

ASX ANNOUNCEMENT

28 JULY 2022

FOURTH QUARTER ACTIVITIES REPORT

ENDING 30 JUNE 2022

Highlights

- **\$15.8 million target raised in Rights Issue**
- **Strategic board and management appointments of Non-Executive Director, Simon Wandke, and Chief Financial Officer, Ian Kirkham**
- **Formal grant of the Muster Dam tenement received from the South Australian Department for Energy and Mining**
- **Native Title Agreement process commenced with the Ngadjuri Traditional Owners**
- **Significant progress achieved in the Definitive Feasibility Study including:**
 - ~70% of Hatch processing plant studies complete
 - Power, water, NPI, tailings and logistics components of study progressing
 - Commencement of geotechnical investigations
 - Commencement of detailed mine design, schedule optimisation and equipment selection for open pit mining at Razorback
- **Positive interim metallurgical testwork results announced post-quarter and additional testwork commissioned to assess the suitability of Razorback ores for premium DR-grade concentrates**

OVERVIEW & POST-QUARTER ANNOUNCEMENT OF INTERIM METALLURGICAL RESULTS

During the quarter, the Razorback Iron Ore Project Definitive Feasibility Study (“DFS”) was advanced across all major workstreams including mining, processing, tailings, power and logistics. The permitting and approvals program – which encompasses environmental studies, mining and environmental licensing, land access negotiations, and Native Title Act processes – also achieved several important milestones including the commencement of Native Title Agreement negotiations with the Ngadjuri Traditional Owners. These activities are detailed in the relevant sections of this report.

Subsequent to the quarter, Magnetite Mines announced interim metallurgical testwork results confirming the attainment of high-grade, low-impurity concentrates during bulk testing. To date, analysis incorporating the full flow sheet has produced concentrates of higher quality than the design specification of 67.5% iron and 4.5% Silica + Alumina, with one bulk sample producing 69.7% iron with 2.6% Silica + Alumina. The Company is encouraged by these interim results as they support the quality of iron ore product that the Razorback Project can produce. As announced on 21 July 2022, the Company will consequently undertake further assessments of the capability of its mineral resource base, which encompasses both the Razorback and Iron Peak deposits, to support the production of Direct Reduction

grade (“DR-grade”) iron ore in material quantities and on a consistent basis over multiple decades. Because of their environmental and economic benefits, DR-grade products are priced at a significant premium to the 62% Fe fines benchmark index.

DEFINITIVE FEASIBILITY STUDY UPDATES

Geology



Members of the MGT Board and executive team at Razorback

Geological studies are ongoing following initial metallurgical and shallow infill drilling programs completed in the March quarter. These two drill programs provided laboratory samples for bulk metallurgical testwork and data to underpin resource classification updates given improvements in drilling density and data coverage. Samples were submitted to both local and foreign laboratories. Resource-related head grade and DTR analysis underway at Bureau Veritas laboratories will inform geological modelling and updated resource assumptions for the Iron Peak deposit.

Separate to the DFS, the Company completed a drone-based aeromagnetic geophysical survey over the Sister’s Dam prospect, which is located ~38km east of Razorback. The scope of the survey was based on existing, low-resolution State surveys, which indicate a high relative magnetic response located under

cover and well-developed apparent thickness, possibly as a result of isoclinal folding. Preliminary results have been received with geophysical processing to follow. The results of the survey will inform future exploration activities in the area which may underpin a resource expansion opportunity.

Mining

During the quarter, mining studies were progressed on several key fronts. Pit shell designs were completed and included interim stages designed to high grade in the early years of mine life and minimise cost in later years. Mine schedules were also prepared during the quarter and are now undergoing a final optimisation, focusing on the first ten years of mining.

Processing Plant

Processing plant design and engineering has progressed significantly, with roughly 70% of the study completed as at the end of June. Processing flow diagrams have been informed by metallurgical testwork completed to date at both laboratory bench and pilot scales. Interim testwork results, announced mid-July, demonstrate that a high-grade, low-impurity concentrate can be produced from the Project's ores. Results related to variable flotation and bulk flow sheet simulation, which represent the final stages of the DFS testwork program, are pending. Changes made to the design of the processing plant indicate an increase to the power load list compared to the PFS design.

Analysis of the testwork results also suggests that the Project could potentially support Direct Reduction grade concentrate production, subject to further studies. The Company intends to undertake an additional testwork program to investigate this critical value adding opportunity to produce products which may achieve higher price premia and further align with a decarbonising iron and steel sector.

Infrastructure

Power

The expected increase in process plant power demand has led to a review of the transmission line, which will likely include the consideration of a 275kV line. While the capital cost of the transmission line would increase at this higher voltage, there would be a near-commensurate decrease in line losses.

A 275kV line could, in theory, support the energy requirements of the increased production scenarios detailed in the Expansion Study.

Camp

The location of the accommodation camp was confirmed during the quarter. The location is sufficiently clear of the mine area, conservation area, tailings storage facility and product haul road to negate the effects of noise and dust.

Haul Road

Haul road related design work completed in the quarter included the finalisation of corner radii and road grade. Flood modelling was completed on the selected route, with the outputs being used to size culverts.

