



MAGNETITE MINES LIMITED

Making Steel **Stronger**

ACN 108 102 432

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR THE FOLLOWING OFFERS:

- A RENOUNCEABLE PRO RATA OFFER TO ELIGIBLE SHAREHOLDERS OF ONE NEW SHARE FOR EVERY FOUR SHARES HELD ON THE RECORD DATE AT AN ISSUE PRICE OF \$0.015 PER NEW SHARE, TOGETHER WITH ONE ATTACHING QUOTED OPTION FOR EVERY NEW SHARE SUBSCRIBED FOR, EXERCISABLE AT \$0.05 EACH ON OR BEFORE 31 MAY 2021, TO RAISE APPROXIMATELY \$2 MILLION ("RIGHTS ISSUE"); AND
- AN OFFER OF ANY SHORTFALL UNDER THE RIGHTS ISSUE ON THE TERMS SET OUT IN SECTION 1.3 OF THE PROSPECTUS ("SHORTFALL OFFER").

THE RIGHTS ISSUE IS PARTIALLY UNDERWRITTEN BY CPS CAPITAL GROUP PTY LTD TO A MAXIMUM OF \$1 MILLION.

THE RIGHTS ISSUE CLOSES AT 5:00PM (WST) ON THURSDAY, 10 MAY 2018.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

AN INVESTMENT IN THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.

* The Company reserves the right, subject to the Corporations Act and Listing Rules to extend the Closing Date.

IMPORTANT INFORMATION

This Prospectus is dated 13 April 2018 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 4 for details relating to investment risks.

A copy of this Prospectus is available for inspection at the registered office of the Company at Suite 2, 118B Glen Osmond Road, Parkside, South Australia during normal business hours. The Prospectus will also be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's registered office by contacting the Company. The Rights Issue contemplated by this Prospectus is only available in electronic form to persons receiving an electronic version of this Prospectus within Australia and New Zealand.

Applications for Securities under the Rights Issue will only be accepted on an original Entitlement and Acceptance Form mailed with a copy of this Prospectus by the Company to Eligible Shareholders. Applications by Eligible Shareholders for Shortfall Securities under the Shortfall Offer must be made on a separate section on the Entitlement and Acceptance Form sent with this Prospectus. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus. The issue of Shortfall Securities under the Shortfall Offer is at the complete discretion of the Underwriter following reasonable consultation with the Company. More information on the Shortfall Offer is in Section 1.3.

No person is authorised to give any information or to make any representation in connection with the Offers in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of the Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus is important and should be read in its entirety before deciding to participate in the Offers. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 4.

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to WST, unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

Mr Gordon Toll	Executive Chairman and CEO
Mr Frank DeMarte	Executive Director
Peter Schubert	Executive Director
Mr Malcolm Randall	Non-Executive Director

Lawyers

Bellanhouse
Level 19, Alluvion
58 Mounts Bay Road
Perth WA 6000

Share Registry*

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000

Telephone: +61 3 9415 4000
Facsimile: +61 8 9323 2033

Company Secretary

Mr Frank DeMarte

Registered Office

118B Glen Osmond Road
Parkside, SA 5063

Telephone: +61 8 8427 0516
Facsimile: +61 8 8427 0515
Email: info@magnetitemines.com

ASX Code: MGT

Website: www.magnetitemines.com

Lead Manager and Underwriter

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth WA 6000
AFSL: 294848

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

PROPOSED TIMETABLE

Event	Date
Lodgement of Prospectus with ASX Lodgement of Appendix 3B with ASX	13 April 2018
Notice of Offers sent to Shareholders	17 April 2018
Securities quoted on an "Ex" basis and rights trading commences	18 April 2018
Record Date for determining Entitlements	19 April 2018
Prospectus and Application Form despatched to Eligible Shareholders	24 April 2018
Rights trading ends	3 May 2018
Securities quoted on a deferred settlement basis	4 May 2018
Last day to extend the Closing Date of Rights Issue	7 May 2018
Closing Date of Rights Issue	10 May 2018
Notification of Shortfall	15 May 2018
Issue date of Securities under the Rights Issue Deferred settlement trading ends	17 May 2018
Commencement of Securities trading on ordinary settlement basis	18 May 2018

All dates (other than the date of the Prospectus and the date of lodgement of the Prospectus with ASIC and ASX) are indicative only. The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX. The Company reserves the right, subject to the Corporations Act and Listing Rules and other applicable laws, to vary any other date of the Offers, including accepting late applications, either generally or in particular cases, without notice.

