



ASX Announcement

31 October 2019

First Quarter Activities Report Ending 30 September 2019

Highlights

- Scoping Study investigating low cost start-up options advancing to completion
- Investigation into the use of NextOre Pty Ltd's leading-edge ore sorting technology well progressed
- Terms of legacy redeemable convertible note renegotiated with Liquidator of Mintech Resources Pty Ltd
- The Company continues to aggressively market the Razorback Iron Project towards new investment opportunities

Scoping Study

Magnetite Mines Limited (**Company**)(ASX:**MGT**) is pleased to report that the Scoping Study (**Study**) has advanced to near completion at the end of the reporting period. As reported previously,¹ the Study was initiated to investigate low-capital, low tonnage start-up options available to the Company's 100% owned Razorback Iron Project (**Project**).

Work completed to date includes the appraisal of several infrastructure, processing and mining scenarios related to a number of low tonnage production outputs for the Project. The outcomes of the Study to date have been positive with results indicating significant scope for a development pathway at lower tonnages than considered in previous studies.

Flow sheet development and optimisations thereof have led to the investigation of both conventional processing techniques as well as an investigation of complimentary new technologies to maximise metallurgical efficiency at lower operating costs. As a result of this work the Company began an investigation into the suitability of leading-edge ore sorting technology as produced by NextOre Pty Ltd (**NextOre**)⁵.

This study includes an initial desktop appraisal of NextOre’s magnetic resonance analysers as developed by the CSIRO with respect to the Razorback Iron Project’s current Mineral Resources². The results of work are expected to coincide with the completion of the Study.

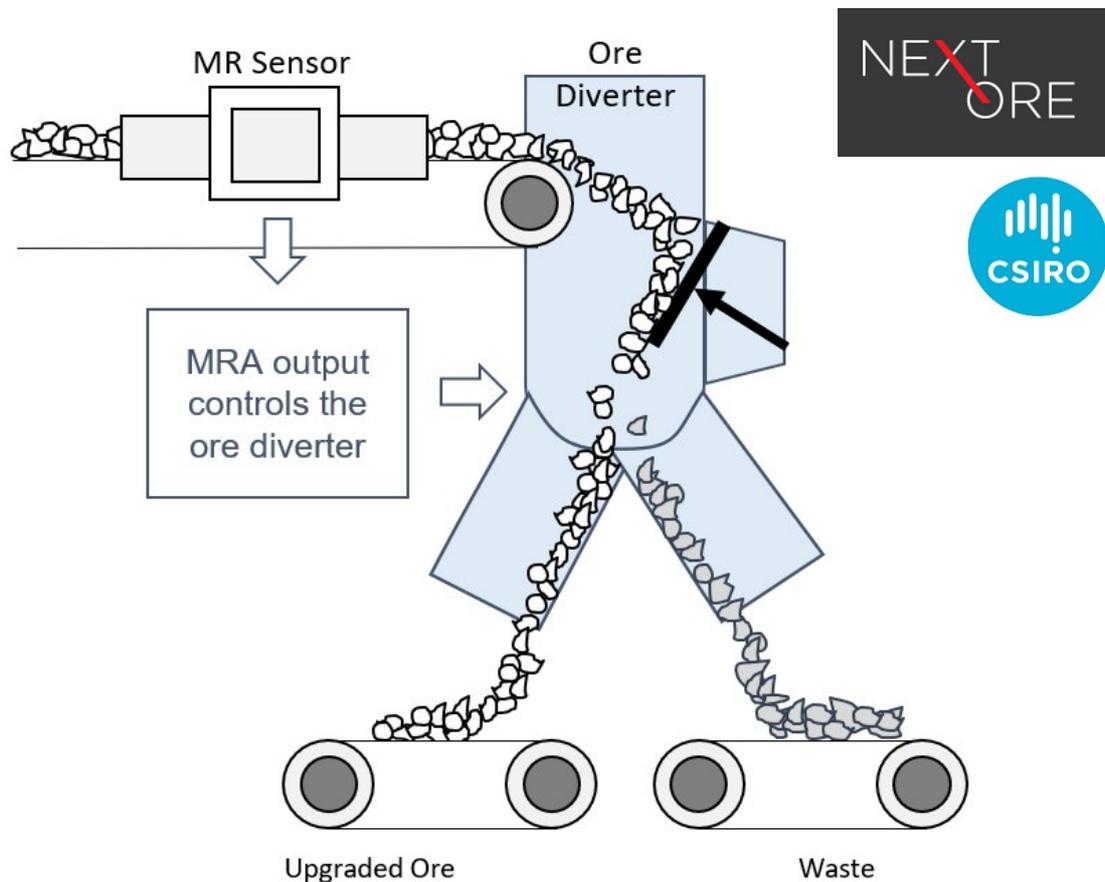


Figure 1: Schematic diagram of NextOre’s ore sorting system

The Scoping Study is the current focus of the Company and represents a low-cost internal investigation into the suitability of the Razorback Iron Project towards low tonnage mining development. It is supported by considerable past testwork and studies undertaken on the Project. The Company can report that to date, expenditure towards the Study have been significantly lower than quoted by external engineering consultants.

