



ABN 70 003 170 376

RIGHTS ISSUE OFFER BOOKLET

FOR A NON-RENOUNCEABLE PRO RATA RIGHTS ISSUE TO EACH ELIGIBLE SHAREHOLDER OF 1
NEW SHARE FOR EVERY 5 SHARES HELD ON THE RECORD DATE AT AN OFFER PRICE OF A\$0.02
PER SHARE

THIS OFFER CLOSSES AT 5.00PM (AWST) ON 20 AUGUST 2014 (UNLESS EXTENDED)

This Offer Booklet is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares. This Offer Booklet is important and requires your immediate attention. This Offer Booklet should be read in its entirety. If you do not understand its contents or are in doubt about what to do, you should consult your stockbroker or a professional adviser

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

Corporate directory

Magnum Mining and Exploration Limited **ABN 70 003 170 376**

Directors

Grant Button - Chief Executive Officer
Darryl Lynton-Brown - Non-Executive Chairman
Michael McMahon - Non-Executive Director

Registered office

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Website: <http://www.mmel.com.au/>

ASX symbol: MGU

Share Registry

Computershare Investor Services Pty Limited
Reserve Bank Building
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Perth, Western Australia 6000
+61 8 9323 2000 or 1300 557 010 (within Australia)

Legal Advisers

Allen & Overy
Level 27, Exchange Plaza
2 The Esplanade
Perth WA 6000

Contents

1	Chairman’s letter	4
2	Key dates and Summary Information for the Rights Issue	5
3	Details of the Offer.....	6
4	Company Overview	8
5	Risk Factors	9
6	How to Apply.....	12
7	Important Information	16
8	Glossary and Interpretation	22

1 Chairman's letter

31 July 2014

Dear Shareholder,

On behalf of Magnum, I am pleased to invite you to participate in the Rights Issue. The Rights Issue gives you the opportunity to purchase 1 New Share at A\$0.02 per share for every 5 shares in Magnum that you own at 5.00pm (AWST) on Thursday, 7 August 2014.

The offer price represents a 28.57% discount to both the closing price of Magnum shares on Wednesday, 30 July 2014 (being the last trading day before the announcement of the Rights Issue) and to the volume weighted average market price of Shares for the 5 trading days up to close of trade on Wednesday, 30 July 2014 of (in both cases A\$0.028 per Share).

Entitlements will not be able to be traded on ASX or any other exchange or privately transferred.

The Directors reserve the right to issue any New Shares which are not subscribed for by Eligible Shareholders at their discretion within 3 months after the Closing Date.

This Offer Booklet contains important information about the Rights Issue under the following headings:

- Key dates and Summary Information for the Rights Issue;
- Details of the Offer;
- Company Overview;
- Risk Factors;
- How to Apply; and
- Important Information.

Accompanying this Offer Booklet is your personalised Entitlement and Acceptance Form, which details your entitlement.

The Rights Issue closes at 5.00pm (AWST) on 20 August 2014 (unless extended). To participate, you need to ensure that you have completed your application by paying Application Monies by BPAY®, or by lodging your personalised Entitlement and Acceptance Form with your cheque, bank draft or money order, before this time and date. Please refer to the instructions on "How to Apply" set out in Section 6 this Offer Booklet for further information.

The funds raised from the Rights Issue will be spent equally on the exploration and development of both the Gravelotte and Tantalite Valley Projects (after costs of the Offer and repayment of the interim working capital loan). In the likely event that the Tantalite Valley Joint Venture proceeds, then Magnum will have no funding commitments towards the Tantalite Valley Joint Venture project for 30 months. In this event, the funds raised and attributed to exploration on the TV Project will be utilised to explore and develop the Gravelotte Project.

You are encouraged to read this Offer Booklet and the accompanying Entitlement and Acceptance Form in detail. You should consult your stockbroker, accountant, solicitor, financial adviser or other independent professional adviser to evaluate whether or not to participate in the Rights Issue.

On behalf of the Board of Magnum, I invite you to consider this opportunity and thank you for your ongoing support.

Yours sincerely,

Darryl Lynton-Brown
Non-Executive Chairman

2 Key dates and Summary Information for the Rights Issue

Key Dates

Event	Date
Announcement of the Rights Issue and lodgment of Appendix 3B and Cleansing Notice	Pre-Market 31 July 2014
Notice to Shareholders to inform them of the Rights Issue and indicative timetable	1 August 2014
“Ex” Date	5 August 2014
Record Date for the Rights Issue	5.00pm AWST 7 August 2014
Offer Booklet with Entitlement and Acceptance Form despatched	11 August 2014
Rights Issue opens	11 August 2014
Closing Date for the Rights Issue	5.00pm AWST 20 August 2014 (unless extended)
New Shares commence trading on ASX on a deferred settlement basis	21 August 2014
Notify ASX of under subscriptions	25 August 2014
Issue date – New Shares are issued	27 August 2014
New Shares issued under the Rights Issue expected to commence trading on ASX on a normal settlement basis	28 August 2014

Note: Dates and times are indicative only and subject to change. The commencement of quotation of New Shares is subject to confirmation from ASX. Magnum reserves the right, subject to the Corporations Act and ASX Listing Rules, to vary the dates of the Rights Issue, including extending the Rights Issue or accepting late applications, either generally or in particular cases, without notice. You cannot, in most circumstances, withdraw the application once it has been accepted. No cooling off rights apply to the Rights Issue.

