



MAGNETITE MINES LIMITED
Making Steel **Stronger**

ASX Announcement

28 November 2016

LOI with Qingdao Steel for 1 million tpy off-take

The Board of Magnetite Mines Limited (ASX: MGT) (**Company**) is very pleased to announce the signing of a Sale and Purchasing Letter of Intent (LOI) between The South Australian Magnetite Consortium (The Consortium) and Qingdao Iron & Steel Group (Qingdao) for the purchase of 1 million tpy of iron ore concentrate.

Qingdao is a modern, and growing steel company that currently produces over 4 million tpy of steel from 2 blast furnaces and with a third blast furnace under construction. They are a progressive company and have a history of actively encouraging the development of new sources of iron ore. Their furnaces run with a high proportion of high grade pellets in the burden (feed to the blast furnace). Their operations have been strategically located close to the Qingdao Iron Ore Port system, and near the newly commissioned Qingdao Dongjiakou port which can receive ValeMax vessels of 400,000 DWT. This bodes well for the plans of the Consortium and their offshore port currently under design, which will be able to load ValeMax vessels.

It is the intent of the parties that the LOI is the prologue to a conditional off-take contract, which will become legally binding as part of the security package for financing of the construction of phase one production, which is planned to have an annual capacity of 25 million tpy of concentrate.

The Chairman of the Company, Mr Gordon Toll said, "This support from Qingdao underscores the attractive qualities of our high grade iron product and will serve as a catalyst for other steel companies to partner with the Consortium and help drive phase one through detailed design and construction".

Discussions continue with a large number of potential steel making partners in China, Japan, Korea and the Middle East.

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South Australian Magnetite Consortium

The South Australian Magnetite Consortium currently comprises of the Company and Fe Mines Limited (FML) formerly known as Lodestone Equities Limited, which combined make up the Mawson Iron Project. Mr. Gordon Toll is the major owner of FML and is also a major shareholder and the Executive Chairman of the Company. FML, through its subsidiaries, owns outright or has exclusive iron rights to prospective tenements containing Braemar Iron Formation to the east of the Company's exploration leases. Collectively, the ground has over 200km of Braemar Iron Formation prospective strike length and large exploration potential. The Braemar Region is one of the largest unexploited magnetite provinces in the world.

FML also owns Braemar Infrastructure Pty Ltd (BIPL), which is developing cost effective methods of transporting and shipping magnetite concentrate in and from South Australia. The infrastructure will not only be accessible to the Consortium, but also to other potential magnetite producers in the region. The South Australian Government has declared the infrastructure being developed by BIPL "a Major Development". A task force and case officer from the Department of State Development has been assigned to the project. This infrastructure development team has been assembled by BIPL for the Consortium.

The Company and FML intend to simplify their corporate structure and merge all their South Australian entities into one listed company.