Rail siding

Design work for the siding, which is being progressed in tandem with the design of the haul road, commenced in June. The Company and the Australian Rail Track Corporation (ARTC) have initiated the process to formalise a land access agreement for the siding and stockpile area that sits within the ARTC land boundary.

Tailings

Progress in tailings design and related studies was made in several areas. The Company determined the optimal location for the tailings storage facility (TSF), which will be used for the Mining Lease Application, with a second location to the Northeast of the process plant also identified as a long-term option, or for an expansion.

Following the completion of testwork, the tailings settling rate, rheology, water recovery and pumping requirements are now at a far greater confidence level. Further, deposition design has incorporated the outcomes of risk assessments into all aspects of design to minimise the possibility of breaches occurring.

Hydrogeology

Hydrogeological modelling in the form of flood modelling was undertaken during the quarter. This work aims to assess the impacts of inundation for a flooding event affecting the haul road access pathway and the plant area. Work completed to date, utilising high-resolution LIDAR data acquired earlier in the year, has been incorporated into the basis of design of road culverts.

Geotechnical investigations

A geotechnical test pitting program was completed across 48 project sites including sites along the haul road. The program has provided inputs required for cut and fill calculations and civil structural design elements related to the footings and foundations of project infrastructure.

ENVIRONMENTAL ASSESSMENTS & REGULATORY APPROVALS

Environmental characterisation and targeted survey efforts were materially progressed during the quarter, with early works commenced for selected impact assessment programs.

A detailed microbat survey was completed in April 2022 and followed an earlier survey in October 2021 to ascertain the potential for the federally listed Corben's Long-eared Bat to be present within the mining

area. The survey demonstrated limited, quality habitat in the area, and no specimens were captured during the extensive trapping effort. As such, these results indicate that Project activities are unlikely to have a significant impact on this microbat species.

Other key activities in this quarter included:

- Seasonal groundwater sampling;
- Receipt of draft baseline survey reports, including soil, noise and air quality (to be finalised in July 2022);
- Commissioning of detailed ecology assessment for mine and infrastructure assessment as part of the impact assessment program;
- Planning of groundwater and surface water modelling; and
- Commissioning of detailed third party bore assessments to further enhance upcoming groundwater modelling.

STAKEHOLDER ENGAGEMENT & ESG

Stakeholder Engagement and Land Access

The Company's early engagement program is focused on its relationship with the Ngadjuri Nation, State Government, local councils and landowners (holders of title, including pastoral and Crown leaseholders). Our early engagement program has identified a key opportunity to work closely with the District Council of Peterborough on road infrastructure development. This collaborative effort aims to work through any use of council roads where appropriate as part of the site access and includes discussions on minor upgrades to support future use.

Land access negotiations for the properties covered by the intended Mining Lease area were significantly advanced in the quarter, while negotiations for land access to areas supporting the transmission line and haul road progressed in line with expectations.

Native Title

Following MGT's presentation to the Board of the Ngadjuri Nation Aboriginal Corporation (NNAC) in March 2022, the company has progressed its planning for Native Title negotiations and has confirmed its next representation to the NNAC Board in July 2022. During the quarter, the Company prepared statutory notifications required under the SA Mining Act 1971, which are ready for submission following Consent Determination of the Ngadjuri Nation #2 Native Title Claim.

Cultural Heritage

Representatives from the Ngadjuri Nation have completed extensive baseline cultural heritage surveys over the Project area. In total, ~1,200ha of baseline surveys were completed in the quarter for a cumulative total of almost 2,500ha to date. The Company recognises this significant effort by the Ngadjuri heritage survey team, with their work building a detailed understanding of the intrinsic heritage

values of the southern Braemar Iron Formation area and demonstrates our ESG commitments through social inclusion and accountable and transparent processes.

Final baseline cultural heritage surveys within the mining area are proposed for August 2022 with infrastructure corridors to follow.



Ngadjuri Heritage Survey Team completing a regional survey

Environmental, Social & Governance

MGT continues to assess options to ensure the design and delivery of a project that enhances its environmental performance, is socially responsible and accepted by its stakeholders, and instils trust and accountability through essential governance processes. This quarter, the Company has progressed a range of work programs, including:

- Reviewing the feasibility of several non-beneficial-use water resources for initial and expanded water consumption requirements;
- Commencing assessment of additional water management technologies to reduce overall water demand;
- Continuing its early engagement and heritage management program with NNAC;
- Optimising its major power connection and transmission strategy to reduce line losses and associated inefficiencies; and
- Investigating new processing technologies that lower project power consumption.

