



MAGNETITE MINES LIMITED

Making Steel **Stronger**



MAGNETITE MINES LIMITED

Making Steel **Stronger**

GORDON TOLL - 26 November 2015 - Adelaide

Iron Ore Insights - AGM



MAGNETITE MINES LIMITED

Making Steel **Stronger**

DISCLAIMER AND COMPETANT PERSONS STATEMENT

This presentation has been prepared by Royal Resources Limited (ABN 34 108 102 432) ("Royal") based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Royal, its related bodies corporate, its or their directors, employees or agents, advisers, nor any other person accepts any liability for any loss arising from the use of or reliance on this presentation or anything contained in, omitted from or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on the part of Royal, its related bodies corporate or its or their directors, employees or agents.

The details contained in this report that pertain to ore and mineralisation are based upon information compiled by Dr Gavin England, a full-time employee of the Company. Dr England is a Member of the Australasian Institute of Geosciences (AIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Dr England consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears. The Information for the Razorback Premium Iron Project was prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JOPRC Code 2012 on the basis that the information has not materially changed since it was last reported.

The distribution of this document in jurisdictions outside Australia may be restricted by law; you should observe any such restrictions.

This presentation is not an offer, invitation, solicitation or recommendation to invest in Royal and neither this document nor anything in it shall form the basis of any contract or commitment. The information in this presentation does not take into account the investment objectives, financial situation and particular needs of investors and does not constitute investment, legal, tax or other advice. Before making an investment in Royal an investor should consider whether such an investment is appropriate to their particular investment objectives, financial situation and particular needs and consult a financial adviser if necessary. This presentation does not purport to constitute all of the information that a potential investor may require in making an investment decision. Investments are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Royal does not guarantee the performance of the investment referred to in this presentation, the repayment of any capital invested or any particular rate of return.

Nothing in this presentation is a promise or representation as to the future. Statements or assumptions in this presentation as to future matters may prove to be incorrect and differences may be material. Royal does not make any representation or warranty as to the accuracy of such statements or assumptions.

You acknowledge that circumstances may change and the contents of this presentation may become outdated as a result. Royal accepts no obligation to correct or update the information or opinions in this presentation. Opinions expressed are subject to change without notice.

By accepting this document, you agree to be bound by the above limitations.



