MAGNUM GOLD N.L.

A.B.N. 70 003 170 376

FINANCIAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2003

DIRECTORS
Paul Aurius Lincoln Smith LL.B. (University of Sydney), Chairman
Wayne Vincent Annis-Brown LL.B., LL.M. (University of Sydney)
Marcus Paul Lincoln Smith B.A., BSc. (Hons.), MSc., PhD. (University of Sydney)

SECRETARIES
Steven J. Danielson
Rachel L. Thorn

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AUDITOR
PricewaterhouseCoopers, Chartered Accountants,
Darling Park Tower 2,
201 Sussex Street,
SYDNEY NSW 1171 AUSTRALIA

STOCK EXCHANGE LISTING
Magnum Gold N.L. shares are listed on the Australian Stock Exchange under the code MGU.

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

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the company for the year ended 31 December 2003.

The following persons were directors of Magnum Gold N.L. during the whole of the financial year, and up to the date of this report:-

P.A. Lincoln Smith
W.V. Annis-Brown
M.P. Lincoln Smith

Principal Activity
The principal continuing activities of the company is the exploration for minerals within Australia.

Operating Results
The operating loss of the company for the year, after income tax, was $33,763 (2002: loss $56,279).

Dividends
No dividends have been paid or declared by the company during the year (2002: nil). The directors of the company do not recommend the payment of a dividend in respect of the year (2002: nil).

Review of Operations
Western Australia
Kalgoorlie Tenements (ML M26/497 and ML M26/498 - "Corsair North". The tenements were previously subject to joint ventures with Kalgoorlie Consolidated Gold Mines).
No work was undertaken on these tenements during the reporting period.

Murray Basin Coal Seam Methane Project
(PELs 439 and 440. These tenements are subject to a joint venture agreement with associated company, Carbon Minerals N.L. which is the project operator.)
The Noonameena #1 well site, the first dedicated seam gas assessment well in the Murray Basin, was selected in PEL 436 (held by associated company, Carbon Minerals NL) in the eastern anomalous gas area which extends into PEL 439. As previously reported, gas-in-water testing over most of the eastern Murray Basin in NSW defined two areas where methane was detected in the early Tertiary (Lower Renmark Group) aquifer system. Although not located in Magnum Gold's ground, Noonameena nonetheless has great relevance to both PELs 439 and (albeit to a lesser extent) 440.

Although it is a lower order anomaly than the western anomalous zone which includes PEL 440 (gas contents of up to 2% methane by volume were recorded in the east, compared with several in excess of 60% in the west), it coincides with an area of good coal development, and where the target interval is about 100 metres shallower than the western target zone. Gas-in-water testing showed this eastern zone to embrace an area of nearly 3,000 square kilometres – certainly large enough to host a very large resource. The cost of a well at Noonameena was estimated at about half that for a well in the western area, and as this was the first well of its type, it was decided prudent to trial procedures on a shallower and less expensive well.

After approvals from the NSW Department of Mineral Resources were finally received, commencement of drilling was initially delayed by rig unavailability resulting from heavy demands for water bore drilling due to the severe drought, and ironically then by heavy rain in the area. At the time of drilling (August, 2003) approvals were still outstanding from DLWC (now DIPNR) to conduct prolonged high-volume water testing.

The well was drilled to a depth of 235 metres in granite basement, and intersected brown coal in two main intervals, 171-181 metres and 210-221 metres. On the basis of wireline logging, the upper interval was selected as the preferred test zone, and casing was set to a depth of 184 metres, with 2mm stainless-steel screens across the test interval.

DIRECTORS' REPORT (Continued)

Review of Operations (Continued)

Murray Basin Coal Seam Methane Project (Continued)

Low volume pump testing, at the rate of about 3 litres per second, was conducted immediately upon completion of the well. This rapidly drew water level down some 5-6 metres, but drawdown below that level could not be achieved, even over a 24 hour pump period. Producibility was thus well in excess of the pump rate which equated to a maximum of about 2,000 barrels of water per day.

