Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Annual report
Year ended 31 December 2008

Contents

Corporate directory

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

Secretary
G M Button

Registered office
Level 4, HPPL House
28-42 Ventnor Avenue
West Perth
Western Australia 6005

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

Auditor
HLB Mann Judd
Chartered Accountants
15 Rheola Street
West Perth
Western Australia 6005

Solicitor
Clayton Utz
QVI, 250 St Georges Terrace
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") undertook various activities to plan and commission an extensive drilling and bulk sampling program. The exploration program was designed to increase the understanding of the mineral resource and to generate samples to be sent to potential end-users for analysis.

The proposed exploration program highlighted the difficulty and excessive cost of getting a drilling rig to a remote location due in large part to the competing demands on available resources from the mineral boom that was in full swing in early 2008.

These difficulties lead the Company to re-evaluate its strategy for developing the Tantalite Valley project. The Company 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 held discussions with various parties to progress this strategy and initially there was significant interest. Unfortunately during the year the economic downturn unfolded and the interested parties suspended all discussions.

The Company will continue to pursue discussions with interested parties and anticipates that the interest of third parties may be rekindled when the economic outlook becomes clearer.

Other activities

The Company has reviewed resource sector opportunities during the past year, however has not been able to negotiate a suitable opportunity for the Company. The Company will continue to assess potential opportunities during the forthcoming year.

Corporate

The Company has reacted to the downturn in the commodity sector by making a number of administrative changes that took effect from the end of the financial year and will be reflected in future periods.

Subsequent to the end of the year, Mr. Richard Jarvis and Mr. Michael Langoulant resigned as joint Company secretaries. Mr. Grant Button was appointed Company Secretary and will combine this role with his role as Chief Executive Officer of the Company.

Mr. Nealon, the Chairman and Mr. Button have agreed to take significant reductions in remuneration, in order to preserve the Company's cash position, until such time as the global market and commodity conditions improve.

Other administrative changes have been implemented to reduce costs and it is estimated that changes will reduce annual administration expenses by approximately $250,000. The Company will continue to review its costs to find ways to reduce the administration costs of the Company.

Directors' report

Your directors present their reports on the consolidated entity (referred to hereafter, as the "Group") consisting of Magnum Mining and Exploration Limited ("Magnum" or the "Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2008.

Directors

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

G A Nealon
G M Button
D F Lynton-Brown

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 expense was $3,654,485 (2007: $2,116,104).

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.

Directors' report (continued)

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.

Information on directors

G M Button B. Bus. (Acc), C.P.A. *Chief Executive Officer. Age 46*

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

Other current directorships
Non-executive Chairman of Alamar Resources Limited (since April 2008)
Non-executive Chairman of Morningstar Holdings (Australia) Limited (appointed 2007)

Former directorships in the last 3 years
Executive director of Sylvania Resources Limited (December 2002 – 2007)
Non-Executive director of Washington Resources Limited (Resigned December 2008)

Special responsibilities
None

Interest in shares and options
3,100,000 ordinary shares in Magnum Mining and Exploration Limited

G A Nealon. B.Sc. (Hons.), M.Sc., MRACI, C.Chem. *Non-Executive Chairman. Age 49*

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 twenty five 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, Malaysia, Thailand and the USA.

Other current directorships
Chairman of Great Australian Resources Limited (since October 2007)
Chairman of AIM listed company Bezant Resources Plc (since December 2004)

Former directorships in the last 3 years
None

Special responsibilities
Chairman of the Board

Directors' report (continued)

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

Darryl F Lynton-Brown. *Non-Executive Director, Age 69*

Experience and expertise

D F Lynton-Brown has been involved within the Mining Industry for nearly forty 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
Director of Pelican Resources Limited (since January 2002)

Former directorships in the last 3 years
None

Special responsibilities
None

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

Company secretary

The joint Company Secretaries were R A Jarvis, FCCA and M J Langoulant, B. Com, CA. Both were appointed to the position of joint Company Secretary on 31 May 2007.

Subsequent to year end RA Jarvis and MJ Langoulant resigned from this position and GM Button was appointed to this position.

Meetings of directors

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

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

	Directors' meetings held whilst in office	***Directors' meetings attended***
G M Button	5	5
G A Nealon	5	5
D F Lynton-Brown	5	5

Directors' report (continued)

Remuneration report

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
C Consultancy agreements
D Share-based compensation

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

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by a Board Remuneration Committee. The remuneration committee acts in accordance with a written Remuneration Committee Charter. The Remuneration Committee's aim is to ensure the remuneration packages properly reflect directors and executives duties and responsibilities. The Committee 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 six (6) financial years.

Non-executive directors

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)

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

Directors' fees

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. 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.

Retirement allowances for directors

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

Executive pay

The executive pay and reward framework has the following components:
- base pay and benefits such as superannuation
- short-term performance incentives
- long-term incentives through participation in the Directors and Employees Share Plan

Base pay

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

Benefits

Apart from superannuation paid on directors' fees and executive salaries there are no additional benefits paid to executives.

Short-term incentives

There are no current short term incentive remuneration arrangements.

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.

Directors' report (continued)

Remuneration report (continued)

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2008 and 2007 are set out in the following tables. There are no elements of remuneration that are directly related to performance.

The key management personnel of the Group are the directors of the Company.

Table 1: Key management personnel

2008	*Primary benefits*		*Post-employment benefits*	*Share-based payment*	
Name	*Cash salary and consulting fees* $	*Directors' fees* $	*Super-annuation* $	*Equity shares* $	*TOTAL* $
G M Button	193,333	25,000	2,250	126,042	346,625
G A Nealon	64,000	25,000	2,250	126,042	217,292
D F Lynton-Brown	-	25,000	2,250	38,221	65,471
TOTAL	257,333	75,000	6,750	290,305	629,388

Table 2: Key management personnel

2007	*Primary benefits*		*Post-employment benefits*	*Share-based payment*	
Name	*Cash salary and consulting fees* $	*Directors' fees* $	*Super-annuation* $	*Equity shares* $	*TOTAL* $
G M Button	130,000	25,000	2,250	50,279	207,529
G A Nealon	64,000	25,000	2,250	50,279	141,529
D F Lynton-Brown	-	5,813	524	-	6,337
J C Schiller	46,845	19,349	1,741	16,760	84,695
P R Richard	-	10,417	938	16,760	28,115
J B Rodger	-	10,417	938	50,279	61,634
TOTAL	240,845	95,996	8,641	184,357	529,839

Directors' report (continued)

Remuneration report (continued)

C Consultancy agreements

Currently no formal consultancy agreements are entered into between the Company and the directors.

D Share-based compensation

Options

No options have been granted by the Company.

