

MGT ANNOUNCEMENT

29 MARCH 2023

RAZORBACK TO STRENGTHEN SOUTH AUSTRALIAN ECONOMY

BDO ESTIMATES \$31 BILLION CONTRIBUTION TO STATE ECONOMY OVER 30 YEARS & EXTENSIVE EMPLOYMENT OPPORTUNITIES SUPPORTING REGIONAL DEVELOPMENT

Highlights:

- **BDO EconSearch assesses economic benefits of 5Mtpa project over 30 years**
- **Over 400 new permanent jobs from MGT S.A. operations; over 2,400 flow-on roles**
- **\$1B/year of direct and indirect economic benefit created for South Australia**
- **\$5.4B contribution to Federal and State revenues over 30-year mine life**
- **Staged expansion to 10Mtpa will provide even greater economic benefits**

Magnetite Mines CEO Tim Dobson commented:

“It is hard to overstate the impact that our Razorback Iron Ore Project will have on the economy of South Australia, and the prosperity it will bring for countless South Australians over decades to come. Razorback is a massive project, as quantified by this BDO economic assessment, and we see it as the door opener not only to further projects in the Braemar, but to an entire new Green Iron industry for the state.”

“South Australia is leading the world in renewable energy and green hydrogen, establishing itself as the tier 1 location of choice for SE Asian steelmakers. The missing ingredient is premium DR-grade iron ore and that’s where Razorback comes in. BDO forecasts that the Project will generate over \$1 billion a year in additional economic activity in South Australia and support the employment of almost 4,500 personnel during construction, and over 2,800 during operations.”

Magnetite Mines (ASX:MGT) is pleased to announce the results of an interim economic impact analysis that it commissioned from leading economic research consultant BDO EconSearch (BDO), confirming the potential significant benefits that will be contributed to the South Australian and Australian economies by the Razorback Iron Ore Project. These interim results provide essential support to MGT’s stakeholder engagement program as the Company seeks to build direct and in-kind support for the Project’s development.

BDO’s analysis has assessed the potential direct and indirect (or *flow-on*) benefits derived from both the construction and operations phases of the Project, as well as the financial contributions made to both the Australian and South Australian Governments under relevant taxation, royalty and other obligations.

This interim economic impact analysis was commissioned by MGT to provide the Company and project stakeholders clear demonstration of the economic and social value that the Project will potentially create, especially at regional levels where major economic activity and employment increases are likely to be experienced (refer Figure 1 for MGT's economic impact snapshot)

The analysis of the Project's economic impact is based on a production profile of 5Mtpa output over 30 years, which is aligned with MGT's recently announced new configuration for Stage 1 of the Project. The Project's economic impact can be expected to grow substantially for future staged expansion to 10 Mtpa.¹

