Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Annual report
Year ended 31 December 2011

Contents

Corporate directory

Directors
G M Button
G A Nealon
D F Lynton-Brown
M McMahon

Company Secretary
G M Button

Registered office
Unit 2 Level 1 Churchill Court
331-335 Hay Street
Subiaco
Western Australia 6008

Share registry
Computershare Investor Services
45 St Georges Terrace
Perth
Western Australia 6000

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

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

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

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

Website address
www.mmel.com.au

Review of operations and activities

Operations

Tantalite Valley Project, Namibia

The Tantalite Valley Tantalum project is located on Mining Licence 77, located near Karasburg and Warmbad, within the magisterial district of Karas in southern Namibia.

Since acquiring the project in 2007, Magnum Mining and Exploration Limited (the “Company”) has undertaken various exploration and evaluation activities to increase the understanding of the project, and to plan for development activities.

The Company previously decided to forge an alliance with a tantalum mining house or end-user to assist in the development of the project and to mitigate the marketing risks of the operation.

The Company has continued to hold discussions with various parties to progress this strategy but has to date been unable to find a suitable investor.

Other activities

The Company has reviewed several resource sector opportunities during the half year and has focused its activities during this period on assessing the Brazilian Iron Ore opportunity, as set out below. The Company is currently continuing its due diligence activities in relation to the project under option. The Company will continue to monitor and assess other potential opportunities for the Company.

Option to Acquire Brazilian Iron Ore Project

The Company announced on 26 September 2011, that it had entered into an option and exclusivity agreement (**Option Agreement**) pursuant to which OCRA Trustees (Seychelles) Limited (as trustee of Global Trust) has granted to Magnum an irrevocable exclusive option to acquire all of the fully paid issued shares in Irongates (Aust) Pty Ltd (**IAPL**).

IAPL holds 100% of the issued capital in Gates Minerals Pty Ltd (**GMPL**). IAPL also holds 99% of Irongates Brasil Recursos Minerais Ltda (a company registered in Sao Paulo) (**IBRML**) and GMPL holds the remaining 1% in IBRML.

IBRML holds contractual rights to acquire Emicon Mineracao Terraplenagem Ltda's (**Emicon**) iron ore project in Brazil (**Brazilian Iron Ore Project**).

The Company further announced on 22 December 2011, that the directors of Magnum Mining and Exploration Limited have been successful in extending the Option Period to 14th April 2012, in order to finalise the Due Diligence.

Details of the Brazilian Iron Ore Project

The Brazilian Iron Ore Project is located in the south western part of the well known “Iron Quadrangle” in Serra Azul in the state of Minas Gerais, Brazil. The Iron Quadrangle is an important iron mining region and one of the most important metallogenic provinces in the world and has been mined for iron ore since the nineteenth century.

The Brazilian Iron Ore Project consists of an in situ exploration project and a sinter feed project containing alluvial tailings (**Sinter Feed Project**). Due to the alluvial nature of the Sinter Feed Project, the sinter feed fines may present an early production opportunity.

The Company has commenced comprehensive due diligence investigations in respect of the Brazilian Iron Ore Project and Sinter Feed Project.

Review of operations and activities (continued)

Details of the Brazilian Iron Ore Project (continued)

The Proposed Terms of the Formal Agreement are outlined in detail in the Company Announcement dated 26 September 2011.

The ability of the Company to achieve its objectives will depend on the performance by each of the relevant parties of their respective obligations under the Option Agreement and, in the event that Magnum exercises the Option, the Formal Agreement. Further, IBRML's interests in the Brazilian Iron Ore Project and Sinter Feed Project will depend on Emicon's compliance with the contractual arrangements between Emicon and IBRML and the ability of IBRML to enforce those rights. Failure by the parties to comply with their respective contractual obligations may adversely affect the interests of the Company and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

Corporate

The Company has continued to incur costs associated with the assessment of suitable resource sector opportunities for the Company.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter, as the "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 2011.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

G A Nealon
G M Button
D F Lynton-Brown
M McMahon

Principal Activities

The principal activity of the Group during the financial year was investment in 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 on page 3 of this annual report.

Operating result for the year

The consolidated loss of the Group for the year after income tax benefit was $683,847 (2010: $662,192).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report.

Matters subsequent to the end of the financial year

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods other than disclosed elsewhere in this annual report.

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.

Environmental legislation

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

Directors' report (continued)

Information on directors

G M Button B. Bus. (Acc), C.P.A. *Chief Executive Officer. Age 50*

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 and has 19 years experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary for a range of publicly listed companies.

Other current directorships
Executive director of Sylvania Resources Ltd (since May 2009)
Non-executive director of Ferrum Crescent Ltd (since October 2010)

Former directorships in the last 3 years
Non-Executive director of Washington Resources Limited – Resigned 1st December 2008
Non-executive Chairman of Mongolian Resource Corporation Limited (Formerly Alamar Resources Limited) (since April 2008) – Resigned 11 April 2011
Non-executive Chairman of Realm Resources Limited (Formerly Morningstar Holdings (Australia) Limited) – Resigned 20th October 2011

Special responsibilities
None

Interest in shares and options
3,700,000 ordinary shares in Magnum Mining and Exploration Limited

G A Nealon. B.Sc. (Hons.), M.Sc., MRACI, C.Chem. *Non-Executive Chairman. Age 52*

Experience and expertise

G A Nealon is a Chartered Chemist holding the degrees of B.Sc. (Hons.) in Biochemistry and M.Sc. in Forensic Science. He has approximately 25 years of work experience, primarily in the areas of forensic science, quality systems, risk management, research & development, corporate governance and due diligence. He was initially employed by Government agencies, primarily within the UK and Australia, prior to moving into the private sector and founding his own consulting company in 1994. His main areas of operation have principally related to Australia, South Africa, Singapore, the Philippines, Malaysia, Thailand and the USA.