Ordinary Shares

Ordinary shares are issued under the Plan, which were approved by shareholders at the 2006 and 2008 Annual General Meetings.

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

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

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

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

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 employee equity benefit reserve and as employee benefit costs in the period over which the shares vest.

Directors' report (continued)

Remuneration report (continued)

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
4 June 2008	$0.20	$0.18	50% after 4 June 2009; 50% after 4 June 2010

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

	Number of shares granted during the year		Number of shares vested during the year	
	2008	2007	**2008**	2007
G M Button	**1,500,000**	1,500,000	**750,000**	**-**
G A Nealon	**1,500,000**	1,500,000	**750,000**	**-**
D F Lynton-Brown	**900,000**	-	**-**	**-**
J C Schiller	**-**	500,000	**-**	**-**
P R Richard	**-**	500,000	**-**	**-**
J B Rodger	**-**	1,500,000	**-**	**-**

Shares under option

No options have been issued by the Company.

Shares issued on the exercise of options

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

Directors' report (continued)

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 the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices or other auditors:

	Consolidated 2008 $
Audit services	
HLB Mann Judd Australian firm:	
Audit and review of financial statements	**22,070**
Related practices of HLB Mann Judd	**-**
Non-HLB Mann Judd audit firms	**18,056**
Total remuneration for audit services	**40,126**
Non-audit services	
HLB Mann Judd Australian firm:	
Services in relation to Annual General Meeting	**-**
Related practices of HLB Mann Judd	**-**
Non-HLB Mann Judd audit firms	**1,142**
Total remuneration for non-audit services	**1,142**
Total auditors' remuneration	**41,268**

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 14.

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.

G. Button.

Grant M Button
Chief Executive Officer
Perth, Australia
31 March 2009

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Magnum Mining and Exploration Limited for the year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magnum Mining and Exploration Limited.

Perth, Western Australia
31 March 2009

W M CLARK
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 2 15 Rheola Street West Perth 6005 PO Box 263 West Perth 6872 Western Australia. Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
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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.

A description of the Company's main corporate governance practices is set out hereunder. Unless stated otherwise, all of the following practices were in place for the entire year.

Independent directors and Independent Chairman

Recommendations 2.1 and 2.2

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, have not been adopted by the Company. The Board is of the opinion that the Company is best served by its current Board composition of executive and non-executive directors.

The Company considers corporate governance best practice recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the Company's 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.

Independent Professional Advice

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.

Evaluation of the Performance of the Board of Directors

Recommendation 2.5

The Board undertakes annual self assessment of its collective performance and the performance of the Chairman.

Corporate governance statement (continued)

The Chairman undertakes an annual assessment of the performance of individual directors. The Directors' performance is measured against specific performance goals as set out by the Board annually.

Nomination Committee

Recommendation 2.4

A separate Nomination Committee has not been formed.

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits will be gained by establishing a separate Nomination Committee.

Audit Committee

Recommendation 4.1

A separate Audit Committee has not been formed.

The role of the Audit Committee is carried out by the full Board. The Board considers that given the present size and complexity of the Company that no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board will consider the appointment of a separate Audit Committee as the Company's operations grow.

Remuneration Committee

Recommendation 8.1

A separate remuneration committee has been formed.

The Board Remuneration Committee's aim is to ensure the remuneration packages properly reflect directors and executives duties and responsibilities. The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance.

Nomination of Directors

Any Board member may make recommendations on Board composition and appointments; however appointments are subject to the final approval of the full Board.

Review of External Audit Arrangements

The assessment of the scope and quality of the Company's audit is carried out by the full Board. Assessment procedures include:

- Reviewing external audit reports to ensure that any significant deficiencies or breakdowns in controls or procedures have been identified and remedied;
- Liaising with the auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner.

Corporate governance statement (continued)

Ethical Standards

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 and 10.1, 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.

Communication with Shareholders and Continuous Disclosure

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 recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

G M Button, Chief Executive Officer, has been nominated as the person responsible for communications with the Australian Stock 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 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 directors. The executive directors are responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk.

Income statements
For the year ended 31 December 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
Revenue from continuing operations	3	**336,777**	138,447	**319,918**	138,443
Raw materials and consumables used		**(35,616)**	(36,152)	**-**	-
Investment in associate written off		**-**	(262,158)	**-**	(262,158)
Share-based payment expense		**(599,406)**	(184,357)	**(599,406)**	(184,357)
Depreciation expense		**(60,362)**	(32,409)	**(10,429)**	(9,432)
Amount written off on acquisition of subsidiary		**-**	(703,000)	**-**	(703,000)
Impairment of available for sale assets	9	**(344,244)**	-	**(344,244)**	-
Impairment of loans and investments in subsidiaries	10	**-**	-	**(2,847,069)**	
Impairment of plant and equipment	11	**(852,053)**	-	**-**	-
Impairment of intangible assets – mining license	12	**(1,050,403)**	-	**-**	-
Impairment of exploration expenditure	13	**(7,630)**	-	**-**	-
Other expenses		**(1,041,548)**	(1,036,475)	**(824,562)**	(789,856)
Loss before income tax	4	**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Income tax expense	5	-	-	**-**	-
Loss for the year		**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Loss attributable to members of Magnum Mining and Exploration Limited		**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Loss per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents		
Loss per ordinary share (basic)	26	**(2.51)**	(1.56)	**(2.96)**	(1.56)

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
As at 31 December 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
ASSETS					
Current Assets					
Cash and cash equivalents	6	**3,157,425**	4,009,036	**3,041,441**	3,999,645
Trade and other receivables	7	**38,218**	128,096	**38,218**	43,905
Total Current Assets		**3,195,643**	4,137,132	**3,079,659**	4,043,550
Non-Current Assets					
Investments accounted for using the equity method	8	**175,752**	195,861	**-**	-
Available-for-sale financial assets	9	**14,522**	342,105	**14,522**	342,105
Other financial assets	10	**-**	-	**195,861**	2,649,720
Plant and equipment	11	**57,850**	1,085,667	**25,366**	35,270
Intangible assets	12	**-**	1,174,133	**-**	-
Deferred exploration and evaluation expenditure	13	**-**	5,508	**-**	-
Total Non-Current Assets		**248,124**	2,803,274	**235,749**	3,027,095
Total Assets		**3,443,767**	6,940,406	**3,315,408**	7,070,645
LIABILITIES					
Current Liabilities					
Trade and other payables	14	**137,388**	329,832	**48,540**	110,040
Total Current Liabilities		**137,388**	329,832	**48,540**	110,040
Total Liabilities		**137,388**	329,832	**48,540**	110,040
Net Assets		**3,306,379**	6,610,574	**3,266,868**	6,960,605
EQUITY					
Contributed equity	15	**17,099,141**	17,103,153	**17,099,141**	17,103,153
Reserves	16	**490,375**	136,073	**783,763**	167,696
Accumulated losses	16	**(14,283,137)**	(10,628,652)	**(14,616,036)**	(10,310,244)
Total Equity		**3,306,379**	6,610,574	**3,266,868**	6,960,605

