# MAGNUM GOLD N.L.

**A.B.N. 70 003 170 376**

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

# Magnum Gold N.L.

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# Annual financial report for the year ended 31 December 2005

## Contents

**Directors**
John Brian Rodger, Chairman
Jeffrey Christopher Schiller B.Sc. (Hons.), PhD. (University of Adelaide)
Peter Robert Richard
Grant Michael Button C.P.A

**Secretary**
Steven John Danielson B.B.S., F.C.A.

**Registered office**
C/- Mitchell & Partners,
Level 7, 10 Barrack Street,
SYDNEY NSW 2000 AUSTRALIA
Telephone: (02) 9392 8686

**Share registry**
Mitchell & Partners,
Level 7, 10 Barrack Street,
SYDNEY NSW 2000 AUSTRALIA
Telephone: (02) 9392 8686

**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 on the consolidated entity consisting of Magnum Gold N.L. and the entities it controlled at the end of, or during, the year ended 31 December 2005.

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

J.B. Rodger
J.C. Schiller

P.R. Richard was appointed a director on 24 March 2005 and continues in office at the date of this report.

G.M. Button was appointed a director on 6 February 2006 and continues in office at the date of this report.

M.P. Lincoln Smith was a director from the beginning of the year until his resignation on 3 March 2005.

W.V. Annis-Brown was a director from the beginning of the year until his resignation on 10 March 2005.

P.A. Lincoln Smith was a director from the beginning of the year until his resignation on 24 March 2005.

**Principal Activity**
The principal continuing activity of the group in the course of the year is the exploration for natural resources.

**Operating Results**
The consolidated loss of the consolidated entity for the year, after income tax and eliminating minority interest was $267,498 (2004: loss $89,280).

**Dividends**
No dividends have been paid or declared by the company during the year (2004: nil). The directors of the company do not recommend the payment of a dividend in respect of the year (2004: nil).

**Review of Operations**
*(The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr. Jeffrey Christopher Schiller BSc (Hons),PhD, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr. Schiller is a self-employed consultant.*
*Dr. Schiller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Schiller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.)*

**Bunawan Project, Philippines**
The Bunawan Project is located in the Diwata Range, within central eastern Mindanao. It is a joint venture between Magnum Gold N.L. ("Magnum") and Philsaga Mining Corporation ("Philsaga"). Philsaga manages all exploration work. Magnum can earn 50% equity in the project from Philsaga by the expenditure of US$1.5 million. The Bunawan Project is located only 5 km to 10 km south of Philsaga's operating Co-O gold mine.

**Directors' report (continued)**

Field work continued on the Bunawan project and also on nearby areas that are being negotiated for addition to the project. Stream sediment surveying outlined drainages that are anomalous for gold and copper. Gold anomalism was located in streams within the northern central part of the project, in the Mayboyo Creek area. Copper anomalism was located in northeasterly trending zones in the southeastern central portions of the project. Both anomalous areas are bounded by two northerly trending structures that are possibly related to the faults known in the Co-O Mine area to the north as the Oriental Fault and the Agsao Fault.

Follow-up exploration, including prospecting traverses and trenching to better expose bedrock, have located thin gold bearing veins and hydrothermally altered volcanic rocks. Further work will probably require exploratory drilling and a drilling program is being considered.

An aeromagnetic survey covering the Bunawan Project has been completed. The survey is expected to assist with recognising any mineralisation systems hosting gold and also porphyry copper-gold style mineralisation, both well known to occur in the Diwata Range. Interpretation of the aeromagnetic data has commenced with a view to generating exploration targets for ground follow up.

**New Projects**
The Company has assessed several new project opportunities, principally gold projects. A major study was undertaken on a gold opportunity in Sumatra, Indonesia.

**Other Activities**
The company continues to monitor exploration opportunities for participation in additional projects.

**Significant Changes in the State of Affairs**
Significant changes in the state of affairs of the company during the year were as follows:

An increase in contributed equity of $490,227 (from $8,217,711 to $8,707,938) as a result of:

| | **$** |
|---|---|
| Issue of 5,000,000 fully paid ordinary shares at 10 cents each | 500,000 |
| Less: Transaction costs arising on share issues | (9,773) |
| | 490,227 |

The share issue was undertaken in order to finance the continuing exploration activities of the Group and for general working capital purposes.

**Likely Developments**
The Group proposes to continue its natural resources exploration programme.

Additional comments on expected results of certain operations of the Group are included in this report under the review of operations.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

**Matters subsequent to the End of the Year**
After the year end, Philsaga Mining Corporation a party to the Bunawan Project was taken over by Medusa Mining Limited. Management do not expect that this will have a material impact on the project.

**Directors' report (continued)**

**Environmental Regulation**
The Group is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities.

The directors are not aware of any significant breaches of these requirements during the year.

**Information on Directors**

**John Brian Rodger.** *Executive Chairman.* Age 71.

***Experience and expertise***
Mr. Rodger was appointed as an Executive Director of the company on 17 August 2004 and was elected as Chairman of the Board on 24 March 2005.

Mr. Rodger has been involved with the resources industry since 1980 and during that time he has been a director of more than 15 publicly listed entities. He has broad experience in the management of mining companies both in Australia and overseas. Mr. Rodger uses his wide range of contacts to assist the company in expanding its prospecting and exploration base.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Special responsibilities***
Chairman of the Board, Chief Executive Officer and Chief Financial Officer.