Summary Information

Issue Price	A\$0.02
Entitlement	1 New Share for every 5 Shares held on Record Date (rounded up to the nearest whole number of Shares)
Discount to closing price of Shares on ASX on 30 July 2014	A\$0.008 or 28.57%
Discount to VWAP for the 5 trading days to 30 July 2014	A\$.008 or 28.57%
Maximum number of Shares to be issued under the Rights Issue	Approximately 38,250,000 New Shares
Maximum amount which may be raised under the Rights Issue (before costs and expenses)	Approximately A\$765,262
Maximum number of Shares on issue after the Rights Issue	Approximately 229,565,000 Shares

3 Details of the Offer

3.1 Offer

The Company offers for subscription approximately 38,250,000 New Shares pursuant to a pro-rata non-renounceable entitlement issue to Eligible Shareholders of 1 New Share for every 5 Shares held on the Record Date at an issue price of \$0.02 per Share. Fractional entitlements will be rounded up to the nearest whole number.

All of the New Shares offered under this Offer Booklet will rank equally with the Shares on issue at the date of this Offer Booklet.

The Company currently has 191,315,612 Shares on issue. The Company does not currently have any options on issue. Based on the capital structure of the Company, the maximum number of New Shares that may be issued pursuant to the Offer is approximately 38,250,000 New Shares (subject to rounding), which would increase the total number of Shares on issue in the Company to approximately 229,565,000 Shares after the close of the Offer, if the Offer is fully subscribed or all Shortfall Shares are issued.

3.2 Use of Funds

The Offer will raise up to approximately \$765,000 before the costs of the Offer. The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$200,000 raised	\$400,000 raised	\$600,000 raised	\$765,000 raised
Gravelotte Project Exploration Programme	\$70,000	\$95,000	\$195,000	\$277,500
Tantalite Valley Project Exploration Programme ¹	\$70,000	\$95,000	\$195,000	\$277,500
Repayment of working capital loan	Nil	\$150,000	\$150,000	\$150,000
Expenses of the Offer	\$60,000	\$60,000	\$60,000	\$60,000
Total²	\$200,000	\$400,000	\$600,000	\$765,000

3.3 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 6 below.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date and shown on the Entitlement and Acceptance Form accompanying this Offer Booklet. You may accept for a lesser number of Shares should you wish to take up only part of your Entitlement.

The Directors reserve the right to issue Shortfall Shares.

¹ If the conditions of the partial Tantalite Valley sale are satisfied Aftan will assume all funding obligations in respect of the TV Project and accordingly all of the funds allocated in this table to the TV Project will be allocated as additional funds for exploration in respect of the Gravelotte Project.

² The expenditures shown above may be subject to change, and will be contingent upon results, circumstances and other opportunities. The Board reserves the right to alter the way that funds are applied on this basis. The Directors are of the opinion that, on completion of the Offer, there will be sufficient working capital for the Company to meet its stated objectives.

3.4 Minimum subscription

There is no minimum subscription for the Offer.

3.5 Shortfall Offer

Any Shares not taken up by Eligible Shareholders may become available as Shortfall Shares which may be placed by the Company. It is possible that there will be few or no Shortfall Shares available, depending on the level of acceptance of Entitlements by Eligible Shareholders.

The offer of any Shortfall Shares is a separate offer made pursuant to this Offer Booklet (**Shortfall Offer**). Shortfall Shares will be issued at the same issue price as the New Shares offered to Eligible Shareholders under the Offer being \$0.02.

3.6 Details of Substantial Holders

Based on publicly available information as at 30 June 2014 the only Shareholder with a relevant interest in 5% or more of the Shares on issue is as follows:

Shareholder	No. of shares	%
Farmingacre Limited	17,000,000	8.89

3.7 Effect on control of the Company

If all Shareholders take up all of their Entitlement under the Offer, the percentage interests in the Company held by the major Shareholder (as set out in the above table) would not change and there would be no effect on the control of the Company.

However, if some or all Shareholders do not take up some or all of their Entitlements under the Offer, then the control of the major Shareholder may increase, while the interests of Shareholders that do not participate in the Offer will correspondingly decrease.