Apart from a quite high proportion of hydrogen sulphide ("rotten egg" gas, which is a common contaminant in groundwater from the region), water quality was excellent. Its initial brownish colour soon cleared, but remained slightly cloudy due to fine particulate matter and very fine bubbles of entrained gas. Although on-site gas-in-water testing revealed low levels of methane, these levels were much lower than had been previously registered from a nearby DLWC monitor bore. Subsequent laboratory tests showed methane at levels of only about 0.2% (volume), with high air-free nitrogen levels. The reasons for the lower than expected methane levels were not immediately apparent, but it was considered that no meaningful conclusions were possible until higher-volume testing was undertaken. The hole was then capped awaiting granting of approvals for such tests.

Registration of the well with DIPNR and receipt of a water production licence was finally effected late in the December quarter of 2003, however unavailability of a suitable pump meant further delays in testing, which has only just been completed at the time of writing (February 2004). Much data on this subsequent test remains outstanding, and will be fully reported upon in the March 2004 Quarterly Review of Operations. It can be stated, however, that the pump used, 20 litre/second capacity, was capable of achieving total drawdown, and permitted determination of the well's water producibility at around 4,500-5,000 barrels per day. Although at the higher end of the seam-gas water producibility range, such levels are by no means uncommon, and in view of the excellent water quality, would be quite manageable in the event of potentially commercial gas volumes.

Regrettably, and despite reducing the hydrostatic head some 20 metres below the standing water level for more than 20 hours, methane content remained at trace levels, indeed on this occasion methane content was undetectable in the field, and only at 0.2% on laboratory analysis (again with elevated nitrogen on a calculated air-free basis). This is vastly below the levels of dissolved methane which would indicate potentially commercial gas levels, and indeed significantly below the levels recorded from the nearby observation well. Although a detailed assessment of the final data will be required to fully assess the significance of the findings, the lack of significant dissolved methane in formation waters of the early Tertiary lignite, even in this area of quite favourable hydrochemistry, augers very poorly for the seam gas potential of the south-eastern marginal region of the Murray Basin.

The far higher gas-in-water values (and their more abundant occurrence) achieved in the western anomalous zone remain encouraging however, and PEL 440 will now constitute the main focus of the company's Murray Basin seam gas project. The newly-discovered significance of hydrochemistry in the generation and accumulation of biogenic gas clearly determines the next phase of investigation of these tenements.

Other Activities

The company continues to monitor opportunities for participation in additional projects.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company during the year, not otherwise disclosed in this report.

Likely Developments

The company proposes to continue its natural resources exploration programme.

DIRECTORS' REPORT (Continued)

Matters Subsequent to the End of the Financial Year
In the opinion of the directors there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature which, in the opinion of the directors, is likely to affect substantially the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years, apart from those events mentioned in the review of operations.

Environmental Regulation
The company is subject to significant environmental and monitoring requirements in respect of its mineral exploration activities which are imposed by the following Government Departments via their relevant legislation: Environmental Protection Authority, Department of Infrastructure Planning and Natural Resources, National Parks and Wildlife Services, Department of Urban Affairs & Planning and Department of Minerals Resources.

There have been no material breaches of these requirements during the year.

Information on Directors
Paul Aurius Lincoln Smith, LL.B. (University of Sydney), Solicitor.
Mr. Lincoln Smith was appointed Executive Chairman of the Board on 26 September 1986.

He is a practising solicitor of the Supreme Court of New South Wales and Chairman of Directors of Carbon Minerals N.L.

By virtue of these positions, Mr. Lincoln Smith has had in excess of 34 years experience in the management of mineral exploration companies

Shares in the company in which Mr. Lincoln Smith has a relevant interest as at the date of this report were 51,335,864.

Shares in related entity Carbon Minerals N.L. in which Mr. Lincoln Smith has a relevant interest as at the date of this report were 14,733,172.

Wayne Vincent Annis-Brown, LL.B., LL.M. (University of Sydney), Solicitor.
Mr. Annis-Brown was appointed as an Executive Director of the company on 4 August 1988.

He has been a practising solicitor of the Supreme Court of New South Wales for 30 years and has had considerable experience in commercial and business law. In addition he is a director of Carbon Minerals N.L.