***Interests in shares***
12,000,000 ordinary shares in Magnum Gold N.L.

**Jeffrey Christopher Schiller, BSc. (Hons), PhD. (University of Adelaide).** *Non-Executive Director.* Age 53.

***Experience and expertise***
Dr. Schiller was appointed as a Non-Executive Director of the company on 19 October 2004.

Dr. Schiller has had extensive experience as a director and/or exploration manager of a number of publicly listed mining entities. Dr. Schiller is a member of the Australian Institute of Mining & Metallurgy and the Geological Society of Australia.

***Other current directorships***
None.

***Former directorships in last 3 years***
Non-Executive Chairman of Medusa Mining Limited – July 2003 to January 2006.

***Special responsibilities***
None.

***Interests in shares***
1,500,000 ordinary shares in Magnum Gold N.L.

**Directors' report (continued)**

**Peter Robert Richard.** *Non-Executive Director*. Age 60.

***Experience and expertise***
Mr. Richard was appointed as an independent Non-Executive Director of the company on 24 March 2005.

Mr. Richard has over 35 years experience as a partner and director of several stock broking firms with particular reference to capital raisings for emerging resource companies. He is currently CEO of the Ironbark Group, an export orientated consulting group and has been a board member of several publicly listed companies in the investment and mining industries over the past 20 years.

***Other current directorships***
None.

***Former directorships in last 3 years***
None.

***Special responsibilities***
None.

***Interests in shares***
Nil.

**Grant Michael Button.** *Non-Executive Director*. Age 44.

***Experience and expertise***
Mr. Button was appointed as a Non-Executive Director of the company on 6 February 2006.

Mr. Button has 15 years experience at senior management level within the resources industry. His roles have included those of executive director, financial director, chief financial officer and company secretary in a range of publicly listed entities.

In addition to his considerable experience in capital raisings, and in negotiating and finalising the acquisition and disposal of companies and project assets within the resources sector, Mr. Button has considerable expertise in financial reporting and compliance and risk management, as well as other corporate governance matters.

***Other current directorships***
Executive Director Sylvania Resources Limited (since December 2002).

Non-executive Director of Washington Resources Limited (since March 2005).

***Former directorships in last 3 years***
None.

***Special responsibilities***
None.

***Interests in shares***
100,000 ordinary shares in Magnum Gold N.L.

**Directors' report (continued)**

**Company Secretary**
The company secretary is Steven John Danielson B.B.S., F.C.A. Mr. Danielson was appointed to the position of company secretary on 20 September 1988. He is a practising Chartered Accountant and has extensive experience in taxation law, business and management practices. Mr. Danielson is also company secretary of several other publicly listed entities.

**Meeting of Directors**
The following table sets out the number of meetings of the company's directors held during the year ended 31 December 2005, and the numbers of meetings attended by each director:

***Meetings attended/held***

| Director | Board |
|---|---|
| J.B. Rodger | 5/5 |
| J.C. Schiller | 5/5 |
| P.R. Richard (appointed 24 March 2005) | 3/3 |
| G.M. Button (appointed 6 February 2006) | 0/0 |
| P.A. Lincoln Smith (resigned 24 March 2005) | 2/2 |
| W.V. Annis-Brown (resigned 10 March 2005) | 0/1 |
| M.P. Lincoln Smith (resigned 3 March 2005) | 0/1 |

Meetings shown reflect those meetings the director was able to attend as a director.

**Remuneration Report**

This report details the policy and principles that govern the remunerations of directors and executives of the Company; the link between remuneration policy and principles and the Company's performance for the year; and the remuneration arrangements of directors and executives.

The directors and executives who are responsible for the overall planning, directing and controlling of the activities of the Group during the year are as follows:

***Executive Chairman, Chief Executive Officer and Chief Financial Officer***
J.B. Rodger

***Non-Executive Directors***
J.C. Schiller
P.R. Richard
G.M. Button

**Remuneration policy**

***Objectives and principles of remuneration policy***
The objective of the company's remuneration policy and its principles is to ensure that reward is competitive and appropriate.

**Directors' report (continued)**

**Remuneration Report (continued)**

No element of remuneration is determined in relation to the financial performance of the company. As there is no link to financial performance there is no further discussion of the matters required by section 300A and Part 2M of the *Corporations Act 2001*. These sections require discussion over the current year and the previous 4 years of the link between reward and:

- earnings
- dividends
- share price movements

During the year ended 31 December 2005, the company did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the entire Board.

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

Remuneration and other terms of employment for directors are formalised within the Articles of Association of the company. This outlines that remuneration to directors be limited to $27,500 per annum with alterations to be determined only through notice at a general meeting.

**Details of remuneration (audited)**

Executive directors' and non-executive directors' remuneration and other terms of employment are reviewed annually by the Board. The current base remuneration was last reviewed with effect from 1 January 2005. The remuneration details of executive and non-executive directors are set out in the table below.

No bonuses or share options have been paid or issued to directors during the year (2004: nil).

**Directors' report (continued)**

**Remuneration Report (continued)**

| Name | Year | Cash fee $ |
|---|---|---|
| ***Executive directors*** | | |
| J.B. Rodger | **2005** | **9,000** |
| | 2004 | - |
| P.A. Lincoln Smith | **2005** | **-** |
| | 2004 | **-** |
| W.V. Annis-Brown | **2005** | **-** |
| | 2004 | **-** |
| ***Non-executive directors*** | | |
| J.C. Schiller | **2005** | **9,000** |
| | 2004 | - |
| P.R. Richard | **2005** | **9,000** |
| | 2004 | - |
| G.M. Button | **2005** | **-** |
| | 2004 | - |
| M.P. Lincoln Smith | **2005** | - |
| | 2004 | - |
| **Total** | **2005** | **27,000** |
| | 2004 | - |

**Shareholdings**

The numbers of shares in the company held during the year by each director and executive of the consolidated entity, 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'.