LETTER TO SHAREHOLDERS

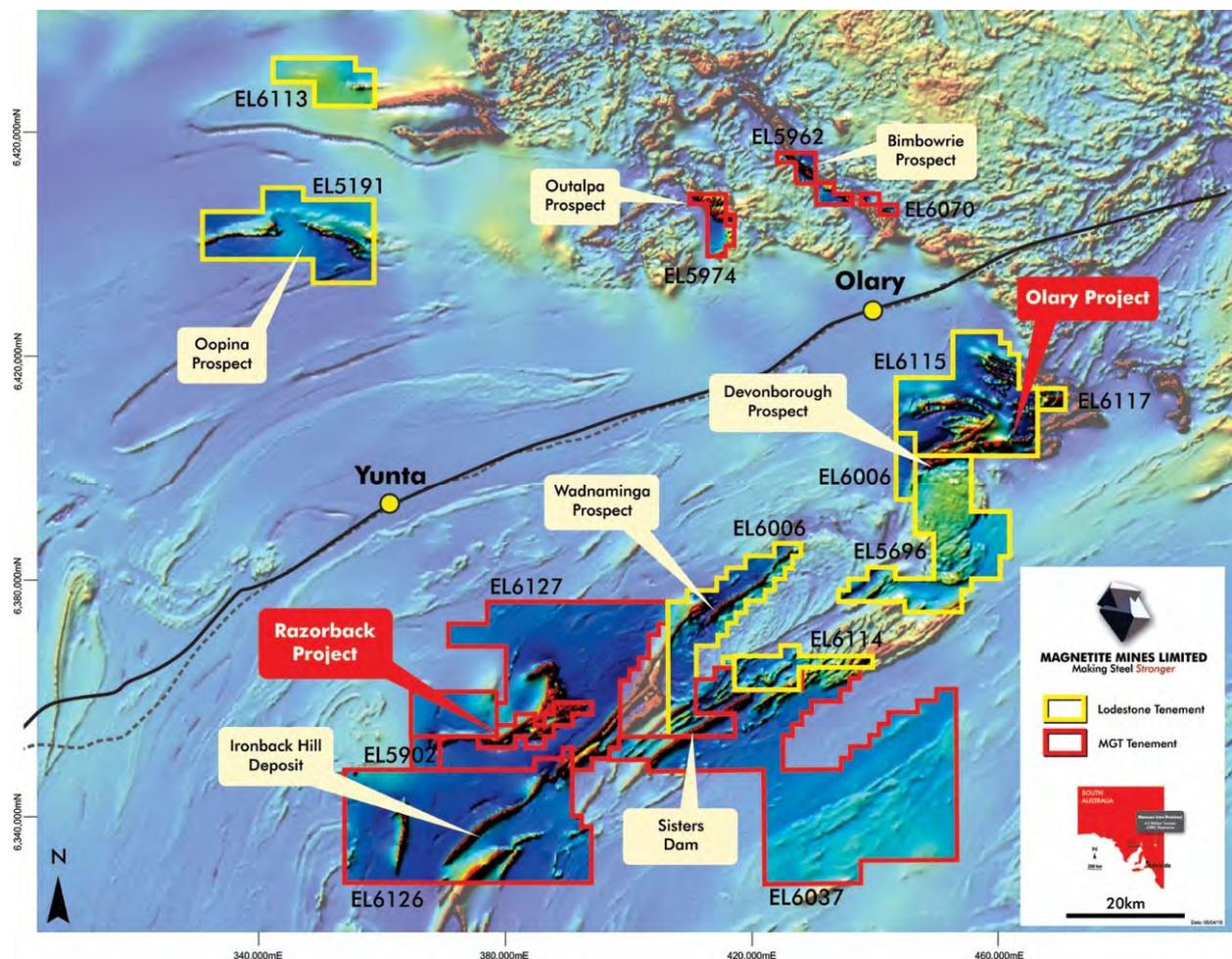
Dear Shareholder,

On behalf of Magnetite Mines Limited (**Company**), I am pleased to invite you to participate in a 1 for 4 pro-rata renounceable rights issue of new shares at an offer price of \$0.015 per new share (**Rights Issue**) to raise up to \$2 million subject to the terms of the Rights Issue outlined in this Prospectus. The offer price represents a 48% discount to the Company's 30 day VWAP of \$0.029 on 11 April 2018. Each Share comes with one attaching option with an exercise price of \$0.05 per option and expiring 31 May 2021.

Funds raised will be used to complete the acquisition of Lodestone Equities Limited (**Lodestone**) (an entity associated with Chairman Mr Gordon Toll) and holder of the Olary, Wadaminga and Sister's Dam Projects, to progress exploration and evaluation activities at the Olary Project, for working capital and the costs of the Rights Issue.

Each of the directors of the Company has confirmed their intention to either participate in the issue or arrange for their entitlement to be fully subscribed, and shareholders will be able to apply for additional shares beyond their entitlement if they wish.

As announced on 29 March 2018, the Company has entered into a final framework agreement setting out the principal commercial terms for the acquisition of Lodestone by the Company. Following execution of transaction documents, the acquisition terms will become legally binding and the Company will hold a shareholder meeting to obtain regulatory and shareholder approval of the acquisition to become the most significant magnetite tenement holder in the Mawson Iron Province (Braemar Formation) south of the Barrier Highway in South Australia, with tenements reaching from 100km NNE of Burra to 40km SE of Olary.



Eligible shareholders may apply for some or all of their Entitlement under the Rights Issue, and may also apply for additional new shares in excess of their Entitlement (for further details see Section 2.3). The Rights Issue is scheduled to close at 5.00pm (WST) on Thursday, 10 May 2018. To participate, you will need to ensure that you have completed and returned the Entitlement and Acceptance Form and paid all application monies before this time and date. Details of how to accept the Rights Issue are provided on the Entitlement and Acceptance Form and in Section 2 of this Prospectus.

The Company is subject to a range of risks which apply to the mining and resources sector including completion of the proposed acquisition, the success of its operations and exploration programs, a loss of key personnel and the price of commodities. These risks and others are discussed in more detail in Section 4 of this Prospectus.

On behalf of the Board of the Company, I thank you for your continued support and I strongly urge you to consider taking up your Entitlement and being part of this exciting new phase in our Company's development.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G. Toll', written in a cursive style.

Mr Gordon Toll
Executive Chairman and CEO

INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Securities.