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity
For the year ended 31 December 2008

Consolidated	**Issued capital** $	**Accumulated losses** $	**Reserves** $	**Total equity** $
Balance at 1 January 2007	**11,607,938**	**(8,512,548)**	**1,612**	**3,097,002**
Shares issued during the year net of transaction costs	5,495,215	-	-	5,495,215
Loss for the period	-	(2,116,104)	-	(2,116,104)
Share based compensation reserve	-	-	184,357	184,357
Net gains / (losses) revaluation reserve	-	-	(16,661)	(16,661)
Currency translation differences	-	-	(33,235)	(33,235)
Balance at 31 December 2007	**17,103,153**	**(10,628,652)**	**136,073**	**6,610,574**
Shares issued during the year net of transaction costs	(4,012)	-	-	(4,012)
Loss for the period	-	(3,654,485)	-	(3,654,485)
Share based compensation reserve	-	-	599,406	599,406
Net gains / (losses) revaluation reserve	-	-	16,661	16,661
Currency translation differences	-	-	(261,765)	(261,765)
Balance at 31 December 2008	**17,099,141**	**(14,283,137)**	**490,375**	**3,306,379**

Parent entity	**Issued capital** $	**Accumulated losses** $	**Reserves** $	**Total equity** $
Balance at 1 January 2007	**11,607,938**	**(8,499,884)**	**-**	**3,108,054**
Shares issued during the year net of transaction costs	5,495,215	-	-	5,495,215
Loss for the period	-	(1,810,360)	-	(1,810,360)
Share based compensation reserve	-	-	184,357	184,357
Net gains / (losses) revaluation reserve	-	-	(16,661)	(16,661)
Balance at 31 December 2007	**17,103,153**	**(10,310,244)**	**167,696**	**6,960,605**
Shares issued during the year net of transaction costs	(4,012)	-	-	(4,012)
Loss for the period	-	(4,305,792)	-	(4,305,792)
Share based compensation reserve	-	-	599,406	599,406
Net gains / (losses) revaluation reserve	-	-	16,661	16,661
Balance at 31 December 2008	**17,099,141**	**(14,616,036)**	**783,763**	**3,266,868**

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

Cash flow statements
for the year ended 31 December 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
Cash flows from operating activities					
Interest received		**194,989**	138,447	**182,702**	138,443
Receipts from customers and related parties		**120,786**	-	**120,786**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,158,970)**	(990,931)	**(863,945)**	(818,922)
Net cash outflow from operating activities	25	**(843,195)**	(852,484)	**(560,457)**	(680,479)
Cash flows from investing activities					
Payments for plant and equipment		**(4,404)**	(291,254)	**(525)**	(15,067)
Payments for exploration and evaluation		**-**	(5,508)	**-**	-
Payments for available-for-sale financial investments		**-**	(358,766)	**-**	(358,766)
Payments to acquire interest in associates		**-**	(281,808)	**-**	(281,808)
Payments to acquire intangible assets		**-**	(1,174,133)	**-**	-
Security deposits repaid		**-**	30,000	**-**	30,000
Loans to subsidiary		**-**	-	**(393,210)**	(1,620,967)
Loans repaid by related party		**-**	18,932	**-**	18,932
Loans repaid to related party		**-**	(68,569)	**-**	(68,569)
Net cash outflow from investing activities		**(4,404)**	(2,131,106)	**(393,735)**	(2,296,245)
Cash flows from financing activities					
Proceeds from share issue		**-**	4,095,000	**-**	4,095,000
Share issue transaction costs		**(4,012)**	(99,785)	**(4,012)**	(99,785)
Net cash inflow from financing activities		**(4,012)**	3,995,215	**(4,012)**	3,995,215
Net decrease in cash and cash equivalents		**(851,611)**	1,011,625	**(958,204)**	1,018,491
Cash and cash equivalents at the beginning of the year		**4,009,036**	2,997,411	**3,999,645**	2,981,154
Effects of exchange rate changes on cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents at the end of the year	6	**3,157,425**	4,009,036	**3,041,441**	3,999,645

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

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Magnum Mining and Exploration Limited as an individual entity and the consolidated entity consisting of Magnum Mining and Exploration Limited and its subsidiaries.

The financial report was authorised for issue by the directors on 31 March 2009. The Company has the power to amend and reissue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Magnum Mining and Exploration Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

Significant accounting estimates and assumptions
The financial accounts have been prepared using the following significant accounting estimates and assumptions:

(i) Impairment of capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors including, whether the Company decides to exploit the related mining license itself or, if not whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in an area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which the determination is made.

(ii) Share based payments
The Company measures the cost of equity-settled share based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined using a valuation model, the basis of which is set out in note 27. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Note 1: Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Magnum Mining and Exploration Limited (“Company” or “parent entity”) as at 31 December 2008 and the results of all subsidiaries for the year then ended. Magnum Mining and Exploration Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Losses applicable to minority interest which exceed the minority interest in the subsidiary’s equity are allocated against the parent interest.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity’s income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Note 1: Summary of significant accounting policies (continued)

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) 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 income statement, 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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.

Note 1: Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national 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.

(g) Acquisition of assets

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Note 1: Summary of significant accounting policies (continued)

(i) Trade receivables

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(j) Investments and other financial assets

The Group classifies its investments as loans and receivables or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

After initial recognition available-for-sale financial assets 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 deemed to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

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 balance sheet 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.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. The directors review the carrying amount for impairment annually.

Note 1: Summary of significant accounting policies (continued)

(m) Plant and equipment

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

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

Plant and equipment – 10% to 40%
Fixtures and fittings – 6.67% to 20%

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.

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 income statement in the cost of sales line item.

Note 1: Summary of significant accounting policies (continued)

(m) Plant and equipment (continued)

(ii) Revaluations
Where applicable, fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.

Any revaluation decrease is recognised in the income statement, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the re-valued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the re-valued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(iii) De-recognition on disposal
An item of 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.

(n) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Note 1: Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Trademarks and licences
Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 5 years.

(iii) Mining licenses
Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

i) rights to tenure of the area of interest are current; and
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 sales; 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 are continuing.

Capitalised exploration costs are reviewed each reporting date to test whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs 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 is made to proceed with development, accumulated expenditure is tested for impairment and transferred to capitalised development and then amortised over the life of the reserve associated with the area of interest once mining operations have commenced.