MAGNETITE MINES LIMITED

Making Steel **Stronger**

Lodestone Group

**Mining - Processing -
Materials Handling - Linear
Infrastructure - Marine
Infrastructure**

**Integrated Infrastructure
Solution**





MAGNETITE MINES LIMITED
Making Steel **Stronger**

Lodestone

**In-depth
knowledge of
iron ore and
steel
industries**

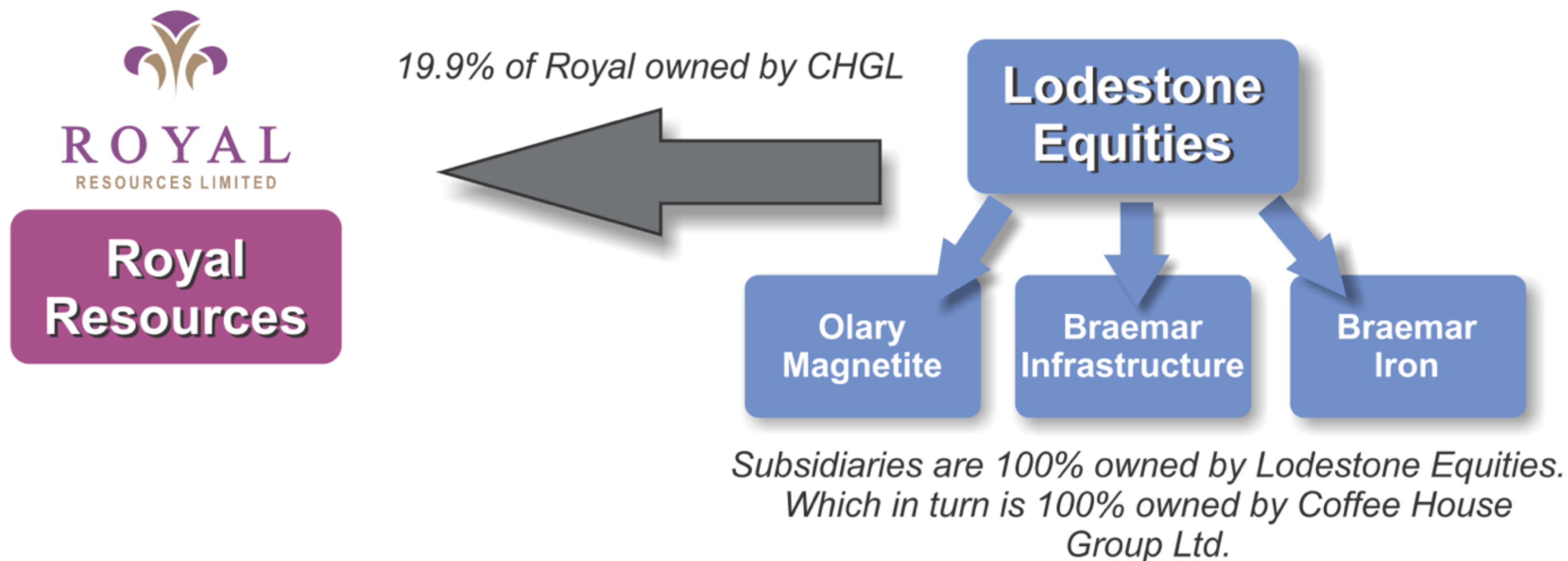




MAGNETITE MINES LIMITED

Making Steel **Stronger**

ROYAL/LODESTONE ASPIRATIONS



Lodestone + Royal Resources = Magnetite Mines



SOME SIMPLE FACTS

FACT ONE: There is probably no better and more encouraging regulatory jurisdiction anywhere in the world, than exists in South Australia, for developing a major iron ore project.

FACT TWO: To Lodestone's knowledge, the Mawson Iron Province of South Australia is the largest potential source of high grade, low impurity magnetite concentrates in the world.

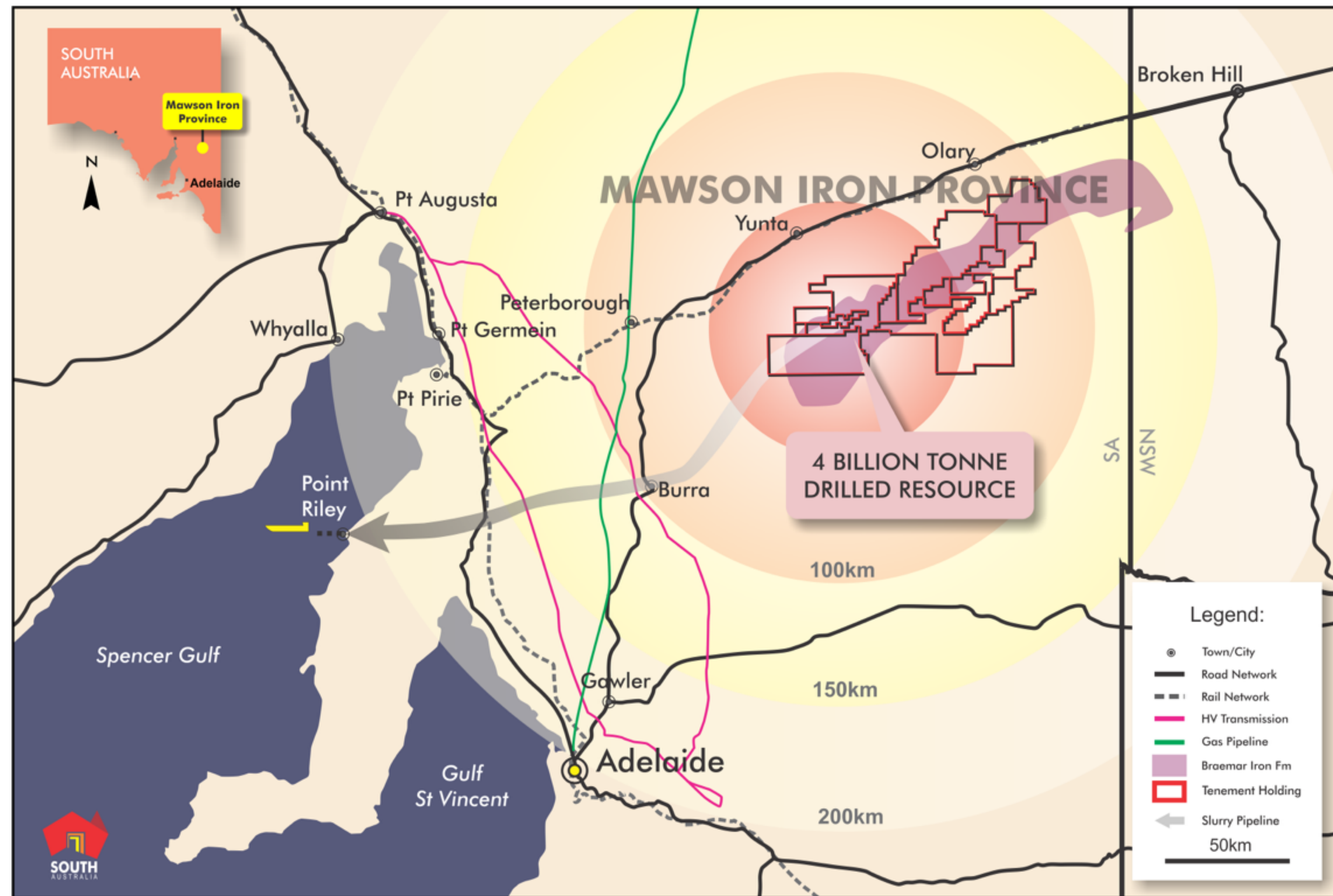
FACT THREE: This is a magnetite source from which one may contemplate potential annual production of over 100 million tonne of magnetite concentrate.



