



**MAGNETITE MINES LIMITED**  
Making Steel Stronger

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15 February 2018

Ms Isabelle Andrews  
Adviser, Listings Compliance (Perth)  
ASX Compliance Pty Limited  
Level 40 Central Park  
Perth WA 6000

By email: [isabelle.andrews@asx.com.au](mailto:isabelle.andrews@asx.com.au)  
[tradinghaltsperth@asx.com.au](mailto:tradinghaltsperth@asx.com.au)

Dear Ms Andrews

**RESPONSE TO ASX QUERY – APPENDIX 5B**

We refer to your letter to Magnetite Mines Limited (**MGT**) dated 13 February 2018 and set out our response to each of your questions below, using the same numbering as used in your letter.

1. Yes, MGT expects that it will continue to have negative operating cash flows for the time being, as is usual for mining exploration entities.
2. Yes, MGT continues to assess fundraising alternatives and is in advanced discussions with broking firms in relation to raising capital to continue funding its operations. The Board believes that MGT has the ability to successfully raise additional capital, based on its previous ability to raise funds when required and feedback from the broking firms it is in discussions with.

Further, as announced by MGT on 11 April 2017, its Chairman, Mr Gordon Toll, has advised the Board that he intends to support MGT's working capital position (as may be required by MGT) through the exercise of a maximum of 30 million options. To date, Mr Toll has exercised a total of 24,900,000 options, raising funds of \$462,000 and has indicated that he intends to exercise a further 9,150,000 options to raise a further \$150,000 to support MGT's working capital position.

3. Yes, MGT expects to be able to continue its operations and meet its business objectives based on its response to items 1 and 2 above. Further, MGT notes that its cash outflows have been higher than usual over the past three quarters (ended 30 June 2017, 30 September 2017 and 31 December 2017) due to the costs associated with the proposed merger transaction with Lodestone Equities Limited.

4. Except as set out in this response, no further information is considered relevant. MGT considers it is in compliance with Listing Rule 12.2 for the reasons stated above and notes that:
- (a) MGT's financial statements for the year ended 30 June 2017 show that the Company had total consolidated assets of \$11,361,357 and total consolidated liabilities of \$3,393,628;
  - (b) MGT sought to raise funds in June 2017, and successfully raised \$2.3 million through a placement to sophisticated and professional investors; and
  - (c) as a mining exploration entity, MGT assesses its funding requirements on an ongoing basis based on its activities and has a reasonable expectation that it will be able to continue funding its operations for the reasons stated above.
5. MGT confirms that it is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
6. MGT confirms that the responses above have been authorised and approved by the MGT Board.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Frank DeMarte', written over a horizontal line.

Frank DeMarte  
Director and Company Secretary  
for and on behalf of Magnetite Mines Limited



13 February 2018

Mr Frank DeMarte  
Company Secretary  
Magnetite Mines Limited  
118B Glen Osmond Road  
Parkside SA 5063

By email:

Dear Mr DeMarte

**Magnetite Mines Limited (“MGT”) Appendix 5B Query**

I refer to MGT’s Appendix 5B quarterly report for the period ended 31 December 2017 lodged with ASX Market Announcements Platform on 31 January 2018 (the “Appendix 5B”).

ASX notes that MGT has reported:

- negative net operating cash flows for the quarter of \$831,000
- cash at the end of the quarter of \$675,000 and
- estimated cash outflows for the next quarter of \$586,000

It is possible to conclude, based on the information in the Appendix 5B that if MGT were to continue to expend cash at the rate indicated by the Appendix 5B, MGT may not have sufficient cash to continue funding its operations. In view of that, ASX asks MGT to respond separately to each of the following questions and requests for information:

1. Does MGT expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MGT taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MGT expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that MGT considers may be relevant to ASX forming an opinion on whether MGT is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that MGT is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

6. Please confirm that MGT's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MGT with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **05:00 pm AWST on Thursday 15 February 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MGT's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MGT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [TradingHaltsPerth@asx.com.au](mailto:TradingHaltsPerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to MGT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MGT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MGT's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.



You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

*[sent electronically without signature]*

Isabelle Andrews  
Adviser, Listings Compliance (Perth)  
P: 13 12 79