3.8 Issue

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the timetable set out in this Offer Booklet.

Holding statements for New Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and the timetable set out in this Offer Booklet.

3.9 Rights and Liabilities attaching to New Shares

New Shares issued pursuant to this Offer Booklet will be fully paid ordinary shares in the capital of the Company. The New Shares will rank equally with and have the same rights in all other respects as the Shares including for any dividend issued after the date of this Offer Booklet.

The rights and liabilities attaching to New Shares are set out in the Company's Constitution (a copy of which is available for inspection at the Company's registered office during normal business hours) and are regulated by the Corporations Act, the general law and the ASX Listing Rules.

3.10 Continuous disclosure obligations

The Company is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In particular, the Company is required under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. All

announcements made by the Company are available from its website www.mmel.com.au or from ASX's website www.asx.com.au.

This Offer Booklet is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Shareholders should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to accept their Entitlement.

3.11 Rights Issue Notice

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company.

3.12 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

4 Company Overview

4.1 Company Overview

The Company currently has an interest in two projects, the Gravelotte Project in South Africa and the Tantalite Valley Project in Namibia.

4.2 Gravelotte Project, South Africa

Magnum holds a 74% interest in the Gravelotte Project, which comprises a mining lease in respect of emeralds and on-site infrastructure.

The Gravelotte Project is located close to the town of Gravelotte in the Limpopo province of South Africa. The Gravelotte Project shares a boundary with the consolidated Murchison Mine, the oldest known antimony deposit in the world. Emeralds were discovered in the Gravelotte area in 1927 and since then several companies have mined and explored the area for emeralds.

The Company intends to conduct exploration activities to produce a JORC compliant resource estimate as soon as possible.

4.3 Tantalite Valley Project, Namibia

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

On 31 July 2014 Magnum announced that it had signed a binding conditional heads of agreement (**HOA**) with Namibian incorporated investment vehicle Aftan Tantalum (Pty) Limited (**Aftan**) that provides a way forward for the development of the Tantalite Valley Project in Namibia.

Under the HOA, Magnum will sell 60% of the shares in the TV Project companies (Namibia Tantalite Investments Pty Ltd and Tameka Shelf Company Four (Pty) Ltd) to Aftan for total consideration of R 8,000,000 (approximately A\$806,160). Aftan will assume sole responsibility for funding and operating the TV Project and will have an assignable, 100% interest in any revenues generated by the TV Project in the 30 months following completion (**Transaction**).

Completion of the Transaction is conditional on confirmation of mining tenure at the TV Project to the reasonable satisfaction of Aftan and on Magnum and Aftan obtaining any in-country regulatory approvals that may be required. The conditions precedent must be satisfied by 31 December 2014 or such later date agreed by Magnum and Aftan in writing.

5 Risk Factors

5.1 Introduction

There are a number of risks, both specific to Magnum and of a general nature which may, either individually or in combination, affect the future operational and financial performance of Magnum and the mining industry in which it operates, and the value of Shares.

The risks summarised below are not exhaustive and do not take into account the individual circumstances of Shareholders. Magnum does not give any assurances or guarantees of the future performance or profitability of Magnum or the value of Shares. Additionally, Magnum does not give any assurances or guarantees that the risks set out in this Offer Booklet will not change. The future dividends, the value of Magnum assets and the market value or price of Shares quoted on ASX may be influenced by these and other risk factors. Some of the risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many risks that may affect Magnum are outside the control of Magnum.

Every Shareholder should:

- (a) rely on their own knowledge of Magnum;
- (b) refer to disclosures made by Magnum on ASX; and
- (c) consult their professional adviser, before deciding whether to apply for New Shares.

5.2 Exploration and evaluation

The success of Magnum depends on the delineation of economically mineable reserves and resources through exploration activities. Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. Exploration of Magnum's existing exploration and mining tenements may be unsuccessful, resulting in reduction in the value or relinquishment of those tenements.

5.3 Development and operations

Mining projects are generally high-risk undertakings. No assurances can be given that Magnum will be able to successfully exploit discoveries which may be made on Magnum's mining tenements. Development of a mining operation at any of Magnum's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable gemstone deposits and tantalum, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If Magnum commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour

disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions or accidents.

These risks and uncertainties could result in Magnum not realising development plans or in such plans generating less revenue than expected, costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on Magnum's financial and operational performance and the market price of Shares.

Magnum does not have a producing project or operating history on which an evaluation of its development and operational credentials can be made. Magnum's prospects must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their pre-development stage.

