

LETTER FROM THE CHAIR TO ELIGIBLE SHAREHOLDERS

11 September 2024

Dear Shareholder,

Pro Rata Renounceable Rights Issue

On behalf of the Directors of Magnetite Mines Limited (**Magnetite Mines** or **Company** or **MGT**) and in accordance with the terms of the Prospectus lodged with ASIC and ASX on 3 September 2024, I would like to invite Eligible Shareholders to participate in a pro rata renounceable rights issue (**Rights Issue**). This Rights Issue is in addition to, and is separate from, the non-renounceable entitlement offer announced by the Company on 20 June 2024 which is now closed (**Previous Offer**).

Based on the Company's review of its share register on the Record Date (as defined below), you are an "Eligible Shareholder" who may participate in the Rights Issue, and you may also take up any Shares not subscribed for by other Eligible Shareholders in the Shortfall Offer (as described below).

The Rights Issue aims to raise up to approximately \$4.1 million (before costs), is partially underwritten to an amount of \$2.0 million by Mahe Capital, and has the following terms:

1. The Rights Issue is renounceable and pro rata to Eligible Shareholders on the basis of **one New Share** for **every five Shares** held at the Record Date (as defined below), and at an **Issue Price** of \$0.20 per New Share.
2. For each New Share subscribed, Eligible Shareholders will receive one **free attaching Option** with the following terms:
 - a. Option **Exercise Price** of \$0.30
 - b. Option **Expiry Date** three years from the date of issue of the Option

The issue price of the New Shares represents a 13% discount to the closing price of MGT shares on 2 September 2024, the last day on which MGT shares traded on the ASX before the announcement of the Rights Issue, and a 20% discount to the 15 day volume weighted average price (**VWAP**) of MGT shares traded on the ASX up to and including that date.

The Rights Issue and Shortfall Offer allow Eligible Shareholders to subscribe for New Shares, together with attaching Options, without incurring any brokerage or transaction costs. The Company needs to be adequately funded to allow it to progress the opportunities that its Razorback Iron Ore Project presents, including finalising its proposed funding and off-take arrangements with Japanese steelmaker, JFE. The Board has sought to ensure that all existing Shareholders have the opportunity to invest in the Company's future through the discounted Rights Issue, together with having an opportunity to take advantage of their current loyalty through an Option to acquire further shares at a price which approximates to the current market value of the Company's shares.

The Rights Issue is renounceable, meaning that Eligible Shareholders are able to renounce their rights and seek to trade those rights on the ASX during the Rights Issue Trading Period commencing on 5 September 2024 and ending on 18 September 2024. The Company cannot guarantee that there will be any market or value in trading the rights.

Shareholders may apply for New Shares under the Rights Issue from 11 September 2024 by accessing a copy of this Prospectus by logging in at www.computersharecas.com.au/mgtoffer and accessing a personalised Application Form and paying the subscription amount for New Shares by BPay® or, if you are a resident of New Zealand, by electronic funds transfer.

Directors and management subscribed \$242,000 to the Previous Offer and will also be participating in the Rights Issue.

Shortfall Offer

In the event that the Rights Issue is not fully subscribed, Eligible Shareholders will also have the ability to participate in the Shortfall Offer.

The Shortfall Offer comprises an offer of New Shares, together with free attaching Options, that were not subscribed for by Eligible Shareholders under the Rights Issue, on the same terms as the Rights Issue.

Loyalty Offer

In addition to the Rights Issue, the Directors wish to acknowledge the loyalty of those Shareholders that participated in the Previous Offer by offering those Shareholders one free Option for each New Share purchased under the Previous Offer, on the same Option terms as those being issued under the Rights Issue (**Loyalty Offer**). For the avoidance of doubt, the Loyalty Offer only applies to Shareholders that purchased shares under the Previous Offer and will incur no purchase cost, nor brokerage or transaction costs.

Shareholders that are eligible to participate in the Loyalty Offer will be contacted directly by the Company's share registry, Computershare, via their preferred contact method, i.e., email or physical mail, with instructions on how to apply for the Loyalty Options.

Background to, and purpose of, the Capital Raising

Magnetite Mines' Board of Directors is committed to developing the Razorback Iron Ore Project with the intent of attracting suitable strategic and offtake partners willing to provide funding support for the completion of the Project's Definitive Feasibility Study (**DFS**), and to become future joint venture partners in the Project. Working capital is required to support the Company during this partnering process and also to complete the Project's Mining Lease approval.

The Rights Issue is an important step of the funding plan that also included raising \$1.17 million from existing shareholders, including Directors and management, in the Previous Offer completed in July 2024.