MAGNETITE MINES LIMITED

Making Steel **Stronger**

**LARGE POTENTIAL
SOURCE OF LOW
COST, HIGH PURITY
MAGNETITE
CONCENTRATES**





DEMOGRAPHICS DRIVE DEMAND

- Global demand for steel and iron ore will continue to grow.
- Recent iron ore prices provide little insight for longer-term prices
- In last century, steel production increased from 60 million tpy to 1,600 million tpy
- Largest increases were the in 35 years after WW2 and the 15 years since 2000.
- Economic forecasts are all dependent on demographic projections.
- Forecasts indicate global growth of 3% per year for next several decades.
- This will result in a doubling of the global economy in the next 24 years
- This growth rate compares with an average 3.5% growth rate in the past 50 years



URBANISATION AND INDUSTRIALISATION

- Chinese urbanisation & industrialisation drove high metals demand of past 15 years
- In 2010, GLOBAL urban population exceeded rural population for the first time
- The UN projects two thirds of the world's population will be urbanised by 2030
- Urbanisation requires steel for housing and commercial construction, transportation including private cars, energy/utility systems, sewerage systems, social infrastructure, appliances, support industry and services and consumer products
- Urbanisation supports industrialisation and visa versa



INEVITABLE CONSEQUENCES I

- Future economic growth will be heavily concentrated in emerging markets
- India, Brazil and Indonesia will join China in the ten largest economies
- South Korea, Mexico and Turkey are likely to rank in the top 15
- There will be up to 3 billion more middle-class consumers by 2030 (that is more than twice the current population of China) - world population circa 8.3 billion
- The trends in motion are essentially irreversible and will continue to trigger a range of inevitable consequences - e.g. dramatic expansions in urban infrastructure and the demand for transportation - especially privately owned motor vehicles
- The steel industry's role in global expansion can be stated succinctly - construction, machinery and automotive sectors account for 80% of steel demand