Development expenditure is recognised at cost less any impairment of losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the life of reserves associated with the area of interest.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Employee benefits

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.

(q) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Note 1: Summary of significant accounting policies (continued)

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(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. 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 income statement 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.

Note 1: Summary of significant accounting policies (continued)

(v) New Accounting Standards and UIG interpretations

The following Australian Accounting Standards and Interpretations that have recently been issued or amended that are applicable to the Group and the Company but are not yet effective and have not been adopted for the annual reporting period ended 31 December 2008. Application of these standards has been considered and no significant impact is expected on any of the amounts recognised or disclosed in the financial statements.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of the Standard	Application date for the Company
AASB 2008-1	AASB 2	Share based payments: Vesting conditions and cancellations	Clarifying that vesting conditions are service conditions only, and that other features of share-based payments are not vesting conditions. Cancellations, whether by the entity or by other parties, should be accounted for consistently. There will be no direct impact as the vesting conditions of the Employee Incentive Scheme are service based.	Period commencing on or after 1 Jan 2009	01/01/2009
AASB 2008-3	Various	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting Standards	As the entity has not been a party to change in the business combination during the year, this standard is not expected to have any impact on the entity's financial report. As the transitional provisions of AASB 127 provide that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations affected prior to the amendments being adopted, this standard is not expected to have any impact on the entity's financial report.	Period commencing on or after 1 Jan 2009	01/01/2009
AASB 3	AASB 3 Business Combinations	AASB 3 (March 2008) amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non Controlling Interest".	As the entity has not been a party to change in business combinations during the year, this standard is not expected to have any impact on the entity's financial report.	Period commencing on or after 1 Jan 2009	01/01/2009

Note 1: Summary of significant accounting policies (continued)

(v) New Accounting Standards and UIG interpretations

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of the Standard	Application date for the Company
AASB 8	AASB 114 Operating Standards	AASB 8 supersedes AASB 114 (September 2005). AASB 8 has a different scope of application to AASB 114; it is applicable only to listed entities and those in the process of listing and requires that segment information be disclosed using the management approach. This may result in a different set of segments being identified than those previously disclosed under AASB 114	AASB 8 is a disclosure standard therefore it has no impact on the entity's reported position and performance. The new standard will however result in changes to operating segments disclosures within the financial report or the removal of the segment note for certain entities.	Period commencing on or after 1 Jan 2009	01/01/2009
AASB 101	AASB 101 Presentation of Financial Statements	The main changes require that an entity must: - present all non-owner changes in equity (comprehensive income) either in one statement of comprehensive income or in two statements(a separate income statement and a statement of comprehensive income) - present an additional state of financial position (balance sheet) as at the beginning of the earliest comparative period when an entity applies accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements - disclose income tax relating to each component of other comprehensive income - disclose reclassification adjustments relating to components of other comprehensive income	The changes to AASB 101 do not affect recognition or measurement criteria, therefore the changes are not expected to have any impact on the entity's reported financial position.	Period commencing on or after 1 Jan 2009	01/01/2009
AASB 123	AASB 123 Borrowing costs	AASB 123 (June 2007) incorporates amendments removing the option to immediately expense borrowing costs directly attributable to the acquisition, construction or production of the qualifying asset	As the entity does not have borrowings expenses associated with qualifying assets, these amendments are not expected to have any impact on the entity's financial report.	Period commencing on or after 1 Jan 2009	01/01/2009

Note 1: Summary of significant accounting policies (continued)

(v) New Accounting Standards and UIG interpretations (continued)

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of the Standard	Application date for the Company
AASB 127	AASB 127	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in a loss of control) will be accounted for as an equity transaction	If the Group changes its ownership interest in existing subsidiaries in the future the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement	Period commencing on or after 1 Jan 2009	01/01/2009

Note 2: Financial reporting by segments

The group operates as a natural resources explorer in Southern Africa and manages this activity from its head office in Australia.

Primary reporting format – geographical segments

2008	Australia $	Namibia $	South Africa $	Eliminations $	Consolidated $
Revenue					
Share of profit from investment in equity method associates	-	4,573	-	-	4,573
Other Income	120,786	-	-	-	120,786
Unallocated revenue	-	-	-	-	211,418
Total Revenue	120,786	4,573	-	-	336,777
Segment result	4,305,792	2,180,099	15,663	(2,847,069)	3,654,485
Segment assets	3,315,408	179,463	144,757	(195,861)	3,443,767
Segment liabilities	48,540	76,115	12,770	(37)	137,388
Depreciation expense	10,429	40,939	8,994	-	60,362
Non-cash expenses other than depreciation:					
Share based payment expense	599,406	-	-	-	599,406
Impairment of available for sale assets	344,244	-	-	-	344,244
Impairment of loans and investments in subsidiaries	2,847,069	-	-	(2,847,069)	-
Impairment of plant & equipment	-	852,053	-	-	852,053
Impairment of intangible assets – mining license	-	1,050,403	-	-	1,050,403
Impairment of exploration expenditure	-	7,630	-	-	7,630
Foreign exchange loss	1,546	249,238	30,317	(279,555)	1,546

2007	Australian $	Namibia $	South Africa $	Eliminations $	Consolidated $
Revenue					
Unallocated revenue	-	-	-	138,447	138,447
Segment result	1,810,360	307,182	9,614	(11,052)	2,116,104
Segment assets	7,070,645	2,274,863	48,757	(2,453,859)	6,940,406
Segment Liabilities	110,040	219,828	-	(36)	329,832
Depreciation expense	9,432	16,839	6,138		32,409
Non-cash expenses other than depreciation					
Share based payment expense	184,357	-	-	-	184,357
Amount written off on acquisition of subsidiary	703,000	-	-	-	703,000
Investment in associate written off	262,158	-	-	-	262,158
Foreign exchange loss	1,813	7,335	775	(8,110)	1,813

Note 3: Revenue

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
From continuing operations				
Other revenue				
Share of profit from investment in equity method associates	**4,573**	-	**-**	-
Interest received	**211,418**	138,447	**199,132**	138,443
Other	**120,786**	-	**120,786**	-
	336,777	138,447	**319,918**	138,443

Note 4: Expenses

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Loss before income tax includes the following specific expenses:				
Depreciation	**60,362**	32,409	**10,429**	9,432
Investment in associate written off	**-**	262,158	**-**	262,158
Share-based payment expense	**599,406**	184,357	**599,406**	184,357
Amounts written off on acquisition of subsidiary	**-**	703,000	**-**	703,000
Devaluation of impaired investment	**344,244**	-	**344,244**	-
Superannuation contributions	**13,465**	-	**13,465**	-
Foreign exchange loss	**1,546**	-	**1,546**	-
Impairment loss	**1,910,086**	-	**2,847,069**	-

The Company has 1 employee (2007: 4).

