Magnum Mining and Exploration Limited

A.B.N. 70 003 170 376

Annual report
Year ended 31 December 2007

Contents

Corporate directory

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

Secretary
R A Jarvis
M J Langoulant

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

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

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

Solicitor
Clayton Utz
QVI, 250 St Georges Terrace
Perth
Western Australia 6000

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

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

Website address
www.mmel.com.au

Review of operations and activities

Operations

Tantalite Valley Project, Namibia

During the year Magnum Mining and Exploration Limited ("Magnum" or the "Company") was advised in writing that the Honourable Minister of Mines and Energy for Namibia had approved the application for the transferral of Mining Licence 77 from Tantalite Valley Estates (Pty) Ltd ("TVE") to Tameka Shelf Company Four (Pty) Ltd ("Tameka"), a wholly owned subsidiary of Magnum.

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

Since the settlement of the acquisition of the project in the second half of the year, the Company has undertaken various activities to plan and commission an extensive drilling and bulk sampling program. The extensive exploration program has been designed to increase the understanding of the mineral resource and to generate samples to be sent to potential end-users for analysis.

The Company has established a permanent presence on site and work is continuing to re-establish and refurbish the extensive infrastructure on site. The Company has purchased various capital items which are being utilized to re-establish roads on site, refurbish pipelines to provide water to the plant site and general refurbishment of plant and accommodation facilities to prepare for an extensive exploration program.

The design of the drilling and bulk sampling program has been finalized by external consultants and the Company is evaluating the proposed programs and compiling final quotations for the work to be undertaken.

Bunawan Project, Philippines

The Bunawan project is a joint venture between the Company and Philsaga Mining Corporation ("Philsaga"), and Philsaga manages all exploration work. The Bunawan project is located 5km to 10km south of Philsaga's operating Co-O gold mine within the Diwata Range of Eastern Mindanao in the Philippines.

No field work was undertaken during the year.

Review of operations and activities (continued)

Corporate

On 14 September 2006 15 million shares were issued as consideration for the acquisition of 100% of the issued capital of Namibian Tantalite Investment (Pty) Ltd. The issued shares were held in escrow subject to the completion of conditions precedent in relation to the acquisition agreement. Completion of the acquisition was finalised on 23 February 2007.

On 31 May 2007, following the Company's Annual General Meeting, J B Rodger and P R Richard retired as directors of the Company and S Danielson resigned as Company Secretary. R A Jarvis and M J Langoulant were subsequently appointed as joint Company Secretary of the Company.

On 22 June 2007 the Company announced that in accordance with the shareholder approval received on 31 May 2007, it had issued 5.5 million shares under the terms of the Directors and Employees Share Plan (the "Plan") to directors of the Company.

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

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

(b) in respect of:

   (i) one half of the Shares issued under this Offer, 12 months after the date of issue of the Shares (22 June 2008) ; and

   (ii) the remaining one half of the Shares issued under this Offer, 24 months after the date of issue of the Shares (22 June 2009).

On 29 June 2007 the Company announced that 19.5 million fully paid ordinary shares had been placed with sophisticated investors at a price of AUD$0.21 per share. The placement raised approximately AUD$4.125 million. Proceeds from the placement were received in full in August 2007. The Company will utilise the proceeds from the placement to undertake evaluation and developmental activities at the Company's Tantalite Valley tantalum project in Namibia, to assess and pursue potential new projects and for working capital purposes.

On 16 July 2007 and in response to its expanding activities the directors announced a re-organisation of its executive team. G M Button, who is based in Perth, Australia, was appointed Chief Executive Officer ("CEO") for Magnum. Mr. Button has held the position of non-executive director of Magnum since February 2006. Mr. Button will be responsible for the corporate performance of the Company and will continue to focus on delivering new opportunities for the Company. G A Nealon, formerly an executive director, was appointed as Non-Executive Chairman of Magnum.

On 8 October 2007 J C Schiller resigned as a non-executive director of the Company and D F Lynton-Brown was appointed as a non-executive director of the Company. Mr. Lynton-Brown has 40 years experience in the Mining Industry in corporate development, accounting and auditing of mining companies.

Directors' report

Your directors present their reports on the consolidated entity (referred to hereafter, as the "Group") consisting of Magnum Mining and Exploration Limited ("Magnum" or the "Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2007.

Directors

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

G A Nealon
G M Button

D F Lynton-Brown was appointed as a director on 8 October 2007 and continues in office at the date of this report.

P R Richard and J B Rodger were directors from the beginning of the financial year until their resignation on 31 May 2007.

J C Schiller was a director from the beginning of the financial year until his resignation on 8 October 2007.

Principal Activities

The principal activity of the Group during the financial year was investment in mineral exploration.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Review of operations

Information on the operations and activities of the Group is set out in the review of operations and activities on page 2 of this annual report.

Operating result for the year

The consolidated loss of the Group for the year after income tax expense was $2,116,104 (2006: $417,901).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report other than share placements to private and institutional investors as detailed in the review of operations and activities.

Matters subsequent to the end of the financial year

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

Directors' report (continued)

Likely developments and expected results

Additional comments on expected results of certain operations of the Group are included in the review of operations and activities.