CORPORATE UPDATE

Key Announcements During the Quarter

During the quarter, the Company made a number of announcements, which are accessible on the ASX website. The key ASX announcements were as follows:

- Appointment of AMC to Razorback Definitive Feasibility Study – 11/04/2022
- Strategic Board and Management Changes – 19/04/2022
- Renounceable Rights Issue to raise up to \$15.8M – 19/04/2022
- Mines and Money Conference Presentation – 04/05/2022
- Magnetite Mines Secures Muster Dam Tenement – 11/05/2022
- Rights Issue Closes, Secure \$15Mn as Targeted – 18/05/2022
- Appointment of Chief Financial Officer – 30/05/2022
- Director Appointment/Resignation – 02/06/2022
- Investor Webinar Presentation – 30/06/2022

Rights Issue

In May, the Company successfully completed a renounceable entitlement offer raising the targeted amount of \$15.8 million (before costs) through the issuance of 631,949,386 ordinary shares at an issue price of \$0.025 per share. For every two new shares subscribed, applicants also received 1 free attaching option exercisable at \$0.05 and expiring 12 months from issuance. In total, 315,974,688 options were issued, which are listed on the ASX under code MGTOE.

Formal Grant of Muster Dam Tenement

Following a competitive exploration tenement application process in 2021, Magnetite Mines was formally granted the Muster Dam tenement, EL 6746, on 7 May 2022 by the South Australian Mines Department for Energy and Mines.

The Company near-term strategy for the tenement includes:

- Application of XRD and QEMScan analytical techniques to existing exploration material provide further insight into the resource's mineralogical characteristics, and its amenability to processing;
- Preparation of a JORC 2012 compliant resource statement to replace the existing Mineral Resource estimate prepared under the JORC Code 2004; and
- Develop a staged exploration program including refining targets for drill testing.

Strategic Board and Management Changes and Appointments

Following the appointments of non-executive directors Paul White and Jim McKerlie in January, the Company made several changes to its Board and executive leadership team during the quarter intended to further strengthen the stewardship and governance of the business. These were as follows:

- **Mr Peter Schubert** transitioned to the role of Non-Executive Director, following three successful years as Executive Chairman and CEO;
- **Mr Mark Eames**, previously Technical Director, was appointed as Chair of the Board;
- **Mr Stephen Weir** took over the CEO role in an acting capacity while the Company undertakes a formal CEO search process;
- **Mr Trevor Thomas**, formerly General Manager - Geology, was appointed Study Director and will lead the remainder of the Definitive Feasibility Study program;
- **Mr Simon Wandke**, recently CEO and Executive Vice President of ArcelorMittal Mining, was appointed as a fourth Non-Executive Director; and
- **Mr Ian Kirkham**, a highly-experienced finance professional, was appointed as Chief Financial Officer (CFO).

The changes made to the Board and executive team in the third and fourth quarters are intended to support the next phase in the Company's transformation. Further, they demonstrate its commitment to robust corporate governance practices in line with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The combined experience and knowledge of the Board and senior management team represents an invaluable resource to the Company, which will be instrumental in bringing the Razorback Iron Ore Project to fruition.

MINING EXPLORATION ACTIVITIES

Costs associated with mining and exploration during the quarter totalled \$3.6 million and relate to DFS studies and resource exploration activities. No drilling activities occurred during the quarter with the exception of follow up analysis of previous drilling samples and environmental rehabilitation. Work activities related to the expenditure included:

- DFS study advancement through consultants, engineering and design and laboratory testwork activities;
- General geological field work;
- Permitting for drilling activities; and
- Metallurgical testwork.

Mining Production and Development activities during the Quarter:

None of the Company's projects are at a production or development stage and consequently there were no activities during the quarter relating to production or development.

Tenements

The following tenements were held by Magnetite Mines Limited (and its controlled entities) at 30 June:

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
SOUTH AUSTRALIA						
PUALCO	EL6126	100%	100%	-	-	-
RED DRAGON	EL6127	100%	100%	-	-	-
RAZORBACK RIDGE	EL6353	100%	100%	-	-	-
DRAGON'S TAIL	EL5902	100%	100%	-	-	-
SISTER'S DAM	EL6037	100%	100%	-	-	-
BRAEMAR	EL6788	0%	100%	100%	-	-
LIPSON	EL6745	0%	100%	100%	-	-
MUSTER DAM	EL6746	0%	100%	100%	-	-

This announcement has been authorised for release to the market by the Board

For further information contact:

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Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity

MAGNETITE MINES LIMITED

ABN

34 108 102 432

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(428)	(1,188)
(e) administration and corporate costs	(447)	(1,243)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	32
1.5 Interest and other costs of finance paid	-	(98)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (fuel tax credit, royalty income)	72	128
1.9 Net cash from / (used in) operating activities	(798)	(2,369)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(17)	(133)
(d) exploration & evaluation	(3,609)	(9,829)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	4
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security bond)*	-	(80)
2.6	Net cash from / (used in) investing activities	(3,626)	(10,038)
*Relates to reallocation of payment for security bonds from section 1.8 to 2.5			

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	15,802	16,122
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(951)	(956)
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)	-	-
3.10	Net cash from / (used in) financing activities	14,851	15,166

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,920	16,588
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(798)	(2,369)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,626)	(10,038)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,851	15,166

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19,347	19,347

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,389	1,667
5.2	Call deposits	16,958	7,253
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,347	8,920

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(798)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,609)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(4,407)
8.4 Cash and cash equivalents at quarter end (item 4.6)	19,347
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	19,347
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.39
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 28 July 2022

Authorised by: This report has been authorised for release to the market by the board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.