5.4 Regulatory compliance

(a) Title and tenure

Magnum's exploration and development activities are contingent on obtaining and maintaining necessary licences and permits in South Africa and Namibia. Magnum's existing tenements are subject to various conditions, obligations and terms. If renewal is required this may be at the discretion of the relevant government minister or official. If approval for renewal is refused, Magnum will suffer a loss of the opportunity to undertake further exploration and/or exploitation of its tenements. There is no guarantee that some or all of Magnum's mining licences will not be revoked in the future. Magnum has been advised that the Namibian Minister for Mines is conducting a review of the TV Project's mining licence. There is no guarantee that the review will not result in the cancellation of Magnum's mining licence in Namibia.

(b) Black economic empowerment

The South African mining industry (including Magnum's Gravelotte Project) is subject to Black Economic Empowerment requirements as prescribed by the regulatory requirements for mining. In accordance with the Mineral and Petroleum Resources Development Act no. 28 of 2002 (the **MRPD Act**) one of the requirements that must be met before the South Africa Department of Minerals and Resources will issue a prospecting or mining right is that an applicant must facilitate the participation by historically disadvantaged South Africans (**HDSAs**) in prospecting or mining operations which result from the granting of prospecting or mining rights.

Under the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the **Mining Charter**) applicants must be able to demonstrate that HDSAs have or had a 26% equity participation in a prospecting or mining venture by 1 May 2014. The Mining Charter also includes provisions relating to skills development, procurement from HDSA companies, social upliftment and beneficiation. Amendments to the MRPD Act in June 2013 have expanded the definition of HDSAs to include communities and as such the Minister of Mineral Resources (South Africa) may impose conditions on companies applying for new prospecting and mining rights, requiring that such companies provide for the participation of communities in their mining or prospecting operations. Further amendments to the MRPD Act and related regulations are anticipated in the future and Magnum cannot predict the outcome, timing or impact of such amendments or new regulations on its business.

(c) Other approvals, licences and permits

Magnum's existing and planned future activities will require Magnum to obtain, and maintain compliance with, a number of approvals, licences and permits under applicable laws in South Africa and Namibia. These relate to, for example, environmental protection, management of natural resources, management and use of hazardous substances and explosives, exploration, development of mines, production and post-closure reclamation and rehabilitation, exports, price

controls, repatriation of capital and exchange controls, taxation, mining royalties, labour standards and occupational health and safety.

The costs associated with compliance with these laws and regulations are substantial, and possible future laws and regulations, changes to existing laws and regulations (including the imposition of new or higher taxes and mining royalties) could cause additional expense, capital expenditures, restrictions on or suspensions of Magnum's operations and delays in development of its mining assets. There can be no guarantee that Magnum will be able to obtain or maintain all necessary approvals, licences and permits that may be required.

5.5 Environmental liability

Inherent in mining and exploration operations is a real environmental risk. Environmental laws and regulations change frequently and are generally becoming more stringent across the global mining industry. Therefore, Magnum is unable to fully ascertain all future liability that may arise from any new laws or regulations. Mineral exploration and production can be environmentally sensitive activities which can give rise to substantial costs for environmental rehabilitation, damage, control and losses.

5.6 Sovereign risk

Magnum's operations may also be affected in varying degrees by political and economic instability, crime, labour union industrial action, wage inflation, extreme fluctuations in currency exchange rates and inflation, all of which are beyond its control.

Changes, if any, in mining or investment policies, or shifts in political attitude in South Africa, may adversely affect the Magnum's operations or its future profitability. Operations may be adversely affected to varying degrees by government regulations with respect to restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety, among other things.

5.7 Securities investments

Applicants should be aware that there are risks associated with any securities investment. The prices at which the New Shares trade may be above or below the Offer Price, and may fluctuate in response to a number of factors.

5.8 Market conditions

Share market conditions may affect the value of Shares regardless of Magnum's operating performance. Share market conditions are affected by a number of factors, including:

- (i) general economic outlook;
- (ii) introduction of new legislation or regulations;
- (iii) changes in investor sentiment toward particular market sectors;
- (iv) the demand for, and supply of, capital; and
- (v) terrorism and other hostilities.

The market price of securities can fluctuate and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks.

5.9 Economic conditions

Domestic and global economic conditions may affect Magnum's performance. Factors such as movements in interest and inflation rates and currency exchange rates, commodity price, the availability of finance to funding, availability of essential supplies (such as oil, power and water) and inflation may have an adverse effect on Magnum's exploration, development and production activities.

5.10 Competition risks

The mining industry is subject to domestic and global competition. Magnum will have no influence or control over the activities or actions of its competitors, which activities or actions may affect the operating and financial performance of Magnum's projects and business.

5.11 Litigation

Magnum, like many companies in the mining industry, may be subject to legal claims in the ordinary course of its corporate and operational activities, both with and without merit. Litigation risks to Magnum include, but are not limited to, claims by parties with competing land claims, personal injury claims, employee claims, environmental action and commercial disputes. Defence and settlement costs can be substantial, even with respect to claims that have no merit.

