

**Magnetite Mines Limited**  
**ACN 108 102 432**

## **SUPPLEMENTARY PROSPECTUS**

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### **1. Important information**

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 13 April 2018 (**Prospectus**) issued by Magnetite Mines Limited ACN 108 102 432 (**Company**).

This Supplementary Prospectus is dated 20 April 2018 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than the changes set out in this Supplementary Prospectus, all other details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

The Company has issued both a printed and electronic version of this Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at [www.magnetitemines.com](http://www.magnetitemines.com).

This Supplementary Prospectus and the Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Supplementary Prospectus or the Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

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### **2. Supplementary Prospectus**

#### **2.1 Reasons for this Supplementary Prospectus**

As announced on 29 March 2018, the Company has entered into a final framework agreement setting out the principal commercial terms for the acquisition by the Company of Lodestone Equities Limited (**Lodestone**) (an entity associated with Chairman Mr Gordon Toll) and holder of the Olary, Wadaminga and Sister's Dam Projects (**Acquisition**). The framework agreement does not create any legally binding obligation on the parties to proceed with the Acquisition until a formal share sale agreement is executed.

As at the date of this Supplementary Prospectus, Mr Toll (directly and indirectly), is the largest shareholder of the Company with a voting power of 19.4%.

As the Company is proposing to acquire an asset from a Director related entity, and as Mr Toll's holding in the Company post-completion of the Acquisition will exceed 20%, the Company is required to obtain Shareholder approval for the Acquisition pursuant to ASX Listing Rule 10.1 and item 7 of section 611 of the Corporations Act. The notice of meeting is required to contain an independent expert's report opining on the fairness and reasonableness of the proposed Acquisition to the Company's unassociated Shareholders. The Company does not anticipate that the notice of

meeting will be issued prior to completion of the Rights Issue, and as at the date of this Prospectus anticipates holding the Shareholder meeting in late June/early July 2018.

The primary purpose of this Supplementary Prospectus is to provide details of the possible voting power in the Company that will be held by Mr Toll in the event the Acquisition proceeds on terms consistent with the final framework agreement.

## **2.2 No investor action required**

As the content of this Supplementary Prospectus is not considered by the Company to be materially adverse to investors, no action needs to be taken by investors who have already subscribed for Shares under the Prospectus to the date of this Supplementary Prospectus.

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## **3. Amendments to the Prospectus**

### **3.1 Investment Overview amendments**

*The 'Risk factors' section of the Investment Overview is amended by adding the following risk:*

#### ***Control and dilution risk***

The Company currently has 558,894,264 Shares on issue. Based on the final framework agreement (as announced 29 March 2018) and subject to Shareholder approval, on completion of the proposed Acquisition, the Company proposes to issue Shares, milestone rights and options to entities associated with Mr Gordon Toll, Executive Chairman and Company CEO (for further details see Section 1.6).

On issue of the proposed consideration under the Acquisition and the subscription of Shares under the Rights Issue (assuming no further Securities are issued, exercised or converted), Mr Toll's (and his associates) interest in the Company's Shares could potentially be up to approximately 38.9%, diluting existing Shareholders' interests and giving Mr Toll a substantial controlling interest in the Company.

In the event that all of Mr Toll's convertible securities convert, and assuming no other Securities are issued or converted, Mr Toll's (and his associates) interest in the Company's Shares could potentially be up to approximately 49.1% (for further details see Section 1.6), further diluting existing Shareholders' interests and providing effective control of the Company to Mr Toll.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the future development of the Company's projects.

*The 'Effect on control of the Company' section of the Investment Overview is deleted in its entirety and replaced with the following:*

Shareholders should note that if they do not participate in the Offers, their holdings will be diluted.

As at the date of this Prospectus, entities associated with the Company's Chairman, Mr Gordon Toll, is the largest shareholder of the Company with a voting power of 19.4%. Mr Toll has indicated to the Company that he will not take up his Entitlement but intends to arrange that his entitlement is fully subscribed by unrelated third

parties (other than 333,333 rights which will be taken up by an associate who does not presently have an interest in the Company) and accordingly will not materially increase his interest as a result of the Rights Issue.

None of the directors or their associates will participate in the Shortfall Offer.

Subject to Shareholder approval and the Acquisition proceeding on terms consistent with the final framework agreement (announced on 29 March 2018), Mr Toll will receive various securities and assuming no other securities are issued, at Completion of the Acquisition Mr Toll's (and his associates) holding will be 45.8% (if the Rights Issue is fully subscribed) and 49.1% (if only the Underwritten Amount is raised). In the event all securities which Mr Toll holds at completion of the Acquisition are converted into Shares, and assuming no other securities are issued by the Company (for example, by way of further capital raisings to fund development of the Company's projects or exercise of options), Mr Toll's (and his associates) holding will be 35.8% (if the Rights Issue is fully subscribed) and 38.9% (if only the Underwritten Amount is raised).