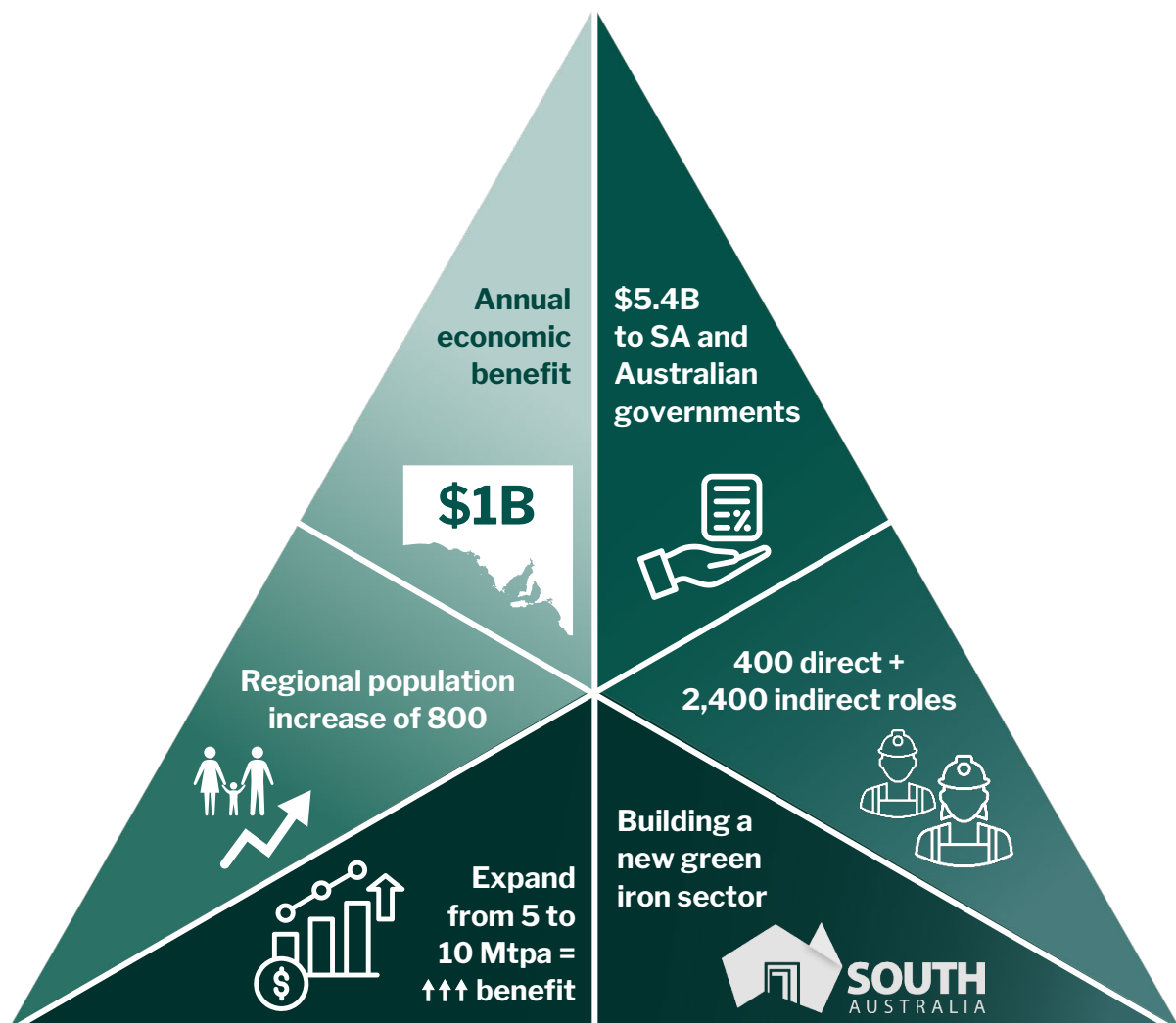


Figure 1. Snapshot of economic impacts and macroeconomic opportunities

BDO independently modelled the Project's economic impact using MGT-supplied datasets and assumptions of supply/employment capability across four areas (see also Process and Definitions):

1. **District Council of Peterborough** local government area – as the nearest local jurisdiction
2. **Regional Study Area** – covering primary service and incorporated population centres proximate to the mine and infrastructure corridors (Figure 2)
3. **South Australia (SA)**
4. **Australia.**

