



ASX ANNOUNCEMENT

30 JULY 2021

FOURTH QUARTER ACTIVITIES REPORT

ENDING 30 JUNE 2021

Highlights

- 473 million tonnes maiden Ore Reserve declared for the Razorback Iron Ore Project³
- Razorback Iron Ore Project Mineral Resource estimate increased to 3.0 billion tonnes⁴
- Institutional placement raises \$7 million (before costs) to fund Pre-Feasibility Studies⁶
- Conversion of MGTOC Options raise \$7.5 million (before costs)⁷

Magnetite Mines' Executive Chairman and CEO, Peter Schubert, commented:

"During the quarter the Company has achieved several key milestones as we progress to become a long-life producer of high-grade iron ore concentrate from our flagship Razorback Iron Ore Project in South Australia.

We have a total of 5.7 billion tonnes of JORC compliant iron ore Mineral Resources within the tenements in which we have an interest, inclusive of the recently upgraded 3 billion tonnes Mineral Resource estimate at the Razorback Iron Ore Project^{3,4,5,9}.*

The Pre-Feasibility Study, released just after the end of the quarter, is based around a maiden Probable Ore Reserve of 473 million tonnes, sufficient to support a 20+ year operation³. The robust economic result of the PFS is based on long run average iron ore price for the 62% reference grade of US\$110, well below current iron ore prices¹.

Following the strong PFS result, we have moved straight into a Definitive Feasibility Study for the Project."

**The quoted total Mineral Resource estimate of 5.7 billion tonnes is inclusive of the Razorback Mineral Resource (3 billion tonnes at JORC 2012 Indicated and Inferred⁴), Ironback Hill Mineral Resource (1.2 billion tonnes at JORC 2012 Inferred⁹) and Muster Dam Iron Projects (1.5 billion tonnes at JORC 2004 Inferred⁵). The exploration licence application (ELA2020/00133) for the Muster Dam Iron Project tenement was awarded to the Company by the SA Government on 24 February 2021 and is currently undergoing standard exploration license grant processes prior to official exploration licence grant to the Company⁵.*

RAZORBACK IRON ORE PROJECT

HIGH GRADE

67.5-68.5% Fe concentrate grades with low levels of deleterious elements^{1,2}

LONG LIFE

+20 years projected mine life at 2-3 million tonnes per annum production¹

MINERAL RESOURCES

3 billion tonnes Mineral Resource⁴, including 473 million tonnes at Probable Ore Reserve classification³

ROBUST ECONOMICS

A\$669 million post tax NPV at US\$110/t¹
Post tax IRR of 20%¹

RAZORBACK IRON ORE PROJECT

During the quarter, Magnetite Mines Limited (ASX:MGT)(Company) completed key technical milestones for the Pre-Feasibility Study (PFS) at the Razorback Iron Ore Project (Project), for which the results were released at the beginning of July 2021¹.

Mineral Resource Update

The Project Mineral Resource estimate was updated using a revised geological model during the quarter⁴. The Mineral Resource estimate, completed by Widenbar Associates, used an updated geological model with improved definition of mineralisation as given by downhole geophysical datasets.

Together with updated assumptions on bulk density, structural geometry and lateral continuity of mineralisation, the resulting Mineral Resource estimate increased from 2.7 billion tonnes to 3 billion tonnes in total⁴.

The Mineral Resource estimate resulted in a 50% increase to the tonnage of material at Indicated classification to 1.5 billion tonnes and the upgrade of a large portion of near surface material to JORC Indicated classification.

The updated Mineral Resource estimate was completed to the current JORC-2012 code and guidelines and formed the basis for a maiden Ore Reserves estimate to support the PFS³.

Together with the Ironback Hill deposit⁴, located 15km to the south of the Project, the global Mineral Resource estimate now stands at 4.2 billion tonnes and expected to increase to 5.7 billion tonnes once the Mineral Resource at the Muster Dam Iron Project is included following official tenement transfer to the Company following standard SA Government processing⁵.

The transfer of the Muster Dam tenement to the Company is progressing as per due process with the SA Department of Energy and Mines and is expected in the coming months.