Further details of Mr Toll's interests in the Company post-completion of the Rights Issue and the proposed Acquisition are set out in Section 1.6, and details of the potential dilution to existing Shareholders' interests are set out in Section 1.7.

No other shareholder will increase their voting power in the Company to 20% or more under the Rights Issue or proposed Acquisition.

### **3.2 Section 1.6 of Prospectus replaced**

*Section 1.6 of the Prospectus (Effect on control of the Company) is deleted in its entirety and replaced with the following:*

The maximum total number of New Shares proposed to be issued under the Offers is approximately 139,723,566 which will constitute 20% of the Shares on issue following completion of the Offers (assuming no other Shares are issued or convertible securities exercised or converted to Shares prior to the Record Date). None of the directors or their associates will participate in the Shortfall Offer.

The Company is of the view that the Offers will not affect the Control (as defined by section 50AA of the Corporations Act) of the Company.

As at the date of this Prospectus, the Company's chairman, Mr Gordon Toll, is the largest shareholder of the Company with voting power of 19.41% (held directly and indirectly). Mr Toll has indicated to the Company that he will not take up his Entitlement but intends to arrange that his entitlement is fully subscribed by unrelated third parties (other than 333,333 rights which will be taken up by an associate who does not presently have an interest in the Company) and accordingly will not materially increase his interest as a result of the Rights Issue. Details of Mr Toll's (and his associates) interests in the Company post-completion of the Rights Issue and the proposed Acquisition are set out below at the end of this section.

No other shareholder will increase their voting power in the Company to 20% or more under the Rights Issue.

No nominee has been appointed for Ineligible Foreign Shareholders under section 615 of the Corporations Act and, as such, Eligible Shareholders will not be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act. Accordingly, when an Eligible Shareholder applies for some or all of their Entitlement, they must have regard to section 606 of the Corporations Act. Eligible

Shareholders who may be at risk of exceeding the 20% voting power threshold in section 606 as a result of acceptance of their Entitlement should seek professional advice before completing and returning their Entitlement and Acceptance Form.

As the Rights Issue is renounceable, the Company will appoint CPS Capital to arrange for the sale of Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale. See Section **Error! Reference source not found.** for further details.

The Underwriter presently has no Shares in the Company, and it has indicated that it has no intention of acquiring Shares in the Company prior to the Record Date. CPS Capital has agreed to partially underwrite the Rights Issue for up to \$1,000,000 (66,666,667 New Shares).

The Underwriter's maximum potential relevant interest in Shares and voting power in the Company under several scenarios are set out in the table below and are based on the assumptions that:

- (a) no further Shares are issued; and
- (b) the Underwriter takes up its full Entitlement.

	Total Underwriter Shares	Total Shares	Underwriter voting power
Date of Prospectus	Nil	558,894,264	0%
<i>Entitlement Offer</i>			
• Fully subscribed	Nil	698,617,830	Nil
• 75% subscribed by Shareholders other than the Underwriter	34,930,891	698,617,830	5.0%
• 50% subscribed by Shareholders other than the Underwriter	66,666,667	695,422,714	9.6%
• 25% subscribed by Shareholders other than the Underwriter	66,666,667	660,491,823	10.1%
• Underwritten Shares only	66,666,667	625,560,931	10.7%

CPS Capital has confirmed with the Company that the Underwritten Amount is fully sub-underwritten and, in the event that:

- (i) no Eligible Shareholders take up their rights under this Prospectus; and
- (ii) no Shortfall Securities are issued,

then no sub-underwriter will hold voting power of more than 20%.

Following completion of the Rights Issue, and assuming no other securities are issued (for example, by way of further capital raisings to fund development of the Company's projects or exercise of options), the Acquisition proceeds before 1 July 2018 consistent with the terms set out in the final framework agreement (as announced on 29 March 2018), and Shareholder approval for the Acquisition and various securities issues to Mr Toll as part of the Acquisition is obtained, Mr Gordon Toll and his associate's voting power in the Company will be as follows:

Event	Number of Shares to be issued	Total Shares on issue	Total Shares held by Gordon Toll and associates (directly and indirectly)	Gordon Toll and associates voting power (%)
As at date of Prospectus		558,894,264	108,476,509	19.41
<i>Entitlement Offer</i>				
Underwritten Amount	66,666,667	625,560,931	108,809,842	17.4
Fully subscribed	139,723,566	698,617,830	108,809,842	15.6
<i>Completion of Acquisition</i>				
Underwritten Amount	220,000,000	845,560,931	328,809,842	38.9
Fully subscribed	220,000,000	918,617,830	328,809,842	35.8
<i>Satisfaction of Milestone 1</i>				
Underwritten Amount	55,000,000	900,560,931	383,809,842	42.6
Fully subscribed	55,000,000	973,617,830	383,809,842	39.4
<i>Satisfaction of Milestone 2</i>				
Underwritten Amount	55,000,000	955,560,931	438,809,842	45.9
Fully subscribed	55,000,000	1,028,617,830	438,809,842	42.7
<i>Conversion of all Options in which Gordon Toll will have an interest at completion of the Acquisition<sup>1</sup></i>				
Underwritten Amount	60,000,000	1,015,560,931	498,809,842	49.1
Fully subscribed	60,000,000	1,088,617,830	498,809,842	45.8