Shares in the company in which Mr. Annis-Brown has a relevant interest as at the date of this report were 36,291.

Shares in related entity Carbon Minerals N.L. in which Mr. Annis-Brown has a relevant interest as at the date of this report were 41,000.

Marcus Paul Lincoln Smith, B.A., BSc. (Hons.), MSc. PhD. (University of Sydney), Environmental Scientist.
Mr. Lincoln Smith was appointed a director of the company originally as an alternate director for Paul Aurius Lincoln Smith and was appointed as a Non-executive Director in his own right on 6 December 1996.

He is a qualified environmental scientist and has carried out environmental consulting work for 23 years.

Shares in the company in which Mr. Lincoln Smith has a relevant interest as at the date of this report were 17,300.

Shares in related entity Carbon Minerals N.L. in which Mr. Lincoln Smith has a relevant interest as at the date of this report were 10,000.

DIRECTORS' REPORT (Continued)

Meeting of Directors
The following table sets out the number of meetings of the company's directors held during the year ended 31 December 2003, and the number of meetings attended by each director:-

	Full Meetings of Directors
Number of Meetings Held:	2
Number of Meetings Attended By:	
P.A. Lincoln Smith	2
W.V. Annis-Brown	2
M.P. Lincoln Smith	2

Directors' and Executives' Emoluments
The Board determines remuneration policies and practices generally, including remuneration packages and other terms of employment for executive directors and non-executive directors.

Executive directors' and non-executive directors' remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year and relevant comparative information.

Details of the nature and amount of each element of the emoluments of each director of Magnum Gold N.L. and each of the 4 officers of the company receiving the highest emoluments are set out below:-

Executive Directors	**Directors' Base Fee** **$**
P.A. Lincoln Smith	4,000
W.V. Annis-Brown	2,000
Non-executive Directors	
M.P. Lincoln Smith	2,000
Other Officers	
S.J. Danielson	--

No other officers or directors receive any emoluments from the company.

Based on the size of the company and its activities the directors believe that the remuneration of the directors and executives is a fair reflection of the company's performance.

Auditors
PricewaterhouseCoopers continue in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Board and is signed for and on behalf of the directors.

P.A. Lincoln Smith
Director
Sydney, 29 March 2004.

CORPORATE GOVERNANCE STATEMENT

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.

The Board of Directors
The Board of Directors are responsible for the corporate governance policies of the company and 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;
- The Chairman should be an executive director;
- On appointment, directors should ideally serve a minimum of 12 years before retirement;
- The Board should comprise directors with a broad range of skills and experience.

Directors are initially appointed by the full Board and are subject to re-election at three-yearly intervals by shareholders at the annual general meeting.

Chairman
The Chairman of the Board is an executive director who is elected by the full Board.

Executive Directors
The performance of executive directors is reviewed by the full Board.

Non-Executive Directors
The performance of non-executive directors is reviewed by the Chairman.

Non-executive directors are expected to spend a minimum of 7 days per year preparing for and attending Board and committee meetings and associated activities.

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.

Nomination and Remuneration of Directors and Audit Committees
Due to the relatively small size of the company's operations and the number of directors constituting the Board, the Board of Directors unanimously believe that the company's policies relating to the nomination and remuneration of directors and the review of external audit arrangements are best catered for by the involvement of the entire Board. As this approach has been consistently effective the board has not established separate committees of directors to oversee directors' nominations and remuneration or the review of external audit arrangements.

The main procedures that the company has in place regarding the nomination and remuneration of directors and reviewing the adequacy of existing external audit arrangements are set out below.

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.

Remuneration of Directors
The amount of remuneration payable to directors is determined and reviewed by the full Board. Further information on directors' remuneration is set out in Note 13 to the financial statements.

CORPORATE GOVERNANCE STATEMENT (Continued)

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;
- Reviewing internal controls;
- Monitoring compliance with statutory responsibilities.

Risk Assessment and Management
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.

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.

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.