Environmental legislation

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

Information on directors

G M Button B. Bus. (Acc), C.P.A. *Chief Executive Officer. Age 45*
Experience and expertise
G M Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He was appointed as a director in 2006 and was appointed as CEO of the Company on 16 July 2007 and has 16 years experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary for a range of publicly listed companies.
Other current directorships
Non-executive director of Washington Resources Limited (since March 2005)
Non-executive director of Morningstar Holdings (Australia) Limited (appointed 2007)
Former directorships in the last 3 years
Executive director of Sylvania Resources Limited (December 2002 – 2007)
Special responsibilities
None
Interest in shares and options
1,600,000 ordinary shares in Magnum Mining and Exploration Limited

G A Nealon. B.Sc. (Hons.), M.Sc., MRACI, C.Chem. *Non-Executive Chairman. Age 48*
Experience and expertise
G A Nealon is a Chartered Chemist holding the degrees of B.Sc. (Hons.) in Biochemistry and M.Sc. in Forensic Science. He has approximately twenty five years of work experience, primarily in the areas of forensic science, quality systems, risk management, research & development, corporate governance and due diligence. He was initially employed by Government agencies, primarily within the UK and Australia, prior to moving into the private sector and founding his own consulting company in 1994. His main areas of operation have principally related to Australia, South Africa, Singapore, Malaysia, Thailand and the USA.
Other current directorships
Non-executive director of Great Australian Resources Limited (since October 2007)
Chairman of AIM listed company Bezant Resources Plc (since December 2004)
Former directorships in the last 3 years
None
Special responsibilities
Chairman of the Board
Interest in shares and options
1,500,000 ordinary shares in Magnum Mining and Exploration Limited

Directors' report (continued)

Information on directors (continued)

Darryl F Lynton-Brown. *Non-Executive Director, Age 68*
Experience and expertise
D F Lynton-Brown has been involved within the Mining Industry for nearly forty years. He has predominantly been involved with corporate development and promotional activities relating to a large number and range of business ventures, where he has been most instrumental with their initial establishment activities, along with attracting associated institutional investors.
Other current directorships
Director of Pelican Resources Limited (since January 2002)
Former directorships in the last 3 years
None
Special responsibilities
None
Interest in shares and options
None

Company secretary

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

R A Jarvis is a Fellow of the Institute of Chartered Certified Accountants (UK) and has over 10 years experience working in Corporate Assurance and Advisory roles with medium to large accounting firms. He formed his own corporate consulting business in January 2007, which specialises in public company financial compliance and secretarial services.

M J Langoulant operates a corporate consulting business that specialises in public company corporate secretarial/administration and fundraising. After 10 years with large international accounting firms he has acted as CFO, Company Secretary and non-executive directors with a number of publicly listed companies.

Meetings of directors

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

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

	Directors' meetings held whilst in office	***Directors' meetings attended***
G M Button	3	3
G A Nealon	3	3
D F Lynton-Brown	1	1
J C Schiller	2	2
J B Rodger	-	-
P R Richard	-	-

Directors' report (continued)

Remuneration report

Details of directors' and executives' remuneration are set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Consultancy agreements
D Share-based compensation

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

A Principles used to determine the nature and amount of remuneration

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

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

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

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

The current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past five (5) financial years.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market. Directors are not present at any discussions relating to determination of their own remuneration.

Directors' report (continued)

Remuneration report (continued)

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

Directors' fees

Some of the directors perform at least some executive or consultancy services. However, each director receives a separate fixed fee for their services as a director, as the Board considers it important to distinguish between the executive and non-executive roles held by those individuals. The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 31 May 2007, when shareholders approved an aggregate remuneration of $150,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Retirement allowances for directors

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

Executive pay

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

Base pay

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

Benefits

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

Short-term incentives

There are no current short term incentive remuneration arrangements.

Employee share plan

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

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

Directors' report (continued)

Remuneration report (continued)

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company and the Group for the year ended 31 December 2007 and 2006 are set out in the following tables. There are no elements of remuneration that are directly related to performance.

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

Table 1: Key management personnel

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

Table 2: Key management personnel

2006	*Primary benefits*		*Post-employment benefits*	*Share-based payment*	
Name	*Cash salary and consulting fees* $	*Directors' fees* $	*Super-annuation* $	*Equity shares / options* $	*TOTAL* $
G M Button	-	22,917	2,062	-	24,979
G A Nealon	-	14,583	1,313	-	15,896
J C Schiller	-	25,000	2,250	-	27,250
P R Richard	-	25,000	2,250	-	27,250
J B Rodger	-	25,000	2,250	-	27,250
Total	**-**	**112,500**	**10,125**	**-**	**122,625**

Directors' report (continued)

Remuneration report (continued)

C Consultancy agreements

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

D Share-based compensation

Options

No options have been granted by the Company.

Ordinary Shares

Ordinary shares are issued under the Plan, which was approved by shareholders at the 2006 Annual General Meeting.

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

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

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

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

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

Directors' report (continued)

Remuneration report (continued)

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

Issue date	Value of share at issue date	Exercise price	Vesting period
22 June 2007	$0.27	$0.30	50% after 22 June 2008; 50% after 22 June 2009

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

	Number of shares granted during the year		Number of shares vested during the year	
	2007	2006	**2007**	2006
G M Button	**1,500,000**	-	**-**	-
G A Nealon	**1,500,000**	-	**-**	-
D F Lynton-Brown	**-**	-	**-**	-
J C Schiller	**500,000**	-	**-**	-
P R Richard	**500,000**	-	**-**	-
J B Rodger	**1,500,000**	-	**-**	-

Shares under option

No options have been issued by the Company.

