



**MAGNETITE MINES LIMITED**  
Making Steel *Stronger*

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## ASX Announcement and Media Release

24 April 2018

# *Third Quarter Activities Report Ending 31 March 2018*

## HIGHLIGHTS

### Corporate:

- Final Framework Agreement for the proposed merger with Lodestone completed following further due diligence and liaison with the ASX

### Project Planning and Development:

- Preliminary Economic Assessment (PEA) and Conceptual Engineering Narrative Report assessing project development completed for the Olary Project
- Global product marketing and investment attraction initiatives continue including discussions with previously identified customers in the MENA region as well as new potential investors and/or offtake partners in South East Asia
- Bulk samples from Razorback Project sent to Weir Minerals in Germany for metallurgical testwork
- Further tenements hosting prospective Braemar Iron Formation granted to Lodestone, increasing the company's tenement holdings in the Mawson Iron Province

### Subsequent Events:

- Partly Underwritten Renounceable Rights Issue announced on 13 April 2018 to raise approximately \$2 million before costs.

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## CORPORATE

### Final Framework Agreement

During the quarter, Magnetite Mines Limited (the Company or Magnetite Mines) further refined the Framework Agreement in respect to the 100% acquisition of Lodestone Equities Limited (Lodestone) into the Company (see ASX announcement 29/03/18). The Final Framework Agreement, as announced, sets out the principle commercial terms for the acquisition of Lodestone by the Company. Following the execution of the transaction documents the acquisition terms will become legally binding and the Company will hold a shareholder meeting to obtain regulatory and shareholder approval of the acquisition.

The acquisition of Lodestone includes its flagship, railway-based Olary Project and their infrastructure solutions company Braemar Infrastructure Pty Ltd. The merging of assets seeks to combine the strengths of both of the respective companies further enhancing our tenure and marketability towards potential financing and offtake. Following acquisition approval, the Company will become the sole owner of 4.5 billion tonnes of inferred and indicated JORC resources within the Mawson Iron Province (see Appendix 1).

### Marketing

During the reporting period much effort was expended in the marketing of the Company's proposed products towards financing and offtake. As previously reported, a conceptual engineering narrative report (Narrative) and Preliminary Economic Assessment have been completed on the Olary Project in which various development scenarios have been appraised in partnership with engineering consultants and firms such as the Calibre Group and GPA Engineering. This work is now under review by several interested parties towards potential financing and offtake.

### Tenement Acquisition

During the reporting period three exploration licences were granted to Lodestone's subsidiary, Olary Magnetite Pty Ltd. (Olary Magnetite). The tenements (EL's 6113, 6114 and 6117) were pegged over prospective Braemar Iron Formation mineralisation and are situated adjacently and near to the existing tenement base, extending mineralisation strike by ~30km for the Mawson Iron Project. Given the pending merger these Olary Magnetite tenements represent a material advancement towards increasing Magnetite Mines mineral exploration rights in the area (see Figure 1).

### Exploration and Evaluation

Exploration activities conducted during the quarter included metallurgical processing testwork in Germany by both Hazemag and Weir Minerals. This test work is being undertaken to test the amenability of Razorback ores to impact crushing, high pressure grinding rolls (HPGR) and air classification. The work is ongoing with results expected in the following quarter.