5.12 Counterparties

Magnum may suffer financial loss if an existing or future contractual counterparty (for example offtake partner or drilling contractor) fails to meet its contractual obligations. In particular, assuming the partial sale of the TV Project proceeds, a failure by Aftan as Magnum's new joint venture partner to meet its funding and operational obligations under the Tantalite Valley Joint Venture could adversely affect the development of the Tantalite Valley Project into a tantalum producing asset and the value of Shares.

5.13 Dividends

Magnum does not currently have any earnings and accordingly does not have any plan to pay dividends. There can be no assurance that Magnum will be in a financial position to pay dividends at any time following the issue of New Shares under the Rights Issue.

6 How to Apply

6.1 The Rights Issue

Eligible Shareholders are being offered the opportunity to subscribe for 1 New Share for every 5 Shares held at 5.00pm AWST on 7 August 2014, at the Offer Price (being A\$0.02 per New Share).

As the Rights Issue is non-renounceable, Entitlements cannot be traded on ASX or any other exchange, or privately transferred. Any Entitlement which you do not take up will lapse.

There is no minimum subscription under the Rights Issue.

The Directors reserve the right to issue any New Shares which are not subscribed for by Eligible Shareholders at their sole and absolute discretion within three months after the Closing Date.

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 New Share for every 5 Shares you held as at 5.00pm AWST on 7 August 2014 (**Record Date**), rounded up to the nearest whole share. If you have more than one holding of Shares, you

will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

6.2 Consider the Rights Issue in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, solicitor, financial adviser or other independent professional adviser if you have any queries or are uncertain about any aspects of the Rights Issue.

6.3 Complete and return the accompanying personalised Entitlement and Acceptance Form with your Application Monies or make a payment by BPAY®¹

If you decide to take up all or part of your Entitlement, please complete and return the personalised Entitlement and Acceptance Form with the requisite application monies (with payment by cheque, bank draft or money order) (**Application Monies**) OR pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form.

Magnum will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement. No interest will be paid to applicants on any Application Monies received or refunded. If your application is not supported by cleared funds you will not be issued with New Shares.

If you are paying by BPAY®, please make sure to use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Entitlement and Acceptance Form. If you inadvertently use the same CRN for more than one of your Entitlements, you will be deemed to have applied only for New Shares on the Entitlement to which that CRN applies.

If you take up and pay for all or part of your Entitlement before the close of the Rights Issue it is expected that you will be issued your New Shares on 27 August 2014. Magnum's decision on the number of New Shares to be issued to you will be final.

Magnum also reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

6.4 Acceptance of the Rights Issue

The method of acceptance of the Rights Issue will depend on your method of payment being:

- (a) by BPAY®; or
- (b) by cheque, bank draft or money order.

By completing, and Magnum receiving, your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, you:

- (c) agree to be bound by the terms of this Offer Booklet and the provisions of Magnum's Constitution;
- (d) authorise Magnum to register you as the holder(s) of the New Shares issued to you;
- (e) declare that all details and statements made in the personalised Entitlement and Acceptance Form are complete and accurate;
- (f) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Rights Issue;

¹ ® registered to BPAY Pty Limited ABN 69 079 137 518.

- (g) acknowledge that once Magnum receives the personalised Entitlement and Acceptance Form or your payment by BPAY®, you may not withdraw it except as allowed by law;
- (h) agree to apply for, and be issued with, up to the number of New Shares that you apply for at the Offer Price of A\$0.02 per New Share;
- (i) authorise Magnum and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on the instructions of the Share Registry upon using the contact details set out in the personalised Entitlement and Acceptance Form;
- (j) agree that the issue of New Shares to you constitutes acceptance of your application;
- (k) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (l) acknowledge that the information contained in this Offer Booklet is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation, taxation circumstances or particular needs;
- (m) represent and warrant that you are a resident of Australia, New Zealand, the United Kingdom, the Isle of Mann, Hong Kong, South Africa, Indonesia, Malaysia or Singapore;
- (n) represent and warrant that the law of any place (other than Australia) does not prohibit you from being given this Offer Booklet or making an application for New Shares;
- (o) represent and warrant that you are an Eligible Shareholder and have read and understood this Offer Booklet and the personalised Entitlement and Acceptance Form and that you acknowledge the matters, and make the warranties and representations and agreements contained in this Offer Booklet and the personalised Entitlement and Acceptance Form; and
- (p) will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:
 - (i) you are not in the United States and are not a “U.S. Person” (as defined in Rule 902(k) under the U.S. Securities Act of 1933 (**U.S. Securities Act**)) (**U.S. Person**), and are not acting for the account or benefit of a U.S. Person;
 - (ii) you acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and, accordingly, the Entitlements may not be taken up, and the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws; and
 - (iii) you have not and will not send any materials relating to the Rights Issue to any person (i) in the United States or that is a U.S. Person or is acting for the account or benefit of a U.S. Person or (ii) in any other country outside Australia, New Zealand, the United Kingdom, the Isle of Mann, Hong Kong, South Africa, Indonesia, Malaysia and Singapore..