Shares issued on the exercise of options

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

Insurance of officers

During the financial year, the Company paid premiums to insure the directors and secretaries of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Directors' report (continued)

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

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

	Consolidated 2007 $
Audit services	
HLB Mann Judd Australian firm:	
Audit and review of financial statements	**24,000**
Related practices of HLB Mann Judd	**-**
Non-HLB Mann Judd audit firms	**11,526**
Total remuneration for audit services	**35,526**
Non-audit services	
HLB Mann Judd Australian firm:	
Services in relation to Annual General Meeting	**850**
Related practices of HLB Mann Judd	**-**
Non-HLB Mann Judd audit firms	**4,299**
Total remuneration for non-audit services	**5,149**
Total auditors' remuneration	**40,675**

Directors' report (continued)

Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Auditor

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

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

Grant M Button
Chief Executive Officer
Perth, Australia
27 March 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Magnum Mining and Exploration Limited for the year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Perth, Western Australia	**W M CLARK**
27 March 2008	**Partner, HLB Mann Judd**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Corporate governance statement

The Board of Directors of the Company are committed to attaining and implementing the highest standards of corporate governance. The Board has reviewed the Company's corporate governance practices in relation to the best practice recommendations released by the Australian Securities Exchange Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the present size and scope of the Company it is not practical to institute all of the best practice recommendations at present.

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

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; and

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

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

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

Corporate governance best practice recommendations 2.1 and 2.2, which require the majority of the Board to be independent directors and the Chairman to be an independent, have not been adopted by the Company. The Board is of the opinion that the Company is best served by its current Board composition of executive and non-executive directors.

The Company considers corporate governance best practice recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the Company's operations, the number of directors constituting the Board and the fact that the Company has one part time employee. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.

Independent Professional Advice

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

Performance Assessment

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

Corporate governance statement (continued)

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

Nomination 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 2007, 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 the notes 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.

Ethical Standards

The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the Company. A code of conduct, as purported in best practice recommendation 3.1 and 10.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the Company and its shareholders for their conduct.

The purchase and sale of Company securities by Directors and employees is permitted. However, buying or selling of the Company's shares is not allowed at any time by any person who possesses unpublished information which may affect the price of the Company's shares.

Corporate governance statement (continued)

Communication with Shareholders and Continuous Disclosure

The Company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rules disclosure requirements and accountability at a senior management level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

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

Risk Assessment and Management

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

The assessment of identified and potential significant business risk is monitored by the executive directors. The executive directors are responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk.

Income statements
For the year ended 31 December 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Revenue from continuing operations	5	**138,447**	55,984	**138,443**	55,819
Raw materials and consumables used		**(36,152)**	-	**-**	-
Investment in associate written off		**(262,158)**	-	**(262,158)**	-
Exploration expenditure written off		**-**	(8,105)	**-**	(8,105)
Share-based payment expense		**(184,357)**	-	**(184,357)**	-
Depreciation expense		**(32,409)**	(4,068)	**(9,432)**	(4,068)
Amount written off on acquisition of subsidiary		**(703,000)**	-	**(703,000)**	-
Other expenses		**(1,036,475)**	(460,188)	**(789,856)**	(453,375)
Share of loss of associate accounted for using the equity method		**-**	(1,524)	**-**	-
Loss before income tax	6	**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Income tax expense	7	-	-	**-**	-
Loss for the year		**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Loss attributable to members of Magnum Mining and Exploration Limited		**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Loss per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents		
Basic and diluted loss per share	30	(1.56)	(0.44)		

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

Balance sheets
As at 31 December 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
ASSETS					
Current Assets					
Cash and cash equivalents	8	**4,009,036**	3,027,411	**3,999,645**	3,011,154
Trade and other receivables	9	**128,096**	66,456	**43,905**	68,730
Total Current Assets		**4,137,132**	3,093,867	**4,043,550**	3,079,884
Non-Current Assets					
Investments accounted for using the equity method	10	**195,861**	263,394	**-**	-
Available-for-sale financial assets	11	**342,105**	-	**342,105**	-
Other financial assets	12	**-**	-	**2,649,720**	287,922
Plant and equipment	13	**1,085,667**	29,635	**35,270**	29,635
Intangible assets	14	**1,174,133**	-	**-**	-
Deferred exploration and evaluation expenditure	15	**5,508**	-	**-**	-
Total Non-Current Assets		**2,803,274**	293,029	**3,027,095**	317,557
Total Assets		**6,940,406**	3,386,896	**7,070,645**	3,397,441
LIABILITIES					
Current Liabilities					
Trade and other payables	16	**329,832**	289,894	**110,040**	289,387
Total Current Liabilities		**329,832**	289,894	**110,040**	289,387
Total Liabilities		**329,832**	289,894	**110,040**	289,387
Net Assets		**6,610,574**	3,097,002	**6,960,605**	3,108,054
EQUITY					
Contributed equity	17	**17,103,153**	11,607,938	**17,103,153**	11,607,938
Reserves	18	**136,073**	1,612	**167,696**	-
Accumulated losses	18	**(10,628,652)**	(8,512,548)	**(10,310,244)**	(8,499,884)
Total Equity		**6,610,574**	3,097,002	**6,960,605**	3,108,054

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

Statements of changes in equity
For the year ended 31 December 2007

Consolidated	Issued capital $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 January 2006	8,707,938	(8,094,647)	(240)	613,051
Shares issued during the year net of transaction costs	4,400,000	-	-	4,400,000
Shares issued as consideration for acquisition	(1,500,000)	-	-	(1,500,000)
Loss for the period	-	(417,901)	-	(417,901)
Currency translation differences	-	-	1,852	1,852
Balance at 31 December 2006	**11,607,938**	**(8,512,548)**	**1,612**	**3,097,002**
Shares issued during the year net of transaction costs	5,495,215	-	-	5,495,215
Loss for the period	-	(2,116,104)	-	(2,116,104)
Share based compensation reserve	-	-	184,357	184,357
Net gains revaluation reserve	-	-	(16,661)	(16,661)
Currency translation differences	-	-	(33,235)	(33,235)
Balance at 31 December 2007	**17,103,153**	**(10,628,652)**	**136,073**	**6,610,574**