Note 5: Income tax expense

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Income tax (expense)/benefit	**-**	**-**	**-**	**-**

(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Tax at the Australian rate of 30% (2007: 30%)	**1,096,346**	634,831	**1,291,738**	543,108
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**(864,704)**	(317,237)	**(1,143,370)**	(322,206)
Deferred tax asset not brought to account	**(231,642)**	(317,594)	**(148,368)**	(220,902)
Income tax expense/(benefit)	**-**	-	**-**	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**3,949,305**	3,177,164	**3,335,852**	2,841,293
Potential tax benefit @ 30%	**1,184,792**	953,149	**1,000,756**	852,388

Note 6: Current assets – Cash and cash equivalents

Cash at bank and on hand	**3,157,425**	4,009,036	**3,041,441**	3,999,645
	3,157,425	4,009,036	**3,041,441**	3,999,645

(a) Reconciliation to cash at the year end

The above figures agree to cash at the end of the year as shown in the cash flow statement.	**3,157,425**	4,009,036	**3,041,441**	3,999,645
	3,157,425	4,009,036	**3,041,441**	3,999,645

(b) 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 5.13% (2007: 4.52%).

(c) Deposits at call

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

Note 6: Current assets – Cash and cash equivalents (Continued)

***(d)* Restricted cash**

As at 31 December 2007 an amount of $188,542 was held by an unrelated party. These funds were relinquished to the Company during the current financial year.

Note 7: Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Sundry debtors	**4,601**	79,904	**4,601**	25,690
Other debtors	**17,187**	48,192	**17,187**	18,215
Accrued Interest	**16,430**	-	**16,430**	-
	38,218	128,096	**38,218**	43,905

The carrying value of receivables approximates their fair value. No trade and other receivables have exceeded their contractual terms as at 31 December 2008.

Note 8: Non-current assets – Investments accounted for using the equity method

Shares in associate (note 23)	**175,752**	195,861	**-**	-
	175,752	195,861	**-**	-

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 (refer to note 10).

Note 9: Non-current assets – Available-for-sale financial assets

Listed securities

At beginning of year	**342,105**	-	**342,105**	-
Additions	**-**	358,766	**-**	358,766
Revaluation deficit transfer from / (to) equity	**16,661**	(16,661)	**16,661**	(16,661)
Impairment loss	**(344,244)**	-	**(344,244)**	-
	14,522	342,105	**14,522**	342,105

Available for sale financial assets consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

Note 10: Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Shares in subsidiaries (note 22)	**-**	-	**797,036**	797,036
Impairment loss	**-**	-	**(797,036)**	-
Shares in associate (note 23)	**-**	-	**195,861**	195,861
Loans to subsidiaries	**-**	-	**2,050,033**	1,656,823
Impairment loss	**-**	-	**(2,050,033)**	-
	-	-	**195,861**	2,649,720

The recoupment of the Company's loans has been re-assessed at balance sheet date in accordance with AASB 136. The loans have been impaired to reflect their recoverable amount.

Note 11: Non-current assets – Plant and equipment

Consolidated	Plant and equipment $	Furniture, fixtures and fittings $	Motor vehicles $	Total $
At 1 January 2007				
Cost at fair value	8,399	25,304	-	33,703
Accumulated depreciation	(1,233)	(2,835)	-	(4,068)
Net book amount	7,166	22,469	-	29,635
Year ended 31 December 2007				
Opening net book amount	7,166	22,469	-	29,635
Exchange differences	(7,646)	(57)	(1,872)	(9,575)
Additions	854,882	13,272	229,862	1,098,016
Depreciation charge	(5,127)	(6,188)	(21,094)	(32,409)
Closing net book amount	849,275	29,496	206,896	1,085,667
At 31 December 2007				
Cost at fair value	855,635	38,519	227,990	1,122,144
Accumulated depreciation	(6,360)	(9,023)	(21,094)	(36,477)
Net book amount	849,275	29,496	206,896	1,085,667
At 1 January 2008				
Cost at fair value	855,635	38,519	227,990	1,122,144
Accumulated depreciation	(6,360)	(9,023)	(21,094)	(36,477)
Net book amount	849,275	29,496	206,896	1,085,667
Year ended 31 December 2008				
Opening net book amount	849,275	29,496	206,896	1,085,667
Exchange differences	(95,866)	(1,180)	(22,760)	(119,806)
Additions	2,269	2,135	-	4,404
Impairment	(735,478)	(4,144)	(112,431)	(852,053)
Depreciation charge	(14,099)	(7,044)	(39,219)	(60,362)
Closing net book amount	6,101	19,263	32,486	57,850
At 31 December 2008				
Cost at fair value	16,428	32,866	47,539	96,833
Accumulated depreciation	(10,327)	(13,603)	(15,053)	(38,983)
Net book amount	6,101	19,263	32,486	57,850

Note 11: Non-current assets – Plant and equipment (continued)

Parent entity	Plant and equipment $	Furniture, fixtures and fittings $	Motor vehicles $	Total $
At 1 January 2007				
Cost at fair value	8,399	25,304	-	33,703
Accumulated depreciation	(1,233)	(2,835)	-	(4,068)
Net book amount	7,166	22,469	-	29,635
Year ended 31 December 2007				
Opening net book amount	7,166	22,469	-	29,635
Exchange differences	-	-	-	-
Additions	8,030	7,037	-	15,067
Depreciation charge	(4,259)	(5,173)	-	(9,432)
Closing net book amount	10,937	24,333	-	35,270
At 31 December 2007				
Cost at fair value	16,429	32,341	-	48,770
Accumulated depreciation	(5,492)	(8,008)	-	(13,500)
Net book amount	10,937	24,333	-	35,270
At 1 January 2008				
Cost at fair value	16,429	32,341	-	48,770
Accumulated depreciation	(5,492)	(8,008)	-	(13,500)
Net book amount	10,937	24,333	-	35,270
Year ended 31 December 2008				
Opening net book amount	10,937	24,333	-	35,270
Exchange differences	-	-	-	-
Additions	-	525	-	525
Depreciation charge	(4,836)	(5,593)	-	(10,429)
Closing net book amount	6,101	19,265	-	25,366
At 31 December 2008				
Cost at fair value	16,429	32,866	-	49,295
Accumulated depreciation	(10,328)	(13,601)	-	(23,929)
Net book amount	6,101	19,265	-	25,366

Note 12: Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Balance as at 1 January 2008	**1,174,133**	-	**-**	-
Acquisition of mining license – at cost	**-**	1,009,641	**-**	-
Exchange rate differences	**(123,730)**	164,492	**-**	-
Impairment allowance	**(1,050,403)**	-	**-**	-
	-	1,174,133	**-**	-

The recoupment of costs carried forward in relation to the Company's Mining License and the Company's areas of interest in the exploration and evaluation phases (refer to Note 13) is dependent on the successful exploration, development and commercial exploitation or sale of the respective areas of interest. As such, the license has been assessed in accordance with AASB 6 and impaired to reflect its recoverable amount as at 31 December 2008.

