

MAGNUM GOLD N.L.
A.B.N. 70 003 170 376

HALF-YEAR REPORT
30 JUNE 2006

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Magnum Gold N.L. and the entities it controlled at the end of, or during the half-year ended 30 June 2006.

Directors

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

J.B. Rodger
J.C. Schiller
P.R. Richard

G.M. Button was appointed a director on 6 February 2006 and continues in office at the date of this report. G.A. Nealon was appointed as director on 23 May 2006 and continues in office at the date of this report.

Operating Results

The consolidated loss of the consolidated entity for the half-year after income tax and minority interest was \$103,378 (2005 half-year loss \$85,396).

Dividends

No dividends have been paid or declared by the company during the half year (2005: nil). The directors of the company do not recommend the payment of a dividend in respect of the half year (2005: nil).

Review of Operations

Tantalite Valley Project, Namibia

In an announcement to the Australian Stock Exchange on 11 May 2006 the Company advised that it was considering the purchase of the Tantalite Valley Project located in Namibia. At an Extraordinary General Meeting held on the 31 July 2006 shareholders approved the purchase, subject to due diligence and certain conditions precedent.

The Tantalite Valley mining centre is located near the townships of Karasburg and Warmbad, in southern Namibia, adjacent to the northern border of South Africa. The Project is located on Mining License 77 ("the Mining License"), which was granted in February, 2001, and is valid for the life of the mine or an initial period of 25 years, renewable up to 15 years at a time. The Mining License is held in conjunction to separate Title Deeds to the associated land, situated on the farms Kinderzitt 132 and Umeis 110.

The company is completing its due diligence studies and receipt of placee monies in relation to the Extraordinary General Meeting and associated acquisitions.

Bunawan Project, Philippines

The Bunawan Project is a joint venture between Magnum Gold N.L. ("Magnum") and Philsaga Mining Corporation ("Philsaga"), and Philsaga manages all exploration work. Magnum can earn

DIRECTORS' REPORT (Continued)

50% equity in the project from Philsaga by the expenditure of US\$1.5 million. The Bunawan Project is located 5 km to 10 km south of Philsaga's operating Co-O gold mine within the Diwata Range of Eastern Mindanao.

The drilling program proposed by the Manager was approved to proceed. It is designed to test for a porphyry copper-gold target at depth. The program was deferred while negotiations were completed with landowners affected by a new access road. The access road and drill pad were marked out and are awaiting an available bulldozer to prepare the site, expected late August. The drilling program will test for epithermal veins and porphyry copper-gold targets below anomalous geochemical results and hydrothermally altered andesitic volcanic rocks. The target areas are located in the northern part of the Bunawan Project area, north of the Bunawan River. Regionally, the Diwata Range hosts many epithermal gold deposits and porphyry copper deposits and the Bunawan Project is also considered prospective for these styles of mineralisation.

The results of an interpretation of the aeromagnetic survey over the project were received from the Manager.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr. Jeffrey Christopher Schiller BSc (Hons), PhD, who is a Member of The Australasian Institute of Mining and Metallurgy.

Dr. Schiller is a self-employed consultant.

Dr. Schiller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Schiller consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Other Activities

The company continues to monitor exploration opportunities both in areas of current company activity and other regions.

Auditors' 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 3.

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

P.R. Richard
Director

Sydney
11 September 2006

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Auditors' Independence Declaration

As lead auditor for the review of Magnum Gold N.L. for the half-year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magnum Gold N.L. and the entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
11 September 2006

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CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2006

	Half-Year	
	2006	2005
	\$	\$
Revenue from continuing operations	8,131	14,146
Share of net loss of associate accounted for using the equity method	(103)	--
Administration expense	(80,428)	(53,225)
Other expenses	(30,978)	(46,310)
	<hr/>	<hr/>
Loss before income tax expense	(103,378)	(85,389)
Income tax expense	--	--
	<hr/>	<hr/>
Loss from continuing operations	(103,378)	(85,389)
	<hr/>	<hr/>
Loss for the half-year	(103,378)	(85,389)
Profit/(loss) attributable to minority interest	--	(7)
	<hr/>	<hr/>
Loss attributable to members of Magnum Gold N.L.	(103,378)	(85,396)
	<hr/>	<hr/>
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:	Cents	Cents
Basic earnings per share	(0.13)	(0.11)
Diluted earnings per share	(0.13)	(0.11)
Earnings per share for loss attributable to the ordinary equity holders of the company:		
Basic earnings per share	(0.13)	(0.11)
Diluted earnings per share	(0.13)	(0.11)

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

MAGNUM GOLD N.L.
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CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	30 JUNE 2006	31 DECEMBER 2005
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	373,052	512,067
Receivables	5,921	7,116
Total Current Assets	378,973	519,183
Non-Current Assets		
Investments accounted for using the equity method	161,654	147,674
Total Non-Current Assets	161,654	147,674
Total Assets	540,627	666,857
LIABILITIES		
Current Liabilities		
Payables	31,051	53,806
Total Current Liabilities	31,051	53,806
Total Liabilities	31,051	53,806
Net Assets	509,576	613,051
Equity		
Contributed equity	8,707,938	8,707,938
Reserves	(322)	(240)
Accumulated losses	(8,198,040)	(8,094,647)
Parent entity interest	509,576	613,051
Minority Interest	--	--
Total Equity	509,576	613,051