Notes:

1. Mr Toll presently holds 30,000,000 unquoted options with exercise prices of between \$0.037 and \$0.044. As per the final framework agreement announced on 29 March 2018, subject to Shareholder approval and assuming completion of the Acquisition occurs prior to 1 July 2018, Mr Toll will receive 30,000,000 unquoted options in lieu of director and CEO fees for past services from 1 January 2017, calculated by reference to each quarter and with expiry dates five years after the date of issue and exercise prices equal to the 15 day VWAP of the Company's Shares on ASX immediately prior to relevant quarters' end.

### 3.3 Section 1.7 of the Prospectus amended

*Section 1.7 of the Prospectus (Potential dilution to Shareholders) is amended by adding the following to the end of that section:*

Shareholders should note that in the event the proposed Acquisition proceeds, if they do not participate in the Rights Issue then their holdings may be diluted as set out below:

### *On completion of Acquisition*

The table below shows potential dilution to Shareholders assuming:

- (a) Shareholders do not participate in the Rights Issue;
- (b) completion of the proposed Acquisition occurs before 1 July 2018 consistent with the terms set out in the final framework agreement (as announced on 29 March 2018) and only the initial 220,000,000 consideration shares are issued; and
- (c) no other securities are issued (for example, by way of further capital raisings to fund development of the Company's projects or exercise of options).

Holder	Holding as at Record Date	% at Record Date	% post-Offers and Acquisition if Entitlement not taken up (Min)	% post-Offers and Acquisition if Entitlement not taken up (Max)
Shareholder 1	45,000,000	8.1	5.3	4.9
Shareholder 2	20,000,000	3.6	2.4	2.2
Shareholder 3	10,000,000	1.8	1.2	1.1
Shareholder 4	5,000,000	0.9	0.6	0.5
Shareholder 5	2,500,000	0.4	0.3	0.3

### *Where all securities in which Mr Toll has an interest convert to Shares*

The table below shows potential dilution to Shareholders assuming:

- (a) Shareholders do not participate in the Rights Issue;
- (b) completion of the proposed Acquisition occurs before 1 July 2018 consistent with the terms set out in the final framework agreement (as announced on 29 March 2018) and all securities in which Mr Toll and his associates will have an interest (i.e. the milestone rights and options) are converted into Shares; and
- (c) no other securities are issued (for example, by way of further capital raisings to fund development of the Company's projects or exercise of options).

Holder	Holding as at Record Date	% at Record Date	% post-Offers and Acquisition if Entitlement not taken up (Min)	% post-Offers and Acquisition if Entitlement not taken up (Max)
Shareholder 1	45,000,000	8.1	4.4	4.1
Shareholder 2	20,000,000	3.6	2.0	1.8
Shareholder 3	10,000,000	1.8	1.0	0.9
Shareholder 4	5,000,000	0.9	0.5	0.5
Shareholder 5	2,500,000	0.4	0.2	0.2

### 3.4 Control and dilution risk factor added

*The following risk factor is added as Section 4.1(ab), immediately following Section 4.1(a)*

#### **Control and dilution risk**

The Company currently has 558,894,264 Shares on issue. Based on the final framework agreement (as announced 29 March 2018) and subject to Shareholder approval, on completion of the proposed Acquisition, the Company proposes to issue Shares, milestone rights and options to entities associated with Mr Gordon Toll, Executive Chairman and Company CEO (for further details see Section 1.6).

On issue of the proposed consideration under the Acquisition and the subscription of Shares under the Rights Issue (assuming no further Securities are issued, exercised or converted), Mr Toll's (and his associates) interest in the Company's Shares could potentially be up to approximately 38.9%, diluting existing Shareholders' interests and giving Mr Toll a substantial controlling interest in the Company.

In the event that all of Mr Toll's convertible securities convert, and assuming no other Securities are issued or converted, Mr Toll's (and his associates) interest in the Company's Shares could potentially be up to approximately 49.1% (for further details see Section 1.6), further diluting existing Shareholders' interests and providing effective control of the Company to Mr Toll.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the future development of the Company's projects.

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## 4. Directors' authorisation

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

A handwritten signature in dark ink, appearing to be 'Frank DeMarte', with a stylized flourish extending to the right.

Frank DeMarte  
**Executive Director**

Dated: 20 April 2018