Continuous Disclosure
Mr. S.J. Danielson, company secretary, 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.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTES	2003 $	2002 $
Revenue from ordinary activities	2	**40,407**	5,041
Exploration expense		**(24,608)**	(3,828)
Borrowing costs expense		**(630)**	(482)
Administration expenses		**(48,932)**	(57,010)
Loss from ordinary activities before income tax expense	3	**(33,763)**	(56,279)
Income tax expense	4	**--**	--
Loss from ordinary activities after income tax expense		**(33,763)**	(56,279)
Net loss		**(33,763)**	(56,279)
Total changes in equity other than those resulting from transactions with owners as owners		**(33,763)**	(56,279)
		Cents	Cents
Earnings per share	19	**(0.05)**	(0.09)
Diluted earnings per share		**(0.05)**	(0.09)

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2003

	NOTES	2003 $	2002 $
Current Assets			
Cash	5	**3,693**	1,763
Short Term Deposits	7	**89,552**	109,424
Receivables	6	**2,223**	2,451
Total Current Assets		**95,468**	113,638
Non-Current Assets			
Exploration and Evaluation Expenditure	8	**27,842**	47,126
Total Non-Current Assets		**27,842**	47,126
Total Assets		**123,310**	160,764
Current Liabilities			
Accounts Payable	9	**10,050**	13,741
Total Current Liabilities		**10,050**	13,741
Total Liabilities		**10,050**	13,741
Net Assets		**113,260**	147,023
Equity			
Contributed Equity	10	**7,851,129**	7,851,129
Accumulated Losses	11	**(7,737,869)**	(7,704,106)
Total Equity	12	**113,260**	147,023
Commitments for Expenditure	20		
Contingent Liabilities	22		

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTES	2003 $	2002 $
Cash flows from operating activities			
Interest received		**5,194**	5,193
Payments			
- to suppliers and employees (inclusive of goods and services tax)		**(52,678)**	(55,508)
- for exploration expenditure (inclusive of goods and services tax)		**(5,458)**	(4,628)
Net cash inflow/(outflow) from operating activities	18	**(52,942)**	(54,943)
Cash flows from investing activities			
Proceeds from sale of non-current asset		**35,000**	--
Net cash inflow/(outflow) from investing activities		**35,000**	--
Net increase/(decrease) in cash held		**(17,942)**	(54,943)
Cash at the beginning of the financial year		**111,187**	166,130
Cash at the end of the financial year	5	**93,245**	111,187

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(b) JOINT VENTURES

Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment, unless the terms of the farmout are excessive based on the diluted interest retained. A provision is then made to reduce exploration expenditure to its recoverable amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property. Details of the joint ventures are set out in note 21.

(c) EXPLORATION EXPENDITURE

Exploration expenditure is carried forward when it is incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

(i) the expenditure is expected to be recouped by the company through successful development of the area; or

(ii) exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable mineral reserves, and active and significant operations in, or in relation to, the area are continuing.

Cumulative exploration expenditure which no longer satisfies the above policy is no longer carried forward as an asset, but is charged against, and shown as a deduction from, operating profit.

(d) INCOME TAX

The liability method of tax effect accounting procedures are followed whereby the income tax expense is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless realisation of the benefit can be regarded as being virtually certain.

(e) CASH

For purposes of the statement of cash flows, cash includes short term deposits less bank overdrafts which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount (except exploration which is carried forward in accordance with (c) above). To the extent that the revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(g) DEPRECIATION

Depreciation is calculated on a straight line basis so as to write off the net cost of each item of plant and equipment over its expected useful life.

(h) TRADE AND OTHER CREDITORS

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

(i) EARNINGS PER SHARE

Basic earnings per share is determined by dividing the operating profit after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(j) REVENUE RECOGNITION

Amounts disclosed as revenue as recognised on an accruals basis in accordance with the terms of the relevant agreement.

(k) RECEIVABLES

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 120 days overdue.

NOTE 2: REVENUE

	2003 **$**	2002 $
Revenue from operating activities		
Proceeds from sale of non-current asset	**35,000**	--
Revenue from outside the operating activities		
Interest received – non related corporations	**5,407**	5,041
Total revenue	**40,407**	5,041

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 3: OPERATING LOSS

	2003	2002
Loss from ordinary activities before income tax expense includes the following specific expenses:	**$**	$
Exploration expenses	**24,608**	3,828

The company has no employees (2002: nil).