Key Information	Further Information
<p>Transaction specific prospectus</p> <p>This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.</p>	Section 5.4
<p>Risk factors</p> <p>Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4, including (but not limited to) risks in respect of:</p> <ul style="list-style-type: none"> • <i>Completion of Acquisition and integration risk</i> <p>As announced on 29 March 2018, the Company has entered into a final framework agreement with Coffee House Group and Lodestone Equities Limited to acquire the issued capital of Lodestone and its subsidiaries (Acquisition). Lodestone owns tenements in close proximity to the Company's existing tenements. As disclosed, Coffee House Group and Lodestone are entities associated with the Company's chairman, Mr Gordon Toll. The framework agreement does not create any legally binding obligation on the parties to proceed with the Acquisition until a formal share sale agreement is executed. The framework agreement (among other things as summarised in the 29 March 2018 announcement) provides that the Acquisition is subject to shareholder approval and, as mentioned above, that formal agreements, including a share sale agreement, are required to be executed before the transaction can proceed. There is a risk that the Acquisition will not proceed if the parties are unable to negotiate the final form of transaction documents or shareholders do not approve the Acquisition.</p> <p>If the Company proceeds with the Acquisition, the prospects and results of the Company will depend on the success of management in integrating the acquisition of Lodestone. There is no guarantee that the Company will be able to integrate this new Acquisition into the Company successfully, or that any economic benefits will be able to be realised from the integration.</p>	Section 4

Key Information	Further Information
<p>In addition, the Acquisition or any other acquisition or transaction may have other transaction specific risks associated with it, including risks related to the completion of the transaction, the project or the jurisdictions in which the project is located.</p> <ul style="list-style-type: none"> <li data-bbox="197 450 643 483">• <i>Exploration stage and success</i> <p>The Company is not at the development stage. There can be no assurance that exploration of the tenements currently held by the Company, or any other tenements that may be acquired in the future by the Company via the Acquisition or otherwise, will result in the discovery of an economic deposit. Investors should understand that mineral exploration and any subsequent development are high-risk undertakings.</p> <p>Despite the best efforts of the Company, there is no guarantee of exploration success, and even if there is exploration success, there is no guarantee that development of any such success will be commercially viable. The current and future operations of the Company will be affected by a range of factors. If exploration is successful, there will be additional costs and processes involved in moving to the development phase.</p> <ul style="list-style-type: none"> <li data-bbox="197 1115 627 1149">• <i>Future capital requirements</i> <p>The Company's activities will require substantial expenditure. There can be no guarantees that the funds raised through the Rights Issue will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund development after the substantial exhaustion of the net proceeds of the Rights Issue, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.</p> <p>The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.</p>	
<p>Rights Issue</p> <p>This Prospectus is for a renounceable rights issue of 1 New Share for every 4 existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.015 per New Share to raise up to approximately \$2 million (before costs). Participants in the Rights Issue will also be issued with 1 Attaching Option for every New Share subscribed for. The</p>	Section 1.1

Key Information	Further Information
<p>Attaching Options are intended to be quoted and exercisable at \$0.05 each on or before 31 May 2021, on terms set out in this Prospectus.</p>	
<p>Shortfall Offer</p> <p>Any New Shares and Attaching Options not applied for by the Closing Date will become Shortfall Securities. Directors reserve the right to issue any Shortfall Securities within 3 months after the Closing Date (Shortfall Offer).</p> <p>The Shortfall Offer is, to the extent it is made in Australia, made under this Prospectus. To the extent the Shortfall Offer is made outside Australia, the Shortfall Offer is made without disclosure, a prospectus, lodgement, filing or registration, or other requirements of any applicable securities law, and only in circumstances where it is lawful to do so (such as to institutional or sophisticated investors). Persons outside Australia who apply for Shortfall Securities represent to the Company that they can apply for Shortfall Securities in circumstances which do not require the offer for Shortfall Securities or this Prospectus to be registered.</p> <p>Eligible Shareholders may apply for Shortfall Securities by completing the Entitlement and Acceptance Form in accordance with the instructions set out on that form. Investors who are not Eligible Shareholders may apply for Shortfall Securities by completing the Shortfall Application Form.</p> <p>It is possible that there may be no Shortfall Securities available for issue. The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.</p> <p>The Directors reserve the right at their absolute discretion to reject any application for Shortfall Securities or to issue a lesser number of Shortfall Securities than that applied for, and it is an express term of the Shortfall Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable.</p> <p>All Securities issued under the Shortfall Offer shall be issued on the same terms as the Securities being offered under the Rights Issue (including the issue price).</p>	<p>Section 1.3</p>
<p>Underwriting</p> <p>The Rights Issue is partially underwritten to an amount of \$1 million by CPS Capital. See Sections 1.2, 5.3 and 5.10 for further details.</p>	<p>Sections 1.2, 5.3 and 5.10</p>

Key Information	Further Information															
<p>Eligible Shareholders</p> <p>The Rights Issue is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none"> are the registered holder of Shares as at 5:00pm (WST) on the Record Date; and have a registered address in Australia or, subject to the offer restrictions in Sections 1.17-1.19, New Zealand, the Isle of Man or Malaysia respectively. 	Sections 1.15 - 1.19															
<p>Use of funds</p> <p>Funds raised under the Offers are intended to be used to complete the acquisition of Lodestone Equities Limited (Lodestone) (an entity associated with Chairman Mr Gordon Toll) and holder of the Olary, Wadaminga and Sister's Dam Projects, to progress exploration and evaluation activities at the Olary Project, for working capital and the costs of the Rights Issue.</p>	Section 1.5															
<p>Effect on control of the Company</p> <p>Shareholders should note that if they do not participate in the Offers, their holdings will be diluted.</p> <p>As at the date of this Prospectus, entities associated with the Company's Chairman, Mr Gordon Toll, is the largest shareholder of the Company with a voting power of 19.4%. Mr Toll has indicated to the Company that he intends to arrange for his entitlement to be fully subscribed and accordingly will not increase his interest as a result of the Rights Issue.</p> <p>No other shareholder will increase their voting power in the Company to 20% or more under the Rights Issue.</p>	Sections 1.6 and 1.7															
<p>Indicative capital structure and pro-forma balance sheet</p> <p>The indicative capital structure upon completion of the Offers is set out below:</p> <table border="1" data-bbox="204 1413 1193 1821"> <thead> <tr> <th></th> <th>Shares</th> <th>Quoted Options</th> </tr> </thead> <tbody> <tr> <td>Balance at the date of this Prospectus</td> <td>558,894,264</td> <td>Nil</td> </tr> <tr> <td>To be issued pursuant to the Offers</td> <td>139,723,566</td> <td>139,723,566</td> </tr> <tr> <td>To be issued to Underwriter</td> <td></td> <td>5,000,000</td> </tr> <tr> <td>Total</td> <td>698,617,830</td> <td>144,723,566</td> </tr> </tbody> </table> <p>The Company also has 103,300,000 unquoted Options on issue with various exercise prices and expiry dates.</p> <p>The indicative pro-forma balance sheet showing the effect of the Offers is in Section 3.2.</p>		Shares	Quoted Options	Balance at the date of this Prospectus	558,894,264	Nil	To be issued pursuant to the Offers	139,723,566	139,723,566	To be issued to Underwriter		5,000,000	Total	698,617,830	144,723,566	Sections 3.1 and 3.2
	Shares	Quoted Options														
Balance at the date of this Prospectus	558,894,264	Nil														
To be issued pursuant to the Offers	139,723,566	139,723,566														
To be issued to Underwriter		5,000,000														
Total	698,617,830	144,723,566														

