



ASX Announcement

3 September 2018

Termination of Final Framework Agreement and Resignation of Gordon Toll

Termination of Final Framework Agreement

The Board of Magnetite Mines Limited (ASX: MGT) (**Company**) refers to its previous announcement of 29 March 2018 and 2 July 2018 regarding the signing of a framework agreement between the Company, Coffee House Group Limited (**CHG**), Lodestone Equities Limited (**Lodestone**) and Toll Resources Limited (**Toll Resources**) (each counterparty an entity controlled by the Company's Executive Chairman, Mr Gordon Toll) as the basis for the negotiation and execution of a formal Share Sale and Purchase Agreement (and associated documents) (**SSPA**) for the proposed acquisition of Lodestone (a private Isle of Man company) by the Company (**Proposed Transaction**).

As noted in the previous announcements, the Company has been liaising with ASX with respect to receiving approval for the terms of the Proposed Transaction. As a result of those discussions in which ASX advised aspects of the Proposed Transaction (namely that the proposed milestone events for the Milestone Rights) were not considered appropriate and equitable in accordance with Listing Rule 6.1, the parties have been engaged in negotiations for further amendments to the Proposed Transaction terms.

The parties have been unable to agree further commercial amendments satisfactory to both parties and have mutually agreed to terminate the Proposed Transaction. Subject to payment by the Company of a final reimbursement to Fe Mines Limited (an entity associated with Mr Toll) of a non-material sum, the parties have entered into a settlement deed which has the effect of releasing each party from any claims arising out of the Proposed Transaction.

Resignation of Mr Gordon Toll

As a result of the termination of the Proposed Transaction, Mr Gordon Toll has resigned from the Company as Executive Chairman, Director and Chief Executive Officer (CEO).

As noted in the Company's annual reports, Mr Toll has not drawn a cash salary from the Company since joining the board in 2014, but in lieu of the payment for Directors fees and in lieu of the cash payment for his role as CEO, the Company has previously granted with the approval of shareholders, 50,000,000 options for the period ended 31 December 2016.

The Company has agreed to seek shareholder approval at this years' Annual General Meeting for the issue to Mr Toll (or his nominee) of the following options:

- 5,000,000 options, each having an exercise price of \$0.045 (for the quarter ended 31 March 2017);
- 5,000,000 options, each having an exercise price of \$0.037 (for the quarter ended 30 June 2017);

- 5,000,000 options, each having an exercise price of \$0.032 (for the quarter ended 30 September 2017);
- 5,000,000 options, each having an exercise price of \$0.037 (for the quarter ended 31 December 2017);
- 5,000,000 options, each having an exercise price of \$0.030 (for the quarter ended 31 March 2018); and
- 5,000,000 options, each having an exercise price of \$0.012 (for the quarter ended 30 June 2018).

Appointment of new Chairman

The Board has resolved to appoint Mr Peter Schubert as the Chairman of the Company and the existing Board will also undertake the responsibilities of the position of Chief Executive Officer until the appropriate candidate is found.

Going forward

Whilst the independent directors are disappointed with the termination of the Proposed Transaction, the board has maintained the position for many years that a structural shift was evolving in the Iron Ore market. A shift where grade and impurity levels take precedence over volume. A shift driven by modern steel producers chasing efficiency, pollution control and profitability. The Board believes that shift is now very apparent and supported by the pursuit of higher grade, from both end user steel makers and the iron ore mines that hope to supply them.

The Company's Chairman, Mr Schubert said, "the Company has a dominant position in the Braemar with a world class 2004 JORC compliant resource of 3.9 billion tonnes at 19.7% Fe (announced on 11 June 2013) capable of producing a globally in demand high grade, low impurity concentrate. The Razorback project is not a greenfield opportunity but a true development opportunity.

On behalf of all shareholders the board takes this event as a positive opportunity to continue to engage, collaborate and work with the appropriate partnerships needed to bring this world class South Australian magnetite project to production".

For further information, contact:

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Resources tables and Competent Persons Statement

Table 1 - Total 2004 JORC Mineral Resource from the Razorback Deposit (11% eDTR cutoff)

Prospect	JORC Resource Classification	Million Tonnes ²	eDTR%*	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%
Razorback	Indicated	833	16.0	21.7	45.2	7.3	0.20
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20.0	45.0	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8.0	0.16
Total	Mineral Resources	2,732	15.3	18.2	48.1	8.0	0.18

Notes:

- 1 The Mineral Resources information for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.
 - 2 Tonnages rounded to significant values; total may not appear correct as a result.
- * eDTR or equivalent Davis Tube Recovery explained in ASX announcements on the 11th June 2013 and 10th July 2013.

Table 2: Total 2004 JORC compliant Inferred Mineral Resource from Ironback Hill

Project	JORC Resource Classification	Million Tonnes ²	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%
Ironback Hill	Inferred	1,187	21.0	44.1	7.2	0.21

Notes:

- 1 The Mineral Resource information for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.
- 2 Tonnages rounded to significant values; total may not appear correct as a result.

The information in this announcement with respect to mineral resource estimates is based upon and fairly represents information compiled by Trevor Thomas MEarthSci (Hons), a full-time employee of the Magnetite Mines Limited and Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd. Mr Thomas and Mr Widenbar are members of Australian Institute of Geosciences (AIG) and the Australian Institute of Mining and Metallurgy (AUSIMM). These two people have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2004 Code), as well as the current JORC 2012 Code. Mr Thomas, and Mr Widenbar consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears. The information for the Razorback and Ironback Hill projects was prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.