**Directors' report (continued)**

**Remuneration Report (continued)**

| Name | Type | Balance as at 31 December 2004 | Net changes during the year | Balance as at 31 December 2005 |
|---|---|---|---|---|
| ***Executive directors*** | | | | |
| J.B. Rodger | Beneficially held | 12,000,000 | - | 12,000,000 |
| | Non-beneficially held | - | - | - |
| P.A. Lincoln Smith | Beneficially held | 2,043,349 | - | 2,043,349 |
| | Non-beneficially held | 17,300 | - | 17,300 |
| W.V. Annis-Brown | Beneficially held | 36,291 | - | 36,291 |
| | Non-beneficially held | - | - | - |
| ***Non-executive directors*** | | | | |
| J.C. Schiller | Beneficially held | 1,000,000 | - | 1,000,000 |
| | Non-beneficially held | 500,000 | - | 500,000 |
| P.R. Richard | Beneficially held | - | - | - |
| | Non-beneficially held | - | - | - |
| G.M. Button | Beneficially held | - | 100,000 | 100,000 |
| | Non-beneficially held | - | - | - |
| M.P. Lincoln Smith | Beneficially held | 17,300 | - | 17,300 |
| | Non-beneficially held | 2,043,349 | - | 2,043,349 |

***Loans to directors and executives***
No directors or executives held any loans with the Company during the year.

***Other transactions with directors and executives***
Refer to note 21 of the financial statements for details of related party transactions with directors and executives.

**Non-Audit Services**
The company may decide to employ PricewaterhouseCoopers, the company's auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the Company auditor, for audit and non-audit services provided during the year are set out in note 20 to the financial statements.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out in note 20 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

**Directors' report (continued)**

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

**Auditors' independence declaration**
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

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

J.B. Rodger
Director

Sydney
30 March 2006

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers**
**ABN 52 780 433 757**

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

## Auditor's independence declaration

As lead auditor for the audit of Magnum Gold N.L. for the year ended 31 December 2005, 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 Gold N.L. and the entities it controlled during the period.

Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
30 March 2006

## Corporate governance statement

The Board of Directors of Magnum Gold N.L. is 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 Stock Exchange Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the limited 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.

### The Board of Directors

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;

- 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 an executive director who is elected by the full Board.

Corporate governance best practice recommendations 2.1, 2.2, 2.3 which requires the majority of the Board to be independent directors, the Chairman to be an independent director and the roles of Chairman and Chief Executive Officer to be exercised by different individuals 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 and a chairman who is an executive director and also performs the role of chief executive officer.

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 no employees. 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.

**Corporate governance statement (continued)**

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

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 and Remuneration of Directors and Audit Committees**
Corporate governance best practice recommendations 2.4, 4.2 and 9.2 require listed entities to establish a nomination committee, an audit committee and a remuneration committee respectively. During the year ended 31 December 2005, the company did not have a separate nomination, audit or remuneration committee. However, the duties and responsibilities typically delegated to such committees are considered to be the responsibility of the full Board.

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. 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 19 to the financial statements.

**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.

**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.

**Corporate governance statement (continued)**

**Ethical Standards (continued)**

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 Rule 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.

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.

**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.

The Chairman has declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole year and the period up to the signing of the annual financial report for all material operations in the company.

**Income statements**
**for the year ended 31 December 2005**

| | Notes | Consolidated 2005 $ | Consolidated 2004 $ | Parent Entity 2005 $ | Parent Entity 2004 $ |
|---|---|---|---|---|---|
| **Revenue from continuing operations** | 5 | **26,903** | 11,311 | **26,832** | 11,311 |
| Exploration expense | | **(70,605)** | (4,194) | **(70,605)** | (4,194) |
| Administration expense | | **(199,968)** | (68,739) | **(193,573)** | (68,739) |
| Other expenses | 6 | **(26,253)** | (27,658) | **(25,660)** | (27,658) |
| Share of loss of associate accounted for using the equity method | | **(1,124)** | - | **-** | - |
| **Profit/(loss) before income tax** | | **(271,047)** | (89,280) | **(263,006)** | (89,280) |
| Income tax expense | 7 | **-** | - | **-** | - |
| **Profit/(loss) for the year** | | **(271,047)** | (89,280) | **(263,006)** | (89,280) |
| Loss attributable to minority interest | 18 | **3,549** | - | **-** | - |
| **Profit/(loss) attributable to members of Magnum Gold N.L.** | | **(267,498)** | (89,280) | **(263,006)** | (89,280) |
| **Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:** | 28 | **Cents** | Cents | | |
| Basic and diluted earnings per share | | **(0.33)** | (0.13) | | |
| **Earnings per share for loss attributable to the ordinary equity holders of the company:** | 28 | | | | |
| Basic and diluted earnings per share | | **(0.33)** | (0.13) | | |