Note 13: Non-current assets – Deferred exploration and evaluation expenditure

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Balance as at 1 January 2008	**5,508**	-	**-**	-
Expenditure incurred during the year	**-**	5,508	**-**	-
Exchange differences	**2,122**	-	**-**	-
Impairment loss	**(7,630)**	-	**-**	-
Balance as at 31 December 2008	**-**	5,508	**-**	-

Note 14: Current liabilities – Trade and other payables

Trade payables	**85,786**	196,942	**16,853**	18,873
Other creditors and accruals	**51,602**	132,890	**31,687**	91,167
	137,388	329,832	**48,540**	110,040

Note 15: Contributed equity

Share capital

	Notes	Consolidated and Parent entity		Consolidated and Parent entity	
		2008 Shares	2007 Shares	**2008 $**	2007 $
Ordinary shares	*(a)*	**145,665,612**	145,665,612	**17,099,141**	17,103,153
Share Plan shares	*27 (a)*	**14,650,000**	5,500,000	**-**	-
		160,315,612	151,165,612	**17,099,141**	17,103,153

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 2008 there were 160,315,612 ordinary shares fully paid to 20 cents.

(a) Movements in ordinary share capital

Date	**Details**	*Notes*	**Number of Shares**	**Issue Price**	**$**
1 January 2008	Opening balance		151,165,612		17,103,153
9 April 2008	Shares issued under employee share plan	*(b)*	5,250,000	$0.18	-
4 June 2008	Shares issued under employee share plan	*(c)*	3,900,000	$0.18	-
	Less: Transaction costs arising on share issue				(4,012)
31 December 2008	Balance		**160,315,612**		**17,099,141**

Note 15: Contributed equity (continued)

(b) Shares issued under the employee share plan

On 9 April 2008 the Company announced that in accordance with the shareholder approval received on 31 July 2006, it had issued 5.25 million shares under the terms of the Plan to employees of the Company.

The shares issued under the terms of the Plan may not be sold or otherwise dealt with until the following occurs:

(a) any loan in respect of the Share is repaid; and

(b) in respect of:

(i) one half of the Shares issued under this Offer, 12 months after the date of issue of the Shares (9 April 2009) ; and

(ii) the remaining one half of the Shares issued under this Offer, 24 months after the date of issue of the Shares (9 April 2010).

(c) Shares issued under the employee share plan

On 4 June 2008 the Company announced that in accordance with the shareholder approval received on 30 May 2008, it had issued 3.9 million shares under the terms of the Plan to directors of the Company.

The shares issued under the terms of the Plan may not be sold or otherwise dealt with until the following occurs:

(c) any loan in respect of the Share is repaid; and

(d) in respect of:

(i) one half of the Shares issued under this Offer, 12 months after the date of issue of the Shares (4 June 2009) ; and

(ii) the remaining one half of the Shares issued under this Offer, 24 months after the date of issue of the Shares (4 June 2010).

Note 16: Reserves and accumulated losses

(a) Reserves

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Available-for-sale investments revaluation reserve	**-**	(16,661)	**-**	(16,661)
Share-based payments reserve	**783,763**	184,357	**783,763**	184,357
Foreign currency translation reserve	**(293,388)**	(31,623)	**-**	-
	490,375	136,073	**783,763**	167,696

Note 16: Reserves and accumulated losses (continued)

Movements:

Available-for-sale investments reserve

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Balance 1 January 2008	**(16,661)**	-	**(16,661)**	-
Devaluation - gross	**-**	(16,661)	**-**	(16,661)
Transfer on recognition of impairment loss	**16,661**	-	16,661	-
Balance 31 December 2008	**-**	(16,661)	**-**	(16,661)

Share-based payment reserve

Balance 1 January 2008	**184,357**	-	**184,357**	-
Employee share plan expense	**599,406**	184,357	**599,406**	184,357
Balance 31 December 2008	**783,763**	184,357	**783,763**	184,357

Foreign currency translation reserve

Balance 1 January 2008	**(31,623)**	1,612	**-**	-
Currency translation differences arising during the year	**(261,765)**	(33,235)	**-**	-
Balance 31 December 2008	**(293,388)**	(31,623)	**-**	-

(b) Accumulated Losses

Movements in accumulated losses were as follows:

Balance 1 January 2008	**(10,628,652)**	(8,512,548)	**(10,310,244)**	(8,499,884)
Net loss for the year	**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Balance 31 December 2008	**(14,283,137)**	(10,628,652)	**(14,616,036)**	(10,310,244)

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available for sale financial assets are taken to the available-for-sale investments revaluation reserve. Amounts are recognised in the income statement when the associated assets are sold or impaired.

(ii) Share-based payment reserve
The share-based payment reserve is used to recognise:

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

(iii) 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 income statement when the net investment is disposed of.

Note 17: 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

No other key management personnel were identified during the period.

(b) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short-term employee benefits	**332,333**	336,841	**332,333**	336,841
Post-employment benefits	**6,750**	8,641	**6,750**	8,641
Share-based payments	**290,305**	184,357	**290,305**	184,357
	629,388	529,839	**629,388**	529,839

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'.

2008 **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	1,600,000	1,500,000	-	3,100,000
G A Nealon	Beneficially held	1,500,000	1,500,000	-	3,000,000
D F Lynton Brown	Beneficially held	20,000	900,000	-	920,000

Note 17: Key management personnel disclosures (continued)

(c) Shareholdings (continued)

2007 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	100,000	1,500,000	-	1,600,000
G A Nealon	Beneficially held	-	1,500,000	-	1,500,000
J C Schiller	Beneficially held	1,000,000	500,000	-	1,500,000
	Non-beneficially held	1,000,000	-	-	1,000,000
J B Rodger	Beneficially held	12,000,000	1,500,000	-	13,500,000
P R Richard	Beneficially held	-	500,000	-	500,000

(d) Loans to directors and executives

No directors or executives held any loans with the Company during the year.

(e) Other transactions with directors and executives

There were no other transactions with directors and executives.