The Company's priority is to develop its 100% owned Razorback Iron Ore Project located in South Australia's Braemar Iron Formation with Stage 1 operations designed to produce 5Mtpa of magnetite concentrates, expandable to 10Mtpa. The global steel industry has committed to decarbonise steelmaking

and the timing of this development is in line with the forecast increase in demand for premium-quality iron ore products required to produce green iron and consequently green steel.

The Razorback Project is set to become a major mine in South Australia, underpinning the potential development of an entire new green iron production and export industry with significant economic benefits to both the South Australian and Australian economies.

Building on the work already undertaken, the Company has made significant progress in 2024 to date with a number of critical project milestones achieved:

1. **Executing strategic heads of agreement with major Japanese steel maker JFE to deliver the funding required to reach a Final Investment Decision (FID).**
 - On 8 July 2024, the Company announced the signing of a non-binding Heads of Agreement with JFE Shoji Australia Pty Ltd, (**JFE**), a subsidiary of JFE Holdings, which incorporates JFE Steel, Japan's second largest steel maker. This landmark agreement sets the framework for potential funding of the work required to progress the Razorback Iron Ore Project to FID, including the completion of a Definitive Feasibility Study.
 - On 9 May 2024, the Company engaged Azure Capital to provide corporate advisory services to the Company relating to partnering, financing and offtake agreements for the Razorback Project.
 - On 18 July 2024, the Company announced the signing of a non-binding Memorandum of Understanding with ZEN Energy Pty Ltd, an Australian renewable energy company. The MOU forms the basis under which the parties will work together to negotiate one or more binding transactions relating to the development and energy provision of the Razorback Project, as well as collaboration on the development of possible future Green Iron production projects in South Australia.
 - The Company continues to pursue high quality partnerships with North Asian steelmakers currently seeking to secure high grade magnetite concentrates in support of their transition to decarbonised iron and steelmaking.
2. **Technical derisking – saline water largely replacing need for freshwater in producing green iron feedstock.**
 - On 22 July 2024, the Company announced pioneering laboratory test results demonstrating the potential to produce 'Green Iron' feed grade magnetite concentrates largely using saline water (seawater) from a composite sample of Iron Peak deposit ore. This breakthrough testwork revealed a promising pathway for a considerably lower-cost and lower risk water solution for the Razorback Iron Ore Project, potentially reducing the need for fresh water and the capital and operating costs associated with a large desalination plant.

3. Mining Lease Proposal approvals completed and now ready for lodgement.

- During the course of 2024, the Company has completed all of the work required to lodge a Mining Lease Proposal (MLP) and associated Miscellaneous Purposes Licence applications with the South Australia Department for Energy and Mining. All technical impact assessment studies and required stakeholder consultation processes have been completed, allowing the Company to finalise the extensive MLP documentation and submit it to the Department along with the prescribed fee.

4. Green Iron Expression of Interest (SA Government) and Green Metals submission (Federal Government).

- On 13 February 2024, Magnetite Mines signed a Memorandum of Understanding with the Port Pirie Regional Council. The Company identified Port Pirie, located 160km from Razorback, as a logical location for the creation of a “green iron hub” in South Australia. Port Pirie has an operating port, rail access, water and natural gas supply, a skilled industrial workforce and a supportive community.
- On 20 June 2024, the South Australian Government launched a Green Iron Expressions of Interest (EOI) to assess the de-risking requirements that would incentivise private investment in a Green Iron production plant in the Upper Spencer Gulf by 2030. This initiative signals priority interest and intent by the South Australian Government to collaborate with industry and other stakeholders in the establishment of a major new Green Iron industry. EOI responses are due in October of this year, and Magnetite Mines along with selected industry partners, is preparing a comprehensive EOI submission. The consortium-based submission is designed to position the Razorback Iron Ore Project as a central and necessary component of a broader initiative to rapidly develop a Green Iron plant in Port Pirie.
- On 14 July 2024, the Company made a submission to the Australian Federal Government’s Green Metals consultation process, outlining the Company’s views on government policies necessary to establish a green iron industry in Australia. Magnetite Mines is currently engaging with a wide range of Federal members, senators, ministers and shadow ministers to advocate for the strategies it outlined in the submission, and to create greater awareness of how this could help accelerate the Razorback Iron Ore Project.

Use of capital raised

Building on the progress made, the Company has two clear priorities for the funding proceeds from the Rights Issue and the Shortfall Offer:

- completing a binding transaction with strategic partners (JFE Shoji Australia Pty Ltd and potentially others) to secure DFS funding; and
- lodging the Project’s Mining Lease Proposal (MLP) with the South Australia Department of Energy and Mining.

In the Board's view, Magnetite Mines is now strategically positioned for success. It has demonstrated that it has a premium iron ore resource, the ability to attract high calibre partners seeking long term involvement in the Project, and is garnering strong support for its role across the highest levels of Federal and State Governments.