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

**Balance sheets**
**As at 31 December 2005**

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2005** | 2004 | **2005** | 2004 |
| | | **$** | $ | **$** | $ |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 8 | **512,067** | 861,033 | **483,407** | 861,033 |
| Receivables | 9 | **7,116** | 9,587 | **13,151** | 9,587 |
| **Total Current Assets** | | **519,183** | 870,620 | **496,558** | 870,620 |
| **Non-Current Assets** | | | | | |
| Investments accounted for using the equity method | 10 | **147,674** | - | **-** | - |
| Other financial assets | 11 | **-** | - | **174,639** | - |
| Exploration and evaluation expenditure | 12 | **-** | - | **-** | - |
| **Total Non-Current Assets** | | **147,674** | - | **174,639** | - |
| **Total Assets** | | **666,857** | 870,620 | **671,197** | 870,620 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Payables | 13 | **53,806** | 30,970 | **53,414** | 30,970 |
| Interest bearing liabilities | 14 | **-** | 9,088 | **-** | 9,088 |
| Other financial liabilities | 15 | **-** | 440,000 | **-** | 440,000 |
| **Total Current Liabilities** | | **53,806** | 480,058 | **53,414** | 480,058 |
| **Total Liabilities** | | **53,806** | 480,058 | **53,414** | 480,058 |
| **Net Assets** | | **613,051** | 390,562 | **617,783** | 390,562 |
| **EQUITY** | | | | | |
| Contributed equity | 16 | **8,707,938** | 8,217,711 | **8,707,938** | 8,217,711 |
| Reserves | 17 | **(240)** | - | **-** | - |
| Accumulated losses | 17 | **(8,094,647)** | (7,827,149) | **(8,090,155)** | (7,827,149) |
| Parent entity interest | | **613,051** | 390,562 | **617,783** | 390,562 |
| Minority interest | 18 | **-** | - | **-** | - |
| **Total Equity** | | **613,051** | 390,562 | **617,783** | 390,562 |

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

**Statements of changes in equity**
**for the year ended 31 December 2005**

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2005** | 2004 | **2005** | 2004 |
| | | **$** | $ | **$** | $ |
| **Total equity at the beginning of the year** | | **390,562** | 113,260 | **390,562** | 113,260 |
| Exchange differences on translation of foreign operations | 17 | **(240)** | - | **-** | - |
| **Net income recognised directly in equity** | | **(240)** | - | **-** | - |
| **Loss for the year** | | **(271,047)** | (89,280) | **(263,006)** | (89,280) |
| **Total recognised income and expense for the year** | | **(271,287)** | (89,280) | **(263,006)** | (89,280) |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Contributions of equity, net of transaction costs | 16 | **490,227** | 366,582 | **490,227** | 366,582 |
| Total changes in minority interest in subsidiary | 18 | **3,549** | - | **-** | - |
| **Total equity at the end of the year** | | **613,051** | 390,562 | **617,783** | 390,562 |
| Total recognised income and expense for the year is attributable to: | | | | | |
| Members of Magnum Gold N.L. | | **(267,738)** | (89,280) | **(263,006)** | (89,280) |
| Minority interest | | **(3,549)** | - | **-** | - |
| | | **(271,287)** | (89,280) | **(263,006)** | (89,280) |

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

**Statements of cash flows**
**for the year ended 31 December 2005**

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2005** | 2004 | **2005** | 2004 |
| | | **$** | $ | **$** | $ |
| **Cash flows from operating activities** | | | | | |
| Interest received | | **26,903** | 10,092 | **27,747** | 10,092 |
| Exploration expenditure recouped | | **-** | 517 | **-** | 517 |
| Receipts from customers and related parties (inclusive of goods and services tax) | | **18,523** | - | **18,523** | - |
| Payments | | | | | |
| - to suppliers and employees (inclusive of goods and services tax) | | **(219,436)** | (58,491) | **(213,756)** | (58,491) |
| - for exploration expenditure (inclusive of goods and services tax) | | **(70,605)** | - | **(70,605)** | - |
| **Net cash inflow/(outflow) from operating activities** | 27 | **(244,615)** | (47,882) | **(238,091)** | (47,882) |
| **Cash flows from investing activities** | | | | | |
| Payment for investment in subsidiary | | **-** | - | **(2,417)** | - |
| Payments for investment in associate | | **(178,359)** | - | **(172,222)** | - |
| **Net cash inflow/(outflow) from investing activities** | | **(178,359)** | - | **(174,639)** | - |
| **Cash flows from financing activities** | | | | | |
| Proceeds from share issue | | **60,000** | 396,000 | **60,000** | 396,000 |
| Proceeds from share application monies | | **-** | 440,000 | **-** | 440,000 |
| Share issue transaction costs | | **(9,773)** | (29,418) | **(9,773)** | (29,418) |
| Payment of loans to subsidiary | | **-** | - | **(6,035)** | - |
| Proceeds from loans to associate | | **29,373** | - | **-** | - |
| Issue of shares by group company to minority interest | | **3,781** | - | **-** | - |
| Deposits re-classified as non-cash | | **-** | (30,000) | **-** | (30,000) |
| **Net cash inflow/(outflow) from financing activities** | | **83,381** | 776,582 | **44,192** | 776,582 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(339,593)** | 728,700 | **(368,538)** | 728,700 |
| Cash and cash equivalents at the beginning of the year | | **821,945** | 93,245 | **821,945** | 93,245 |
| Effects of exchange rate changes on cash and cash equivalents | | **(285)** | - | **-** | - |
| **Cash and cash equivalents at the end of the year** | 8 | **482,067** | 821,945 | **453,407** | 821,945 |

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

## Notes to the financial statements

**Notes to the financial statements**
**31 December 2005**

## 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 Gold N.L. as an individual entity and the consolidated entity consisting of Magnum Gold N.L. and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), 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. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Magnum Gold N.L. comply with International Financial Reporting Standards (IFRSs).

*Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*
These financial statements are the first Magnum Gold N.L. financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Magnum Gold N.L. until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Magnum Gold N.L. 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exception available under AASB 1 to only apply AASB 132 and ASSB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 31.

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

*Critical accounting estimates*
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

**Notes to the financial statements**
**31 December 2005 (continued)**

**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 Gold N.L. ("Company" or "parent entity") as at 31 December 2005 and the results of all subsidiaries for the year then ended. Magnum Gold N.L. 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.