Payment by BPAY®

For payment by BPAY® please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that personalised Entitlement and Acceptance Form; and

- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm AWST on 20 August 2014. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares (only where the amount is A\$1.00 or greater) will be refunded as soon as practicable after the close of the Rights Issue. No interest will be paid on any Application Monies received or refunded.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to “Magnum Mining and Exploration Limited” and crossed “Not Negotiable”.

Your cheque, bank draft or money order must be:

- in respect of the full Application Monies (being for an amount equal to A\$0.02 multiplied by the number of New Shares that you are applying for); and
- in Australian currency drawn on an Australian branch of a financial institution.

The completed personalised Entitlement and Acceptance Form together with Application Monies should be mailed using the reply paid envelope provided with this Offer Booklet or otherwise mailed to the Magnum Share Registry at the following address:

Magnum Mining and Exploration Limited
 C/- Computershare Investor Services Pty Limited
 GPO Box 505
 Melbourne, Victoria, 3001

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares (only where the amount is A\$1.00 or greater) will be refunded as soon as practicable after the close of the Rights Issue. No interest will be paid on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

7 Important Information

This Offer Booklet (including the ASX announcement and investor presentation reproduced in it) and accompanying personalised Entitlement and Acceptance Form have been prepared by Magnum. The information in this Offer Booklet is dated 31 July 2014.

No party other than Magnum has authorised or caused the issue of the information in this Offer Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings regarding the information in this Offer Booklet.

You should read the information in this Offer Booklet carefully and in its entirety before deciding whether to invest in New Shares. You should also consult your stockbroker, accountant, solicitor, financial adviser or other independent professional adviser to evaluate whether or not to participate in the Rights Issue. If you have any doubt about whether you should invest in the Rights Issue, you should seek professional advice before making any investment decision.

Magnum has applied for the grant by ASX of official quotation of the New Shares. Magnum will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or before they receive their confirmation of issue, whether on the basis of confirmation of the allocation provided by Magnum or the Share Registry or otherwise.

7.1 Eligible Shareholders

The information in this Offer Booklet contains an offer of New Shares to Eligible Shareholders and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by Australian Securities and Investments Commission (ASIC) Class Order [CO 08/35].

Those holders of Shares who:

- are registered as a holder of Shares as at 5.00pm AWST on the Record Date;
- have an address on the share register in Australia, New Zealand, the United Kingdom, the Isle of Mann, Hong Kong, South Africa, Indonesia, Malaysia or Singapore;
- are not in the United States and are neither U.S. Persons nor acting for the account or benefit of U.S. Persons; and
- are eligible under all applicable securities laws to receive an offer under the Rights Issue,

are eligible Shareholders (**Eligible Shareholders**).

Magnum reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or they fail to provide information to substantiate their claims.

7.2 Ineligible Shareholders

Magnum has decided that it is unreasonable to make offers under the Rights Issue to holders of Shares who have registered addresses in the United States or Papua New Guinea or who are otherwise ineligible under applicable securities laws to receive an offer under the Rights Issue, having regard to the number of such holders in those jurisdictions and the number and value of the New Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those jurisdictions. Ineligible Shareholders are not eligible to participate in the Rights Issue.

7.3 Not investment advice

The information in this Offer Booklet is not a prospectus, disclosure document or other offering document under the Corporations Act (or any other Australian or foreign law) and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances, taxation circumstances or particular needs. Magnum is not licensed to provide financial product advice in respect of the New Shares. You should make your own assessment of what information is relevant to your decision to participate in the Rights Issue.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives, taxation circumstances and financial circumstances or particular needs and having regard to the merits or risks involved (including the non-exhaustive set of risks set out in Section 5 of this Offer Booklet). If, after reading the information in this Offer Booklet, you have any questions about the Rights Issue, you should contact your stockbroker, accountant, solicitor, financial adviser or other independent professional adviser.

7.4 Taxation

The taxation consequences of any investment in New Shares will depend upon your particular circumstances.

Potential investors must make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

7.5 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

7.6 Effect on share capital

The effect of the Rights Issue on the capital structure of the Company will be as follows:

Shares	Number
Number of Shares on issue at 30 July 2014 (the trading day immediately prior to the Announcement Date)	191,315,612
Maximum number of New Shares to be issued under the Rights Issue	38,263,122
Maximum number of Shares on issue following the Rights Issue	229,578,734

The figures in this table are based on the share capital of the Company as at 30 July 2014 and assumes that all Eligible Shareholders take up their Entitlements in full. The figures are also approximate as individual Entitlements will be rounded up to the nearest whole figure.