The updated Mineral Resource estimate for the Project is summarised in Table 1 below. The figures quoted represent the in-situ (head) grades for the Project, which is subject to processing to produce a high-grade concentrate of 67.5% to 68.5% Fe²:

Table 1. Razorback Iron Ore Project May 2021 Mineral Resource Estimate at 11% eDTR cut-off grade, Widenbar and Associates⁴

Classification	Million Tonnes (Mt, dry)	Mass Rec (eDTR%)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%	Magnetite%
INDICATED	1,500	15.6	18.5	47.9	8.0	0.18	5.4	15.0
INFERRED	1,500	16.0	18.0	48.3	8.2	0.18	5.5	15.9
TOTAL	3,000	15.8	18.2	48.1	8.1	0.18	5.5	15.5

All figures quoted at an 11% eDTR cut-off

A full explanation of the Project Mineral Resource estimate⁴ and accompanying competent persons statement can be found at this [link](#).

Maiden Ore Reserve

During the quarter, a maiden Ore Reserve was announced for the Project and completed to the JORC 2012 code and guidelines, 473 million tonnes of iron ore were declared at the Probable Ore Reserve classification³.

The Ore Reserve was derived from mining studies that utilised the Mineral Resource update⁴ to generate mining schedules with an estimated tonnage and grade which, in the opinion of the Competent Person, forms the basis of a technically and economically viable project.

The Ore Reserves represent a high level of confidence in the economic extraction of the Projects Mineral Resources and were reported in preparation for the PFS, which was announced to the market in early July 2021.

The maiden Ore Reserves are classified as ‘Probable’ Ore Reserves following JORC 2012 guidelines, which are a sub-set of the much larger Indicated Mineral Resources at the Project.

The Probable Ore Reserves estimate was undertaken by independent mining consultants, Orelogy Mine Consulting after consideration of all relevant mining, metallurgical, social, environmental, statutory and financial aspects of the Project.

The mining configuration for this Ore Reserve case assumes an owner operator truck and shovel-based mining operation that delivers run of mine (**ROM**) ore to a 12.8 million tonne processing plant, designed to produce a nominal 2 million tonnes of concentrate per year at a product grade of 67.5 – 68.5% Fe, with concentrate to be trucked along private haul roads for 44km to a rail siding, where it will be transported via rail to port at Whyalla for export³.

The Ore Reserve mining scenario features as the ‘Reference Case’ in the PFS¹.

Table 2. Razorback Iron Ore Project Ore Reserve estimate

Reserve Classification	Tonnes (Million)	Mass Recovery %	Fe Head Grade %	Tonnes of Concentrate (Million)
Probable*	473	14.5	16.8	68.5

**Ore Reserves are a subset of Mineral Resources*

A full explanation of the Projects maiden Ore Reserve estimate³ and accompanying competent persons statement can be found at this [link](#).

Pre-Feasibility Study

Shortly after the reporting period, the Company announced the results of the successful PFS for the Project. The key outcomes of the PFS included definition of a preferred ‘go forward’ scope for the Definitive Feasibility Study.

Referred to as the Head Grade Improvement Case, this configuration resulted in a Project capital estimate of A\$675M producing a post-tax NPV of A\$669M and IRR of 20% with a long run Fe 62% price assumptions of US\$110/t respectively.

Importantly, the PFS showed that a high grade 67.5 – 68.5%, high quality magnetite concentrate can be produced from the Project ores using conventional processing techniques. The Mineral Resource supports

a mine life in excess of 20 years at 2-3Mtpa and the presence of existing power, road, rail and port infrastructure has contributed to a relative low capital requirement for a greenfield iron ore mine of this size.

CORPORATE

Placement

During the quarter the Company successfully completed a private placement to institutional and sophisticated investors (as defined in Section 708 of the Corporations Act 2001) raising \$7,008,000 (before costs)⁶.

The Company issued up to 120,827,586 fully paid ordinary shares (Shares) at an issue price of \$0.058 per share (Placement). The shares were issued on 14 May 2021 under the Company's listing Rule 7.1 placement capacity and not subject to shareholder approval. The shares issued rank equally with all existing shares from the date of issue.

The placement was priced at a premium to the 5 day volume weighted average price of the Company's shares traded over the 5 days on which sales in the shares were recorded up to and including 5 May 2021.

MGTOC Option Conversions

During the quarter, the Company received \$7,520,065 in cash (before costs)⁷ from the conversion of MGTOC quoted options exercisable at \$0.05 each expiring 31 May 2021. The Company issued 150,401,292 new fully paid ordinary shares from the conversion of the MGTOC options and the shares issued rank equally with all existing shares from the date of issue.

Marketing

During the quarter and ahead of the PFS, a broker presentation was undertaken with presentational material released to the market⁸. The Company will maintain regular shareholder communication as it progresses the Definitive Feasibility Study (DFS).