NOTE 4: INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:-

	2003	2002
Loss from ordinary activities before income tax expense	**(33,763)**	(56,279)
Income tax calculated at 30%	**(10,129)**	(16,884)
Future income tax benefit not recognised/ (brought to account)	**10,129**	(16,884)
Income tax charge/(credit) attributable to operating loss	**--**	--
The directors estimate that the potential future income tax benefit at 31 December 2003 in respect of tax losses not brought to account is:	**402,881**	392,752

This benefit for tax losses will only be obtained if:

(i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.

(ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation affect the company in realising the benefit from the deductions for the losses.

NOTE 5: CURRENT ASSETS – CASH

	2003	2002
Cash at bank and on hand	**3,693**	1,763

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 5: CURRENT ASSETS – CASH (Continued)

	2003 $	2002 $
Balances as above	**3,693**	1,763
Add Short term deposits (Note 7)	**89,552**	109,424
Balance per Statement of Cash Flows	**93,245**	111,187

Cash at bank balances are subject to interest at variable rates and the average rate for the year was 0.61% (2002: 1.96%)

NOTE 6: CURRENT ASSETS – RECEIVABLES

Sundry debtors	**2,010**	2,451
Interest receivable	**213**	--
	2,223	2,451

The carrying value of receivables approximates their fair value.

NOTE 7: CURRENT ASSETS – SHORT TERM DEPOSITS

Short term deposits	**89,552**	109,424

Short term deposits are subject to interest at fixed rates and the average interest rate for the year was 4.02% (2002: 2.96%).

Amounts included in short term deposits held as security for bank guarantee (refer Note 22)	**30,000**	30,000

NOTE 8: NON-CURRENT ASSETS – OTHER

Exploration and evaluation expenditure		
Cost brought forward	**47,126**	46,120
Expenditure incurred during the year	**5,324**	4,834
Expenditure written off during the year	**(24,608)**	(3,828)
Net exploration and evaluation expenditure carried forward	**27,842**	47,126

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 9: CURRENT LIABILITIES – PAYABLES

	2003 **$**	2002 $
Trade creditors	**--**	200
Other creditors	**10,050**	13,541
	10,050	13,741

NOTE 10: CONTRIBUTED EQUITY

(a) **Share Capital**

	2003 **$**	2002 $
5 ordinary shares of $0.20 each, fully paid, issued as subscriber shares	**1**	1
64,165,612 ordinary shares of $0.20 each, fully paid	**7,851,128**	7,851,128
	7,851,129	7,851,129

(b) There have been no movements in issued and paid up ordinary share capital of the company in the past two years.

(c) **Ordinary shares**

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 2003 there were 64,165,617 ordinary shares called and fully paid to 20 cents.

NOTE 11: ACCUMULATED LOSSES

Accumulated Losses		
Accumulated losses at the beginning of the financial year	**(7,704,106)**	(7,647,827)
Net loss	**(33,763)**	(56,279)
Accumulated losses at the end of the financial year	**(7,737,869)**	(7,704,106)

NOTE 12: EQUITY

Total equity at the beginning of the financial year	**147,023**	203,302
Total changes in equity recognised in the statement of financial performance	**(33,763)**	(56,279)
Total equity at the end of the financial year	**113,260**	147,023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 13: REMUNERATION OF DIRECTORS

	2003	2002
	$	$
Amount paid or payable, or otherwise made available to the directors of Magnum Gold N.L. from the company and related corporations	**8,000**	16,000
Number of directors whose remuneration was within the following bands:		
$0 - $10,000	**3**	3

Note: Remuneration for the periods ended 31 December 2002 and 31 December 2003 refers to payments by a related corporation Carbon Minerals N.L. No payments were made during the year by Magnum Gold N.L.

NOTE 14: REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports	**2,650**	7,400

NOTE 15: RELATED PARTY DISCLOSURES

(a) Controlling entities
The company's ultimate controlling entity is Malewi Investments Pty Limited, incorporated in New South Wales, which owns 35.01% of Magnum Gold N.L. directly and a further 44.92% through other investments held.