Key Information				Further Information																											
<p>Directors' interests in Shares and Entitlements</p> <p>The relevant interest of each of the Directors in Shares as at the date of this Prospectus, together with their respective Entitlement (assuming no Options are exercised), is set out in the table below:</p> <table border="1"> <thead> <tr> <th rowspan="2">Director</th> <th rowspan="2">Shares</th> <th rowspan="2">Options</th> <th colspan="2">Entitlement</th> </tr> <tr> <th>New Shares</th> <th>Attaching Options</th> </tr> </thead> <tbody> <tr> <td>Gordon Toll</td> <td>108,476,509</td> <td>30,000,000</td> <td>27,119,127</td> <td>27,119,127</td> </tr> <tr> <td>Peter Schubert</td> <td>21,191,129</td> <td>20,000,000</td> <td>5,297,782</td> <td>5,297,782</td> </tr> <tr> <td>Frank DeMarte</td> <td>3,813,135</td> <td>6,500,000</td> <td>953,284</td> <td>953,284</td> </tr> <tr> <td>Malcolm Randall</td> <td>2,012,383</td> <td>6,500,000</td> <td>503,096</td> <td>503,096</td> </tr> </tbody> </table> <p>Malcolm Randall, Peter Schubert and Frank DeMarte, have indicated their intention to subscribe for their full Entitlement. Gordon Toll has indicated that he will arrange for his entitlement to be fully subscribed for by unrelated third parties. See Section 5.8 for further details.</p>				Director	Shares	Options	Entitlement		New Shares	Attaching Options	Gordon Toll	108,476,509	30,000,000	27,119,127	27,119,127	Peter Schubert	21,191,129	20,000,000	5,297,782	5,297,782	Frank DeMarte	3,813,135	6,500,000	953,284	953,284	Malcolm Randall	2,012,383	6,500,000	503,096	503,096	Section 5.8(a)
Director	Shares	Options	Entitlement																												
			New Shares	Attaching Options																											
Gordon Toll	108,476,509	30,000,000	27,119,127	27,119,127																											
Peter Schubert	21,191,129	20,000,000	5,297,782	5,297,782																											
Frank DeMarte	3,813,135	6,500,000	953,284	953,284																											
Malcolm Randall	2,012,383	6,500,000	503,096	503,096																											
<p>Forward looking statements</p> <p>This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.</p> <p>These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are considered reasonable.</p> <p>Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.</p> <p>The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors</p>				Important Information and Section 4																											

Key Information	Further Information
<p>affect the information contained in this Prospectus, except where required by law.</p> <p>These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 4.</p>	

TABLE OF CONTENTS

Section	Page No.
1. Details of the Offers	1
2. Action required by Shareholders	10
3. Effect of the Offers	13
4. Risk Factors.....	16
5. Additional information	23
6. Directors' Statement and Consent	34
7. Definitions	35

1. Details of the Offers

1.1 Rights Issue

The Company is making a renounceable pro rata offer of ordinary fully paid Shares (**New Shares**) at an issue price of \$0.015 each to Eligible Shareholders on the basis of one (1) New Share for every four (4) Shares held at 5:00pm (WST) on the Record Date, together with one (1) Attaching Option for every New Share issued (**Rights Issue**). The Attaching Options are intended to be quoted and will be exercisable at \$0.05 each on or before 31 May 2021.

The Lead Manager and Underwriter is CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**) and CPS Capital has agreed to underwrite the Rights Issue by subscribing for any shortfall up to the value of \$1 million (66,666,667 New Shares). Please refer to Section 5.3 for more details.

At the date of this Prospectus the Company has on issue 558,894,264 Shares and 103,300,000 unquoted Options with various exercise prices (\$0.02 to \$0.10) and expiry dates (31 October 2018 to 30 November 2022).

On the assumption that no Options are exercised before the Record Date, the Company proposes to offer approximately 139,723,566 New Shares under the Rights Issue, subject to rounding. If all of the unquoted Options were exercised before the Record Date, approximately 165,548,566 New Shares would be offered under the Rights Issue.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole Share.

New Shares issued under the Rights Issue will be issued as fully paid ordinary shares and will rank equally in all respects with the existing ordinary shares on issue. Further details on the rights and liabilities attaching to the New Shares proposed to be issued under the Rights Issue are contained in Section 5.1. Attaching Options issued under the Rights Issue will be issued on the terms and conditions contained in Section 5.2.

