



MAGNETITE MINES LIMITED
Making Steel *Stronger*

ASX Announcement

17 January 2017

LOI with Ningbo Iron & Steel for 1 million tpy off-take

The Board of Magnetite Mines Limited (ASX: MGT) (**Company**) is very pleased to announce the signing of a Sale and Purchasing Letter of Intent (LOI) between The South Australian Magnetite Consortium (Consortium) and Ningbo Iron & Steel Co Ltd (**Ningbo**) for the purchase of 1 million tpy of iron ore concentrate.

Ningbo Steel is owned by Hangzhou Steel and is an integrated steel company located with a deep water receiving port at the mouth of the Yangtze River and operates Steel Mills with a total raw steel capacity of over 4 million tpy. Ningbo is willing to purchase iron ore concentrate from the Consortium on a long-term contract basis and enter into a ten-year Sale and Purchase Agreement for off-take by Ningbo of up to 1 million tpy of magnetite concentrate from the Consortium. Ningbo will enter into a conditional Purchase Agreement for the purchase of magnetite concentrate from the Consortium, which becomes effective (and binding) when construction financing is secured for the development of first production facilities.

The Chairman of the Company, Mr Gordon Toll said, "The support from Ningbo (*and similarly from Shandong Steel as announced to ASX on 18/07/2016 and Qingdao Steel as announced to ASX on 28/11/2016*) underscores the attractive qualities of our high grade, low impurity magnetite product and will catalyse additional partnerships with the Consortium and help drive production development through detailed design and construction and onward".

Discussions are continuing with a large number of potential partners and investors in China, Japan, Korea and the Middle East.

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South Australian Magnetite Consortium

The South Australian Magnetite Consortium currently comprises of the Company and Lodestone Equities Limited (Lodestone). Mr Gordon Toll is the major owner and Chairman of Lodestone. Lodestone, through its subsidiaries, Fe Mines Limited (FML) (previously Braemar Iron Pty Ltd) and Olary Magnetite Limited (Olary), owns outright or has exclusive iron rights to prospective tenements containing Braemar Iron Formation to the east of the Company's exploration leases. Collectively, the ground has over 200km of Braemar Iron Formation prospective strike length and large exploration potential. The Braemar Region is one of the largest unexploited magnetite provinces in the world.

Lodestone also owns Braemar Infrastructure Pty Ltd (BIPL), which is developing cost effective methods of transporting and shipping magnetite concentrate in and from South Australia. The infrastructure will not only be accessible to the Consortium, but also to other potential magnetite producers in the region. The South Australian Government has declared the infrastructure being developed by BIPL "a Major Development". A task force and case officer from the Department of State Development has been assigned to the infrastructure project. This infrastructure is being developed by BIPL for the Consortium.

The Company and Lodestone intend to simplify their corporate structure and merge all their South Australian entities into one listed company. In preparation for this merger, it is intended that FML will become a direct subsidiary of Lodestone and Olary and BIPL will become subsidiaries of FML.