Other current directorships
Chairman of AIM listed companies Bezant Resources Plc (since December 2004) and L P Hill Plc (since April 2009)
Chairman of Great Australian Resources Limited

Former directorships in the last 3 years
None

Special responsibilities
Chairman of the Board

Interest in shares and options
3,000,000 ordinary shares in Magnum Mining and Exploration Limited

Directors' report (continued)

Information on directors (continued)

D F Lynton-Brown. *Non-Executive Director, Age 71*

Experience and expertise

D F Lynton-Brown has been involved within the Mining Industry for nearly 40 years. He has predominantly been involved with corporate development and promotional activities relating to a large number and range of business ventures, where he has been most instrumental with their initial establishment activities, along with attracting associated institutional investors.

Other current directorships
None

Former directorships in the last 3 years
Pelican Resources Limited – resigned 12th October 2010

Special responsibilities
None

Interest in shares and options
920,000 ordinary shares in Magnum Mining and Exploration Limited

M McMahon *Non-Executive Director, Age 58*

Experience and expertise

M McMahon is a successful Sydney businessman. He has not held any other directorships in the previous 3 years.

Former directorships in the last 3 years
None

Special responsibilities
None

Interest in shares and options
No ordinary shares in Magnum Mining and Exploration Limited

Company secretary

Mr Grant Button

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

Meetings of directors

During the financial year there were three 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.

Directors' report (continued)

Meetings of directors (continued)

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*
G M Button	3	3
G A Nealon	3	2
D F Lynton-Brown	3	3
M McMahon	3	3

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 2011. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

The Key Management Personnel of the Company are the Directors.

Directors

Grant Button (Chief Executive Officer and Company Secretary)

Gerald Nealon (Non-Executive Chairman)

Darryl Lynton-Brown (Non-Executive Director)

Michael McMahon (Non-Executive Director)

Details of directors' and executives' 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

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

A Principles used to determine the nature and amount of remuneration

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

Directors' report (continued)

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

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

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

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

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

The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past nine (9) financial years.

Below is a table showing the Company's performance and EPS over the last 4 financial years.

	31 December 2008	31 December 2009	31 December 2010	31 December 2011
Financial year profit / (loss) - $	(3,654,485)	(893,485)	(662,192)	(683,847)
EPS / (Loss per share) – cents	(2.51)	(0.61)	(0.42)	(0.42)
Share price - cents	6	8	12	4

B Details of remuneration including Share Based Payment compensation

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.

Directors' report (continued)

Remuneration report (continued)

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

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

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

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

The key features of the scheme are set out below.

Executive director remuneration

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

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

The executive pay and reward framework has the following components:
- Base pay and benefits such as superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in the Directors and Employees Share Plan.

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

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.

All executives are either full time employees or consultants that currently receive a fixed monthly retainer as agreed with the Company.

Directors' report (continued)

Remuneration report (continued)

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

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

Variable annual remuneration

Short-term incentives

There are no current short term incentive remuneration arrangements.

Long-term incentives

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

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2011 and 2010 are set out in tables 1 and 2 in Section C.

Employee share plan

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

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

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

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

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

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

Directors' report (continued)

Remuneration report (continued)

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

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

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

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

No ordinary shares in the Company were provided as a result of the exercise of remuneration options during the year.

Details of employee shares affecting remuneration in the previous, this or future reporting periods are as follows:

Issue date	Share price at grant date	Exercise price	Vesting period
22 June 2007	$0.27	$0.30	50% after 22 June 2008; 50% after 22 June 2009
9 April 2008	$0.16	$0.18	50% after 9 April 2009; 50% after 9 April 2010
4 June 2008	$0.20	$0.18	50% after 4 June 2009; 50% after 4 June 2010
21 July 2010	$0.10	$0.10	50% after 21 July 2011; 50% after 21 July 2012

Details of ordinary shares in the Company provided as remuneration to each director of the Company are set out below.

	Number of shares granted during the year		Number of shares vested during the year		% Compensation for year consisting of options
	2011	2010	**2011**	2010	
G M Button	**-**	-	-	750,000	-
G A Nealon	**-**	-	-	750,000	-
D F Lynton-Brown	**-**	-	-	450,000	-
M McMahon	**-**	-	**-**	-	-

Directors' report (continued)

Remuneration report (continued)

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

Loans under 2007 Share Plan

The Company resolved, on 7th July 2010, to authorise full recourse interest bearing loans to the holders of the shares under the 2007 Share Plan. The terms of the loans are as follows:

(i)	Commencement date	1 July 2010
(ii)	Loan term	2 years
(iii)	Principal repayment	Principal repayment due in full on or before 30 June 2012
(iv)	Interest rate	7.50% per annum
(v)	Interest payable	Due 6 monthly in arrears

No ordinary shares in the Company were provided as a result of the exercise of remuneration options during the year.

