



MAGNETITE MINES LIMITED
Making Steel Stronger

ASX Announcement

27 March 2017

LOI for 2 million tpy magnetite concentrates to enhance sinter fines blend

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 Sha Steel (**Shagang**). The LOI details a conditional agreement for the purchase of 2.0 million tpy of iron ore concentrate for addition to their sinter fines blend.

It is the intent of the parties that this LOI, whilst non-binding, is the prologue to the negotiation of a binding off-take contract, which would become legally binding as part of the security package for financing of the construction of the first production operation. The LOI contains detailed commercial terms which will form the basis of that contract.

Shagang is located in Kiangsu province, China north of Shanghai and is the largest private steel company in China. It has 30,000 employees and has an iron making capacity of 31.9 million tpy, a steel making capacity of 39.2 million tpy and a rolled products capacity of 37.2 million tpy. It is amongst the most profitable of steel mills in China. It is number 7 in world steel rankings and is listed in the Fortune 500. Shagang's intended use of the Company's magnetite is as a blending component to improve the quality of their sinter plant feed.

The Chairman of the Company, Mr Gordon Toll said; "This LOI creates a value adding relationship with one of the largest, most efficient and entrepreneurial large steel companies in the world. This LOI adds to previously announced agreements with Chinese steel companies, Shandong Steel, Qingdao Steel and Ningbo Iron and Steel, plus additional agreements with two non-Chinese steel makers. It clearly emphasises the demand for our high quality products."



Mr Bill Shen, Managing Executive Director, Jiangsu Shagang Group and Chairman of Magnetite Mines Limited signing LOI.

The consummation of this effort with Shagang was in large part facilitated by Julia Zhu, the South Australian Government representative embedded in Austrade in Shanghai. The Company now has a total of 8 million tpy of possible off-take subject to LOI's ready for conversion to firm sales contracts.

Discussions continue with steel makers in China, Japan, Korea, the Middle East and North Africa as does work on definitive feasibility level engineering.

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.

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