Note 18: Remuneration of auditors

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Audit services				
Audit services				
Auditors of parent entity (HLB Mann Judd)				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**22,070**	24,000	**22,070**	24,000
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	**18,056**	11,526	**-**	-
Total remuneration for audit services	**40,126**	35,526	**22,070**	24,000

Note 18: Remuneration of auditors (continued)

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(b) Non-audit services				
HLB Mann Judd	**-**	850	**-**	850
Non-HLB Mann Judd audit firm	**1,142**	4,299	**-**	-
Total remuneration for non-audit services	**1,142**	5,149	**-**	850

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

Note 19: Contingencies

(a) Contingent liabilities

As at the balance sheet date the Company has no contingent liabilities.

(b) Contingent assets

As at balance sheet date the Company has no contingent assets.

Note 20: Commitments

(a) Lease commitments

Commitments in relation to office lease contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Within one year	**14,639**	12,697	**14,639**	12,697
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	14,639	12,697	**14,639**	12,697

Note 21: Related party transactions

(a) Parent entity
The ultimate parent entity within the Group is Magnum Mining and Exploration Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in note 22.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 17.

(d) Loans to related parties
The following loans to subsidiary undertakings are outstanding at the reporting date.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Tameka Shelf Company Four (Pty) Ltd	**-**	-	**1,573,715**	1,496,269
Magnum Tantalite (Pty) Ltd	**-**	-	**454,280**	160,554
Namibian Tantalite Investment Pty Ltd	**-**	-	**22,038**	-
	-	-	**2,050,033**	1,656,823

The recoupment of the Company's loans has been re-assessed at balance sheet date in accordance with AASB 136. The loans have been fully impaired to reflect their recoverable amount. (Refer to note 10).

Note 22: 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(b):

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2008 %**	2007 %
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 23: Investments in associates

Tantalite Valley Estates (Pty) Ltd

(a) Carrying amounts

Name of Entity	Ownership interest		Consolidated		Parent Entity	
	2008	2007	**2008**	2007	**2008**	2007
	%	%	**$**	$	**$**	$
Tantalite Valley Estates (Pty) Ltd	**49**	49	**175,752**	195,861	**195,861**	195,861

(b) Movement in carrying amounts

	Consolidated	
	2008	2007
	$	$
Carrying amount at the beginning of the year	**195,861**	-
Initial investment – at cost	**-**	195,861
Share of profit / (loss) before income tax	**4,573**	-
Foreign exchange movement	**(24,682)**	-
Carrying amount at the end of the year	**175,752**	195,861

(c) Summarised financial information of associates

	Group's share of:			
	Assets	**Liabilities**	**Revenues**	**Profit**
	$	**$**	**$**	**$**
2008				
Tantalite Valley Estates (Pty) Ltd	216,479	647	4,832	4,573
2007				
Tantalite Valley Estates (Pty) Ltd	115,981	1,533	-	-

Note 24: Events occurring after the balance sheet 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 effect:

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Loss for the year	**(3,654,485)**	(2,116,104)	**(4,305,792)**	(1,810,360)
Depreciation	**60,362**	32,409	**10,429**	9,432
Amounts written off on acquisition of subsidiary	**-**	703,000	**-**	703,000
Investment in associate written off	**-**	262,158	**-**	262,158
Devaluation of impaired investment	**344,244**	-	**344,244**	-
Investment in subsidiary written off	**-**	8,452	**-**	8,452
Share-based payment expense	**599,406**	184,357	**599,406**	184,357
Impairment expense	**1,910,086**	-	**2,847,069**	-
Change in operating assets and liabilities:				
(Increase) / decrease in trade receivables	**58,859**	(44,215)	**4,644**	-
Increase / (decrease) in trade payables	**(161,667)**	117,459	**(60,457)**	(37,518)
Net cash outflow from operating activities	**(843,195)**	(852,484)	**(560,457)**	(680,479)

Note 26: Loss per share

	Consolidated	
	2008	2007
	Cents	Cents
Basic loss per share	**(2.51)**	(1.56)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**145,665,612**	136,049,174
	$	$
Loss attributable to ordinary equity holders of the Company used in calculating basic loss and diluted loss per share	**(3,654,485)**	(2,116,104)

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.

Note 27: 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 balance sheet 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:

	Consolidated		**Parent Entity**	
	2008 Number	2007 Number	**2008 Number**	2007 Number
Shares issued under the Plan to participating employees on 22 June 2007	**-**	5,500,000	**-**	5,500,000
Shares issued under the Plan to participating employees on 9 April 2008	**5,250,000**	-	**5,250,000**	-
Shares issued under the Plan to participating employees on 4 June 2008	**3,900,000**	-	**3,900,000**	-
Total Employee shares issued	**9,150,000**	5,500,000	**9,150,000**	5,500,000

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

Note 27: Share-based payments (continued)

(a) Employee Share Plan (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2008 was as follows:

9 April 2008 7 cents per option.
4 June 2008 10 cents per option.

The fair value at grant date 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 options granted during the year ended 31 December 2008 are as follows:

9 April 2008

(a) options are granted for no consideration, have a four year life and 50% of each tranche vests and are exercisable on the first two anniversaries of the date of grant

(b) share price at grant date: $0.16

(c) expected price volatility of the Company's shares: 86.50%

(d) expected dividend yield: Nil

(e) risk-free interest rate: 6.26%

4 June 2008

(a) options are granted for no consideration, have a four year life and 50% of each tranche vests and are exercisable on the first two anniversaries of the date of grant

(b) share price at grant date: $0.20

(c) expected price volatility of the Company's shares: 90.88%

(d) expected dividend yield: Nil

(e) risk-free interest rate: 6.89%

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

Note 27: Share-based payments (continued)

(b) Expenses relating to share based payment transactions

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Shares issued under the Plan	**599,406**	184,357	**599,406**	184,357

Note 28 Financial Instruments

(a) Capital risk management

The Company 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.

(b) Categories of financial instruments

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial assets				
Loans & receivables	**38,218**	128,096	**38,218**	43,905
Cash and cash equivalents	**3,157,425**	4,009,036	**3,041,441**	3,999,645
Available for sale financial assets	**14,522**	342,105	**14,522**	342,105
	3,210,165	4,479,237	**3,094,181**	4,385,655
Financial liabilities				
Financial liabilities	**137,388**	329,832	**48,540**	110,040
	137,388	329,832	**48,540**	110,040

(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.

Note 28: Financial Instruments (continued)

(ii) Price risk

Given the current level of operations, neither the Group nor the parent entity is 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 2008.