Parent entity	Issued capital $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 January 2006	8,707,938	(8,090,155)	-	617,783
Shares issued during the year net of transaction costs	4,400,000	-	-	4,400,000
Shares issued as consideration for acquisition	(1,500,000)	-	-	(1,500,000)
Loss for the period	-	(409,729)	-	(409,729)
Balance at 31 December 2006	**11,607,938**	**(8,499,884)**	**-**	**3,108,054**
Shares issued during the year net of transaction costs	5,495,215	-	-	5,495,215
Loss for the period	-	(1,810,360)	-	(1,810,360)
Share based compensation reserve	-	-	184,357	184,357
Net gains revaluation reserve	-	-	(16,661)	(16,661)
Balance at 31 December 2007	**17,103,153**	**(10,310,244)**	**167,696**	**6,960,605**

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 2007

	Notes	Consolidated		Parent Entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
Cash flows from operating activities					
Interest received		**138,447**	55,984	**138,443**	55,819
Receipts from customers and related parties (inclusive of goods and services tax)		**-**	31,528	**-**	31,528
Payments					
- to suppliers and employees (inclusive of goods and services tax)		**(990,931)**	(314,968)	**(818,922)**	(304,527)
Net cash outflow from operating activities	29	**(852,484)**	(227,456)	**(680,479)**	(217,180)
Cash flows from investing activities					
Payments for plant and equipment		**(291,254)**	(33,703)	**(15,067)**	(33,703)
Payments for exploration and evaluation		**(5,508)**	(8,105)	**-**	(8,105)
Payments for available-for-sale financial investments		**(358,766)**	-	**(358,766)**	-
Payments to acquire interest in associates		**(281,808)**	(113,265)	**(281,808)**	(113,265)
Payments to acquire intangible assets		**(1,174,133)**	-	**-**	-
Security deposits repaid		**30,000**	-	**30,000**	-
Loans to subsidiary undertaking		**-**	-	**(1,620,967)**	-
Loans repaid by related party		**18,932**	-	**18,932**	-
Loans repaid to related party		**(68,569)**	-	**(68,569)**	-
Net cash outflow from investing activities		**(2,131,106)**	(155,073)	**(2,296,245)**	(155,073)
Cash flows from financing activities					
Proceeds from share issue		**4,095,000**	3,000,000	**4,095,000**	3,000,000
Share issue transaction costs		**(99,785)**	(100,000)	**(99,785)**	(100,000)
Net cash inflow from financing activities		**3,995,215**	2,900,000	**3,995,215**	2,900,000
Net increase in cash and cash equivalents		**1,011,625**	2,517,471	**1,018,491**	2,527,747
Cash and cash equivalents at the beginning of the year		**2,997,411**	482,067	**2,981,154**	453,407
Effects of exchange rate changes on cash and cash equivalents		**-**	(2,127)	**-**	-
Cash and cash equivalents at the end of the year	8	**4,009,036**	2,997,411	**3,999,645**	2,981,154

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

Note 1: Summary of significant accounting policies

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

The financial report was authorised for issue by the directors on 27 March 2008. The Company has the power to amend and reissue the financial report.

(a) Basis of preparation

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

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

Early adoption of standards
The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 January 2007:

- Revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

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 3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Magnum Mining and Exploration Limited ("Company" or "parent entity") as at 31 December 2007 and the results of all subsidiaries for the year then ended. Magnum Mining and Exploration Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Note 1: Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

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

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

(ii) Associates

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

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

Note 1: Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

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

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

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

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

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

(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.

Note 1: Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

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

(g) Acquisition of assets

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

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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.

Note 1: Summary of significant accounting policies (continued)

(j) Investments and other financial assets

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

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

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

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is deemed to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

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

(k) Fair value estimation

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

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

(l) Exploration and evaluation expenditure

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

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.

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

(m) Plant and equipment

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

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

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

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

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

Note 1: Summary of significant accounting policies (continued)

(m) Plant and equipment (continued)

(ii) Revaluations

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

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

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

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

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

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

(iii) De-recognition on disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Note 1: Summary of significant accounting policies (continued)

(n) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks and licences

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

(o) Trade and other payables

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

(p) Employee benefits

Wages, salaries, annual leave and sick leave

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

(q) Provisions

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

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

Note 1: Summary of significant accounting policies (continued)

(r) Goods and Services Tax (GST)

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

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

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

(s) Contributed equity

Ordinary shares are classified as equity.

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

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

Note 1: Summary of significant accounting policies (continued)

(u) Share based payment transactions

Equity settled transactions:

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the black and scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share.

(v) New Accounting Standards and UIG interpretations

(i) 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.

Note 1: Summary of significant accounting policies (continued)

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

UIG 8 Scope of AASB 2
UIG 8 is applicable to annual reporting periods beginning on or after 1 May 2006. It requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of AASB 2. The Group will apply UIG 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

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.

(a) Market risk

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 Namibia and is exposed to foreign exchange risk arising from currency exposures to the Namibian dollar and South African Rand.

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

Primary reporting format – geographical segments

	Segment revenue		Segment results		Segment assets		Segment liabilities	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	**$**	$	**$**	$
Australia	**138,443**	55,819	**(1,799,308)**	(409,729)	**4,616,786**	3,107,225	**110,004**	289,387
Namibia	**-**	165	**(307,182)**	(8,172)	**2,274,863**	279,671	**219,828**	507
South Africa	**4**	-	**(9,614)**	-	**48,757**	-	**-**	-
	138,447	55,984	**(2,116,104)**	(417,901)	**6,940,406**	3,386,896	**329,832**	289,894

Note 5: Revenue

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
From continuing operations				
Other revenue				
Interest received	**138,447**	55,984	**138,443**	55,819

Note 6: Expenses

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss before income tax includes the following specific expenses:				
Depreciation	**32,409**	4,068	**9,432**	4,068
Investment in associate written off	**262,158**	-	**262,158**	-
Share-based payment expense	**184,357**	-	**184,357**	-
Amounts written off on acquisition of subsidiary	**703,000**	-	**703,000**	-

The Company has 4 employees (2006: 5).