MINING EXPLORATION ACTIVITIES

Mining exploration activities during the quarter related to:

- PFS related services and studies¹
- Geochemistry services – as related to Davis tube recovery and geometallurgical characterisation testwork
- Technical consultancy services – as related to PFS studies and peer review.
- General field work – as related to stakeholder engagement, sample preparation and storage

Most of the expenditure in the Quarter related to PFS, assessing options for the economic delivery of ore concentrates from the Project. Due largely to the availability of historical drill samples and datasets that are available for use in the current PFS, no drilling was required during the quarter.

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.

DEFINITIVE FEASIBILITY STUDY

The Company's focus for the September 2021 quarter will be the progression of the DFS for the Project. Specific planned activities include:

- Planning – DFS work programs and critical path scheduling
- Engineering Engagement – Proposals and quotations for the engagement of key study engineers and consultants
- Staffing – Recruitment of key Company staff for the management of the DFS work programs
- Ecological baseline studies – Ongoing data collection supporting permitting and approvals
- Data Collection – Entering contracts with drilling contractors for groundwater and metallurgical sample acquisition

This report has been authorised for release to the market by the Board.

For further information contact:

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Executive Chairman and CEO
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References

1. ASX Announcement – 05/07/21 – Positive PFS Results for Razorback Iron Project
2. ASX Announcement – 13/09/16 - Metallurgical Update – Positive Results
3. ASX Announcement – 30/06/21 - Maiden Ore Reserve for the Razorback Iron Project
4. ASX Announcement – 24/05/21 – Razorback Iron Project Mineral Resource Upgrade
5. ASX Announcement – 01/03/21 – Muster Dam Iron Project Tenements awarded to Magnetite Mines
6. ASX Announcement – 07/05/21 – Commitments to raise \$7 Million
7. ASX Announcement – 07/06/21 - Result of MGTOC Option Conversions
8. ASX Announcement – 21/06/21 – Broker Roadshow Presentation
9. ASX Announcement – 20/11/18 – Ironback Hill Deposit – JORC 2012 Resource Update

ABOUT MAGNETITE MINES

Magnetite Mines Limited (ASX:MGT) is an Adelaide-based ASX-listed development-stage company advancing the Razorback Iron Ore Project located in the Braemar, Australia's emerging iron ore mining region.

The Razorback High Grade Iron Ore Project is the Company's flagship project in the eastern portion of the Braemar. The Project contains a 3.0 billion tonne Mineral Resource⁴ and 473 million tonne Probable Ore Reserve³, estimated as part of a Pre-Feasibility Study released in July 2021¹.

The Company has a total Mineral Resource of 5.7 billion tonnes* of iron ore within the Braemar Iron Formation^{4,5,9}.

The Pre-Feasibility Study was completed using an iron ore (62% Fe) of US\$110 with the 20+ year mine life projecting a post-tax NPV of A\$669 million and a post-tax IRR of 20%. Following the positive PFS result, the Company has commissioned a Definitive Feasibility Study for the Project¹.

Details of the Pre-Feasibility Study can be found at the following [link](#):



Figure 1. Razorback Ridge, forming prominent low-angle outcropping mineralisation (looking west)

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 2021

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	(2)	(8)
(b) development	-	-
(c) production	-	-
(d) staff costs	(138)	(533)
(e) administration and corporate costs	(185)	(549)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	13
1.5 Interest and other costs of finance paid	-	(102)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – COVID-19 Cashflow boost	-	37
1.9 Net cash from / (used in) operating activities	(319)	(1,142)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(19)	(32)
(d) exploration & evaluation	(1,785)	(3,135)
(e) investments	-	-
(f) other non-current assets	-	-

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	-	3
(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 (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,804)	(3,164)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	7,008	12,961
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	7,872	8,057
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(330)	(855)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(100)
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	14,550	20,063

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,161	831
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(319)	(1,142)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,804)	(3,164)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	14,550	20,063

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	16,588	16,588

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	775	401
5.2	Call deposits	15,813	3,760
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)	16,588	4,161

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.</i>		
<i>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)	(319)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,804)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,123)
8.4 Cash and cash equivalents at quarter end (item 4.6)	16,588
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	16,588
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.81
<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: 30 July 2021

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.

The following tenements held by Magnetite Mines Limited (and its controlled entities) as at 30 June 2021

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%	-	-	-