1.2 Underwriting

The Rights Issue is partially underwritten by CPS Capital to \$1 million (66,666,667 New Shares). Please refer to Sections 5.3 and 5.10 for further details.

1.3 Shortfall Offer

Any New Shares and Attaching Options not applied for by the Closing Date will become Shortfall Securities. Directors reserve the right to issue any Shortfall Securities within 3 months after the Closing Date (**Shortfall Offer**).

The Shortfall Offer is, to the extent it is made in Australia, made under this Prospectus. To the extent the Shortfall Offer is made outside Australia, the Shortfall Offer is made without disclosure, a prospectus, lodgement, filing or registration, or other requirements of any applicable securities law, and only in circumstances where it is lawful to do so (such as to institutional or sophisticated investors). Persons outside Australia who apply for Shortfall Securities represent to the Company that they can apply for Shortfall Securities in circumstances which do not require the offer for Shortfall Securities or this Prospectus to be registered.

Eligible Shareholders may apply for Shortfall Securities by completing the Entitlement and Acceptance Form in accordance with the instructions set out on that form. Investors who are not Eligible Shareholders may apply for Shortfall Securities by completing the Shortfall Application Form.

It is possible that there may be no Shortfall Securities available for issue. The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.

The Directors reserve the right at their absolute discretion to reject any application for Shortfall Securities or to issue a lesser number of Shortfall Securities than that applied for, and it is an express term of the Shortfall Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable.

All Securities issued under the Shortfall Offer shall be issued on the same terms as the Securities being offered under the Rights Issue (including the issue price).

1.4 Opening and Closing Date

For the Rights Issue, the Company will accept Entitlement and Acceptance Forms from the Record Date for determining Entitlements until 5.00pm (WST) on Thursday, 10 May 2018 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (**Closing Date**). If the Closing Date is varied, subsequent dates may also be varied accordingly.

The Shortfall Offer will remain open after the Closing Date for up to 3 months, unless closed earlier at the discretion of the Directors.

1.5 Proposed use of funds

Completion of the Offers will result in an increase in cash at hand of approximately \$1 million (before costs) on an Underwritten Amount basis and \$2 million (before costs) on a full subscription basis. The following indicative table sets out the proposed use of funds raised under the Rights Issue:

Proposed use	Underwritten Amount \$	Full Subscription \$
Completion of proposed acquisition of Lodestone ¹	200,000	200,000
Progress exploration and evaluation activities on the Olary Project	213,344	890,906
Expenses of the Offers ²	181,656	205,094
Working capital ³	405,000	800,000
TOTAL	1,000,000	2,096,000

Notes:

1. See ASX announcement dated 29 March 2018.
2. See Section 5.11 for further details relating to the estimated expenses of the Offers.
3. Working capital includes but is not limited to corporate administration and operating costs and may be applied to additional directors' fees or executive fees, ASX and share registry fees, legal, tax and audit fees, insurance and additional travel costs.

If the Rights Issue is not fully subscribed and the Company only raises the Underwritten Amount, then the funds will be used as per the Underwritten Amount column in the table above. If the amount raised is between the Underwritten Amount and full subscription then funds allocated will be scaled back on a pro-rata basis to the extent possible.

The above is a statement of current intentions at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

1.6 Effect on control of the Company

The maximum total number of New Shares proposed to be issued under the Offers is approximately 139,723,566 which will constitute 20% of the Shares on issue following completion of the Offers (assuming no other Shares are issued or convertible securities exercised or converted to Shares prior to the Record Date).

The Company is of the view that the Offers will not affect the Control (as defined by section 50AA of the Corporations Act) of the Company.

As at the date of this Prospectus, the Company's chairman, Mr Gordon Toll, is the largest shareholder of the Company with voting power of 19.41% (held directly and indirectly). Mr Toll has indicated to the Company that he intends to procure that his entitlement is fully subscribed and accordingly will not increase his interest as a result of the Rights Issue.

No other shareholder will increase their voting power in the Company to 20% or more under the Rights Issue.

No nominee has been appointed for Ineligible Foreign Shareholders under section 615 of the Corporations Act and, as such, Eligible Shareholders will not be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act. Accordingly, when an Eligible Shareholder applies for some or all of their Entitlement, they must have regard to section 606 of the Corporations Act. Eligible Shareholders who may be at risk of exceeding the 20% voting power threshold in section 606 as a result of acceptance of their Entitlement should seek professional advice before completing and returning their Entitlement and Acceptance Form.

As the Rights Issue is renounceable, the Company will appoint CPS Capital to arrange for the sale of Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale. See Section 1.16 for further details.

The Underwriter presently has no Shares in the Company, and it has indicated that it has no intention of acquiring Shares in the Company prior to the Record Date. CPS Capital has agreed to partially underwrite the Rights Issue for up to \$1,000,000 (66,666,667 New Shares).

The Underwriter's maximum potential relevant interest in Shares and voting power in the Company under several scenarios are set out in the table below and are based on the assumptions that:

- (a) no further Shares are issued; and
- (b) the Underwriter takes up its full Entitlement.

	Total Underwriter Shares	Total Shares	Underwriter voting power
Date of Prospectus	Nil	558,894,264	0%
<i>Entitlement Offer</i>			
• Fully subscribed	Nil	698,617,830	Nil
• 75% subscribed by Shareholders other than the Underwriter	34,930,891	698,617,830	5.0%
• 50% subscribed by Shareholders other than the Underwriter	66,666,667	695,422,714	9.6%
• 25% subscribed by Shareholders other than the Underwriter	66,666,667	660,491,823	10.1%
• Underwritten Shares only	66,666,667	625,560,931	10.7%

CPS Capital has confirmed with the Company that the Underwritten Amount is fully sub-underwritten and, in the event that:

- (i) no Eligible Shareholders take up their rights under this Prospectus; and
- (ii) no Shortfall Securities are issued,

then no sub-underwriter will hold voting power of more than 20%.

