



MAGNETITE MINES
High Grade Iron Ore Concentrate

ASX Announcement

4 September 2020

Renounceable Rights Issue to Raise Up To \$5.65 Million, Underwritten to \$4 Million

Highlights

- 1 for 4 Renounceable Rights Issue to raise up to \$5.65 million
- Underwritten to \$4 million by Mahe Capital
- Attractively priced at 1 cent per share, a discount of 29% to the last close of 1.4 cents and 27% to the 10-day VWAP of 1.36 cents
- For every two shares subscribed, Eligible Shareholders will receive one attaching new listed option exercisable at 5 cents each and expiring 29 October 2021
- Directors intend to participate
- Shareholders can trade their rights and apply for additional shares, with rights to start trading from Wednesday, 9 September 2020
- With the positive results of the selective mining assessments (see ASX release 19 August 2020) and the substantial re-rating of the Company's value, funds are to be applied to accelerate PFS work.

Magnetite Mines Limited ("**MGT**" or "**the Company**") is pleased to announce that it is undertaking a 1 for 4 renounceable rights issue ("**Rights Issue**") at 1 cent per share to raise up to approximately \$5.65 million (before costs). For every 2 new shares subscribed, eligible shareholders will receive 1 free attaching new option with an exercise price of 5 cents and expiring on 29 October 2021. The Company will apply for the quotation of the new options on the ASX.

The Rights Issue is partially underwritten to \$4 million by Lead Manager and Underwriter Mahe Capital Pty Ltd (ACN 634 087 684) (AFSL 517246) ("**Mahe Capital**"), with a summary of the material terms of the underwriting agreement annexed to this announcement. All Directors intend to participate in the Rights Issue.

Funds raised will be used to enable the Company to accelerate pre-feasibility study ("**PFS**") work on its flagship Razorback Iron Project and position the Company for steady progress as it looks to

monetise the inherent value of its large and well-positioned iron ore resources and progressively deliver value to shareholders, for general working capital and costs of the Rights Issue.

The Company has planned a rigorous and disciplined value optimisation process for the PFS which will deliver an optimal, efficient scope for the project, using experienced external advisors.

The PFS is a comprehensive study of a range of options for the technical and economic viability of the mineral project that has advanced to a stage where a preferred mining method and pit configuration is established and an effective method of mineral processing is determined including a financial analysis based on reasonable assumptions.

The issue price represents a discount of:

- 29% to the Company's last close of 1.4 cents on the ASX on 28 August 2020;
- 27% to the Company's 10 day VWAP of 1.36 cents.

The Rights Issue is open to all eligible shareholders who have a registered address within Australia, New Zealand, Isle of Man and Malaysia and who hold Shares on the Record Date.

The Rights Issue will close on Tuesday, 29 September 2020 (unless extended), and eligible shareholders can apply for shortfall in excess of their entitlement.

All New Shares issued will rank equally with existing shares on issue and the Company will apply for quotation of the New Shares. A prospectus in relation to the Rights Issue ("**Prospectus**") will be lodged with ASIC on Monday, 7 September 2020 and, together with a personalised entitlement acceptance form, will be sent to eligible shareholders shortly after the Record Date.

To avoid current postal delays due to COVID-19, all shareholders are encouraged to update their communication preferences to receive documentation from the Company via email by visiting <https://www-au.computershare.com/Investor/>

Eligible shareholders should consider the Prospectus in deciding whether to acquire securities under the Rights Issue and will need to complete the personalised entitlement and acceptance form that will accompany the prospectus. The following are indicative dates in respect of the Rights Issue:

Event	Date
Announcement of Rights Issue Lodgement of Appendix 3B with ASX	Friday, 4 September 2020
Lodgement of Prospectus with ASX	Monday, 7 September 2020
Securities quoted on an "Ex" basis and rights trading commences on deferred settlement basis	Wednesday, 9 September 2020
Record Date for determining Entitlements	Thursday, 10 September 2020
Prospectus and Application Form despatched to Eligible Shareholders Offer opens Deferred settlement trading in rights ends	Tuesday, 15 September 2020
Rights trading ends	Tuesday, 22 September 2020

Event	Date
Securities quoted on a deferred settlement basis	Wednesday, 23 September 2020
Last day to extend the Closing Date of Rights Issue	Thursday, 24 September 2020
Closing Date of Rights Issue (5pm WST)	Tuesday, 29 September 2020
Notification of Shortfall	Friday, 2 October 2020
Issue date of Securities under the Rights Issue Lodge Appendix 2A (before 9am WST) Deferred settlement trading ends	Tuesday, 6 October 2020
Commencement of Securities trading on a normal settlement basis	Wednesday, 7 October 2020

All dates (other than the date of the Prospectus and the date of lodgement of the Prospectus with ASIC and ASX) are indicative only. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX. The Company reserves the right, subject to the Corporations Act and Listing Rules and other applicable laws, to vary any other date of the Offers, including accepting late applications, either generally or in particular cases, without notice.