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 2011

2011	*Primary benefits*		*Post-employment benefits*	*Share-based payments*	*TOTAL*	*Performance related %*
Name	*Cash salary and consulting fees*	*Directors' fees*	*Superannuation*	*Equity shares*		
	$	***$***	***$***	***$***	***$***	
G M Button	26,669	25,000	2,250	-	53,919	-
G A Nealon	-	25,000	2,250	-	27,250	-
D F Lynton-Brown	-	25,000	2,250	-	27,250	-
M McMahon	-	25,000	2,250	-	27,250	-
TOTAL	**26,669**	**100,000**	**9,000**	**-**	**135,669**	

Table 2: Directors remuneration for the year ended 31 December 2010

2010	*Primary benefits*		*Post-employment benefits*	*Share-based payments*	*TOTAL*	*Performance related %*
Name	*Cash salary and consulting fees*	*Directors' fees*	*Superannuation*	*Equity shares*		
	$	*$*	*$*	*$*	*$*	
G M Button	80,007	25,000	2,250	15,673	122,930	12.75%
G A Nealon	-	25,000	2,250	15,673	42,923	36.51%
D F Lynton-Brown	-	25,000	2,250	9,403	36,653	25.65%
M McMahon	-	25,000	2,250	-	27,250	-
TOTAL	**80,007**	**100,000**	**9,000**	**40,749**	**229,756**	

This is the end of the audited remuneration report.

Directors' report (continued)

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*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group entity are important.

During the year ended 31 December 2011, the auditor did not provide any non-audit services.

	Consolidated 2011 $
The auditors of the parent entity are HLB Mann Judd:	
Amounts paid or payable for services provided by HLB Mann Judd for:	
- An audit or review of the financial report of the Parent entity	**20,070**
Amounts received or due and receivable by non-HLB Mann Judd audit firms:	
- An audit or review of the financial report of any other entity in the Group	**7,343**
Total auditor's remuneration	**27,413**

Directors' report (continued)

Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16 and forms part of this directors' report for the year ended 31^{st} December 2011.

Auditor

HLB Mann Judd continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Grant M Button
Chief Executive Officer

Perth, Australia
28^{th} March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Magnum Mining & Exploration Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Perth, Western Australia
28 March 2012

W M Clark
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Corporate governance statement

The Board of Directors 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 relation to the best practice recommendations released by the Australian Securities Exchange 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 (or otherwise departed from) each of the Principles & Recommendations during the year. The Principles and Recommendations were amended in 2010 and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 has been made in relation to the Company's financial year ended 31 December 2011. Unless stated otherwise, all of the following practices were in place for the entire year.

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company considers corporate governance best practice recommendation 1.1 and 1.3 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 operations, the number of directors constituting the Board and the fact that the Company has one part time employee. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.

Skills, experience, expertise and period of office of each Director
(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 6.

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board of Directors are responsible to the shareholders for the performance of the Company and the implementation of corporate governance policies. The Board operates in accordance with the following principles:

- The Board should comprise between 3 and 12 directors, with a mix of executive and non-executive directors; and

- The Board should comprise directors with a range of skills and experience that are appropriate and assist the directors in performing their duties within the scope of the Company's operations.

Directors are initially appointed by the full Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment.

The Chairman of the Board is a non-executive director who is elected by the full Board.

Corporate governance best practice recommendations 2.1 and 2.2, which require the majority of the Board to be independent directors and the Chairman to be an independent director, have not been adopted by the Company.

Corporate governance statement (continued)

Director independence (continued)
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Company has adopted corporate governance best practice recommendation 2.3 by having the roles of Chair and Chief Executive Officer exercised by separate individuals. The Board is of the opinion that the Company is best served by its current Board composition of executive and non-executive directors.

Independent Professional Advice
(Recommendation: 2.6)

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Selection and (Re) Appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must stand for re-election. A director who retires at an annual general meeting is eligible for re-election at that meeting and the re-appointment of directors is not automatic.

Board committees
(Recommendations: 2.4, 2.6, 4.1, 4.4, 8.1, 8.3)

The Board has not established separate independent Nomination, Audit or Remuneration Committees. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing any of these committees separate from the Board. Accordingly, the Board performs the role of each of the Nomination, Audit and Remuneration Committee. Items that are usually required to be discussed by one of these committees are addressed at separately convened Board meetings when required. 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.

Nomination Committee
(Recommendations: 2.4, 2.6)

A separate Nomination Committee has not been formed and therefore it is not structured in accordance with Recommendations 2.4 and 2.6.

Corporate governance statement (continued)

Audit Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

As noted above, the Board has not established a separate Audit Committee and therefore it is not structured in accordance with Recommendations 4.1 and 4.2.

The Company has not established a formal Audit Committee Charter and therefore is not in accordance with Recommendation 4.3. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

As noted above, the Board has not established a separate Remuneration Committee and therefore it is not structured in accordance with Recommendations 8.1 and 8.2.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant shares and/or options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to participate in the future growth of the Company. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at general meeting.

Pay and rewards for executive directors and senior executives consists of a base salary and long term incentives. Long term incentives may include shares and/or options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of shares and/or options is designed to recognise and reward efforts as well as to provide additional incentive. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness. Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Performance evaluation

Senior executives
(Recommendations: 1.2, 1.3)

The Chair reviews the performance of senior executives by way of a formal interview with each senior executive.

The Board formally reviews the performance of the Chair at least annually, including evaluating achievement of key operational goals and strategic objectives, compliance with legal and Company policy requirements, and the achievement of key performance indicators. This performance evaluation is undertaken by round table discussion.

During the Reporting Period an evaluation of senior executives and the Chair took place in accordance with the process disclosed above.

Corporate governance statement (continued)

Board, its committees and individual directors
(Recommendations: 2.5, 2.6)

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.

Non-executive directors are evaluated by round table discussion and a meeting with the Chair. Performance evaluations of non-executive directors include consideration of contribution to the Board, degree of independence, availability for and attendance at Board meetings and other relevant events, contribution to Company strategy, membership of and contribution to any Board committees, and suitability to Board and committee structure.

During the year an evaluation of the Board and individual directors took place in accordance with the process disclosed above.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1, 3.3)

The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in best practice 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.

