



ASX Announcement

31 January 2019

Second Quarter Activities Report Ending 31 December 2018

Summary

Corporate:

- Marketing of the Razorback Iron Project towards project finance and offtake

Project Planning and Development:

- Update of Razorback Iron Project's resources to JORC 2012
- Commissioned report to review 2013 PFS findings towards water and additional options
- Rationalisation and partial surrender of tenements towards tenement compliance
- Rehabilitation of outstanding Razorback Ridge drilling activities progressed

Corporate

Due to the sustained demand for high grade iron concentrates in the Chinese seaborne market and a lack of direct reduction (DR) compatible iron ore feeds in the Middle East, the Board of Magnetite Mines Limited (ASX: MGT, MGTOC) (**Company**) believes it is well positioned to take advantage of prevailing market conditions for investment towards mine development. During the reporting period, the Company undertook significant marketing efforts towards financing and offtake both internationally and within Australia. The Company has engaged with several interested parties who are considering the Razorback Iron Project. Ongoing discussions and due diligence towards potential investment is underway.

Exploration and Development

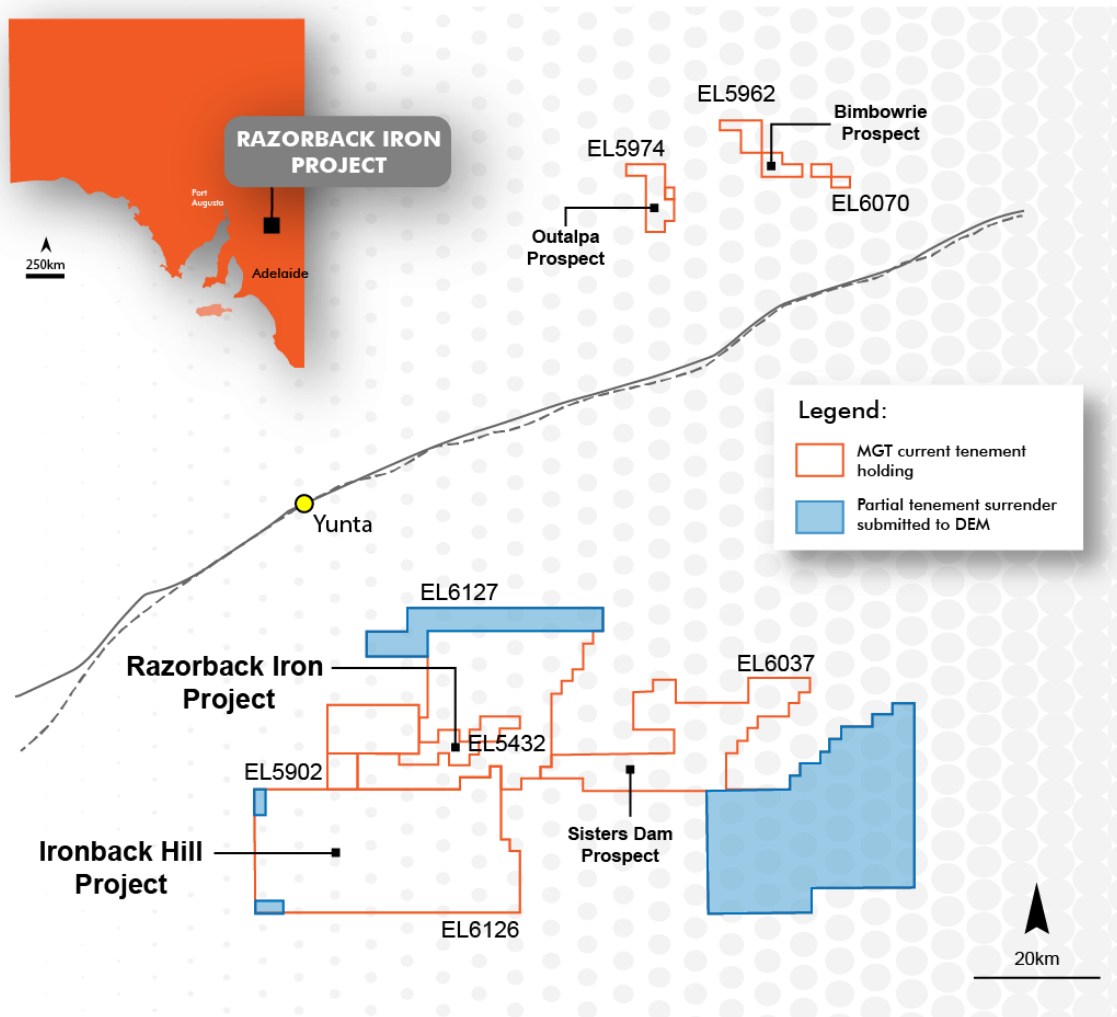
Whilst exploration on-the-ground at the Company's projects has been minimised because the Company would like to proceed to a definitive feasibility study, several desktop studies were initiated towards de-risking the Razorback Iron project with respect to asset evaluation and

water. The Company commissioned Widenbar and Associates to review and update the Resource Estimates of the Razorback and Ironback Hill deposits to comply with JORC 2012 codes and guidelines. The updated JORC 2012 compliance (announced on 12th and 20th November 2018) allows for a more accurate evaluation of the deposits with respect to common reporting codes, such as the VALMIN code and brings the deposits into line with contemporary reporting guidelines.

Further improvements towards defining sustainable water alternatives were commissioned by the Company via a review of water supply alternatives relating to the 2013 Pre-Feasibility Study. This review, to be completed by Water Technologies aims to assess the available water alternatives with respect to current knowledge and to recommend alternative water solutions that may not have been identified and considered previously. The results of the report are due in the following quarter.

Tenement rationalisation towards reducing the Company’s expenditure commitment has been undertaken during the reporting period which included a partial surrender of non-core tenements as defined by low prospectivity or strategic value has been submitted to the Department of Energy and Mines, pending approval. The ground surrendered primarily includes low value tenement areas typically associated with low prospectivity for all commodities and/or limited by deep cover. This rationalisation helps focus our position in developing the Razorback Iron Project and significantly reduces our expenditure commitment.

Figure 1. Current tenement holding with partial tenement surrender areas



For further information contact:

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Magnetite Mines Limited	
ABN	Quarter ended ("current quarter")
34 108 102 432	31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(103)	(129)
(b) development	-	-
(c) production	-	-
(d) staff costs	(130)	(281)
(e) administration and corporate costs	(148)	(465)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (details required)	10	10
1.9 Net cash from / (used in) operating activities	(367)	(855)
Item 1.8 relates to Redemption of security bond for the Adelaide office lease.		

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(5)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:	-	-
(a) property, plant and equipment	5	5
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	(122)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	5	(122)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,129	1,744
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(367)	(855)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	5	(122)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	767	767

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	317	152
5.2 Call deposits	450	977
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	767	1,129

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
65
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	85
9.2 Development	-
9.3 Production	-
9.4 Staff costs	123
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	283

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 January 2019

Print name: Frank DeMarte

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

The following tenements held by Magnetite Mines Limited (and its controlled entities) as at 31 December 2018

Tenement/ Project Name	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during the Quarter	Disposed during the Quarter	Joint Venture Partner/Farm-In Party
SOUTH AUSTRALIA						
PUALCO	EL6126	100%	100%	-	-	-
RED DRAGON	EL6127	100%	100%	-	-	-
RAZORBACK RIDGE	EL5432	100%	100%	-	-	-
DRAGON'S TAIL	EL5902	100%	100%	-	-	-
BIMBOWRIE	EL5962	100%	100%	-	-	-
OUTALPA	EL5974	100%	100%	-	-	-
SISTER'S DAM	EL6037	100%	100%	-	-	-
BIMBOWRIE	EL6070	100%	100%	-	-	-