Intercompany 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 (refer to note 25).

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.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

**(b) Principles of consolidation (continued)**

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.

**(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 difference 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 Magnum Gold N.L.'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.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

**(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. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(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.

Magnum Gold N.L. and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

**(g) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is measured as the fair value of the assets given up, shares or options issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where shares or options are issued in an acquisition, the value of the shares or options is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable. 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.

**(i) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**(j) Investments and other financial assets**

**Adjustments on transition date: 1 January 2005**
The Group has taken the exemption available under AASB 1 to only apply AASB 132 and ASSB 139 from 1 January 2005. The group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 132 and AASB 139 did not result in any material adjustments.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

**(j) Investments and other financial assets (continued)**

**From 1 January 2005**
The Group classifies its investments as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

*(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.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**(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.

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**

AASB 6 Exploration for and Evaluation of Mineral Resources is applicable from 1 January 2005 and replaces AASB 1022 Accounting for the Extractive Industry.

The guidance specified by AASB 6 is broadly consistent with the factors used to determine whether or not an entity can continue to recognise its capitalised exploration and evaluation expenditures under AASB 1022. Consequently, this has not resulted in any material adjustments to capitalised exploration.

In accordance with AASB 6, 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.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

**(l) Exploration and evaluation expenditure (continued)**

For each area of interest, expenditures incurred in the exploration for and evaluation of mineral resources is expensed as incurred unless;

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale and 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.

**(m) 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.

**(n) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(o) 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.

**(p) Contributed equity**

Ordinary shares are classified as equity.

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

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 1: Summary of significant accounting policies (continued)**

### (q) 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.

### (r) New Accounting Standards and UIG interpretations

*(i) UIG 4 determining whether an asset contains a lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2006 financial statements and the UIG 4 transition provisions. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

*(ii) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards is not expected to affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 2: Financial risk management

The company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

### (a) Market risk

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

The company operates in the Philippines and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

## Note 3: Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

*Exploration and evaluation expenditure*

Certain exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recoverd by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the income statement.

## Note 4: Financial reporting by segments

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

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 5: Revenue

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| **From continuing operations** | | | | |
| Interest received | **26,903** | 10,794 | **26,832** | 10,794 |
| Exploration expenditure recouped | **-** | 517 | **-** | 517 |
| | **26,903** | 11,311 | **26,832** | 11,311 |

## Note 6: Expenses

Loss before income tax includes the following specific expenses:

| | | | | |
|---|---|---|---|---|
| Travelling expenses | **19,646** | - | **19,646** | - |

The company has no employees (2004: nil).

## Note 7: Income tax expense

| | | | | |
|---|---|---|---|---|
| **(a) Income tax (expense)/benefit** | **-** | - | **-** | - |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Profit/(loss) from continuing operations before income tax expense | **(271,046)** | (89,280) | **(263,006)** | (89,280) |
| Tax at the Australian rate of 30% (2004: 30%) | **81,314** | 26,784 | **78,902** | 26,784 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Share of net loss of associates | **(337)** | - | **-** | - |
| Deferred tax asset not brought to account | **(80,977)** | (26,784) | **(78,902)** | (26,784) |
| Income tax expense/(benefit) | **-** | - | **-** | **-** |
| **(c) Tax losses** | | | | |
| Unused tax losses for which no deferred tax asset has been recognised | **510,642** | 429,665 | **508,567** | 429,665 |

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 8: Current assets – cash and cash equivalents

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Cash at bank and on hand | **482,067** | - | **453,407** | - |
| Deposits at call | **30,000** | 861,033 | **30,000** | 861,033 |
| | **512,067** | 861,033 | **483,407** | 861,033 |

### (a) Reconciliation to cash at the year end

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

| | | | | |
|---|---|---|---|---|
| Balances as above | **512,067** | 861,033 | **483,407** | 861,033 |
| Restricted cash held on deposit as security for guarantees | **(30,000)** | (30,000) | **(30,000)** | (30,000) |
| Bank overdraft (note 14) | **-** | (9,088) | **-** | (9,088) |
| | **482,067** | 821,945 | **453,407** | 821,945 |

### (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 3.25% (2004: 0.27%).

### (c) Deposits at call

Deposits at call are subject to interest at fixed rates and the average rate for the year was 4.25% (2004: 5.01%). These deposits have an average maturity of 30 days.

### (d) Restricted cash

Restricted cash comprises deposits held in respect of guarantees against mining tenements with the department of Mineral Resources (refer to note 26).

## Note 9: Current assets - receivables

| | | | | |
|---|---|---|---|---|
| Interest receivable | **-** | 915 | **-** | 915 |
| Sundry debtors | **7,116** | 8,672 | **7,116** | 8,672 |
| Loans to controlled entities | **-** | - | **6,035** | - |
| | **7,116** | 9,587 | **13,151** | 9,587 |

The carrying value of receivables approximates their fair value. Loans to controlled entities are non-interest bearing and repayable on demand.

**Notes to the financial statements**
**31 December 2005 (continued)**

### Note 10: Non-current assets – investments accounted for using the equity method

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Share in associates (note 25) | **147,674** | - | **-** | - |

**(a) Shares in associates**
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 11).

### Note 11: Non-current assets – other financial assets

| | | | | |
|---|---|---|---|---|
| Shares in subsidiaries (note 24) | **-** | - | **2,417** | - |
| Share in associates (note 25) | **-** | - | **172,222** | - |
| | **-** | - | **174,639** | - |

These financial assets are carried at cost.