The purchase and sale of Company securities by Directors and employees is permitted. However, buying or selling of the Company's shares is not allowed at any time by any person who possesses unpublished information which may affect the price of the Company's shares. The Company announced its policy for trading in company securities on 22 December 2010.

Diversity Policy
(Recommendations: 3.2, 3.3, 3.4)

There is currently no formal Diversity policy in place by the Company, nor are there any women employed in senior executive positions or on the board of the Company.

Corporate governance statement (continued)

Continuous Disclosure and Shareholder Communication
(Recommendations: 5.1, 5.2, 6.1, 6.2)

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 requirements 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 best practice recommendations 5.1 and 6.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

G M Button, Chief Executive Officer, has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Risk Management
Recommendations: 7.1, 7.2, 7.3, 7.4)

Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

The assessment of identified and potential significant business risk is monitored by the executive director. The executive director is responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk. However the Board believes that the formalisation of these policies and procedures in a written form as recommended in best practice recommendation 7.1 is not necessary as the Board is satisfied that all Board members are aware of and mitigate potential risks where required.

The Chair and the Chief Executive Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Statement of Comprehensive Income
for the year ended 31 December 2011

	Notes	Consolidated 2011 $	2010 $
Revenue from continuing operations	3	**154,891**	171,906
Raw materials and consumables used		**(8,298)**	(18,847)
Share-based payment expense		**(28,317)**	(84,218)
Depreciation expense		**(4,173)**	(7,033)
Option to acquire Brazilian Iron Ore Project		**(204,625)**	-
Other expenses		**(593,325)**	(724,000)
Loss before income tax benefit	4	**(683,847)**	(662,192)
Income tax benefit	5	-	-
Net loss for the year		**(683,847)**	(662,192)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(38,867)**	(13,307)
Other comprehensive (loss) / income for the year net of tax		**(38,867)**	(13,307)
Total comprehensive (loss) for the year		**(722,714)**	(675,499)
Basic loss per share (cents)	24	**(0.42)**	(0.42)

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

Statement of Financial Position
as at 31 December 2011

	Notes	Consolidated	
		2011	2010
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**2,056,957**	2,749,747
Trade and other receivables	7	**533,819**	71,570
Total Current Assets		**2,590,776**	2,821,317
Non-Current Assets			
Receivables	8	**-**	434,500
Investments accounted for using the equity method	9	**124,711**	164,837
Plant and equipment	10	**7,336**	10,444
Total Non-Current Assets		**132,047**	609,781
Total Assets		**2,722,823**	3,431,098
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**101,921**	115,799
Total Current Liabilities		**101,921**	115,799
Total Liabilities		**101,921**	115,799
Net Assets		**2,620,902**	3,315,299
EQUITY			
Contributed equity	12	**18,682,792**	18,682,792
Reserves	13	**460,771**	471,321
Accumulated losses		**(16,522,661)**	(15,838,814)
Total Equity		**2,620,902**	3,315,299

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

Statement of Changes in Equity
for the year ended 31 December 2011

Consolidated	Contributed Equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 January 2010	**17,781,434**	**(15,176,622)**	**868,768**	**3,473,580**
Loss for the year	-	(662,192)	-	(662,192)
Currency translation differences	-	-	(13,307)	(13,307)
Transaction costs arising on share issue	(1,500)	-	-	(1,500)
Share based payment reserve transferred to contributed equity	468,358	-	(468,358)	-
Employee share plan loans	434,500	-	-	434,500
Share based compensation reserve	-	-	84,218	84,218
Balance at 31 December 2010	**18,682,792**	**(15,838,814)**	**471,321**	**3,315,299**
Loss for the year	-	(683,847)	-	(683,847)
Currency translation differences	-	-	(38,867)	(38,867)
Share based compensation reserve	-	-	28,317	28,317
Balance at 31 December 2011	**18,682,792**	**(16,522,661)**	**460,771**	**2,620,902**

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

Statement of Cash Flows
for the year ended 31 December 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Interest received		**130,023**	136,831
GST		**23,127**	34,172
Other		**7,952**	-
Exploration expenditure		**(400,023)**	(165,045)
Payments to suppliers and employees		**(452,804)**	(588,296)
Net cash outflow from operating activities	23	**(691,725)**	(582,338)
Cash flows from investing activities			
Acquisitions of property, plant and equipment		**(1,065)**	-
Net cash (outflow) / inflow from investing activities		**(1,065)**	-
Cash flows from financing activities			
Share issue transaction costs		**-**	(20,600)
Net cash (outflow) / inflow from financing activities		**-**	(20,600)
Net (decrease) / increase in cash and cash equivalents		**(692,790)**	(602,938)
Cash and cash equivalents at the beginning of the year		**2,749,747**	3,352,685
Cash and cash equivalents at the end of the year	6	**2,056,957**	2,749,747

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

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

The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Namibia and South Africa. The entity's principal activities are mineral exploration.

(b) Statement of Compliance

The financial report was authorised for issue in accordance with a resolution of the Directors on 28th March 2012.

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 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group Accounting Policies.

(d) Basis of Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of Consolidation (continued)

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

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

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

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

Investment in associated entities

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

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

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

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

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

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

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 25.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 25.

(f) Comparatives

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

(g) 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 Ltd.

(h) Revenue Recognition

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

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

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade and other receivables

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

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

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

(k) Foreign currency translation

(i) Functional and presentation currency

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

(ii)Transactions and balances

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

(iii) Group companies

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currency translation (continued)

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 are recognised in the statement of comprehensive income as part of the gain or loss on sale.