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2006

	Notes	Half-Year	
		2006	2005
		\$	\$
Total equity at the beginning of the half-year		613,051	390,562
Exchange differences on translation of foreign operations		(97)	(1,708)
Net income recognised directly in equity		(97)	(1,708)
Loss for the half-year		(103,378)	(85,396)
Total recognised income and expense for the half-year		(103,475)	(87,104)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of Transaction costs	3	--	490,227
Minority interest on acquisition of subsidiary		--	3,666
Total equity at the end of the half-year		509,576	797,351
Total recognised income and expense for the half-year is attributable to:			
Members of Magnum Gold N.L.		(103,475)	(84,463)
Minority interest		--	(2,641)
		(103,475)	(87,104)

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

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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

	Half-Year	
NOTES	2006	2005
	\$	\$
Cash flows from operating activities		
Interest received	8,131	15,061
Receipts in relation to GST refunds	8,975	-
Payments		
- to suppliers and employees (inclusive of goods and services tax)	(141,941)	(79,610)
- for exploration expenditure (inclusive of goods and services tax)	--	(40,278)
	(124,835)	(104,827)
Net cash (outflow) from operating activities		
Cash flows from investing activities		
Payment for purchase of subsidiary, net of cash acquired	--	(4,921)
Loans to related parties	(12,094)	(26,500)
Repayment of loans by related parties	(2,324)	--
	(14,418)	(31,421)
Net cash (outflow) from investing activities		
Cash flows from financing activities		
Proceeds from share issue	--	60,000
Share issue transaction costs	--	(24,773)
	--	35,227
Net cash inflow from financing activities		
Net increase (decrease) in cash and cash equivalents	(139,253)	(101,021)
Cash and cash equivalents at the beginning of the half-year	482,067	821,945
Effects of exchange rate changes on cash and cash equivalents	238	--
	343,052	720,924
Cash and cash equivalents at the end of the half-year		

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 30 June 2006 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2005 and any public announcements made by Magnum Gold N.L. during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NOTE 2. FINANCIAL REPORTING BY SEGMENTS

The group operates in one business segment, being a natural resources explorer in South East Asia. The parent entity's head office is based in Australia.

NOTE 3. EQUITY SECURITIES ISSUED

	Half-year		Half-year	
	2006 Shares	2005 Shares	2006 \$	2005 \$
Issues of ordinary shares during the half-year				
Issue of 5,000,000 fully paid ordinary shares @ 10 cents each	--	5,000,000	--	500,000
Transaction costs arising on share issue			--	(9,773)
	--	5,000,000	--	490,227

NOTE 4. CONTROLLED ENTITIES

On 16 May 2005 the parent entity established a subsidiary, Magold Mindanao Holding Corporation domiciled in the Philippines. The parent entity owns 39.99% of the issued share capital. Magold Mindanao Holding Corporation has been treated as a fully consolidated entity on the basis that the parent entity has the power to govern its operating and financial policies.

On 6 May 2006 the parent entity established a wholly owned Namibian subsidiary, Tameka Shelf Company Four (Pty.) Ltd.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2006 (Continued)

NOTE 5. CONTINGENT LIABILITIES

Guarantees

	30 JUNE 2005	31 DECEMBER 2004
	\$	\$
Secured guarantees in respect of Department of Mineral Resources deposits. Secured by deposits held by the company in financial institutions:	30,000	30,000

NOTE 6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The company has contracted to acquire 49% of the issued capital of Tantalite Valley Estates (Pty.) Ltd. ("TVE") a company which owns Mining Licence 77, farmland, mining land and buildings and land in Karasburg, Namibia. The completion of this acquisition is subject to continuing Due Diligence.

Wholly owned subsidiary, Tameka Shelf Company Four (Pty.) Ltd. has agreed to purchase Mining Licence 77 from TVE for the sum of A\$1.6 million. This purchase is subject to Ministerial Approval which is awaited by the company.

The company has contracted to acquire 100% of the issued capital of Namibian Tantalite Investment (Pty.) Ltd. ("NTI") for the sum of A\$1.5 million. Consideration for the acquisition is to be satisfied by the issue of 15,000,000 shares in Magnum Gold N.L. credited as fully paid. The completion of this acquisition is subject to continuing Due Diligence.

A placement of 30,000,000 fully paid shares to sophisticated investors is expected to be completed mid September 2006. The shares were issued at a price of ten (10) cents per share.

The financial effects of the above transactions have not been brought to account at 30 June 2006.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 9 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 consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Magnum Gold N.L. will be able to pay its debts as and when they become due and payable.

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

P.R. Richard
Director

Sydney
11 September 2006.

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Magnum Gold N.L.:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Magnum Gold N.L. Group (defined below) as at 30 June 2006 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Magnum Gold N.L. Group (the consolidated entity), for the half-year ended 30 June 2006. The consolidated entity comprises both Magnum Gold N.L. (the company) and the entities it controlled during that half-year.

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

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
11 September 2006