### Note 12: Non-current assets – exploration & evaluation expenditure

| | | | | |
|---|---|---|---|---|
| Cost brought forward | **23,648** | 27,842 | **23,648** | 27,842 |
| Expenditure incurred during the year | **70,605** | - | **70,605** | - |
| Expenditure written off during the year | **(70,605)** | (4,194) | **(70,605)** | (4,194) |
| Amounts provided for in prior period and utilised | **(23,648)** | - | **(23,648)** | - |
| Exploration cost carried forward | **-** | 23,648 | **-** | 23,648 |
| Provision for impairment in value of capitalised exploration expenditure | **-** | (23,648) | **-** | (23,648) |
| Net exploration and evaluation expenditure carried forward | **-** | - | **-** | - |

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(l). 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.

### Note 13: Current liabilities - payables

| | | | | |
|---|---|---|---|---|
| Other creditors and accruals | **53,806** | 30,970 | **53,414** | 30,970 |

**Notes to the financial statements**
**31 December 2005 (continued)**

### Note 14: Current liabilities – interest bearing liabilities

| | Consolidated 2005 $ | Consolidated 2004 $ | Parent Entity 2005 $ | Parent Entity 2004 $ |
|---|---|---|---|---|
| Bank overdraft | **-** | 9,088 | **-** | 9,088 |

The bank overdraft amount above is subject to interest calculated at the rate of 9.1% per annum.

### Note 15: Current liabilities – other financial liabilities

| | Consolidated 2005 $ | Consolidated 2004 $ | Parent Entity 2005 $ | Parent Entity 2004 $ |
|---|---|---|---|---|
| Share application monies received | **-** | 440,000 | **-** | 440,000 |

### Note 16: Contributed equity

#### (a) Share Capital

| | Consolidated 2005 $ | Consolidated 2004 $ | Parent Entity 2005 $ | Parent Entity 2004 $ |
|---|---|---|---|---|
| 5 ordinary shares of $0.20 each, fully paid, issued as subscriber shares | **1** | 1 | **1** | 1 |
| 81,165,612 ordinary shares of $0.20 each fully paid | **8,707,937** | 8,217,710 | **8,707,937** | 8,217,710 |
| | **8,707,938** | 8,217,711 | **8,707,938** | 8,217,711 |

#### (b) Movements in ordinary share capital:

| Date | Details | Number of Shares | Issue Price (cents) | $ |
|---|---|---|---|---|
| 1 January 2004 | Opening balance | 64,165,617 | | 7,851,129 |
| 17 August 2004 | Share issue | 12,000,000 | 3.3 | 396,000 |
| | Less: Transaction costs arising on share issue | | | (29,418) |
| 31 December 2004 | Balance | 76,165,617 | | 8,217,711 |
| 17 January 2005 | Share issue | 5,000,000 | 10 | 500,000 |
| | Less: Transaction costs arising on share issue | | | (9,773) |
| 31 December 2005 | Balance | **81,165,617** | | **8,707,938** |

The share issues were undertaken in order to finance the continuing exploration activities of the Group and for general working capital purposes.

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 16: Contributed equity (continued)

### (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 2005 there were 81,165,617 ordinary shares fully paid to 20 cents.

## Note 17: Reserves and accumulated losses

### (a) Reserves

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Foreign currency translation reserve | **(240)** | - | **-** | - |
| **Movements:** | | | | |
| *Foreign currency translation reserve* | | | | |
| Balance 1 January | **-** | - | **-** | - |
| Currency translation differences arising during the year | **(240)** | - | **-** | - |
| Balance 31 December | **(240)** | - | **-** | - |

### (b) Accumulated Losses

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Movements in accumulated losses were as follows: | | | | |
| Balance 1 January | **(7,827,149)** | (7,737,869) | **(7,827,149)** | (7,737,869) |
| Net loss for the year | **(267,498)** | (89,280) | **(263,006)** | (89,280) |
| Balance 31 December | **(8,094,647)** | (7,827,149) | **(8,090,155)** | (7,827,149) |

### (c) Nature and purpose of reserves

*(i) Foreign currency translation reserve*
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 18: Minority interest

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Interest in: | | | | |
| Share capital | **3,628** | - | **-** | - |
| Reserves | **(79)** | - | **-** | - |
| Accumulated losses allocated to minority interest | **(3,549)** | - | **-** | - |
| | **-** | - | **-** | - |

## Note 19: Director and executive disclosures

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Amount paid or payable, or otherwise made available to the directors of Magnum Gold N.L. from the company and related corporations in connection with the management affairs of the company and its controlled entities | **27,000** | - | **27,000** | - |

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 6 to 9.

No remuneration was paid to any officers of the company other than the amounts disclosed above.

Disclosures relating to directors transactions with the Group are set out in note 21.

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 20: Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| **(a) Assurance services** | | | | |
| *Audit services* | | | | |
| PricewaterhouseCoopers Australian firm | | | | |
| Auditors of parent entity | | | | |
| Audit and review of financial reports and other audit work under the *Corporations Act 2001* | **17,000** | 5,930 | **17,000** | 5,930 |
| Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group | **977** | - | **-** | - |
| Total remuneration for audit services | **17,977** | 5,930 | **17,000** | 5,930 |
| *Other assurance services* | | | | |
| PricewaterhouseCoopers Australian firm | | | | |
| Due diligence services | **9,158** | - | **-** | - |
| Total remuneration for assurance services | **27,135** | 5,930 | **17,000** | 5,930 |

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

## Note 21: Related party disclosures

**(a) Parent entity**
The ultimate parent entity within the Group is Magnum Gold N.L.

**(b) Subsidiaries**
Interests in subsidiaries are set out in note 24.

**(c) Directors and specified executives**
Disclosures relating to directors and specified executives are set out in note 19.