(l) Income tax

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

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

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

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

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

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

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

(m) Other taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Other taxes (continued)

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

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

(n) 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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

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

Buildings – over 40 years
Plant and equipment – over 5 to 15 years

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

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

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial assets (continued)

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

(p) Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of financial assets (continued)

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions (continued)

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

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

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

(t) Employee leave benefits

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

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

(ii) Long service leave

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

(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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share-based payment transactions (continued)

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

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

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) 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.

(w) Earnings per share

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

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

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

(x) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Exploration and evaluation (continued)

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 2: Financial reporting by segments

For management purposes the chief operating decision maker, being the Board of Directors of Magnum Mining and Exploration Ltd, 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 2011 and 31 December 2010.

	Australia $	**Namibia** $	**South Africa** $	**Consolidated** $
31 December 2011				
Segment revenue	**146,937**	**7,952**	**2**	**154,891**
Segment result	**647,758**	**31,025**	**5,064**	**683,847**
Segment assets	**2,717,881**	**407**	**4,535**	**2,722,823**
Segment liabilities	**93,205**	**8,371**	**345**	**101,921**
Included within segment results:				
Depreciation	**4,173**	**-**	**-**	**4,173**
Share of loss from investment in equity method associates	**-**	**891**	**-**	**891**
Interest revenue	**146,937**	**-**	**2**	**146,939**
Share based payments	**28,317**	**-**	**-**	**28,317**
31 December 2010				
Segment revenue	158,512	12,961	433	171,906
Segment result	597,964	61,514	2,714	662,192
Segment assets	3,407,173	41	23,884	3,431,098
Segment liabilities	99,621	16,178	-	115,799
Included within segment results:				
Depreciation	7,033	-	-	7,033
Share of loss from investment in equity method associates	-	4,796	-	4,796
Interest revenue	158,512	6,938	433	165,883
Share based payments	84,218	-	-	84,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	2011	2010
	$	$
Note 3: Revenue		
From continuing operations		
Other revenue		
Interest received	**146,939**	165,883
Other	**7,952**	6,023
	154,891	171,906
Note 4: Expenses		
Loss before income tax includes the following specific expenses:		
Depreciation	**4,173**	7,033
Share-based payment expense	**28,317**	84,218
Superannuation contributions	**10,080**	10,080
Foreign exchange loss	**1,247**	147
Share of loss from investment accounted for using the equity method	**891**	4,796
Option to acquire Brazilian Iron Ore Project	**204,625**	-

The Company has 1 employee (2010: 1).

Note 5: Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	**(683,847)**	(662,192)
Tax at the Australian rate of 30% (2010: 30%)	**205,154**	198,658
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**(137,380)**	(54,843)
Deferred tax asset not brought to account	**(67,774)**	(143,815)
Income tax expense/(benefit)	**-**	-
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**5,139,398**	4,913,618
Potential tax benefit @ 30%	**1,541,819**	1,474,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	2011	2010
	$	$
Note 6: Current assets – Cash and cash equivalents		
Cash at bank and on hand	**2,056,957**	2,749,747
	2,056,957	2,749,747

***(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 4.58% (2010: 5.45%).

***(b)* Deposits at call**

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

Note 7: Current assets – Trade and other receivables

Sundry debtors	**7,485**	2,320
Other debtors	**15,905**	10,418
Accrued interest	**50,454**	33,538
Prepayments	**25,475**	25,294
Loans due from employees	**434,500**	-
	533,819	71,570

Interest of $46,049 has accrued on loans due from employees since 1 July 2010 and is included within the accrued interest above.

The carrying value of receivables approximates their fair value. No trade and other receivables have exceeded their contractual terms as at 31 December 2011.

Note 8: Non-current assets - Receivables

Loans due from employees	**-**	434,500
	-	434,500

Principal repayments of loans due from employees are due in full 2 years from commencement date, being 1 July 2010. Interest is accrued at a rate of 7.5% per annum, accrued 6 monthly in arrears.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated 2011 $	Consolidated 2010 $
Note 9: Non-current assets – Investments accounted for using the equity method		
Shares in associate (note 21)	**124,711**	164,837
	124,711	164,837

Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

Note 10: Non-current assets – Plant and equipment

Consolidated	Plant and equipment $	Furniture, fixtures and fittings $	Total $
At 1 January 2010			
Cost	16,428	32,067	48,495
Accumulated depreciation	(12,386)	(18,632)	(31,018)
Net book amount	4,042	13,435	17,477
Year ended 31 December 2010			
Opening net book amount	4,042	13,435	17,477
Depreciation charge	(1,635)	(5,398)	(7,033)
Closing net book amount	2,407	8,037	10,444
At 31 December 2010			
Cost	16,428	32,067	48,495
Accumulated depreciation	(14,021)	(24,030)	(38,051)
Net book amount	2,407	8,037	10,444
At 1 January 2011			
Cost	**16,428**	**32,067**	**48,495**
Accumulated depreciation	**(14,021)**	**(24,030)**	**(38,051)**
Net book amount	**2,407**	**8,037**	**10,444**
Year ended 31 December 2011			
Opening net book amount	**2,407**	**8,037**	**10,444**
Acquisition of assets	**1,065**	**-**	**1,065**
Depreciation charge	**(1,436)**	**(2,737)**	**(4,173)**
Closing net book amount	**2,036**	**5,300**	**7,336**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 10: Non-current assets – Plant and equipment (continued)

Consolidated	**Plant and equipment $**	**Furniture, fixtures and fittings $**	**Total $**
At 31 December 2011			
Cost	**17,494**	**32,067**	**49,561**
Accumulated depreciation	**(15,458)**	**(26,767)**	**(42,225)**
Net book amount	**2,036**	**5,300**	**7,336**