INEVITABLE CONSEQUENCES II

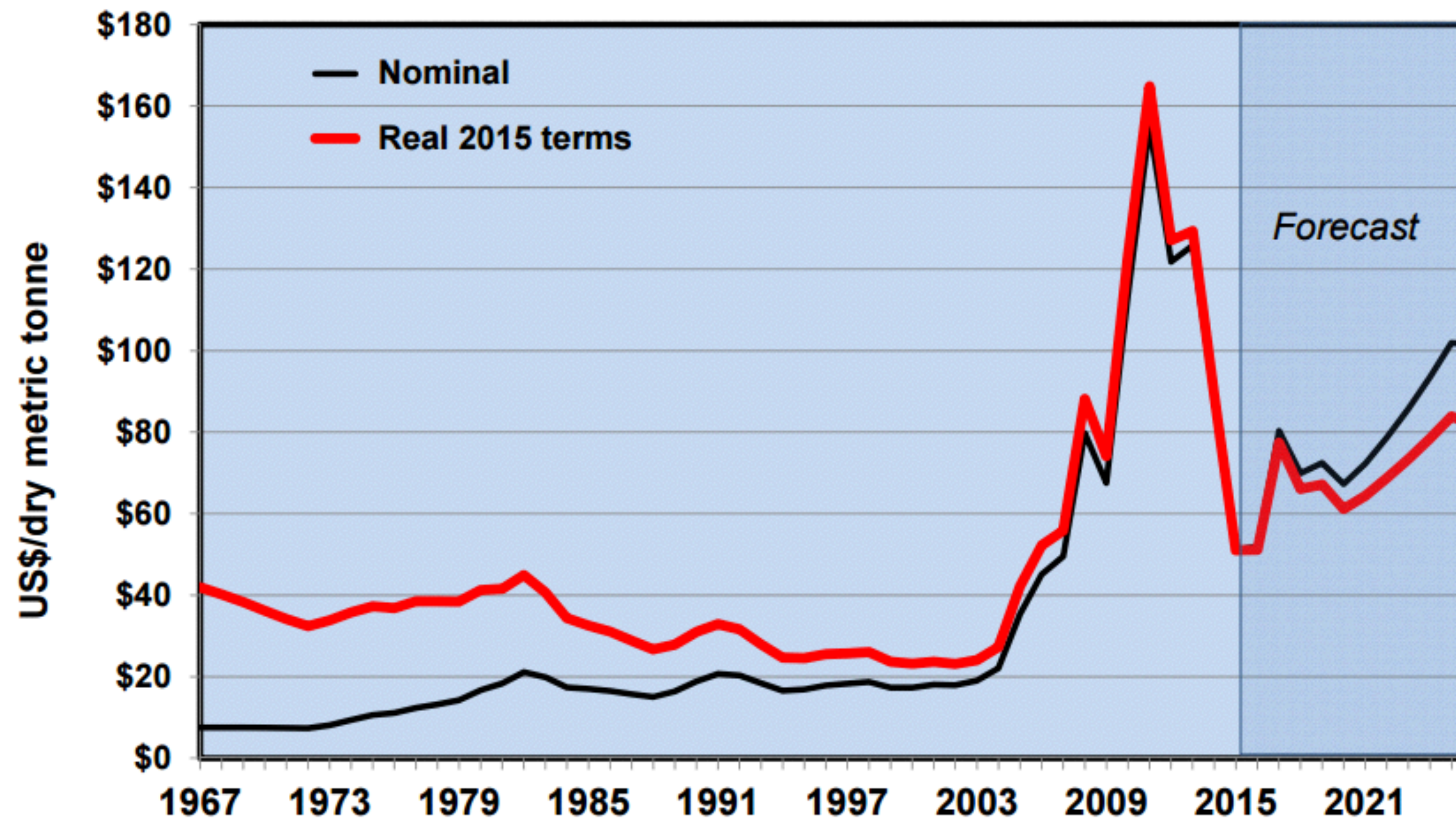
- Iron ore will continue to be the main source of iron units in steel making globally
- The volume of seaborne traded iron ore more than trebled in the last 15 years
- Cycle peak prices of US\$180 per tonne were not sustainable
- Similarly prices sub-\$55 per tonne are not sustainable
- China's steel production grew at average annual rate of 13.4% in the past 15 years
- At 1.4% growth rate, China needs an additional 350 million tpy of iron ore in 5 years
- Significant additional iron ore supply will be needed to Sustain the Steel Industry
- Iron Ore output was > 2 billion tpy in 2013. By 2030 it will be > 3.0 billion tpy
- Long-term real prices will be much higher than current prices to support new mines



MAGNETITE MINES LIMITED

Making Steel **Stronger**

PRICE FORECAST



Source – Metalytics AUSIMM Iron Ore Perth July 2015

62% Fe Pilbara Fines



INEVITABLE CONSEQUENCES III

- Future iron ore mines need to produce high iron, low impurity, low cost iron units
- Sintering processes now allow high volume use of high quality concentrates
- Current producers in the Pilbara and Minas Gerais will not be able to replace depleting resources of high quality, volume production
- BHP's chief iron ore geologist has publicly admitted to this (Perth, July 2015)
- New mines are essential to sustain the global steel industry
- Over 100 Mtpy of this new, high grade, high quality product can be met from the Braemar Formation of the Mawson Iron Province of South Australia



MAGNETITE MINES LIMITED

Making Steel **Stronger**



Heavy Duty Steel Re-Bar - The Work Horse of Urbanisation



MAGNETITE MINES LIMITED

Making Steel **Stronger**