1.7 Potential dilution to Shareholders

Eligible Shareholders should note that if they do not participate in the Rights Issue, their holdings are likely to be diluted. Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlement to Shares on 1 for 4 basis	% post-Offers if Entitlement not taken up (Min)	% post-Offers if Entitlement not taken up (Max)
Shareholder 1	90,000,000	16.1	22,500,000	12.9	14.4
Shareholder 2	45,000,000	8.1	11,250,000	6.4	7.2
Shareholder 3	20,000,000	3.6	5,000,000	2.9	3.2
Shareholder 4	10,000,000	1.8	2,500,000	1.4	1.6
Shareholder 5	5,000,000	0.9	1,250,000	0.7	0.8
Shareholder 6	2,500,000	0.4	625,000	0.3	0.4

Note:

1. The dilution effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are subsequently placed pursuant to the Directors' reserved discretion. In the event all Entitlements are not accepted and some or all of the resulting Shortfall is not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage. The dilution effect also assumes that no Securities will be issued, exercised or converted prior to the Record Date.

In the event the Offers are oversubscribed, the Directors reserve the right in their absolute discretion to utilise the Company's 15% placement capacity to issue additional New Shares and Attaching Options pursuant to Listing Rule 7.1.

1.8 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Number of Shares	Voting power
Entities associated with Mr Gordon Toll	108,476,509	19.41%
Mango Bay Enterprises Incorporated	45,065,000	8.06%

1.9 Minimum subscription

The minimum subscription amount for the Rights Issue is \$1,000,000 (being the Underwritten Amount).

1.10 Rights trading

The Entitlements under the Rights Issue are renounceable. Accordingly, there will be trading of Entitlements on ASX and you may dispose of your Entitlements to subscribe

for Securities to any other party. If you do not take up your Entitlement to Securities under the Rights Issue by the Rights Issue Closing Date, the Rights Issue to you will lapse.

Trading of Entitlements on ASX is expected to occur in accordance with the timetable.

1.11 Issue date and dispatch

All Securities under the Rights Issue are expected to be issued on or before the date specified in the proposed timetable in this Prospectus.

Security holder statements and CHESS allotment confirmation notices will be dispatched one day after the issue of the Securities under the Rights Issue.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements do so at their own risk.

1.12 Application Monies held on trust

All Application Monies received for the Shares issued by this Prospectus will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Securities are issued under the Offers. All Application Monies received in respect of the Offers will be returned (without interest) if the Securities under the Offers are not issued.

1.13 ASX quotation

Application has been or will be made for the official quotation of the Securities offered by this Prospectus. If permission is not granted by ASX for the official quotation of the Securities offered by this Prospectus within three months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus. If Company is unable to meet the ASX quotation conditions for the Attaching Options, the Company will withdraw the Offers.

1.14 CHESS

The Company participates in the Clearing House Electronic Sub-register System known as CHESS. ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities pursuant to their acceptance of the Offers.

Shareholders who are broker sponsored will receive a CHESS statement from ASX Settlement Pty Limited.

The CHESS statement will specify the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

If you are registered on the Issuer Sponsored sub-register, your statement will be despatched by Computershare Investor Services Pty Limited and will contain the

number of Securities issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored statement will routinely be sent to Security holders at the end of any calendar month during which the balance of their Security holding changes. Security holders may request a statement at any other time; however, a charge may be made for additional statements.

1.15 Ineligible Foreign Shareholders

This Prospectus, and any accompanying Entitlement and Acceptance Form, do not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Securities under the Rights Issue.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company believes that it is unreasonable to extend the Rights Issue to Ineligible Foreign Shareholders. The Company has formed this view having considered:

- (a) the number and value of the Securities that would be offered to those Shareholders; and
- (b) the cost of complying with the legal requirements and the requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, Ineligible Foreign Shareholders will not be entitled to participate in the Rights Issue. CPS Capital has been appointed to arrange for the sale of the Entitlements that would have been given to Ineligible Foreign Shareholders and to account for them for the net proceeds of the sale (see Section 1.16 for further details).

1.16 Sale of Ineligible Foreign Shareholders rights

CPS Capital has been appointed to sell the rights that would otherwise be held by Ineligible Foreign Shareholders.

Pursuant to the arrangement, the Company will place the Entitlements that would otherwise be issued to Ineligible Foreign Shareholders under a local shareholder reference number and then CPS Capital will then sell those Entitlements and provide the proceeds of those sales (net of expenses) back to the Company (or the Share Registry). The Company will then distribute to each of those Ineligible Foreign Shareholders their proportion of the proceeds of the sale net of expenses.

The Company will pay CPS Capital a brokerage fee on the sale of Ineligible Foreign Shareholders Entitlements.

CPS Capital will not be required to individually correspond on any matter with any of the Company's Ineligible Foreign Shareholders.

1.17 New Zealand offer restrictions

The Securities are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand at the Record Date.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

1.18 Isle of Man

No offer or invitation to subscribe for shares may be made to the public in the Isle of Man.

1.19 Malaysia

This Prospectus may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares and Attaching Options. The New Shares and Attaching Options may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

1.20 Notice to nominees and custodians

Nominees and custodians that hold Shares should note that the Rights Issue is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Rights Issue is compatible with applicable foreign laws.

1.21 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities.

1.22 Major activities and financial information

A summary of the activities and financial information relating to the Company for the financial year ended 30 June 2017 and the half-year ended 31 December 2017 can be found in the Company's 2017 Annual Report and the Half Yearly Report for the six-month period to 31 December 2017 lodged with ASX. The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report on 29 September 2017 are listed in Section 5.5.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that potential Applicants review these and all other

announcements prior to deciding whether or not to participate in the Offers.

1.23 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's Security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

An Applicant has an entitlement to gain access to, correct and update the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

1.24 Enquiries concerning this Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary, by telephone on +61 8 8427 0516.

For general shareholder enquiries, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) and +61 3 9415 4000 (outside Australia).

2. Action required by Shareholders

2.1 What Eligible Shareholders may do

The number of Securities to which Eligible Shareholders are entitled are shown on the personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) accept some or all of your Entitlement (refer to Section 2.2);
- (b) apply for additional new Securities in excess of your Entitlement (refer to Section 2.3);
- (c) sell part or all of your Entitlement under the Rights Issue on the ASX (refer to Section 2.4);
- (d) deal with part of all of your Entitlement other than on ASX (refer to Section 2.5); or
- (e) allow all or part of your Entitlement to lapse (refer to Section 2.6).

2.2 Subscribe for all or part of your Entitlement

Should you wish to accept some or all of your Entitlement to Securities under the Rights Issue and you are not paying by BPAY, then applications for Securities under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the amount indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Magnetite Mines Limited" and lodged at any time after the issue of this Prospectus and on or before the Rights Issue Closing Date at the Share Registry (by post) at:

By Post

Magnetite Mines Limited
c/- Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001 AUSTRALIA

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Rights Issue Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

Should you wish to accept part of your Entitlement under the Rights Issue and sell the remaining Entitlement on the ASX, follow the instructions above in relation to the part

of the Entitlement that you wish to accept, and follow the instructions in Section 2.4 in relation to the part of the Entitlement that you wish to sell on the ASX.

If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything. The part of the Rights Issue that you do not accept will lapse by the Rights Issue Closing Date. However, you should be aware that as your Entitlement is renounceable, the Entitlement may have value should you choose to sell or trade your Entitlement on the ASX. The number of Securities you hold and the rights attached to those Securities will not be affected should you choose not to accept any of your Entitlement.

2.3 Subscribe for all of your Entitlement and apply for additional Securities

If you wish to apply for Securities in excess of your Entitlement under the Rights Issue by applying for Shortfall Securities you may do so by completing the relevant separate section of the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Any Shortfall Securities applied for in excess of your Entitlement will be issued at the complete discretion of the Underwriter after consultation with the Company.

If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form. Your BPAY payment will be applied to acceptance of your Entitlement and any excess payment amount will be treated as an Application for additional Securities.

2.4 If you wish to sell all or part of your Entitlement under the Rights Issue on the ASX

Should you wish to sell all or part of your Entitlement under the Rights Issue on the ASX you must provide instructions to your stockbroker regarding the Entitlement you wish to sell on the ASX. Trading of Entitlements will commence on the ASX on Tuesday, 17 April 2018 and will cease on Thursday, 3 May 2018.

The Company does not guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on the ASX or that any particular price will be paid for the Entitlements sold on the ASX.

2.5 If you wish to sell all or part of your Entitlement under the Rights Issue other than on the ASX

Should you wish to sell part of your Entitlement under the Rights Issue other than on the ASX, and the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to accept the Entitlement that they have purchased.

If you are a shareholder on the issuer sponsored sub-register and you wish to transfer all or a proportion of your Entitlement to another person other than on the ASX, please complete the standard renunciation and transfer form (obtainable from the Company's share registry) by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the amount indicated on standard renunciation and transfer form.

Completed standard renunciation and transfer forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and

made payable to "Magnetite Mines Limited" and lodged at any time after the issue of this Prospectus and on or before the Rights Issue Closing Date at the Share Registry (by post) at:

By Post

Magnetite Mines Limited
c/- Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001 AUSTRALIA

Should you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS sub-register you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by the Share Registry in accordance with Section 2.2.

2.6 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. However, you should be aware that as your Entitlement is renounceable, the Entitlement may have value should you choose to sell or trade all or some of your Entitlement on the ASX. The Rights Issue will lapse by the Rights Issue Closing Date. The number of Securities you hold and the rights attached to those Securities will not be affected should you choose not to accept any of your Entitlement.

2.7 Enquiries concerning your Entitlement or an Application Form

For enquiries concerning your Entitlement or an Application Form, please contact Computershare Investor Services Pty Ltd on 1300 850 505 (within Australia) and +61 3 9415 4000 (outside Australia).

3. Effect of the Offers

3.1 Capital structure on completion of the Offers

	Shares	Unquoted Options	Quoted Options
Balance at the date of this Prospectus	558,894,264	103,300,000 ¹	Nil
To be issued pursuant to the Rights Issue ²	139,723,566	Nil	139,723,566
To be issued to Underwriter			5,000,000
TOTAL³	698,617,830	103,300,000	144,723,566

Notes:

- 103,300,000 unquoted Options consist of:
 - 6,500,000 Options exercisable at \$0.10 each on or before 31 October 2018;
 - 10,000,000 Options exercisable at \$0.02 each on or before 26 November 2020;
 - 5,300,000 Options exercisable at \$0.02 each on or before 7 October 2018;
 - 1,000,000 Options exercisable at \$0.02 each on or before 12 January 2019;
 - 3,000,000 Options exercisable at \$0.02 each on or before 26 April 2021;
 - 8,000,000 Options exercisable at \$0.045 each on or before 5 August 2019;
 - 1,000,000 Options exercisable at \$0.045 each on or before 24 August 2021;
 - 3,000,000 Options exercisable at \$0.025 each on or before 7 September 2021;
 - 10,000,000 Options exercisable at \$0.02 each on or before 30 November 2021;
 - 10,000,000 Options exercisable at \$0.044 each on or before 30 November 2021;
 - 10,000,000 Options exercisable at \$0.037 each on or before 30 November 2021;
 - 5,000,000 Options exercisable at \$0.10 each on or before 5 December 2021;
 - 10,000,000 Options exercisable at \$0.04 each on or before 8 January 2022;
 - 3,000,000 Options exercisable at \$0.04 each on or before 5 June 2022;
 - 7,500,000 Options exercisable at \$0.05 each on or before 5 July 2022; and
 - 10,000,000 Options exercisable at \$0.05 each on or before 30 November 2022.
- The number of Securities to be issued under the Rights Issue assumes that no Securities will be issued, exercised or converted prior to the Record Date and that the Rights Issue is fully subscribed.
- The table is subject to rounding. In the event the Offers are oversubscribed, the Directors reserve the right in their absolute discretion to utilise the Company's 15% placement capacity to issue additional New Shares and Attaching Options pursuant to Listing Rule 7.1.