Note 11: Current liabilities – Trade and other payables

	Consolidated 2011 $	Consolidated 2010 $
Trade payables	**30,479**	24,873
Other creditors and accruals	**71,442**	90,926
	101,921	115,799

Note 12: Contributed equity

Share capital

		Consolidated		**Consolidated**	
(a) Share Capital		**2011 Shares**	2010 Shares	**2011 $**	2010 $
Ordinary shares					
Ordinary shares fully paid	**(a)**	**155,665,612**	155,665,612	**17,781,434**	17,781,434
Employee share plan shares	**(b)**	**15,650,000**	15,650,000	**901,358**	901,358
Total		**171,315,612**	171,315,612	**18,682,792**	18,682,792

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 2011 there were 171,315,612 ordinary shares fully paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 12: Contributed equity (continued)

(a) Ordinary shares issued

Movements in ordinary share capital

		Consolidated 2011	
Date	**Details**	**Number of Shares**	**$**
1 January 2011	Opening balance	**155,665,612**	**17,781,434**
31 December 2011	Closing balance	**155,665,612**	**17,781,434**

		Consolidated 2010	
Date	**Details**	**Number of Shares**	**$**
1 January 2010	Opening balance	155,665,612	17,781,434
31 December 2010	Balance	155,665,612	17,781,434

(b) Shares issued under the employee share plan

Movements in employee share plan shares

		Consolidated 2011	
Date	**Details**	**Number of Shares**	**$**
1 January 2011	Opening balance	**15,650,000**	**901,358**
31 December 2011	Balance	**15,650,000**	**901,358**

		Consolidated 2010	
Date	**Details**	**Number of Shares**	**$**
1 January 2010	Opening balance	14,650,000	-
1 July 2010	Loans to employees (i)		434,500
	Transfer from shares based payment reserve (i)		468,358
21 July 2010	Issued during the year	1,000,000	-
	Less: Transaction costs arising on share issue	-	(1,500)
31 December 2010	Balance	15,650,000	901,358

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 12: Contributed equity (continued)

(b) Shares issued under the employee share plan (continued)

(i) Loans in relation to employee shares

Participants who are invited to subscribe for shares under the Plan may also be invited to apply for a non-recourse loan up to the amount payable in respect of the shares accepted by the participant. The original loan term for the 2007 Share Plan was 3 years interest free, after which the principal was due and payable in full.

On expiry of the loan term on 30 June 2010, the Company resolved, to authorise full recourse interest bearing loans to the holders of the shares under the 2007 Share Plan. The terms of the loans are as follows:

(i)	Commencement date	1 July 2010
(ii)	Loan term	2 years
(iii)	Principal repayment	Principal repayment due in full on or before 30 June 2012
(iv)	Interest rate	7.50% per annum
(v)	Interest payable	Due 6 monthly in arrears

The new loans of $434,500 were determined based on the closing price of Magnum shares at 30 June 2010, being $0.079 per share. The value of the shares of $468,358 previously expensed by the Company and recognised in the share based payment reserve has been transferred to contributed equity. The Company will continue to have a lien over the shares in respect of which a loan is outstanding.

	Consolidated	
	2011	2010
	$	$
Note 13: Reserves		
Share-based payments reserve	**805,588**	777,271
Foreign currency translation reserve	**(344,817)**	(305,950)
	460,771	471,321
a) Movements		
Share-based payment reserve		
Balance 1 January 2011	**777,271**	1,161,411
Transfer to contributed equity	**-**	(468,358)
Employee share plan expense	**28,317**	84,218
Balance 31 December 2011	**805,588**	777,271

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	2011	2010
	$	$
Note 13: Reserves (continued)		
a) Movements		
Foreign currency translation reserve		
Balance 1 January 2011	**(305,950)**	(292,643)
Currency translation differences arising during the year	**(38,867)**	(13,307)
Balance 31 December 2011	**(344,817)**	(305,950)

(b) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve is used to recognise:

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

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

Note 14: Parent Entity Disclosures

	31 December 2011	31 December 2010
	$	$
Assets		
Current assets	**2,585,834**	2,797,392
Non-current assets	**203,197**	640,805
Total assets	**2,789,031**	3,438,197
Liabilities		
Current liabilities	**93,241**	99,621
Total liabilities	**93,241**	99,621
Equity		
Issued capital	**18,682,792**	18,682,792
Retained earnings	**(16,792,590)**	(16,121,487)
Reserves		
Shares based payments	**805,588**	777,271
Total equity	**2,695,790**	3,338,576

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 14: Parent Entity Disclosures (continued)

	31 December 2011 **$**	31 December 2010 $
Financial performance		
Loss for the year	**(671,102)**	(643,922)
Other comprehensive income	**-**	-
Total comprehensive income	**(671,102)**	(643,922)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Subordination agreement with Tameka Shelf Company Four (Pty) Ltd	**61,044**	61,044
Subordination agreement with Magnum Tantalite (Pty) Ltd	**523,583**	500,238

The Parent is a substantial lender to the subsidiaries listed above and has agreed to assist the subsidiaries by subordinating, subject to certain terms and conditions, its claim against the subsidiaries in favour of and for the benefit of other creditors of the subsidiaries.

The subordination referred to above shall remain in force and effect for so long as the liabilities of the subsidiaries exceed their assets, fairly valued, and shall lapse immediately upon the date that the assets of the subsidiaries exceed their liabilities.

Note 15: Key management personnel disclosures

(a) Directors

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

(i) Chairman – Non-executive
G N Nealon

(ii) Executive director
G M Button

(iii) Non- executive directors
D F Lynton Brown
M McMahon

No other key management personnel were identified during the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 15: Key management personnel disclosures (continued)

(b) Key management personnel compensation

	Consolidated	
	2011 **$**	2010 $
Short-term employee benefits	**126,669**	180,007
Post-employment benefits	**9,000**	9,000
Share-based payments	**-**	40,749
Total compensation	**135,669**	229,756

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-D of the remuneration report.