**(d) Loans to controlled entities**
Loans to controlled entities comprise (refer to note 9):

| | Consolidated 2005 | Consolidated 2004 | Parent Entity 2005 | Parent Entity 2004 |
|---|---|---|---|---|
| Magold Mindanao Holding Corporation | **-** | - | **6,035** | - |

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 22: Dividends

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Franking credits available for the subsequent year | **58,451** | 58,451 | **58,451** | 58,451 |

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

No dividends have been paid or declared during the year (2004: nil).

## Note 23: Financial instruments

**(a) Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

**(b) Net fair values of financial assets and liabilities**

The carrying amounts of financial assets and liabilities as disclosed in the balance sheets equate to their estimated net fair value.

**Notes to the financial statements**
**31 December 2005 (continued)**

**Note 23: Financial instruments (continued)**

**(c) Interest rate risk exposures**

| | Notes | Floating interest rate $ | Fixed interest maturing in 1 year or less $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **2005** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 8 | 482,067 | 30,000 | - | 512,067 |
| Receivables | 9 | - | - | 7,116 | 7,116 |
| | | 482,067 | 30,000 | 7,116 | 519,183 |
| Weighted average interest rate | | 3.25% | 4.25% | | |
| **Financial liabilities** | | | | | |
| Payables | 13 | - | - | 53,806 | 53,806 |
| | | - | - | 53,806 | 53,806 |
| Net financial assets (liabilities) | | 482,067 | 30,000 | (46,690) | 465,377 |

| | Notes | Floating interest rate $ | Fixed interest maturing in 1 year or less $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **2004** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 8 | - | 861,033 | - | 861,033 |
| Receivables | 9 | - | - | 9,587 | 9,587 |
| | | - | 861,033 | 9,587 | 870,620 |
| Weighted average interest rate | | 0.27% | 5.01% | | |
| **Financial liabilities** | | | | | |
| Payables | 13 | - | - | 30,970 | 30,970 |
| Interest bearing liabilities | 14 | 9,088 | - | - | 9,088 |
| Other financial liabilities | 15 | - | - | 440,000 | 440,000 |
| | | 9,088 | - | 470,970 | 480,058 |
| Net financial assets (liabilities) | | (9,088) | 861,033 | (461,383) | 390,562 |

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 24: 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):

| Name of Entity | Country of Incorporation | Class of Shares | Equity Holding 2005 % | 2004 % |
|---|---|---|---|---|
| Magold Mindanao Holding Corporation | Philippines | Ordinary | 39.99 | - |

Magold Mindanano Holding Corporation has been treated as a fully consolidated entity on the basis that the parent entity has the power to govern its operating and financial policies.

## Note 25: Investments in associates

The consolidated entity has a 49.99% investment in Magphil Mineral Resources Corporation (also referred to as the Bunawan Project), which is incorporated in the Philippines. This investment is held via a 39.99% interest by the parent entity and a 10% interest by Magold Mindanao Holding Corporation a fully consolidated entity (refer to note 24).

The principal activity of Magphil Mineral Resources Corporation is the exploration of gold in the Philippines.

### (a) Carrying amounts

| Name of Entity | Ownership interest | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| | **%** | % | **$** | $ | **$** | $ |
| Magphil Mineral Resources Corporation | **49.99** | - | **147,674** | - | **172,222** | - |

### (b) Movement in carrying amounts

| | Consolidated | |
|---|---|---|
| | **2005** | 2004 |
| | **$** | $ |
| Carrying amount at the beginning of the year | **-** | - |
| Initial investment – at cost | **30,685** | - |
| Additional investment through exploration spend incurred | **147,674** | - |
| Loans to intercompany | **(29,373)** | - |
| Share of losses before income tax | **(1,124)** | - |
| Share of movement in foreign exchange reserve | **(188)** | - |
| Carrying amount at the end of the year | **147,674** | - |

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 25: Investments in associates (continued)

### (c) Summarised financial information of associates

| | Group's share of: Assets $ | Liabilities $ | Revenues $ | Loss $ |
|---|---|---|---|---|
| **2005** | | | | |
| Magphil Mineral Resources Corporation | 31,149 | 810 | 84 | (1,124) |
| **2004** | | | | |
| Magphil Mineral Resources Corporation | - | - | - | - |

## Note 26: Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

| **Guarantees** | **Consolidated** | | **Parent Entity** | |
|---|---|---|---|---|
| | **2005** **$** | 2004 $ | **2005** **$** | 2004 $ |
| Secured guarantees in respect of mining tenements with the Department of Mineral Resources. These guarantees comprise deposits held with financial institutions on behalf of (note 8): | | | | |
| Magnum Gold N.L. | **30,000** | 30,000 | **30,000** | 30,000 |

## Note 27: Reconciliation of operating profit/(loss) after income tax to net cash outflow from operating activities

| | | | | |
|---|---|---|---|---|
| Operating profit/(loss) after income tax | **(271,047)** | (89,280) | **(263,006)** | (89,280) |
| Exploration expenditure written off | **-** | 4,194 | **-** | 4,194 |
| Share of loss in associates | **1,124** | - | **-** | - |
| Change in operating assets and liabilities: | | | | |
| (Increase) decrease in interest receivable | **915** | (702) | **915** | (702) |
| (Increase) decrease in sundry debtors | **1,556** | (6,662) | **1,556** | (6,662) |
| Increase (decrease) in provision for diminution in value of non-current assets | **-** | 23,648 | **-** | 23,648 |
| Increase (decrease) in other creditors | **22,837** | 20,920 | **22,444** | 20,920 |
| Net cash outflow from operating activities | **(244,615)** | (47,882) | **(238,091)** | (47,882) |

