

It is planned to use this completed document as a cornerstone to raising the required development and working capital required to bring Gravelotte into commercial production.

In addition, quotations were sought from a range of engineering groups for the supply of the crushing and washing circuit.



**Gravelotte Project showing existing infrastructure and mining 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 inhomogeneous.

As a consequence the majority of grade control within the proposed mining operation will rely on other indicators of emerald mineralization such as the presence of discolouration of the schist, biotite alteration and development of pyrite.

This grade control will be carried out through the logging of the blast hole material and visual examination of the run of mine material.

### *Sorting options for the recovery of the emeralds*

Magnum has been in continuous engagement over the past three quarters with leading manufacturers of material sorting solutions. Sorting of the emeralds is the tertiary stage in the processing and the Company had been assessing the two main options available – Optical sorting or sorting using XRF technology.

The use of either of these technologies effectively mechanizes the operation and removes the requirement to hand sort.

This assessment is now complete and Optical (colour) sorting has been selected as providing the best commercial option for the sorting of the Gravelotte emeralds.

## EXPLORATION INTERESTS

The following tenement information is provided in accordance with ASX Listing Rule 5.3.3 for the quarter ended 30 September 2020:

Location	Tenement Type	Number	Interest at beginning of Quarter	Interests relinquished, reduced or lapsed	Interests acquired or increased	Interest at end of Quarter	Status
Limpopo Province, South Africa	Mining Right	LP 153 CMR	74%	-	-	74%	Granted
Limpopo Province, South Africa	Prospecting Right	LP 30/5/1/1/3/2/1/204PR	74%	-	-	74%	Granted

## CORPORATE

### *Placement of new shares*

On 13 October 2020 Magnum issued 8,333,332 new shares to provide working capital to finalise the due diligence pursuant to the proposed acquisition of the Buena Vista Project.

The shares were issued at \$0.03 and were issued without disclosure pursuant to Part 6D.2 in reliance to Section 708(5) of the Corporations Act (refer to ASX announcement dated 9 October 2020).

As part of this transaction Magnum issued an additional 25,000,000 shares at \$0.03 to a range of strategic and institutional investors. This issue was subject to approval from shareholders and this approval was received 22 January 2021.

On 9 December 2020 the Company announced its intention to raise an additional \$2 million (before costs) through the issue of 50,000,000 shares at \$0.04 together with a 1:2 free attaching listed option. This issue was also subject to shareholder approval which the Company intends to seek through a general meeting to be held in early March 2021

The funds from these placements will be used to update the Buena Vista feasibility study and advance funding options for the projects development, continue ongoing pre-development activities at Gravelotte and provide general working capital.

### **VAT Refund**

The VAT refund of AU\$80,000 from the South African Revenue Service (SARS) was received during the December quarter.

### **ASX: MGU Announcements Released During the December 2020 Quarter**

10/12/2020	<i>Proposed issue of securities</i>
9/12/2020	<i>Proposed capital raising</i>
8/12/2020	<i>Notice of General Meeting of Shareholders.</i>
30/10/2020	<i>September 2020 quarter cash flow and activities reports</i>
12/10/2020	<i>Progress Report</i>
9/10/2020	<i>Proposed issue of securities</i>
9/10/2020	<i>Proposed acquisition of Buena Vista iron ore project</i>
9/10/2020	<i>Appendix 2A and Disclosure Document</i>
9/10/2020	<i>Placement of Securities</i>



**GRANT BUTTON**  
**Chief Executive Officer/Joint Company Secretary**

Further information please contact:

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#### Competent Persons Statement

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