The company's immediate controlling entity is Carbon Minerals N.L., incorporated in New South Wales, which owns 44.07% of the company.

(b) Directors
The names of each person holding the position of director of the company during the year are Messrs. P.A. Lincoln Smith, W.V. Annis-Brown and M.P. Lincoln Smith.

(c) Remuneration
Information on remuneration of directors is provided in Note 13.

(d) Other Transactions of Directors and Director-Related Entities
During the year office representation fees of $8,520 (2002: $8,520) were payable to Palmarc Investments Pty Limited a company controlled by P.A. Lincoln Smith.

(e) Interest of Directors
The register of directors' shareholdings discloses that at balance date, the directors of the company held a relevant interest in the share capital of the company as follows:-

P.A. Lincoln Smith	**51,335,864**	51,335,864
W.V. Annis-Brown	**36,291**	36,291
M.P. Lincoln Smith	**17,300**	17,300

M.P. Lincoln Smith is a son of P.A. Lincoln Smith and may therefore be considered to have a related interest in P.A. Lincoln Smith's shareholding above and vice versa.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 16: FINANCIAL REPORTING BY SEGMENTS

The company operates primarily as a natural resources explorer and in one geographical location, being Australia.

NOTE 17: DIVIDENDS

	2003 $	2002 $
Franking credits available for the subsequent financial year	**58,451**	58,451

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:-

(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends.

NOTE 18: RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Operating loss after income tax	**(33,763)**	(56,279)
Exploration expenditure written off	**24,608**	3,828
Exploration expenditure incurred	**(5,324)**	(4,834)
Profit on sale of non-current asset	**(35,000)**	--
Change in operating assets and liabilities:		
(Increase) decrease in interest receivable	**(213)**	152
(Increase) decrease in sundry debtors	**441**	(331)
Increase (decrease) in trade creditors	**(200)**	200
Increase (decrease) in other creditors	**(3,491)**	2,321
Net cash outflow from operating activities	**(52,942)**	(54,943)

NOTE 19: EARNINGS PER SHARE

Basic earnings per share	**(0.0005)**	(0.0009)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**64,165,612**	64,165,612

Diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 20: COMMITMENTS FOR EXPENDITURE

Exploration Commitments

In order to maintain current rights to tenure to exploration tenements, the company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases are not provided for in the financial statements and are payable:-

	2003 **$**	2002 $
Not later than one year	**425,446**	436,780
Later than one year but not later than five years	**--**	--
	425,446	436,780

If the company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTE 21: JOINT VENTURES

New South Wales Biogas Project PELs 439 and 440

To fund this project, a joint venture agreement with related entity Australian Coalbed Methane Pty Limited (ACM) was executed on 9 November 2001. Under the terms of Stage 1 of this agreement ACM can earn a 50% participating interest in the project by contributing $150,000 to project expenditure prior to 1 July 2006. Under the terms of Stage 2 of the agreement, ACM can earn a further 20% participating interest in either or both of the mineral tenements by the expenditure of an additional $75,000 for each such tenement within six months of completion of stage 1 or within such further time as the joint venture parties may agree upon in writing. Stage 3 of the agreement allows ACM to earn a further 20% participating interest in either or both of the mineral tenements by the expenditure of a further $75,000 for each such tenement within a further six months of the completion of stage 2 of the agreement or within such further term as the joint venture parties may agree upon in writing.

Australian Coalbed Methane Pty Limited may withdraw from the joint venture prior to the expenditure of $150,000 provided it has expended as least $40,000 on project expenditure.

All joint ventures are in the exploration stage and the company's share of joint venture exploration expenditure is included in Note 8.

The company's interest in the joint ventures are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(c), under the following classification:

Non-Current Assets		
Exploration and evaluation expenditure carried forward	**4,194**	4,194

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued)

NOTE 22: CONTINGENT LIABILITIES

	2003 $	2002 $
Guarantees		
Secured guarantees in respect of Department of Mineral Resources deposits. Secured by deposits held by the company (refer Note 7) in financial institutions:	**30,000**	30,000

Native Title Claims
The company has been notified of a number of competing native title claims under the Commonwealth Native Title Act, 1993 over tenements held by the company.