Executive Chairman Peter Schubert said:

“The Company has been making steady progress in monetising the inherent value of its world class and strategically located high grade iron ore project, with successful completion of a scoping study into a low capital, staged development pathway last year, commencement of pre-feasibility activities this year and, recently, an exciting preliminary assessment of selective mining potential. The Company is following a rigorous and disciplined process to develop an optimal scope and move towards production as soon as possible. The pre-feasibility study is a critical step in optimising value and fully informing shareholders of the development potential of this well thought out development approach.

The Board believes that shareholders should have every chance to join us on this exciting journey share in the value uplift that results. Accordingly, we are giving shareholders the opportunity to share in the Company’s growth and development by participating in this issue. All directors intend to participate, and the issue is partially underwritten by Mahe Capital for \$4 million.

We plan to accelerate the pre-feasibility study of the small scale, and importantly, low capital start-up option for the Razorback Iron Project and provide the market a clear and compelling value proposition for development of this attractively positioned iron ore resource. We believe that the value metrics for a supplier of high-grade iron ore concentrate have never been better and we look forward to joining the ranks of producers.

The aim of the pre-feasibility study is to optimise the value of the Project by assessing a range of development options, confirming the key valuation inputs and refining the final scope of the Project for more detailed engineering in subsequent feasibility study work. The work is well underway, and we are excited by the potential of selective mining, recovery optimisation and innovative technology solutions to enhance value potential.

Your Company owns 100% of the Razorback Iron Project. While the Company has been in discussions with potential partners, we are focussed on generating significant value for shareholders through development of an independent iron ore business and any partnerships must make good commercial sense for shareholders.

This fundraising is a major step in the value creation journey for the Company and we look forward to continued shareholder support as we advance the project to deliver value for shareholders.”

This announcement has been authorised for release to the market by the Board and lifts the Company's trading halt.

For further information contact:

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Company Secretary
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ABOUT MAGNETITE MINES LIMITED

Magnetite Mines Limited is a development stage mineral exploration company advancing the Razorback Iron Project located in the Braemar Iron Province of north-east South Australia.

Annexure A - Summary of material terms of underwriting agreement

Mahe Capital is acting as Lead Manager and Underwriter. The Rights Issue is partially underwritten to \$4,000,000 (400,000,000 New Shares) (**Underwritten Amount**).

Mahe Capital will be paid the following fees for managing and partially underwriting the Rights Issue and the Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred by the Underwriter in relation to the Rights Issue:

- (i) \$60,000;
- (ii) 1% of the total amount raised under the Offer;
- (iii) 5% of the Underwritten Amount; and
- (iv) 5% of any shortfall securities placed beyond the Underwritten Amount.

The Underwriting Agreement contains a number of provisions ordinarily found in agreements for underwriting arrangements of this type, including that:

- (a) the Company has (subject to certain limitations, including where the loss arises through the Underwriter performing its underwriting obligation) agreed to indemnify the Underwriter, its officers, employees, advisers and related bodies corporate, and the officers, employees and advisers of any of its related bodies corporate against losses suffered or incurred in connection with the Rights Issue;
- (b) the Company and the Underwriter have given representations, warranties and undertakings in connection with (among other things) the conduct of the Rights Issue;
- (c) the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, including (but not limited to) where any of the following events has a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
 - (i) the S&P ASX 200 falls 7% or more below the closing level on the Business Day prior to the date of the Underwriting Agreement;
 - (ii) the price of COMEX gold or NYMEX WTI crude is at any time after 4 September 2020 7% or more below its respective level as at the close of business on 3 September 2020;
 - (iii) the Company does not lodge the prospectus on the proposed lodgement date or the Rights Issue is withdrawn by the Company;
 - (iv) the Rights Issue offer price is greater than the volume weighted average market price for Shares as quoted by the ASX calculated over three trading days after 4 September 2020;
 - (v) the Company fails to lodge an Appendix 2A in relation to the Underwritten Shares with ASX by the time required by the Listing Rules, the Corporations Act or any other regulations;
 - (vi) it transpires that the Company has made a statement via the ASX that is misleading or deceptive or likely to mislead or deceive;

- (vii) it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require;
- (viii) it transpires that there is a statement in this Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act) or if any statement in this Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (x) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the Underwriting Agreement has been signed involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (xi) a director or senior manager is charged with an indictable offence;
- (xii) a judgment in an amount exceeding \$100,000 is obtained against a the Company or any related body corporate and is not set aside or satisfied within 7 days;
- (xiii) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; and
- (xiv) on the occurrence of various regulatory related matters, such as:
 - (A) the Underwriter, having elected not to exercise its right to terminate its obligations under this Underwriting Agreement, forms the view on reasonable grounds that a supplementary prospectus should be lodged with ASIC and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require;
 - (B) ASIC makes an interim or final stop order in relation to the Prospectus;
 - (C) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances, or an application for such a declaration is made to the Takeovers Panel; and

- (D) there is introduced, or there is a public announcement of a proposal to introduce, any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement.