

ASX Announcement

15 June 2020

Update on Razorback Farm-In Offer

Magnetite Mines Limited (ASX: **MGT**) (the **Company**) refers to its previous announcement on the 15 April 2020 regarding the indicative farm-in offer from Braemar Mining Developments Pty Limited (**BMD**), a Company founded by RFC Ambrian Group Limited. BMD is focussed on the development of NextOre's promising Magnetic Resonance Ore Sorting Technology and its application to the Company's resources.

Following further constructive negotiations with BMD, the Company advises that it has agreed in principle on the material terms of the farm-in offer and executed a non-binding term sheet with BMD.

The farm in arrangement would be staged and based on BMD funding a bulk ore sorting trial and then a pre-feasibility study (PFS) over the Razorback Project to earn a 49.99% interest. The subsequent Bankable Feasibility Study (BFS) stage can be co-funded at the Company's election. This means that the Company will retain a majority interest in the Razorback Iron Ore Project with a final interest of at least 50.01% if the Company chooses to exercise its co-funding rights through the proposed stages.

Under the terms of the offer, BMD proposed to farm in to the Razorback Iron Ore Project, (comprising of EL6353, E6126 and EL6126) (**Project**) by spending up to A\$20 million and through completing a number of activities using its own internal and external resources (**Farm-in**).

The Farm-in is proposed to be undertaken in 3 stages, with BMD to fund:

- Stage 1 – Commencement of PFS & NextOre trial
BMD can earn up to 30% interest if BMD spends \$5 million on the Project, and completes the NextOre trial, including commercial testing of the NextOre Technology pursuant to the Exclusivity Agreement announced on 25 October 2019.
- Stage 2 – Completion of PFS
BMD can earn a further 19.99% interest if BMD spends a further \$5 million on the Project. In Stage 2 with the intent to complete a PFS. The Company would have the right to fund up to 50% of the Stage 2 PFS work (subject to BMD's agreement); and
- Stage 3 – Completion of BFS
The BFS can either be co-funded, in which base MGT retains a 50.01% interest, or BMD can earn up to an additional 20.01% interest if BMD sole funds a further \$10 million by funding a bankable feasibility study (**BFS**) on the Project.

The farm-in offer is conditional on BMD completing a capital raising of \$5 million within 4 months of the parties executing the non-binding term sheet (**Capital Raising**) and BMD entering into a formal Farm-in agreement, for which detailed terms and conditions are to be negotiated between the parties.

Shareholders and investors are cautioned that, while a non-binding term sheet has been executed with BMD, arrangements are still at an early stage and subject to a number of conditions including finance. Accordingly, there are no guarantees that the proposed terms and conditions as set out in the BMD non-binding term sheet or otherwise will lead to a formal binding agreement between the Company and BMD. The Company will keep the market informed in accordance with its continuous disclosure obligations.

Mr Peter Schubert, Chairman said: *“The Board is pleased to be working with BMD as the NextOre technology has the potential to enhance Razorback’s project economics and BMD is expected to access new pools of potential investment capital to allow the Razorback Iron Ore Project to move towards a staged, low capital development.”*

While BMD is progressing fundraising activities with the Company’s support, The Company will continue to progress the Project, with work starting on orebody modelling, mining studies and metallurgical investigations. Until a binding agreement is concluded, the Company will continue to assess and pursue all opportunities for development of the Razorback Iron Ore project

This announcement has been authorised for release to the market by the board.

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ABOUT THE RAZORBACK IRON PROJECT

The Razorback Iron Project (Project) is a magnetite iron ore deposit capable of producing a high-grade iron ore concentrate product for use in steel production.



The Company has defined a 2012 JORC resource of 3.9 billion tonnes of iron ore which consists of two very large magnetite iron ore deposits, the Razorback and the Ironback Hill deposits hosted in the Braemar Iron Formation. The Project is located 240 NE of Adelaide, South Australia, near the regional town of Yunta in arid, low intensity pastoral country.

The large resource base is held within five 100% owned and operated tenements totalling 1,690 square kilometres. The Project is situated 45km from open-user rail, 100 km from the power grid and 200 km to existing deep water ports.

The Company has completed a positive scoping study into a low cost, staged development using existing infrastructure and simple magnetic processing to produce a high-grade concentrate at competitive capital and operating costs. The Company has commenced planning a PFS 2020 to progress the low-cost development strategy.

In parallel, the Company has exclusivity over a new Technology developed by CSIRO in Australia for Magnetic Resonance ore sorting. This Technology has the potential to substantially enhance the Project's competitiveness and efficiency and will be trial tested as part of the PFS.