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 28: Earnings per share

| | Consolidated | |
|---|---|---|
| | **2005** | 2004 |
| | **$** | $ |
| Basic earnings per share | **(0.0033)** | (0.0013) |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **80,932,740** | 68,636,850 |

**(a) Reconciliation of earnings used in calculating earning per share**

| | | |
|---|---|---|
| Loss attributable to members of Magnum Gold N.L. | **(271,047)** | (89,280) |
| Loss attributable to minority interests | **3,549** | - |
| Loss attributable to ordinary equity holders of the company used in calculating basic earning per share | **(267,498)** | (89,280) |

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

## Note 29: Commitments for exploration expenditure

**Exploration Commitments**
The consolidated entity has the following cumulative commitments in respect of exploration which it is involved in.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **$** | $ | **$** | $ |
| Within one year | **-** | - | **-** | - |
| Later than one year but not later than five years | **-** | - | **-** | - |
| Later than five years | **-** | - | **-** | - |
| | **-** | - | **-** | - |

## Note 30: Events occurring after the balance sheet date

After the year end, Philsaga Mining Corporation a party to the Bunawan Project was taken over by Medusa Mining Limited. Management do not expect that this will have a material impact on the project.

**Notes to the financial statements**
**31 December 2005 (continued)**

## Note 31: Explanation of transition to Australian equivalents to IFRSs

Management have conducted an analysis of the Group's adoption of Australian equivalents to International Financial Reporting Standards (AIFRS). This analysis concluded that there were no adjustments required on adoption of AIFRS to the Group's:

- opening balance sheet at 1 January 2004;
- balance sheet at the end of the last reporting period (31 December 2004);
- income statement for the year ended 31 December 2004; and
- cash flow statement for the year ended 31 December 2004.

**Directors' declaration**

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 41 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 2005 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the 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 6 to 9 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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.

J.B. Rodger
Director

Sydney
30 March 2006

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers**
**ABN 52 780 433 757**

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

## Audit opinion

In our opinion:

1. the financial report of Magnum Gold N.L. Group:

   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Magnum Gold N.L. and the Magnum Gold N.L. Group (defined below) as at 31 December 2005, and of their 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*; and

2. the audited remuneration disclosures that are contained in pages 6 to 9 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

## Scope

**The financial report, remunerations disclosures and directors' responsibility**
The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Magnum Gold N.L. (the company) and the Magnum Gold N.L. Group (the consolidated entity), for the year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (audited remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 6 to 9 of the directors' report, as permitted by Class Order 06/50.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and Class Order 06/50. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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 and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and Class Order 06/50.

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 remuneration disclosures, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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 — Sydney
Partner — 30 March 2006

## Shareholder information

The shareholder information set out below was applicable as at 27 March 2006.

**1. Substantial Holders**

Substantial holders in the company are set out below:

Ordinary Shares

| | Number held | Percentage |
|---|---|---|
| John Brian Rodger | 12,000,000 | 14.78 |
| Stately Glory Limited | 6,000,000 | 7.39 |

**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 | 314 |
| 5,001 – 10,000 | 121 |
| 10,001 – 100,000 | 228 |
| 100,001 and over | 90 |
| | 877 |

(ii) There were 310 holders of less than a marketable parcel of shares.

**5. Twenty Largest Shareholders**

| | Name of Shareholder: | Number Held: | Percentage of Issued Shares: |
|---|---|---|---|
| 1. | Sunshore Holdings Pty Limited | 11,500,000 | 14.17 |
| 2. | Aero Agencies International Limited | 7,000,000 | 8.62 |
| 3. | Stately Glory Limited | 5,000,000 | 6.16 |
| 4. | Shannon Corporate Nominees Pty Limited | 3,772,600 | 4.65 |
| 5. | Mr. Mohd Idris Bin Jais | 2,450,500 | 3.02 |
| 6. | ANZ Nominees Limited (Cash Income Account) | 2,330,968 | 2.87 |
| 7. | Allegiance Trading Limited | 2,000,000 | 2.46 |
| 8. | Philcord Holdings Corporation | 2,000,000 | 2.46 |
| 9. | Secdea Philippines Holding Corporation Pty Limited | 2,000,000 | 2.46 |
| 10. | Mr. Peter Bowman | 2,000,000 | 2.46 |
| 11. | Australian Sport & Recreation Link Pty Limited | 1,975,000 | 2.43 |
| 12. | Bell Potter Nominees Limited (100905 Account) | 1,450,000 | 1.79 |
| 13. | HSBC Custody Nominees (Australia) Limited | 1,300,000 | 1.60 |
| 14. | Cash Credit Corporation Pty Limited | 1,233,717 | 1.52 |
| 15. | Yarandi Investments Pty Limited (Griffith Family No. 2 Account) | 1,081,661 | 1.33 |
| 16. | Dr. Salim Cassim | 1,025,000 | 1.26 |
| 17. | Mr. Christopher Robert Rogerson (Almondbury Account) | 1,000,000 | 1.23 |
| 18. | Mrs. Karen Alanah Schiller | 1,000,000 | 1.23 |
| 19. | Beneficial Investment Corporation Pty Limited | 600,000 | 0.74 |
| 20. | Finance Associates Pty Limited (Gregory Family Account) | 590,000 | 0.73 |
| | | 51,309,446 | 63.22 |

**Schedule of Tenements**

Magnum Gold N.L. hold no current tenements.

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