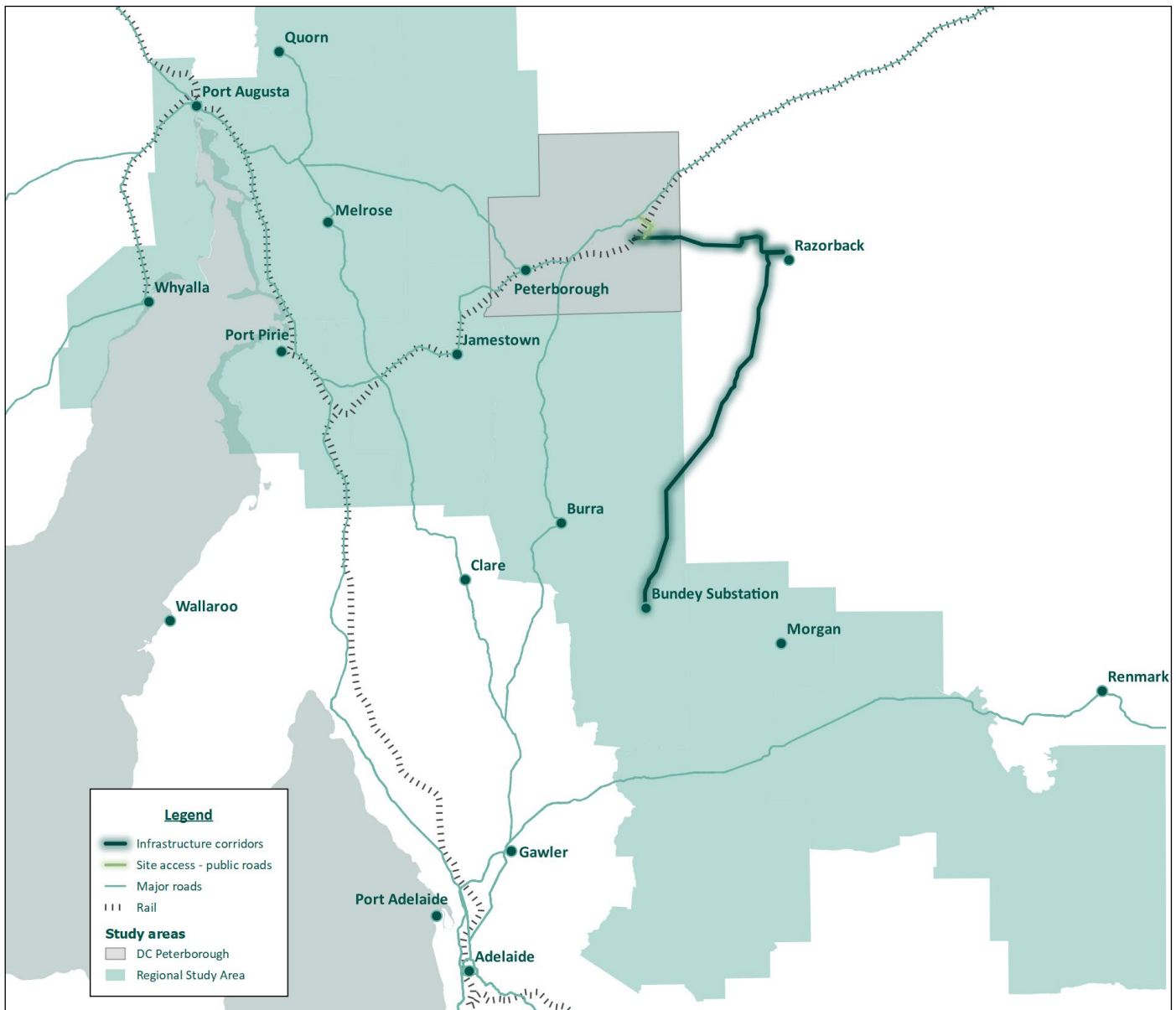


Figure 2. Peterborough and Regional Study areas (Incorporated areas only)

CONSTRUCTION PHASE

The construction phase of a new mining project is generally hallmarked by an intense, but temporary, period of economic activity in terms of labour requirements (jobs), goods purchases (infrastructure, plant and equipment, first fill supplies), and logistics (transport, accommodation). For a project of this size, the construction phase is expected to run for 2.5 years.

For this analysis, BDO assessed the potential benefits arising from the construction of the mine, processing plant and non-process site infrastructure, as well as enabling infrastructure such as the transmission line from Bunday Substation¹, concentrate haulage corridor, rail siding, water supply and port-side upgrades.

The analysis predicts considerable Project contributions through the construction phase to regional, state and national productivity (Figure 3), estimated at over \$2.3 billion nationally, with half of this value realised in SA.

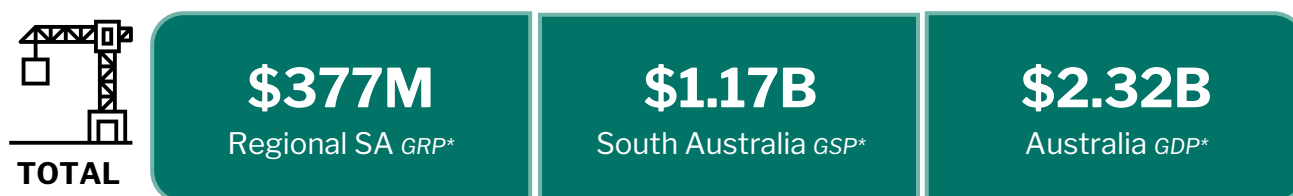


Figure 3.3. Total (direct and flow-on) economic activity by selected region – construction phase

* See Process & Definitions section

Substantial benefits to the local economy are also expected, with potential opportunities in the Peterborough local government area (LGA) estimated at \$23 million, of which \$16 million is direct impact.

The RISE modelling indicates direct employment during construction peaks at 2,207 full time equivalent roles (FTE) during the year prior to commissioning, of which 85% are targeted to come from SA. Indirect employment in construction peaks at almost 4,500 FTE, with approximately half of these contributing roles based in SA. Employment opportunities for the Peterborough LGA and the targeted Regional SA area are also substantial, with FTEs peaking at 71 and 788, respectively.

Average annual economic impact and employment outcomes are presented in Table 1.