(c) Shareholdings

The numbers of shares in the Company held during the financial year by each director of the Company, including their personally related entities, are 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'.

2011 Name	Type of holding	Balance at the start of the year	Received under the Employee Share Plan	Other changes during the year	Balance at the end of the year
G M Button	Beneficially held	**3,700,000**	**-**	**-**	**3,700,000**
G A Nealon	Beneficially held	**3,000,000**	**-**	**-**	**3,000,000**
D F Lynton Brown	Beneficially held	**920,000**	**-**	**-**	**920,000**
M McMahon	Beneficially held	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 15: Key management personnel disclosures

(c) Shareholdings (continued)

2010 **Name**	**Type of holding**	**Balance at the start of the year**	**Received under the Employee Share Plan**	**Other changes during the year**	**Balance at the end of the year**
G M Button	Beneficially held	3,700,000	-	-	3,700,000
G A Nealon	Beneficially held	3,000,000	-	-	3,000,000
D F Lynton Brown	Beneficially held	920,000	-	-	920,000
M McMahon	Beneficially held	-	-	-	-

The directors have no option holdings in the Company.

(d) Loans to directors and executives

Loans under 2007 Share Plan

The Company resolved, on 7th July 2010, to authorise interest bearing loans to holders of the shares under the 2007 Share Plan. Interest has accrued on these loans to 31st December 2011. The accrued interest currently reflected within the accounts at 31st December 2011 is $46,049.

Details of the directors with loans under the plan are as follows:

	Balance at beginning of period $	**Principal drawn $**	**Interest charged $**	**Repayments $**	**Balance at end of period $**
G M Button	122,944	-	9,149	(4,444)	127,649
G A Nealon	122,944	-	9,393	-	132,337
	245,888	**-**	**18,542**	**(4,444)**	**259,986**

Terms and conditions of loans

Interest is charged at the rate of 7.50% per annum, payable 6 monthly in arrears. The loan term is 2 years, repayable in full on or before 30 June 2012.

(e) Other transactions with directors and executives

There were no other transactions with directors and executives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 16: Remuneration of auditors

	Consolidated	
	2011 **$**	2010 $
(a) Audit services		
Audit services		
Auditors of parent entity (HLB Mann Judd)		
Audit and review of financial reports under the *Corporations Act 2001*	**20,070**	14,570
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	**7,343**	12,111
Total remuneration for audit services	**27,413**	26,681

(b) Non-audit services

During the year ended 31 December 2011, 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 17: Contingencies

(a) Contingent liabilities

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

(b) Contingent assets

As at reporting date the Company had no contingent assets.

Note 18: Commitments

There were no commitments to external parties during the year.

Note 19: 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 20.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 20: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (d):

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Tameka Shelf Company Four (Pty) Ltd	Namibia	Ordinary	100	100
Namibian Tantalite Investment (Pty) Ltd	Namibia	Ordinary	100	100
Magnum Tantalite (Pty) Ltd	South Africa	Ordinary	100	100

Note 21: Investments in associates

Tantalite Valley Estates (Pty) Ltd

(a) Carrying amounts

Name of Entity	Ownership interest		Consolidated	
	2011	2010	**2011**	2010
	%	%	**$**	$
Tantalite Valley Estates (Pty) Ltd	**49**	49	**124,711**	164,837

(b) Movement in carrying amounts

	Consolidated	
	2011	2010
	$	$
Carrying amount at the beginning of the year	**164,837**	180,636
Share of profit / (loss) before income tax	**(891)**	(4,796)
Share of foreign currency translation reserve	**(39,235)**	(11,003)
Carrying amount at the end of the year	**124,711**	164,837

(c) Summarised financial information of associates

	Group's share of: Assets	Liabilities	Revenues	Profit / (Losses)
	$	**$**	**$**	**$**
2011				
Tantalite Valley Estates (Pty) Ltd	**168,513**	**3,768**	**-**	**(891)**
2010				
Tantalite Valley Estates (Pty) Ltd	208,523	3,652	-	(4,796)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 22: Events occurring after the reporting date

There has not arisen in the interval between the end of the year end and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect:

(i) The Company's operations in future financial periods; or

(ii) The results of those operations in future financial periods; or

(iii) The Company's state of affairs in future financial periods.

Note 23: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2011	2010
	$	$
Loss for the year	**(683,847)**	(662,192)
Depreciation	**4,173**	7,033
Share of loss on equity investment	**891**	4,796
Share-based payment expense	**28,317**	84,218
Foreign exchange loss	**1,247**	147
Change in operating assets and liabilities:		
(Increase) / decrease in trade receivables	**(27,749)**	(35,261)
Increase / (decrease) in trade payables	**(14,757)**	18,921
Net cash outflow from operating activities	**(691,725)**	(582,338)

Note 24: Loss per share

	Consolidated	
	2011	2010
	Cents	Cents
Basic loss per share	**(0.42)**	(0.42)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**161,165,612**	158,340,063
	$	$
Loss attributable to ordinary equity holders of the Group used in calculating basic loss and diluted loss per share	**(683,847)**	(662,192)

The Company's potential ordinary shares, being its share plan shares, are not considered dilutive as the conversion of these share plan shares would result in a decreased net loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 25: Share-based payments

(a) Employee Share Plan

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

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

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

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

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

Set out below are the shares issued under the Plan during the year:

	Consolidated	
	2011 Number	2010 Number
Shares issued under the Plan to participating employees	**-**	1,000,000
Total Employee shares issued	**-**	1,000,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 25: Share-based payments (continued)

(a) Employee Share Plan (continued)

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

The additional model inputs for the valuation of the options implicit with the shares granted under the plan during the year ended 31 December 2010 are as follows:

	21 July 2010
Dividend yield (%)	-
Expected volatility (%)	91.67%
Risk-free interest rate (%)	4.62%
Exercise price (cents)	0.099
Grant date share price	$0.10
Discount due to lack of marketability	20%

The shares were granted for no consideration and vested immediately.