7.7 Directors' interest and participation

Each Director's relevant interest in the securities of Magnum at the date of this Offer Booklet and their Entitlement under the Rights Issue is described below:

Director	Shares before Rights Issue	Entitlement
Grant Button ¹	3,700,000	740,000
Darryl Lynton-Brown ²	920,000	184,000

Michael McMahon	Nil	Nil
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Notes:

1. Mr Grant Button intends to take up his full Entitlement under the Rights Issue and will hold 4,440,000 Shares in total after the Rights Issue.
2. Mr Darryl Lynton-Brown does not intend to participate in the Rights Issue and therefore, there will be no change to his shareholding in the Company as a result of the Rights Issue.

7.8 Information availability

Eligible Shareholders in Australia, New Zealand, the United Kingdom, the Isle of Mann, Hong Kong, South Africa, Indonesia, Malaysia or Singapore can obtain a copy of this Offer Booklet during the Rights Issue period on our website, www.mmel.com.au. Persons who access the electronic version of this Offer Booklet should ensure that they download and read the entire Offer Booklet. The electronic version of this Offer Booklet on the ASX website will not include a personalised Entitlement and Acceptance Form. A replacement personalised Entitlement and Acceptance Form can be requested by calling the Share Registry during the Rights Issue period.

7.9 Governing law

This Offer Booklet, the Rights Issue and the contracts formed on acceptance of the personalised Entitlement and Acceptance Forms are governed by the laws applicable in Western Australia. Each Eligible Shareholder who applies for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia.

7.10 Entire agreement

The terms contained in this Offer Booklet and the accompanying Entitlement and Acceptance Form constitute the entire agreement between Magnum and you as to the Entitlement Offer to the exclusion of all prior representations, understandings and agreements between Magnum and you.

7.11 Currency

All dollar values in this Offer Booklet, other than as specified, are in Australian dollars (A\$).

7.12 Foreign jurisdictions

The information in this Offer Booklet does not, and is not intending to, constitute an offer, invitation or issue in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer, invitation or issue. No action has been taken to register or qualify the Rights Issue, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia. It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the New Shares pursuant to this Offer Booklet. Return of the Entitlement and Acceptance Form or your BPAY® payment shall be taken by Magnum to constitute a representation by you that all relevant approvals have been obtained and there has been no breach of any relevant laws.

The distribution of the information in this Offer Booklet (including an electronic copy) outside Australia, New Zealand, the United Kingdom, the Isle of Mann, Hong Kong, South Africa, Indonesia, Malaysia or Singapore may be restricted by law. If you come into possession of the information in this Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions.

(a) Hong Kong

WARNING: This Offer Booklet has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been

authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong by means of any document other than to:

- (i) “professional investors” (as defined in the SFO); or
- (ii) in any other circumstances that do not result in this document being a prospectus (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person issued New Shares may sell, or offer to sell, such Shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Shares.

The contents of this Offer Booklet have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Rights Issue. If you are in doubt about any contents of this Offer Booklet, you should obtain independent professional advice.

(b) Indonesia

A registration statement with respect to the Entitlements or the New Shares has not been, and will not be, filed with the Capital Market and Financial Supervisions Agency (Bapam-LK) of the Republic of Indonesia. Therefore, the New Shares may not be offered or sold or be the subject of an invitation for subscription or purchase. Neither this Offer Booklet nor any other document relating to the offer of Entitlements or New Shares, or invitation for subscription or purchase, of the entitlements may be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a “public offer” under the law and regulations of Indonesia.

(c) Malaysia

No approval from the Malaysian Securities Commission has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or made available for purchase in Malaysia except in an exemption from the prospectus and approval requirements of the Malaysian Securities Commission.

(d) New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Offer Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Offer Booklet is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(e) **Singapore**

This Offer Booklet and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offer Booklet and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Entitlements and New Shares, may not be issued, circulated or distributed, nor may the Entitlements and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

This Offer Booklet has been given to you on the basis that you are (i) an existing holder of Shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Offer Booklet immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(f) **South Africa**

The offer of New Shares under the Rights Issue described in this Offer Booklet does not constitute an offer to the public in South Africa in terms of the Companies Act 2008 (**SA Companies Act**) and, accordingly, this document has not been registered as a prospectus with the South African Companies and Intellectual Property Commission.