Note 7: Income tax expense

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
(a) Income tax (expense)/benefit	**-**	-	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Tax at the Australian rate of 30% (2006: 30%)	**634,831**	125,370	**543,108**	122,919
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**(317,237)**	(457)	**(322,206)**	-
Deferred tax asset not brought to account	**(317,594)**	(124,913)	**(220,902)**	(122,919)
Income tax expense/(benefit)	**-**	-	**-**	-
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**3,177,164**	2,118,517	**2,841,293**	2,104,953
Potential tax benefit @ 30%	**953,149**	635,555	**852,388**	631,486

Note 8: Current assets – Cash and cash equivalents

Cash at bank and on hand	**4,009,036**	2,997,411	**3,999,645**	2,981,154
Deposits at call	**-**	30,000	**-**	30,000
	4,009,036	3,027,411	**3,999,645**	3,011,154

(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	**4,009,036**	3,027,411	**3,999,645**	3,011,154
Restricted cash held on deposit as security for guarantees	**-**	(30,000)	**-**	(30,000)
	4,009,036	2,997,411	**3,999,645**	2,981,154

(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 4.52% (2006: 4.15%).

Note 8: Current assets – Cash and cash equivalents (continued)

(c) Deposits at call

As at balance sheet date, the Company does not hold any funds on deposits at call. For the comparative period the deposits at call were subject to interest at fixed rates and the average rate for the year was 5.5%. These deposits have a maturity of 30 days.

(d) Restricted cash

As at balance sheet date, the Company does not have any restricted cash. For the comparative period, restricted cash comprised of deposits held in respect of guarantees against mining tenements with the department of Mineral Resources.

Note 9: Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Sundry debtors	**79,904**	11,668	**25,690**	7,907
Other debtors	**48,192**	54,788	**18,215**	54,788
Loans to controlled entities	**-**	-	**-**	6,035
	128,096	66,456	**43,905**	68,730

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

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

Share in associates (note 27)	**195,861**	263,394	**-**	-
	195,861	263,394	**-**	-

Share 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 12).

Note 11: Non-current assets – Available-for-sale financial assets

Listed securities

At beginning of year	**-**	-	**-**	-
Additions	**358,766**	-	**358,766**	-
Revaluation deficit transfer to equity	**(16,661)**	-	**(16,661)**	-
	342,105	-	**342,105**	-

Note 12: Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Shares in subsidiaries (note 26)	**-**	-	**797,036**	2,435
Share in associates (note 27)	**-**	-	**195,861**	285,487
Loans to subsidiaries	**-**	-	**1,656,823**	-
	-	-	**2,649,720**	287,922

These financial assets are carried at cost. The recoupment of the Company's loans to subsidiaries is dependent on the success of the exploration activities being undertaken by those entities.

Note 13: Non-current assets – Plant and equipment

Consolidated	**Plant and equipment $**	**Furniture, fixtures and fittings $**	**Motor vehicles $**	**Total $**
At 1 January 2006				
Cost at fair value	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	-	-	-	-
Year ended 31 December 2006				
Opening net book amount	-	-	-	-
Exchange differences	-	-	-	-
Additions	8,399	25,304	-	33,703
Depreciation charge	(1,233)	(2,835)	-	(4,068)
Closing net book amount	7,166	22,469	-	29,635
At 1 January 2007				
Cost at fair value	8,399	25,304	-	33,703
Accumulated depreciation	(1,233)	(2,835)	-	(4,068)
Net book amount	7,166	22,469	-	29,635
Year ended 31 December 2007				
Opening net book amount	7,166	22,469	-	29,635
Exchange differences	(7,646)	(57)	(1,872)	(9,575)
Additions	854,882	13,272	229,862	1,098,016
Depreciation charge	(5,127)	(6,188)	(21,094)	(32,409)
Closing net book amount	849,275	29,496	206,896	1,085,667
At 31 December 2007				
Cost at fair value	855,635	38,519	227,990	1,122,144
Accumulated depreciation	(6,360)	(9,023)	(21,094)	(36,477)
Net book amount	849,275	29,496	206,896	1,085,667

Note 13: Non-current assets – Plant and equipment (continued)

Parent entity	Plant and equipment $	Furniture, fixtures and fittings $	Motor vehicles $	Total $
At 1 January 2006				
Cost at fair value	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	-	-	-	-
Year ended 31 December 2006				
Opening net book amount	-	-	-	-
Exchange differences	-	-	-	-
Additions	8,399	25,304	-	33,703
Depreciation charge	(1,233)	(2,835)	-	(4,068)
Closing net book amount	7,166	22,469	-	29,635
At 1 January 2007				
Cost at fair value	8,399	25,304	-	33,703
Accumulated depreciation	(1,233)	(2,835)	-	(4,068)
Net book amount	7,166	22,469	-	29,635
Year ended 31 December 2006				
Opening net book amount	7,166	22,469	-	29,635
Exchange differences	-	-	-	-
Additions	8,030	7,037	-	15,067
Depreciation charge	(4,259)	(5,173)	-	(9,432)
Closing net book amount	10,937	24,333	-	35,270
At 31 December 2007				
Cost at fair value	16,429	32,341	-	48,770
Accumulated depreciation	(5,492)	(8,008)	-	(13,500)
Net book amount	10,937	24,333	-	35,270

Note 14: Non-current assets – Intangible assets

	Consolidated		**Parent entity**	
	2007 $	2006 $	**2007 $**	2006 $
Mining Licence – at cost	**1,174,133**	-	**-**	-

The recoupment of costs carried forward in relation to the Company's Mining Licence and the Company's areas of interest in the exploration and evaluation phases (refer to Note 15) is dependent on the successful exploration, development and commercial exploitation or sale of the respective areas of interest.