The expected price volatility is based on the historic volatility (based on the remaining life of the shares), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses relating to share based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2011	2010
	$	$
Shares issued under the Plan	**28,317**	84,218

Note 26: Financial Instruments

(a) Capital risk management

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

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

The Group’s overall strategy remains unchanged from 2010.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 26: Financial Instruments (continued)

(a) Capital risk management (continued)

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

(b) Categories of financial instruments

	Consolidated	
	2011	2010
	$	$
Financial assets		
Loans & receivables	**533,819**	506,070
Cash and cash equivalents	**2,056,957**	2,749,747
	2,590,776	3,255,817
Financial liabilities		
Financial liabilities	**101,921**	115,799
	101,921	115,799

(c) Financial risk management objectives

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

(d) Market risk

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

(i) Foreign exchange risk

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

(ii) Price risk

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

(iii) Interest rate risk

The Company has exposure to the risks of changes in market interest rates relating to its cash and cash equivalents. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company had no external borrowings or loans as at 31st December 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 26: Financial Instruments (continued)

(d) Market risk (continued)

(iii) Interest rate risk (continued)

	31 December 2011		31 December 2010	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash balances	**4.58%**	**2,056,957**	5.45%	2,749,747

(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**	
	2011 $	2010 $	**2011 $**	2010 $
South African Rand (ZAR)	**(345)**	-	**4,535**	23,884
Namibian dollar	**(8,371)**	(16,178)	**407**	41

(f) Foreign currency sensitivity analysis

The Group has no material exposure to foreign currency fluctuations.

(g) Interest rate risk management

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

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.

During the year ended 31 December 2011, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in the post tax loss for the year. The impact on equity would have been the same.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 26: Financial Instruments (continued)

(h) Credit risk

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

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

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

(i) Liquidity risk management

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

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

Liquidity and interest rate risk tables

Consolidated

	Weighted average effective interest rates %	**Less than 1 month $'000**	**1 – 3 months $'000**	**3 months – 1 year $'000**	**1 – 5 years $'000**	**5 + years $'000**
2011						
Non-interest bearing	-	-	**101,921**	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
2010						
Non-interest bearing	-	-	115,799	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 26: Financial Instruments (continued)

(i) Liquidity risk management (continued)

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

(j) Fair value of financial instruments

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

DIRECTORS' DECLARATION

1. In the opinion of the directors of Magnum Mining and Exploration Ltd (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 2011 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; and
   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 2011.

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

G. Button.

G M Button
Chief Executive Officer

Dated this 28th day of March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Magnum Mining & Exploration Limited

Report on the Financial Report

We have audited the accompanying financial report of Magnum Mining & Exploration Limited ("the company"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

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

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Magnum Mining & Exploration Limited for the financial year ended 31 December 2011 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financials report and the remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

Auditor's Opinion

In our opinion:

(a) the financial report of Magnum Mining & Exploration Limited is 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 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Magnum Mining & Exploration Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

WMClark

Perth, Western Australia
28 March 2012

W M Clark
Partner

Shareholder information

The shareholder information set out below was applicable as at 26 March 2012.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares

	Fully paid shares	%
Sunshore Holdings Pty Ltd	9,293,500	5.42%

2. Voting Rights

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

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

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

No. of Shares	No. of Shareholders
1 – 1,000	130
1,001 – 5,000	333
5,001 – 10,000	146
10,001 – 100,000	382
100,001 and over	214
	1,205

(i) There were 549 holders of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

	Name of Shareholder:	Number Held:	Percentage of Issued Shares:
1.	Sunshore Holdings Pty Ltd	9,293,500	5.42
2.	Aero Agencies International	6,860,763	4.00
3.	McLaren Investments Ltd	6,400,000	3.74
4.	JP Morgan Nominees Australia Ltd <Cash Income A/C>	6,029,601	3.52
5.	Rogue Investments Pty Ltd	5,104,000	2.98
6.	Sorrel Enterprises Ltd	5,000,000	2.92
7.	Stately Glory Limited	5,000,000	2.92
8.	HSBC Custody Nominees (Australia) Limited	3,900,545	2.28
9.	Dr Salim Cassim	3,700,000	2.16
10.	Mr Grant Button	3,000,000	1.75
11.	Mr Gerry Nealon	3,000,000	1.75
12.	Mr Ed Nealon	2,600,000	1.52
13.	Platinum Investment Corporation Pty Ltd	2,600,000	1.52
14.	Houtbay International Limited	2,500,000	1.46
15.	Australian Sport & Recreation Link Pty Ltd	2,000,000	1.17
16.	Mr Peter Bowman	2,000,000	1.17
17.	Sunshore Holdings Pty Ltd	2,000,000	1.17
18.	Citi Corp Nominees Pty Ltd	1,855,110	1.08
19.	Ms Melissa Sturgess	1,800,000	1.05
20.	Mr John Rodger	1,500,000	0.88
	Top 20 holders of Ordinary Shares (Total)	76,143,519	44.45

6. Schedule of Tenements

Magnum Mining and Exploration Limited hold no current tenements.

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