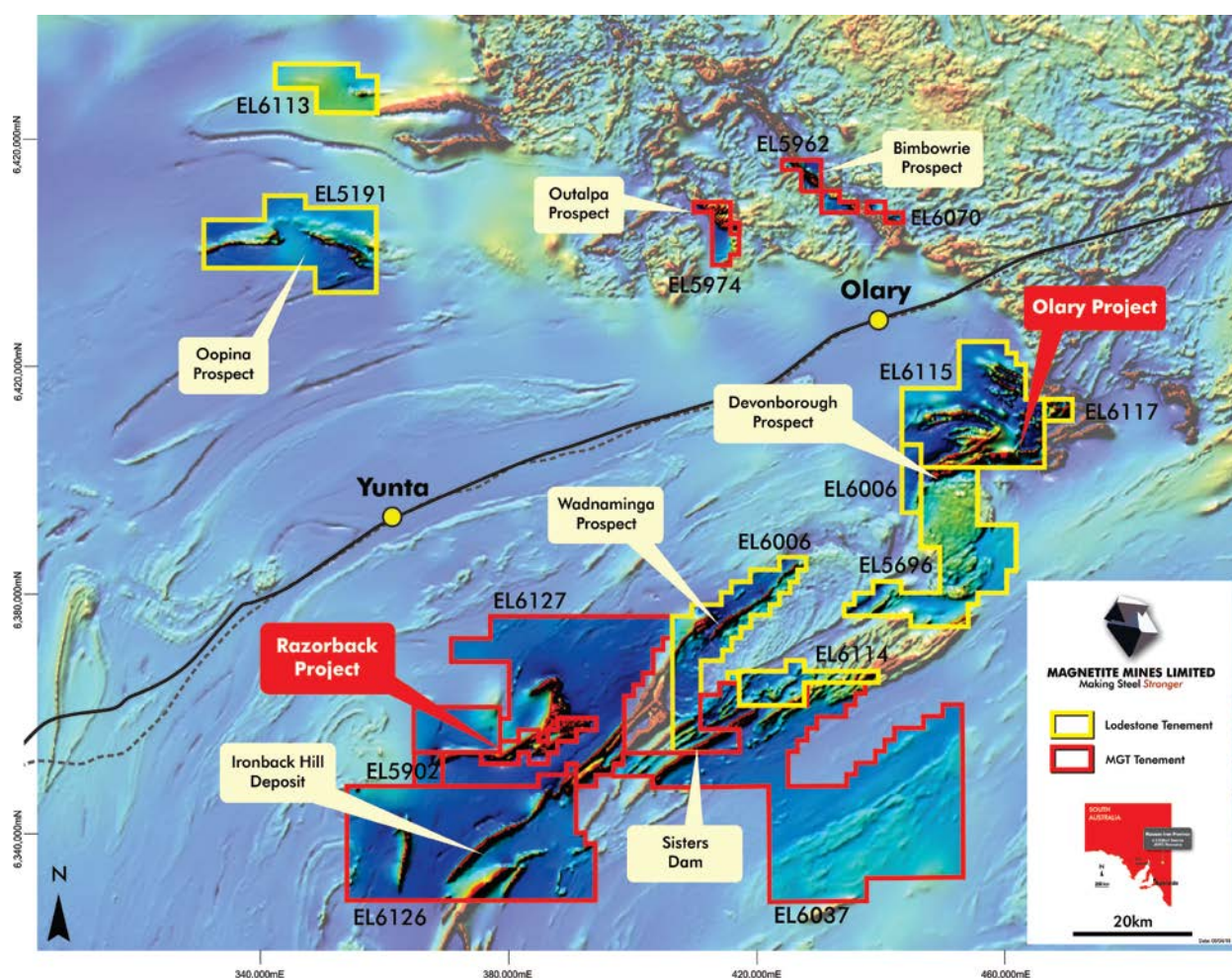


Figure 1: Combined tenement holdings of Lodestone and Magnetite Mines.

### Subsequent Event

On the 11 April 2018, the Company announced a renounceable pro-rata rights issue to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.015 per share and on the basis of 1 new share (New Share) for every 4 shares held at the record date on Thursday, 19 April 2018 (Record Date), together with one free attaching option (Attaching Option) for every New Share issued (Rights Issue). The Attaching Options are intended to be quoted and will be exercisable at \$0.05 each on or before 31 May 2021. Pursuant to the Rights Issue, the Company will issue up to approximately 139.7 million New Shares and 139.7 million Attaching Options to raise approximately \$2 million before costs. The Rights Issue is partially underwritten to \$1 million by CPS Capital Group Pty Ltd (CPS Capital).

Subject to the satisfactory completion of the Rights Issue, funds raised will be used to complete the acquisition of Lodestone Equities Limited (an entity associated with Chairman Mr Gordon Toll) (as announced on 29 March 2018) and holder of the Olary, Wadnaminga and Sister's Dam Projects, to progress exploration and evaluation activities at the Olary Project, for working capital and the costs of the Rights Issue.

A copy of the Prospectus and the Supplementary Prospectus have been lodged with ASIC and ASX and are available on the Company's website ([www.magnetitemines.com](http://www.magnetitemines.com)) and the ASX's website ([www.asx.com.au](http://www.asx.com.au)) and will be despatched to persons holding shares as at the Record Date.

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## Competent Persons Statement

### *Razorback Project*

*The details contained in this report that pertains to ore and mineralisation and the resource underpinning the production target is based upon information compiled by Trevor Thomas MEarthSci (Hons), a full-time employee of the Magnetite Mines Limited and Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd. Mr Thomas and Mr Widenbar are members of Australian Institute of Geosciences (AIG) and the Australian Institute of Mining and Metallurgy (AUSIMM). These two people have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2004 Code), as well as the current JORC 2012 Code. Mr Thomas, and Mr Widenbar consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears. The information for the Razorback Deposit was prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

### *Olary Project*

*The details regarding the Olary Iron Deposit contained in this report that pertain to ore and mineralisation are based upon information compiled by Mr Trevor Thomas, a full-time employee of Magnetite Mines Limited. Mr Thomas 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). Mr Thomas 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 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. For the Olary Deposit, the details contained in this report that pertains to ore and mineralisation and the resource is based upon information compiled by Mr Simon Tear (BSc(Hons), MAusIMM, PGEO, EurGeol, IOM3), consulting geologist for H&S Consultants Pty Ltd. Mr Tear is a member of Australian Institute of Mining and Metallurgy. The person has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2012 Code). Mr Tear gives consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears.*

For further information contact:

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## Appendix 1

The Mineral Resource information below for the Razorback Deposit was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported. The Resource was first announced on 11<sup>th</sup> June 2013.