Note 15: Non-current assets – Deferred exploration and evaluation expenditure

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Balance as at 1 January 2007	**-**	-	**-**	-
Expenditure incurred during the year	**5,508**	8,105	**-**	8,105
Expenditure written off during the year	**-**	(8,105)	**-**	(8,105)
Balance as at 31 December 2007	**5,508**	-	**-**	-

Note 16: Current liabilities – Trade and other payables

Trade payables	**196,942**	-	**18,873**	-
Other creditors and accruals	**132,890**	289,894	**91,167**	289,387
	329,832	289,894	**110,040**	289,387

Note 17: Contributed equity

(a) Share capital

		Consolidated and Parent entity		Consolidated and Parent entity	
		2007	2006	**2007**	2006
	Notes	**Shares**	Shares	**$**	$
Subscriber shares		**5**	5	**1**	1
Ordinary shares	*(b)*	**145,665,612**	126,165,612	**17,103,153**	11,607,938
Share Plan shares	*(b)*	**5,500,000**	-	**-**	-
		151,165,612	126,165,612	**17,103,153**	11,607,938

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 2007 there were 151,165,617 ordinary shares fully paid to 20 cents.

Note 17: Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	*Notes*	Number of Shares	Issue Price	$
1 January 2007	Opening balance		126,165,617	-	11,607,938
23 February 2007	Acquisition shares issued	*(c)*	-	-	1,500,000
22 June 2007	Share issue under employee share plan	*(d)*	5,500,000	$0.30	-
29 July 2007	Private placement	*(e)*	19,500,000	$0.21	4,095,000
	Less: Transaction costs arising on share issue				(99,785)
31 December 2007	Balance		**151,165,617**		**17,103,153**

(c) Acquisition shares issued

On 14 September 2006 15,000,000 shares were issued as consideration for the acquisition of 100% of the issued capital of Namibian Tantalite Investment (Pty) Ltd. The issued shares were held in escrow subject to the completion of conditions precedent in relation to the acquisition agreement. Completion of the acquisition was finalised on 23 February 2007.

(d) Shares issued under the employee share plan

On 22 June 2007 the Company announced that in accordance with the shareholder approval received on 31 May 2007, it had issued 5.5 million shares under the terms of the Plan to directors and employees of the Company.

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

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

(b) in respect of:

- (i) one half of the Shares issued under this Offer, 12 months after the date of issue of the Shares (22 June 2008) ; and
- (ii) the remaining one half of the Shares issued under this Offer, 24 months after the date of issue of the Shares (22 June 2009).

(e) Private placement

On 29 June 2007 the Company announced that 19,500,000 fully paid ordinary shares had been placed with sophisticated investors at a price of AUD$0.21 per share. The placement raised approximately AUD$4.125 million. Proceeds from the placement were received in full in August 2007.

The Company will utilise the proceeds from the placing to undertake evaluation and developmental activities at the Company's Tantalite Valley tantalum project in Namibia, to assess and pursue potential new projects and for working capital purposes.

Note 18: Reserves and accumulated losses

(a) Reserves

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Available-for-sale investments revaluation reserve	**(16,661)**	-	**(16,661)**	-
Share-based payments reserve	**184,357**	-	**184,357**	-
Foreign currency translation reserve	**(31,623)**	1,612	**-**	-
	136,073	1,612	**167,696**	-

Movements:

Available-for-sale investments reserve

Balance 1 January 2007	**-**	-	**-**	-
Revaluations - gross	**(16,661)**	-	**(16,661)**	-
Balance 31 December 2007	**(16,661)**	-	**(16,661)**	-

Share-based payment reserve

Balance 1 January 2007	**-**	-	**-**	-
Employee share plan expense	**184,357**	-	**184,357**	-
Balance 31 December 2007	**184,357**	-	**184,357**	-

Foreign currency translation reserve

Balance 1 January 2007	**1,612**	(240)	**-**	-
Currency translation differences arising during the year	**(33,235)**	1,852	**-**	-
Balance 31 December 2007	**(31,623)**	1,612	**-**	-

(b) Accumulated Losses

Movements in accumulated losses were as follows:

Balance 1 January 2007	**(8,512,548)**	(8,094,647)	**(8,499,884)**	(8,090,155)
Net loss for the year	**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Balance 31 December 2007	**(10,628,652)**	(8,512,548)	**(10,310,244)**	(8,499,884)

Note 18: Reserves and accumulated losses (continued)

(c) Nature and purpose of reserves

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

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

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

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

Note 19: Minority interest

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Interest in:				
Share Capital	**-**	3,698	**-**	-
Reserves	**-**	(3,698)	**-**	-
	-	-	**-**	-

Note 20: Key management personnel disclosures

(a) Directors

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

(i) Chairman – executive
J B Rodger (resigned 31 May 2007)

G N Nealon (appointed as non-executive Chairman on 16 July 2007)

(ii) Executive director
G M Button (appointed as Chief Executive Officer on 16 July 2007)
G N Nealon (from 23 May 2006 to 16 July 2007)

(iii) Non- executive directors
G M Button (from 6 February 2006 to 16 July 2007)
J C Schiller (resigned 8 October 2007)
P R Richard (resigned 31 May 2007)

No other key management personnel were identified during the period.

Note 20: Key management personnel disclosures (continued)

(b) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	**336,841**	112,500	**336,841**	112,500
Post-employment benefits	**8,641**	10,125	**8,641**	10,125
Share-based payments	**184,357**	-	**184,357**	-
	529,839	122,625	**529,839**	122,625

The Company has taken advantage of the relief provided by the *Corporations Regulations* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report.