	31 December 2008		**31 December 2007**	
	Weighted average interest rate %	Balance	Weighted average interest rate %	Balance
Cash balances	5.13%	3,157,425	4.52%	4,009,036

(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 expenditure 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**	
	2008	2007	**2008**	2007
	$	$	**$**	$
South African Rand (ZAR)	**(12,770)**	-	**112,273**	2,522
Namibian dollar	**(76,114)**	(219,827)	**3,711**	91,060

Note 28: Financial Instruments (continued)

(f) Foreign currency sensitivity analysis

The Group is exposed to South African Rand (ZAR) and Namibian dollar (NAD) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar (AUD) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in currency other than the currency of the lender or borrower. A positive number indicates and increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	ZAR impact			
	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Profit or loss (i)	**9,950**	252	**-**	-

(i) This is mainly attributable to the exposure outstanding on ZAR cash balances at year end.

	NAD impact			
	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Profit or loss (i)	**(7,240)**	(12,877)	**-**	-

(i) This is mainly attributable to the exposure outstanding on NAD receivables and payables at year end.

(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 sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

Note 28: Financial Instruments (continued)

Interest rate risk management (continued)

At reporting date, if interest rates had been 50 basis points higher or lower and all variables were held constant, the Group's net loss after tax would decrease or increase respectively and equity would decrease or increase respectively by approximately $10,420. This is mainly attributable to the Group's exposure to interest rate fluctuations on cash balances.

The Consolidated entity's exposure to interest rate risks on financial asset and financial liabilities at balance date are detailed below:

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate maturing		Non Interest Bearing	Total
			Less than 1 month	1-3 months		
2008	2008	2008	2008	2008	2008	2008
		$	$	$	$	$
Financial assets:						
Cash at bank	5.13%	546,305	-	2,607,409	3,711	3,157,425
Trade and other receivables		-	-	-	38,218	38,218
Available for sale financial assets		-	-	-	14,522	14,522
Total financial assets		546,305	-	2,607,409	56,451	3,210,165
Financial liabilities						
Trade and other payables		-	-	-	137,388	137,388
Total financial liabilities		-	-	-	137,388	137,388

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate maturing		Non Interest Bearing	Total
			Less than 1 month	1-3 months		
2007	2007	2007	2007	2007	2007	2007
		$	$	$	$	$
Financial assets:						
Cash at bank	4.52%	3,813,625	-	-	195,411	4,009,036
Trade and other receivables		-	-	-	128,096	128,096
Available for sale financial assets		-	-	-	342,105	342,105
Total financial assets		3,813,625	-	-	665,612	4,479,237
Financial liabilities						
Trade and other payables		-	-	-	329,832	329,832
Total financial liabilities		-	-	-	329,832	329,832

Note 28: Financial Instruments (continued)

Interest rate risk management (continued)

The Parent entity's exposure to interest rate risks on financial asset and financial liabilities at balance date are detailed below:

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate maturing		Non Interest Bearing	Total
			Less than 1 month	1-3 months		
2008	2008	2008	2008	2008	2008	2008
		$	$	$	$	$
Financial assets:						
Cash at bank	5.54%	434,032	-	2,607,409	-	3,041,441
Trade and other receivables		-	-	-	38,218	38,218
Available for sale financial assets		-	-	-	14,522	14,522
Total financial assets		434,032	-	2,607,409	52,740	3,094,181
Financial liabilities						
Trade and other payables		-	-	-	48,540	48,540
Total financial liabilities		-	-	-	48,540	48,540

	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate maturing		Non Interest Bearing	Total
			Less than 1 month	1-3 months		
2007	2007	2007	2007	2007	2007	2007
		$	$	$	$	$
Financial assets:						
Cash at bank	4.52%	3,811,103	-	-	188,542	3,999,645
Trade and other receivables		-	-	-	43,905	43,905
Available for sale financial assets	-	-	-	-	342,105	342,105
Other financial assets		-	-	-	2,649,720	2,649,720
Total financial assets		3,811,103	-	-	3,224,272	7,035,375
Financial liabilities						
Trade and other payables		-	-	-	110,040	110,040
Total financial liabilities		-	-	-	110,040	110,040

(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.

Note 28: Finanical Instruments (continued)

Credit risk (continued)

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 balance sheet 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 and parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date.

(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 balance sheet date.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 18 to 60 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the financial year ended on that date; 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 audited remuneration disclosures set out on pages 7 to 11 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

G. Button.

G M Button
Chief Executive Officer

Perth
31 March 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
MAGNUM MINING AND EXPLORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Magnum Mining and Exploration Limited ("the company"), which comprises the balance sheet as at 31 December 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration for both the company and the consolidated entity as set out on pages 18 to 61. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Magnum Mining and Exploration Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 11 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Magnum Mining and Exploration Limited for the year ended 31 December 2008 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

W M CLARK
Partner

Perth, Western Australia
31 March 2009

Shareholder information

The shareholder information set out below was applicable as at 31 March 2009.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares		
Sunshore Holdings Pty Ltd	11,293,500	7.04%

2. Voting Rights

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

3. On-Market Buy-Back

There is no current on-market buy-back.

4. Distribution of Shareholders

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

No. of Shares	No. of Shareholders
1 – 1,000	124
1,001 – 5,000	343
5,001 – 10,000	163
10,001 – 100,000	449
100,001 and over	199
	1,278

(i) There were 552 holders of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

	Name of Shareholder:	Number Held:	Percentage of Issued Shares:
1.	HSBC Custody Nominees (Australia) Limited	12,709,731	7.93
2.	Sunshore Holdings Pty Ltd	9,293,500	5.80
3.	Aero Agencies International Ltd	7,000,000	4.37
4.	Stately Glory Limited	5,000,000	3.12
5.	Dr Salim Cassim	3,350,000	2.09
6.	Mr Grant Button	3,000,000	1.87
7.	Mr Gerry Nealon	3,000,000	1.87
8.	Shannon Corporate Nominees Pty Ltd	2,562,000	1.60
9.	National Nominees Limited	2,520,000	1.57
10.	Houtbay International Ltd	2,500,000	1.56
11.	Rogue Investments Pty Ltd	2,500,000	1.56
12.	Citi Corp Nominees Pty Ltd	2,153,810	1.34
13.	Australian Sport & Recreation Link Pty Ltd	2,000,000	1.25
14.	Mr Peter Bowman	2,000,000	1.25
15.	Sunshore Holdings Pty Ltd	2,000,000	1.25
16.	Mr Ed Nealon	1,800,000	1.12
17.	Ms Melissa Sturgess	1,800,000	1.12
18.	ANZ Nominees Ltd	1,649,385	1.03
19.	Mr John Rodger	1,500,000	0.94
20.	McLaren Investments Ltd	1,400,000	0.87
		69,738,426	43.51

6. Schedule of Tenements

Magnum Mining and Exploration Limited hold no current tenements.

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