The Company is not authorised and the New Shares are not allowed to be offered to the public. This Offer Booklet and any other document or material in connection with the offer or invitation for subscription of the New Shares may not be circulated or distributed, nor may the New Shares be offered, or be made the subject of an invitation for subscription, whether directly or indirectly, to persons in South Africa except to “institutional investors” (as set out in section 96(1)(a) of the SA Companies Act), or to Shareholders pursuant to a rights offer (including this Rights Issue), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SA Companies Act.

In addition, the Rights Issue does not constitute soliciting investments from members of the public in South Africa in terms of the Collective Investment Schemes Control Act, 2002 (**CISCA**) and, accordingly, the Company has not registered as a foreign collective investment scheme in South Africa under the CISCA.

(g) **United Kingdom**

Neither the information in this document nor any other document relating to the Rights Issue has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Entitlements or the New Shares.

This Offer Booklet is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this Offer Booklet, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Offer Booklet should not be distributed, published or reproduced, in

whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this Offer Booklet is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together, **relevant persons**). The investments to which this Offer Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offer Booklet or any of its contents.

(h) United States

This Offer Booklet may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Offer Booklet have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold in the United States.

7.13 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Rights Issue that is not contained in this Offer Booklet.

Any information or representation that is not in this Offer Booklet may not be relied on as having been authorised by Magnum, or its related bodies corporate, in connection with the Rights Issue. Except as required by law, and only to the extent so required, none of Magnum or any other person, warrants or guarantees the future performance of Magnum or any return on any investment made pursuant to the information in this Offer Booklet.

7.14 Privacy

If you complete an application for New Shares, you will be providing personal information to Magnum (directly or via the Share Registry). Magnum will collect, hold and use that information to assess your application, facilitate your needs as a Shareholder, facilitate distribution payment (if any) and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact Magnum or the Share Registry if you wish to do so at the relevant contact number set out in the Corporate Directory in this Offer Booklet.

The collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth), the Corporations Act and the ASX Settlement and Operating Rules and Procedures.

You should note that if you do not provide the information required in the Entitlement and Acceptance Form, Magnum may not be able to accept or process your application for New Shares.

8 Glossary and Interpretation

8.1 Glossary

Announcement Date	The date of announcement of the Rights Issue to ASX, being 31 July 2014
Applicant	An Eligible Shareholder who applies for Shares pursuant to the Offer or other party who applies for Shortfall Shares pursuant to the Shortfall Offer
Application Monies	Has the meaning given to it in Section 6.3 of this Offer Booklet
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange
ASX Listing Rules	The listing rules of the ASX
AWST	Australian Western Standard Time
Board	The board of directors of Magnum
Closing Date	5.00pm AWST 20 August 2014
Company or Magnum	Magnum Mining and Exploration Limited (ABN 70 003 170 376)
Constitution	The Company's Constitution as at the date of this Offer Booklet
Corporations Act	The Corporations Act 2001 (Cth)
CRN	Customer Reference Number
Director	A director of the Company
Eligible Shareholder	Has the meaning given to it in Section 7.1 of this Offer Booklet
Entitlement	The entitlement to 1 New Share for every 5 existing Shares held at 5.00pm AWST on the Record Date. The entitlement of each Eligible Shareholder is shown on the personalised Entitlement and Acceptance Form
Entitlement and Acceptance Form or Form	The personalised Entitlement and Acceptance Form accompanying this Offer Booklet
Gravelotte Project	The Gravelotte emerald project located in the Limpopo province of South Africa which comprises a mining lease in respect of emeralds and on-site infrastructure
New Shares	Shares offered under the Rights Issue
Offer	The non-renounceable pro rata offer of 1 New Share for each 5 existing Shares held by an Eligible Shareholder at 5.00pm AWST on the Record Date

Offer Booklet	This offer document
Offer Price	A\$0.02 per New Share
Record Date	5.00pm AWST on Thursday, 7 August 2014
Rights Issue	The non-renounceable pro rata offer of 1 New Share for each 5 existing Shares held by an Eligible Shareholder at 5.00pm AWST on the Record Date
Share	A fully paid ordinary share in the Company
Shareholder	A registered holder of Shares
Share Registry	Computershare Investor Services Pty Limited
Shortfall Offer	The offer of the Shortfall Shares under this Offer Booklet on the terms set out in section 3.5.
Shortfall Shares	The New Shares for which a validly completed and executed Entitlement and Acceptance Form has not been received by the Closing Date
Tantalite Valley Joint Venture	The joint venture to be constituted between Magnum and Aftan in respect of the TV Project, subject to satisfaction of the conditions of the partial sale of the TV Project.
Transaction	has the meaning given to it in Section 4.3.
TV Project or Tantalite Valley Project	The Tantalite Valley tantalite project located on Mining Licence 77 in Namibia
U.S. Securities Act	U.S. Securities Act of 1933
U.S. Person	“U.S. Person” as defined in Rule 902(k) of the U.S. Securities Act