(c) Shareholdings

The numbers of shares in the Company held during the financial year by each director of the Company, including their personally related entities, are set out below. Where shares are held by the individual director or executive and any entity under the joint or several control of the individual director or executive they are shown as 'beneficially held'. Shares held by those who are defined by AASB 124 *Related Party Disclosures* as close members of the family of the individual director or executive are shown as 'non-beneficially held'.

2007 **Name**	**Type of holding**	**Balance at the start of the year**	**Received under the Employee Share Plan**	**Other changes during the year**	**Balance at the end of the year**
G M Button	Beneficially held	100,000	1,500,000	-	1,600,000
G A Nealon	Beneficially held	-	1,500,000	-	1,500,000
J C Schiller	Beneficially held	1,000,000	500,000	-	1,500,000
	Non-beneficially held	1,000,000	-	-	1,000,000
J B Rodger	Beneficially held	12,000,000	1,500,000	-	13,500,000
P R Richard	Beneficially held	-	500,000	-	500,000

Note 20: Key management personnel disclosures (continued)

(c) Shareholdings (continued)

2006

Name	**Type of holding**	**Balance at the start of the year**	**Received under the Employee Share Plan**	**Other changes during the year**	**Balance at the end of the year**
G M Button	Beneficially held	100,000	-	-	100,000
G A Nealon	Beneficially held	-	-	-	-
J C Schiller	Beneficially held	500,000	-	500,000	1,000,000
	Non-beneficially held	1,000,000	-	-	1,000,000
J B Rodger	Beneficially held	12,000,000	-	-	12,000,000
P R Richard	Beneficially held	-	-	-	-

(d) Loans to directors and executives

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

(e) Other transactions with directors and executives

There were no other transactions with directors and executives.

Note 21: Remuneration of auditors

At the Company's Annual General Meeting held on 31 May 2007, the Company changed auditors from PricewaterhouseCoopers to HLB Mann Judd. Therefore, comparative figures for the year ended 31 December 2006 relate to payments made to PricewaterhouseCoopers.

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**	
	2007	2006	**2007**	2006
	$	$	**$**	$
(a) Audit services				
Audit services				
HLB Mann Judd Australian firm				
Auditors of parent entity				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**24,000**	32,500	**24,000**	32,500
Non-HLB Mann Judd audit firms for the audit or review of financial reports of any entity in the Group	**11,526**	1,013	**-**	-
Total remuneration for audit services	**35,526**	33,513	**24,000**	32,500

Note 21: Remuneration of auditors (continued)

	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
(b) Non-audit services				
HLB Mann Judd Australian firm	**850**	-	**850**	-
Non-HLB Mann Judd Australian firm	**4,299**	-	**-**	-
Total remuneration for non-audit services	**5,149**	-	**850**	-

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

Note 22: Contingencies

(a) Contingent liabilities

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

As at the previous balance sheet date the Company had secured guarantees in respect of mining tenements with the Department of Mineral Resources. These guarantees comprised of cash deposits of $30,000 held on behalf of the Company with financial institutions. These guarantees were relinquished in February 2007.

(b) Contingent assets

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

Note 23: Commitments

(a) Lease commitments

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

	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Within one year	**12,697**	-	**12,697**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	12,697	-	**12,697**	-

Note 24: Related party transactions

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

(b) Subsidiaries
Interests in subsidiaries are set out in note 26.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 20.

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

	Consolidated		**Parent Entity**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Tameka Shelf Company Four (Pty) Ltd	**-**	-	**1,496,269**	-
Magnum Tantalite (Pty) Ltd	**-**	-	**160,554**	-
	-	-	**1,656,823**	-

Note 25: Business combination

(a) Summary of acquisition

On 23 February 2007 the Company acquired 100% of the issued share capital of Namibian Tantalite Investment (Pty) Ltd for the sum of $1.5 million.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$
Purchase consideration (refer to (b) below)	1,500,000
Fair value of net identifiable assets acquired (refer to (c) below)	797,000
Refer to note (c) below	703,000

(b) Purchase consideration

Consideration for the acquisition was fully satisfied by the issue of 15 million shares in the Company credited as fully paid.

Note 25: Business combination (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair Value $
Cash	134	134
Fixed assets	848,033	848,033
Trade payables	(51,167)	(51,167)
Net assets	797,000	797,000

$703,000 has been written off to the income statement in full on date of acquisition.

Note 26: Subsidiaries

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

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2007 %**	2006 %
Magold Mindanao Holding Corporation	Philippines	Ordinary	-	39.99
Tameka Shelf Company Four (Pty) Ltd	Namibia	Ordinary	100	100
Namibian Tantalite Investment (Pty) Ltd	Namibia	Ordinary	100	-
Magnum Tantalite (Pty) Ltd	South Africa	Ordinary	100	-

Note 27: Investments in associates

Magphil Mineral Resources Corporation

The Company had a 49.99% investment in Magphil Mineral Resources Corporation (also referred to as the Bunawan Project), which is incorporated in the Philippines. This investment was 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 26).

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

The investment in Magphil Mineral Resources Corporation was written off in full in the year.

Note 27: Investments in associates (continued)

Tantalite Valley Estates (Pty) Ltd

On 23 February 2007 the Company acquired a 49% interest in the share capital of Tantalite Valley Estates (Pty) Ltd ("TVE"), a company which owned Mining Licence 77, farmland, mining land and buildings in Karasburg, Namibia.