Corporate

Redeemable Convertible Note Update

During the reporting period the Company entered into a heads of agreement with the Liquidators of Mintech Resources Pty Ltd (**Mintech**) to amend the terms of the redeemable convertible notes (**Notes**) as held by Mintech³. The Notes were originally issued to Mintech on 31 August 2015 following a renegotiation of the terms of a tenement sale agreement between the Company and Mintech for the acquisition by the Company of the Razorback Project (see announcements to ASX on 11 August 2015 and 31 August 2015).

Pursuant to the Heads of Agreement, the parties have agreed to adjust the face value of the Notes by agreeing to certain offsets to which the Company is entitled and by incorporating and deferring payments due and have agreed to make the following changes to the Notes:

	Existing terms	Proposed amendments
Maturity Date:	31 August 2019	31 August 2023
Interest:	7% per annum	5% per annum
Face value:	\$2,500,000	\$1,975,000

There is no change to the redemption or conversion of the Notes, which as previously disclosed. The amendments above are subject to the receipt of approval of the creditors of Mintech, following which the parties will execute formal agreements to document the changes.

Marketing

Marketing of the Project continues with several interested parties evaluating the Project towards potential partnership, finance and offtake opportunities. Discussions with end-users, traders and other potential investors are ongoing with Company continuing to attract new interest in the Razorback Iron Project. On completion of the Scoping Study the Company expects increased interest in the Project and marketing opportunities will be aggressively pursued pending the results of the Study.

Executive Chairman provides loan to Company

An unsecured loan of \$200,000 was provided by the Executive Chairman, Mr Peter Schubert to the Company pursuant to a Convertible Loan Agreement to assist with its general working capital requirements.⁴ The loan is repayable six months after the date of the agreement with a 5% per annum interest component. Terms of an Establishment Fee and conversion rights are subject and conditional to approval by shareholders to be considered at the forthcoming Annual General Meeting.

Cash on Hand

At 30 September 2019, the Company held \$108k cash on hand and estimate cash outflows of \$362k. Further details can be found in the Appendix 5B released with this announcement.

On the 24 October 2019, the Company announced the completion of a placement to sophisticated and professional investors to raise \$200,000 (before costs) through the issue of 50,000,000 fully paid ordinary shares (**Shares**) at an issue price of \$0.004 per share⁶.

The Company also announced that it will offer eligible existing shareholders the opportunity to participate in a Share Purchase Plan to raise up to a further \$500,000 on similar terms as the Placement.

The Company expects to continue negative operating cashflows as it continues exploration and resources development activities to build the value of its mineral assets. As a mineral exploration

company, the Company does not have any mining operations at this point in time to generate positive cash flow.

The Company continually assesses its funding requirements. The Company has the capacity under Listing Rules 7.1 and 7.1A. to raise additional working capital to fund its operations, and also has the ability to conduct a pro-rata issue for the purpose of raising further funding. The Company has a history of raising funds as and when required.

The Company is confident that it will be able to raise additional funds required to advance disclosed work programs. As such, the Company expects to be able to continue its operations and meet its business objectives, and believes its financial condition is adequate to warrant the continued quotation of its securities on ASX for the purpose of Listing Rule 12.2.

The Company is in compliance with Listing Rule 3.1 and there is no other information about its financial condition that has not already been released to the market.

Chairman's Note

Mr Peter Schubert commented: *"I am very pleased with the progress of the Scoping Study to date, the outcomes of which will be announced at the completion of the Study. The Study represents an exerted effort by our staff towards the cost-effective reappraisal of your considerable assets in the Razorback Iron Project. The scale of the Braemar Iron Formation is truly exceptional and represents an untapped resource in a high demand market (see Figure 2). The Study is an important pivot point in the Company's direction and serves to reset the narrative of the Razorback Iron Project to a more marketable investment proposition for both new and existing shareholders. We look to the completion of the study and the opportunities that may be afforded by the results therein."*