The Olary Iron deposit was prepared and disclosed under JORC Code 2012. The Olary Resource (as presently owned by Lodestone Equities) was announced 12<sup>th</sup> April 2017.

**Table 1: Total 2004 JORC Mineral Resource from the Razorback Deposit (11% eDTR cutoff).**

Prospect	JORC Classification	Resource Million Tonnes*	eDTR%#	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%
Razorback	Indicated	833	16	21.7	45.2	7.3	0.2
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20	45	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8	0.16
<b>Total</b>	<b>Mineral Resources</b>	<b>2,732</b>	<b>15.3</b>	<b>18.2</b>	<b>48.1</b>	<b>8</b>	<b>0.18</b>
<b>CONTAINED CONCENTRATE EQUIVALENT</b>		<b>418</b>		<b>67.4</b>	<b>4.74</b>	<b>0.54</b>	<b>0.016</b>

\* Tonnages rounded to significant values; totals may not appear correct as a result. The resource has been estimated in accordance with the JORC (2004) Code.

# eDTR is determined by DTR and SATMAGAN magnetite estimated % data (see ASX announcement 11<sup>th</sup> June 2013)

**Table 2: Total 2012 JORC Mineral Resource from the Olary Iron Deposit (12% DTR cutoff).**

Prospect	Sub-Area	JORC Classification	Resource Million Tonnes**	DTR%	DTR Mt
EL6115	-	Inferred	265.8	21.22	56.4
EL6115	South	Inferred	165.5	18.68	30.9
	North	Inferred	40.8	14.19	5.8
EL6115	Upper	Inferred	15.1	15.51	2.3
	Lower	Inferred	55.6	14.20	7.9
<b>Total</b>	<b>Mineral Resources</b>		<b>542.9</b>	<b>19.04</b>	<b>103.4</b>

\*\* Tonnages rounded to significant values; totals may not appear correct as a result. The resource has been estimated in accordance with the JORC (2012) Code.

## 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

<b>Magnetite Mines Limited</b>	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
<b>34 108 102 432</b>	<b>31 March 2018</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(49)	(497)
(b) development	-	-
(c) production	-	-
(d) staff costs	(152)	(414)
(e) administration and corporate costs	(262)	(1,040)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(461)</b>	<b>(1,941)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(7)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(235)	(661)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	237
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(236)</b>	<b>(431)</b>
Item 2.5 relates to total loan amount of \$237,344 which was repaid by Gordon Toll on 25 August 2017 in relation to loans advanced to him.			

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	102	252
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)	(2)	(2)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>100</b>	<b>250</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	675	2,200
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(461)	(1,941)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(236)	(431)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	100	250
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>78</b>	<b>78</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	78	321
5.2 Call deposits	-	354
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>78</b>	<b>675</b>

**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

235

In relation to item 6.2, pursuant to the Final Framework Agreement between the Company, Lodestone Equities Limited (Lodestone) and Coffee House Group Limited (CHG) announced on 29 March 2018;

- (a) MGT must pay its own costs and expenses and those of CHG and Lodestone in relation to the Transaction incurred prior to Completion except as otherwise agreed in writing by the parties; and
- (b) Until the earlier of Completion or the termination or expiry of this Agreement, subject to having sufficient working capital, MGT will provide geological and management services in relation to all exploration licences held by both FML and Olary which in no event shall be less than necessary to maintain those exploration licences in good standing. For the avoidance of doubt, MGT will not advance any money to Lodestone or any of the Subsidiaries under this clause (b), but will procure that MGT's existing employees provide geological and management services (charged out at their current employment rates) in relation to all exploration licences held by FML and Olary, which must not be less than necessary to maintain those exploration licences in good standing.



<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	126
9.2 Development	-
9.3 Production	-
9.4 Staff costs	105
9.5 Administration and corporate costs	316
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>547</b>

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	EL 24550 EL 27354	Exploration License Exploration License	100% 100%	- -
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: 24 April 2018

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 March 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
<b>NORTHERN TERRITORY</b>						
GEORGE	EL24550	100%	-	-	100%	-
AMANGAL	EL27354	100%	-	-	100%	-
<b>SOUTH AUSTRALIA</b>						
PUALCO	EL5180	100%	100%	-	-	-
RED DRAGON	EL5240	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%	-	-	-