Table 1: Average economic contributions and employment forecasts - construction phase

Area	GRP / GSP / GDP (\$M / year)*			Employment (FTE/year)*		
	Direct	Flow-on	Total	Direct	Indirect	Total
Peterborough LGA	\$6	\$3	\$9	48	14	62
Regional area	\$88	\$63	\$151	529	350	878
South Australia	\$185	\$285	\$470	1,226	1,471	2,697
Australia	\$255	\$675	\$930	1,474	3,000	4,474

* See Process & Definitions section

OPERATIONS PHASE

The major economic impacts of the Project are realised over time during the 30-year operations phase. As a conservatively modelled, un-expanded Stage 1 size project, i.e., 5Mtpa for 30 years, the scale and duration of the estimated benefits will have a profound impact across the state due to the extensive supply chain demand created and the flow-on effects generated through mining-related expenditure (Figure 4).

The key impacts of the Project to South Australia include:

- **Employment** outcomes reaching 2,849 FTE, including 403 FTE directly engaged on Project operations
- Direct **operational expenditures** driving economic impact of \$592m/year, with flow-on benefits totalling \$408m/year, for a total impact exceeding \$1bn annually
- Forecast average **population increase** of 1,580 persons arising from flow-on economic activity, more than half of which may be realised in regional areas.

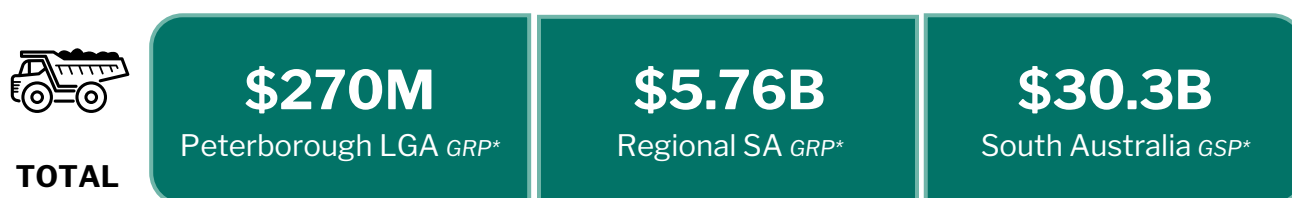


Figure 44. Total (direct and flow-on) economic activity by selected region – operations phase

* See Process & Definitions section

Average annual economic impact and employment outcomes for Peterborough and the targeted Regional SA area are presented in Table 2.

Table 2: Average economic contributions and employment forecasts - operations phase

Area	GRP / GSP / GDP (\$M / year)*			Employment (FTE/year)*		
	Direct	Flow-on	Total	Direct	Flow-on	Total
Peterborough LGA	\$6	\$3	\$9	36	22	58
Regional area	\$22	\$170	\$192	134	924	1,058
South Australia	\$592	\$408	\$1,001	403	2,446	2,849
Australia	\$599	\$548	\$1,148	448	2,863	3,311

* See Process & Definitions section

Demonstrating the local benefits that can accrue from the Project, a potential 8% employment target for the Peterborough LGA was used to model the economic impact. The direct economic impact is principally generated through new net employee income that, based on Peterborough's Total Employee Income figures (reported 2019 data²) could increase by approximately 20%.

The modelling also assessed the local and regional industry sectors that drive the project's flow-on or indirect economic impacts. Figure 5 depicts the breakdown of flow-on economic activity in the Peterborough LGA, which highlights that local scale benefits are shared amongst a variety of consumer-based industries that would not normally benefit from direct spending by the mining sector.