This has created an unprecedented opportunity for Magnetite Mines to become a major iron ore player and key enabler of Australia's proposed new green iron opportunity. Through the Razorback Iron Ore Project, real potential exists for the Company to become a long-life, high-value iron ore operator, producing premium-grade magnetite concentrates at scale, for decades into the future.

The Board and management remain committed to realising this potential and thereby creating considerable value for shareholders.

To achieve this requires your continued support as Shareholders and on behalf of all Magnetite Mines' Directors, I invite you to participate in the Rights Issue.

Rights Issue Details

Details of the Rights Issue (and the Shortfall Offer) are set out in the Prospectus which was lodged with ASIC and released by the Company to ASX on 3 September 2024 (**Prospectus**).

Eligibility to participate in the Rights Issue

Shareholders who are eligible to participate in the Rights Issue (**Eligible Shareholders**) are those persons who:

- a) were a registered holder of fully paid ordinary shares in the Company as at 7:00pm (Sydney time) on the record date, being 6 September 2024 (**Record Date**);
- b) have a registered address on the Company's share register that is in Australia and New Zealand; and
- c) are not in the United States and are not acting for the account or benefit of a person in the United States.

According to the Company's records, you are an Eligible Shareholder who may participate in the Rights Issue.

Action you may take

Participation in the Rights Issue is optional and available exclusively to Eligible Shareholders. As an Eligible Shareholder you may:

- take up all or part of your entitlements to New Shares and free attaching Options (**Rights**);
- take up all of your Rights and apply for additional New Shares, together with free attaching Options, under the Shortfall Offer; or
- do nothing and allow your Rights to lapse.

If you choose to do nothing, you will continue to hold the same number of shares in the Company, however, your interest in the Company will be diluted by the issue of the New Shares under the Rights Issue (including any New Shares issued under the Shortfall Offer).

How to apply

All applications can be made online, making it easier for you to apply. You do not have to return any Application Form to the Company.

If you wish to subscribe for New Shares you must:

1. Access the offer website at: www.computersharecas.com.au/mgtoffer
2. Provide your country of residence and postcode, and your HIN/SRN identification number – **your HIN/SRN is the number that is located in the top left hand corner of this letter.**
3. Review the Prospectus (including the summary of key risks in Section 7) and acknowledge that you have done so when prompted to do so.
4. Complete the personalised Application Form on the offer website and apply for additional New Shares in the Shortfall Offer if you wish to do so – at the end of the application process you will be given a customer reference number (**CRN**) to assist with payment.
5. Go to your financial institution's online banking website and pay the relevant subscription monies for the New Shares applied for by BPay® or, if you are resident in New Zealand, by electronic funds transfer (EFT) by using the CRN as your payment reference.

The Rights Issue opened on 11 September 2024 and is scheduled to close on 25 September 2024, unless extended (**Closing Date**).

If you have any questions in relation to applying, please contact the Magnetite Mines Offer Information Line on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday, until the Closing Date.

Indicative Timetable

The indicative timetable for the Rights Issue is detailed below:

Event	Date [*] (2024)
Ex date for Rights Issue Unless otherwise determined by the ASX, rights trading commences on a deferred settlement basis from ASX market open	Thursday, 5 September
Record Date for determining rights	7:00pm Friday, 6 September
Prospectus and personalised Application Form made available at www.computersharecas.com.au/mgtoffer Rights Issue opens (Opening Date)	Wednesday, 11 September
Rights trading ends at ASX market close	Wednesday, 18 September

Event	Date [*] (2024)
Unless otherwise determined by ASX, New Shares and attaching Options quoted on a deferred settlement basis	Thursday, 19 September
Rights Issue closes (Closing Date)	5:00pm Wednesday, 25 September
Announcement of results and shortfall (if any) under the Rights Issue Announcement of take up of Loyalty Options under the Loyalty Offer	Wednesday, 2 October
Issue and allotment of New Shares and Options	Before Noon, Wednesday, 2 October
Commencement of trading of New Shares and Options on a normal settlement basis Dispatch of holding statements	Thursday, 3 October

** These dates are indicative only and are subject to change. Magnetite Mines, reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend this indicative timetable by sending a revised timetable to ASX. In particular Magnetite Mines reserves the right to extend the Closing Date, accept late applications under the Rights Issue (either generally or in particular cases), and to withdraw or vary the Rights Issue without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment and issue of the New Shares and Options. All times are to Sydney, Australia time.*

Further Information

If you have any questions in relation to any of the above matters, please contact the Magnetite Mines Offer Information Line on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside Australia) from 8.30am to 5.00pm (Sydney time), Monday to Friday, until the Closing Date. For other questions, you should consult your stockbroker, accountant or other independent professional adviser.

On behalf of the Magnetite Mines' Board, we thank you for your continued support of the Company.

Yours faithfully



Jim McKerlie
Chair
Magnetite Mines Limited