(a) Carrying amounts

Name of Entity	Ownership interest		Consolidated		Parent Entity	
	2007	2006	**2007**	2006	**2007**	2006
	%	%	**$**	$	**$**	$
Tantalite Valley Estates (Pty) Ltd	**49**	-	**195,861**	-	**195,861**	-

(b) Movement in carrying amounts

	Consolidated	
	2007	2006
	$	$
Carrying amount at the beginning of the year	**-**	-
Initial investment – at cost	**195,861**	-
Share of losses before income tax	**-**	-
Share of movement in foreign exchange reserve	**-**	-
Carrying amount at the end of the year	**195,861**	-

(c) Summarised financial information of associates

	Group's share of:			
	Assets	**Liabilities**	**Revenues**	**Loss**
	$	**$**	**$**	**$**
2007				
Tantalite Valley Estates (Pty) Ltd	115,981	1,533	-	-
2006				
Tantalite Valley Estates (Pty) Ltd	-	-	-	-

Note 28: Events occurring after the balance sheet date

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

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

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

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

Note 29: Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loss for the year	**(2,116,104)**	(417,901)	**(1,810,360)**	(409,729)
Depreciation	**32,409**	4,068	**9,432**	4,068
Amounts written off on acquisition of subsidiary	**703,000**	-	**703,000**	-
Investment in associate written off	**262,158**	-	**262,158**	-
Investment in subsidiary written off	**8,452**	-	**8,452**	-
Share-based payment expense	**184,357**	-	**184,357**	-
Share of loss in associates	**-**	1,524	**-**	-
Change in operating assets and liabilities:				
(Increase) / decrease in trade receivables	**(44,215)**	(59,340)	**-**	(55,579)
Increase / (decrease) in trade payables	**117,459**	244,193	**(37,518)**	244,060
Net cash outflow from operating activities	**(852,484)**	(227,456)	**(680,479)**	(217,180)

Note 30: Loss per share

	Consolidated	
	2007	2006
	Cents	Cents
Basic loss per share	**(1.56)**	(0.44)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**136,049,174**	94,480,685

(a) Reconciliation of earnings used in calculating loss per share

	$	$
Loss attributable to members of the Company	**(2,116,104)**	(417,901)
Loss attributable to minority interests	**-**	-
Loss attributable to ordinary equity holders of the Company used in calculating basic loss per share	**(2,116,104)**	(417,901)

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

Note 31: Share-based payments

(a) Employee Share Plan

A scheme under which shares may be issued by the Company to directors, consultants or employees for no cash consideration was approved by shareholders at the 2006 Annual General Meeting.

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

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

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

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

Set out below are the shares issued under the Plan:

	Consolidated		**Parent Entity**	
	2007 Number	2006 Number	**2007 Number**	2006 Number
Shares issued under the Plan to participating employees on 22 June 2007	**5,500,000**	-	**5,500,000**	-

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

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2007 was 9 cents per option. The fair value at grant date is independently determined using a black and scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Note 31: Share-based payments (continued)

(a) Employee Share Plan (continued)

The additional model inputs for options granted during the year ended 31 December 2007 included:

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

(b) share price at grant date: $0.27

(c) expected price volatility of the Company's shares: 64.78%

(d) expected dividend yield: Nil

(e) risk-free interest rate: 6.42%

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

(b) Expenses relating to share based payment transactions

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

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Shares issued under the Plan	**184,357**	-	**184,357**	-

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 18 to 50 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 2007 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 7 to 11 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

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

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

G. Button.

G M Button
Chief Executive Officer

Perth
27 March 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
MAGNUM MINING AND RESOURCES LIMITED

We have audited the accompanying financial report of Magnum Mining and Exploration Limited ("the company"), which comprises the balance sheet as at 31 December 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report

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

In Note 1(a), the directors state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Magnum Mining and Exploration Limited and included in the Directors' Report, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year then ended; and

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

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

Auditor's Opinion on the AASB 124 Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
27 March 2007

W M CLARK
Partner

Shareholder information

The shareholder information set out below was applicable as at 29 February 2008.

1. Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares		
John Rodger (beneficially and non beneficially held)	13,500,000	8.93
Stately Glory Limited	5,000,000	3.31

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	123
1,001 – 5,000	341
5,001 – 10,000	176
10,001 – 100,000	466
100,001 and over	179
	1,285

(ii) There were 268 holders of less than a marketable parcel of shares.

5. Twenty Largest Shareholders

	Name of Shareholder:	Number Held:	Percentage of Issued Shares:
1.	HSBC Custody Nominees (Australia) Limited	13,062,731	8.64
2.	Sunshore Holdings Pty Ltd	8,550,000	5.66
3.	Aero Agencies International Ltd	7,000,000	4.63
4.	Stately Glory Limited	5,000,000	3.31
5.	Dr Salim Cassim	3,300,000	2.18
6.	Citi Corp Nominees Pty	3,062,788	2.03
7.	Houtbay International Limited	3,000,000	1.98
8.	ANZ Nominees Limited	2,999,385	1.98
9.	National Nominees Limited	2,870,000	1.90
10.	Shannon Corporate Nominees	2,562,000	1.69
11.	Australian Sport and Recreation Link Pty Ltd	2,260,000	1.50
12.	Mr Peter Bowman	2,000,000	1.32
13.	Mr Christopher Robert Rogerson Almondbury	2,000,000	1.32
14.	Sunshore Holdings Pty Ltd	2,000,000	1.32
15.	Yarandi Investments Pty Ltd	1,549,661	1.03
16.	Mr Grant Button	1,500,000	0.99
17.	Mr Henry Nangoy Nangoy Family	1,500,000	0.99
18.	Mr Gerry Nealon	1,500,000	0.99
19.	Mr John Rodger	1,500,000	0.99
20.	Warmbad Investment Holdings (Pty.) Ltd	1,500,000	0.99
		68,716,565	45.44

6. Schedule of Tenements

Magnum Mining and Exploration Limited hold no current tenements.

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