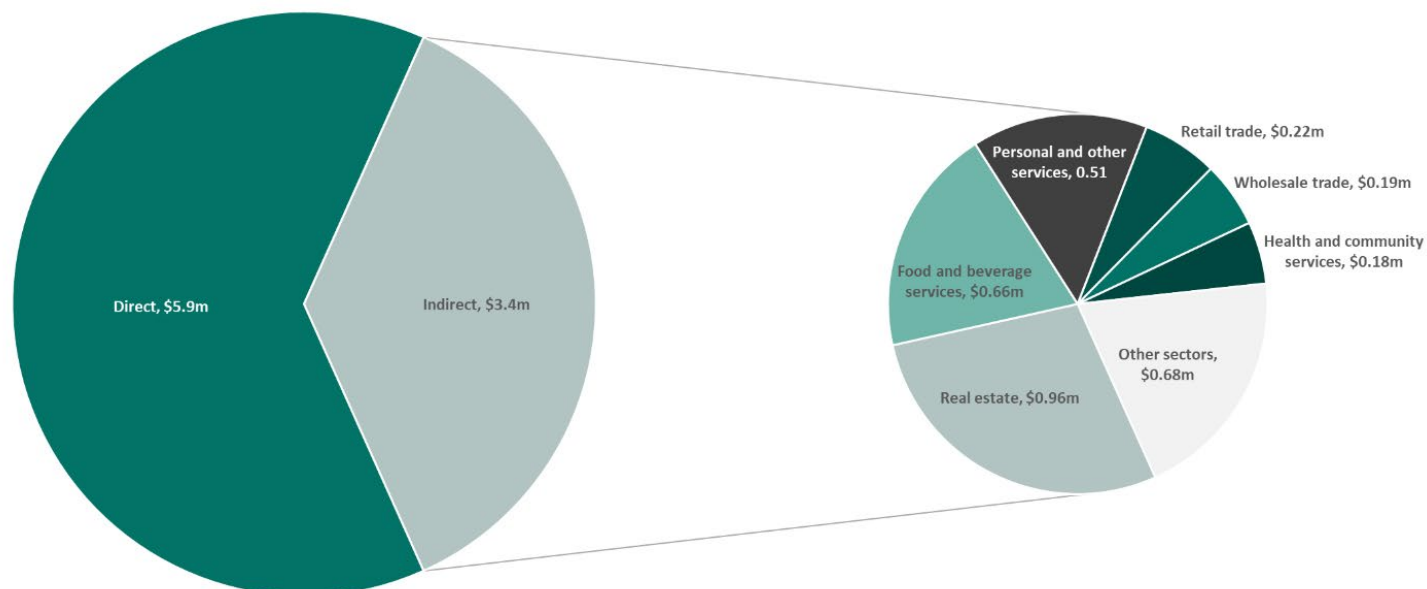


Figure 55. Indirect economic activity by sector - Peterborough

GOVERNMENT REVENUE CONTRIBUTIONS

The Company's direct contributions to Australian and South Australia Government revenues have been assessed by BDO, excluding company tax obligations for which MGT has assessed independently.

Through the provision of non-company tax payments, royalties and other duties and fees, it is estimated that MGT will contribute \$5.45 billion to State and Federal revenue over a 30-year project life at 5Mtpa.

Table 3: Contribution to Government revenues - operations phase (30-year mine life)

	South Australian Government	Australian Government
Contribution types	Mining royalties Mining lease fees Payroll tax	Excise duties Salaried income taxes Company tax
Average annual contributions	\$ 54.3M	\$ 127M
Life of mine contributions	\$1.63B	\$3.82B

PROCESS & DEFINITIONS

In completing this analysis, BDO used its proprietary “RISE” input-output table-based model³ that has been specifically established to describe the economic effects of SA regional industries both within and outside of their region. The RISE model’s comprehensive economic framework provides a powerful methodology to assess the direct and flow-on effects of activity in a regional economy.

Definitions used in the analysis:

<p>Gross Regional Product (GRP) <i>Gross State Product (GSP)</i> <i>Gross Domestic Product (GDP)</i></p>	<p>A measure of value of gross output (business revenue) less the cost of goods and services (including imports) used in producing the output; this is preferred over using value of output, avoiding potential double counting.</p>
<p>Full time equivalent (FTE) employment</p>	<p>A measure of worker participation (employment), reported in terms of FTE units on a per-annum basis, represents the total number of working proprietors, managers, directors and other employees.</p>
<p>Direct impact</p>	<p>The initial round of output, employment and GRP generated by an economic activity; in this case, arising from MGT’s direct expenditure and employment.</p>
<p>Flow-on or Indirect impact</p>	<p>The sum of production-induced effects (additional output, spending by firms that receive payment in the Project’s supply chain) and consumption-induced effects (additional output from re-spending by households that receive income from employment in direct and indirect activities).</p>

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

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ABOUT MAGNETITE MINES

Magnetite Mines Ltd is an ASX-listed iron ore company focused on developing magnetite iron ore resources in the highly-prospective Braemar iron region of South Australia. The Company has a 100% owned Mineral Resource of 6 billion tonnes of iron ore and is developing the Razorback Iron Ore Project, located 240km from Adelaide, to meet accelerating market demand for premium iron ore products created by iron & steel sector decarbonisation, with the potential to produce high-value Direct Reduction (DR) grade concentrates. Razorback is set to become a very long-life iron ore project with expansion optionality in a tier 1 jurisdiction that will produce a superior iron ore product sought by steelmakers globally. For more information visit magnetitemines.com.

REFERENCES

¹ ASX release – Renewable Grid Power For Razorback Project, 23 February 2023

² <https://dbr.abs.gov.au/region.html?lyr=lga&rqn=45540>

³ <https://www.bdo.com.au/en-au/econsearch/services/economic-modelling>