Until further information is available, the company will not be in a position to assess the likely effect, if any, of any claim on the company. However, the directors of the company expect that the existing tenements will not be materially affected by any claim or the claims in aggregate.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 19:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the company's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

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

P.A. Lincoln Smith
Director
Sydney, 29 March 2004

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Independent audit report to the members of Magnum Gold N.L.

Audit Opinion

In our opinion, the financial report of Magnum Gold N.L.:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Magnum Gold N.L. as at 31 December 2003 and of its performance for the year ended on that date, and

- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Magnum Gold N.L. (the company) for the year ended 31 December 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

PRICEWATERHOUSECOOPERS

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
29 March 2004

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 19 March 2004.

1. Substantial Shareholders

The names of the substantial shareholders and the number of shares, in which they have an interest are as follows:-

Paul Aurius Lincoln Smith
69 Fitzwilliam Road
Vaucluse NSW 2030

51,335,864 shares of 20 cents each fully paid, (incorporating 23,017,515 shares held by Pada Pty Limited and 28,275,000 shares held by Carbon Minerals N.L.)

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, are one vote for each share held.

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	319
5,001 – 10,000	140
10,001 – 100,000	156
100,001 and over	19
	758

(ii) There were 625 holders of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

	Name of Shareholders:	Number Held:	Percentage of Issued Shares:
1.	Carbon Minerals N.L.	28,275,000	44.07
2.	Pada Pty Limited	23,017,515	35.87
3.	Cash Credit Corporation Pty Limited	1,233,717	1.92
4.	Mr. Arnold Olschyna	1,000,000	1.56
5.	Berne No. 132 Nominees Pty Limited	630,000	0.98
6.	Mr. Arthur Carbo	560,000	0.87
7.	ANZ Nominees	515,000	0.80
8.	Tromso Pty Limited	300,000	0.47
9.	Valacia Pty Limited	272,166	0.42
10.	Telfer Nominees Pty Limited	250,000	0.39
11.	Ms. Susan Coldicutt	200,000	0.31
12.	Platigraf Pty Limited	200,000	0.31
13.	Cash Credit Corporation Limited	162,249	0.25
14.	Mr. John Edward Barry	153,749	0.24
15.	Mr. Ross McNeil	150,000	0.23
16.	Camay Holdings Pty Limited	145,000	0.23
17.	Pyralex Pty Limited	141,000	0.22
18.	Mr. Graham Alan Leaver	121,000	0.19
19.	Dagger Nominess Limited	100,000	0.16
20.	Neil Mathews Pty Limited	100,000	0.16
		57,526,396	89.65

SCHEDULE OF MINERAL TENEMENTS AS AT 19 MARCH 2004

LOCATION	TENEMENT	HOLDER	INTEREST	AREA	CURRENT TO
Western Australia – Kalgoorlie Area:					
Corsair North	PL 26/1965	Magnum Gold N.L.	100%	200ha	*1
Corsair North	PL 26/1966	Magnum Gold N.L.	100%	185ha	*1
Corsair North	PL 26/1967	Magnum Gold N.L.	100%	200ha	*1
Corsair North	PL 26/1968	Magnum Gold N.L.	100%	200ha	*1
Corsair North	PL 26/1969	Magnum Gold N.L.	100%	200ha	*1
Corsair North	PL 26/1970	Magnum Gold N.L.	100%	126ha	*1
New South Wales:					
Griffith	PEL 439	Magnum Gold N.L.	100%*2	5156 sq km	23/10/04
Balranald	PEL 440	Magnum Gold N.L.	100%*2	9375 sq km	23/10/04

*1 Kalgoorlie Consolidated Gold Mines has withdrawn from the joint venture and Magnum Gold retains 100% interest.

*2 Subject to farmin agreement with Australian Coalbed Methane Pty Limited, a wholly owned subsidiary of controlling entity Carbon Minerals N.L.

Key to Tenement Types

PL	Prospecting Licence
PEL	Petroleum Exploration Licence

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