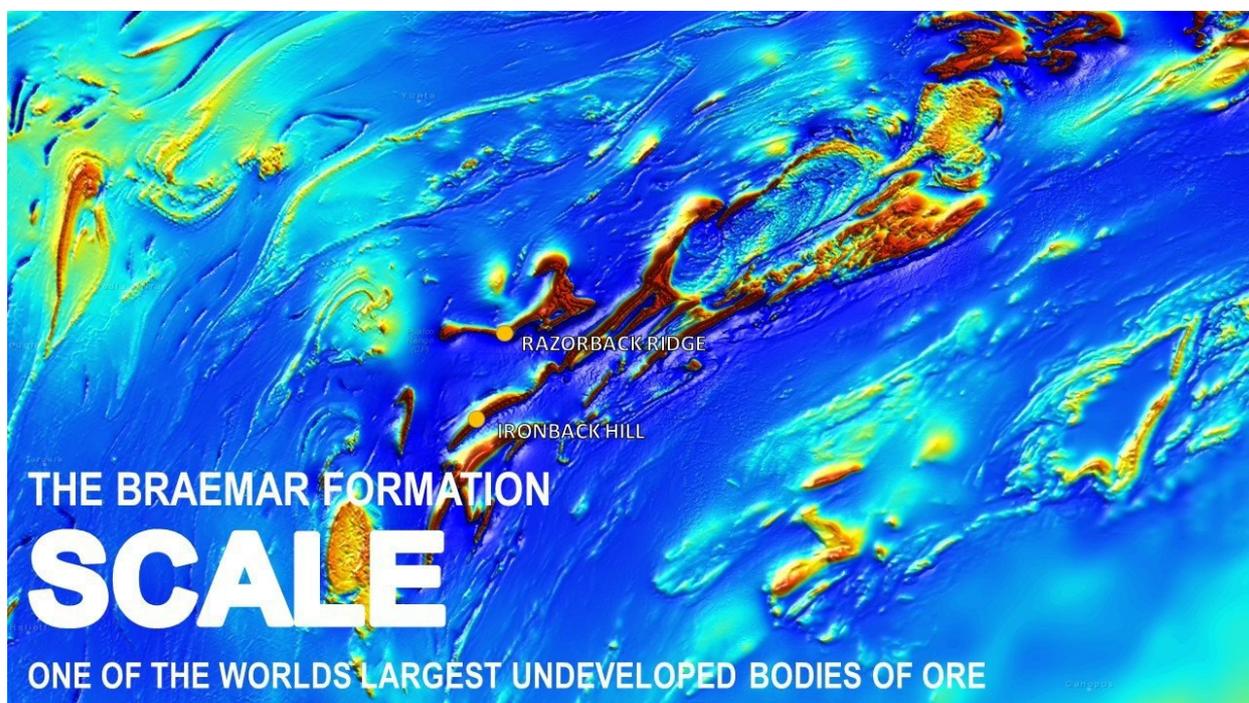


Figure 2: Regional aeromagnetic imagery promotional image

References:

1. *ASX Announcement 31/07/19 – Fourth Quarter Activities Report Ending 30 June 2019*
2. *ASX Announcement 12/11/18 – Razorback Iron Project - JORC 2012 Update*
3. *ASX Announcement 04/09/19 – Redeemable Convertible Notes Update*
4. *ASX Announcement 16/09/19 – Executive Chairman Provides Loan to Company*
5. *ASX Announcement 25/10/19 – Ore Sorting Technology Exclusivity Secured*
6. *ASX Announcement 22/10/19 – Placement & Share Purchase Plan 2019*

For further information contact:

Peter Schubert
Executive Chairman
+61 416 375 346

Frank DeMarte
Executive Director & Company Secretary
+61 419 908 795

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

Magnetite Mines Limited

ABN

34 108 102 432

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(98)	(98)
(b) development	-	-
(c) production	-	-
(d) staff costs	(95)	(95)
(e) administration and corporate costs	(80)	(80)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(75)	(75)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	20	20
1.8 Other (details required)	-	-
1.9 Net cash from / (used in) operating activities	(324)	(324)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) property, plant and equipment	5	5
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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	5	5

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
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 – unsecured loan facility	200	200
3.10	Net cash from / (used in) financing activities	200	200

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	227	227
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(324)	(324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5	5
4.4	Net cash from / (used in) financing activities (item 3.10 above)	200	200
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	108	108

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	108	48
5.2 Call deposits	-	175
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)	108	223

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	65
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	

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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	200	200
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.		

Mr Peter Schubert, the Company's Executive Chairman, has provided the Company with an unsecured loan of \$200,000 (**Loan**) pursuant to a Convertible Loan Agreement to assist the Company with its general working capital requirements.

Interest at 5% per annum accrues on the Loan and will be capitalised and is payable on the earlier of the date on which the Loan is repaid in full and the Repayment Date.

The Loan is repayable on the date that is six months after the date of the Convertible Loan Agreement (or such later date as may be agreed between the parties in writing).

If there is an event of default, the Lender may demand repayment of the Loan and payment of any interest, immediately. The Company can prepay the Loan at any time.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	95
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	177
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	362

On 24 October 2019, the Company completed a placement of 50,000,000 fully paid ordinary shares at an issue price of \$0.004 per share to unrelated sophisticated and professional investors to raise \$200,000 (before costs.) Further, the decision to proceed with the placement was made together with a decision to undertake a Share Purchase Plan, giving eligible existing shareholders the opportunity to participate in the capital raising on similar terms as the placement.

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	EL5962 EL5974 South Australia	-	100% 100%	- -
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 October 2019

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 30 September 2019

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 ¹	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%	-	-	-

Note 1: Previously known as EL5432