3.2 Pro-forma consolidated statement of financial position

The reviewed balance sheet as at 31 December 2017 and the unaudited pro-forma balance sheet as at 31 December 2017 (based on both the Underwritten Amount and full subscription) is presented below. Pro-forma adjustments are as follows:

- the Rights Issue is subscribed to the Underwritten Amount only leading to the issue of 66,666,667 Shares at an issue price of \$0.015 each to raise \$1,000,000 (before costs);

- (b) the Rights Issue is fully subscribed leading to the issue of 139,723,566 Shares at an issue price of \$0.015 each to raise approximately \$2,096,000 (before costs);
- (c) the costs of the Rights Issue are estimated at \$181,656 (Underwritten Amount) or \$205,094 (full subscription); and
- (d) cash spent from 1 January 2018 to 31 March 2018 of \$698,452.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Reviewed Balance Sheet 31 December 2017	Unaudited Pro forma Underwritten Amount	Unaudited Pro forma Full Subscription
ASSETS			
Current Assets			
Cash and cash equivalents	674,767	896,659	1,922,221
Trade and other receivables	99,767	99,767	99,767
TOTAL CURRENT ASSETS	774,435	996,426	2,021,988
NON CURRENT ASSETS			
Other receivables	42,988	42,988	42,988
Property, plant and equipment	75,267	75,267	75,267
Exploration expenditure	8,807,601	8,807,601	8,807,601
Intangibles	1,896	1,896	1,896
TOTAL NON-CURRENT ASSETS	8,927,752	8,927,752	8,927,752
TOTAL ASSETS	9,702,187	9,924,178	10,949,740
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	706,865	593,364	593,364
Provisions	85,548	64,692	64,692
TOTAL CURRENT LIABILITIES	792,413	658,056	658,056
NON-CURRENT LIABILITIES			
Trade and other payables	2,500,000	2,500,000	2,500,000
Total Non-Current Liabilities	2,500,000	2,500,000	2,500,000
TOTAL LIABILITIES	3,292,413	3,158,056	3,158,056
NET ASSETS	\$6,409,774	\$6,766,122	\$7,791,684
EQUITY			
Contributed Equity	49,779,411	50,698,907	51,770,322
Reserves	10,515,470	10,515,470	10,515,470
Accumulated losses	(51,885,107)	(54,447,255)	(54,494,107)
TOTAL EQUITY	\$6,409,774	\$6,766,122	\$7,791,684

3.3 Market price of Shares

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.04 (on 22 January 2018)

Lowest: \$0.02 (on 11 April 2018)

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.023 per Share on 12 April 2018.

3.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

4. Risk Factors

An investment in Securities offered by this Prospectus should be regarded as speculative. Activities in the Company, as in any business, are subject to risks which may impact on the Company's future performance. The Company has implemented appropriate strategies, actions, systems and safeguards for known risks, however some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which prospective investors need to be aware of in evaluating the Company's business and the risks of investing in the Company. Prospective investors should carefully consider the following factors in addition to the other information presented in the Prospectus.

The principal risks include, but are not limited to, the following:

4.1 Risks specific to the Company

(a) Completion of Acquisition and integration risk

As announced on 29 March 2018, the Company has entered into a final framework agreement with Coffee House Group and Lodestone Equities Limited to acquire the issued capital of Lodestone and its subsidiaries (**Acquisition**). Lodestone owns tenements in close proximity to the Company's existing tenements. As disclosed, Coffee House Group and Lodestone are entities associated with the Company's chairman, Mr Gordon Toll. The framework agreement does not create any legally binding obligation on the parties to proceed with the Acquisition until a formal share sale agreement is executed.

The framework agreement (among other things as summarised in the 29 March 2018 announcement) provides that the Acquisition is subject to shareholder approval and, as mentioned above, that formal agreements, including a share sale agreement, are required to be executed before the transaction can proceed. There is a risk that the Acquisition will not proceed if the parties are unable to negotiate the final form of transaction documents or shareholders do not approve the Acquisition. As the parties are yet to complete formal documentation, there is also a risk that the terms of the proposed Acquisition set out in the final framework agreement differ to those in the formal agreements that will be legally binding.

If the Company proceeds with the Acquisition, the prospects and results of the Company will depend on the success of management in integrating the acquisition of Lodestone. There is no guarantee that the Company will be able to integrate this new Acquisition into the Company successfully, or that any economic benefits will be able to be realised from the integration.

In addition, the Acquisition or any other acquisition or transaction may have other transaction specific risks associated with it, including risks related to the completion of the transaction, the project or the jurisdictions in which the project is located.

(b) Exploration stage and success

The Company is not at the development stage. There can be no assurance that exploration of the tenements currently held by the Company, or any other

tenements that may be acquired in the future by the Company via the Acquisition or otherwise, will result in the discovery of an economic deposit. Investors should understand that mineral exploration and any subsequent development are high-risk undertakings.

Despite the best efforts of the Company, there is no guarantee of exploration success, and even if there is exploration success, there is no guarantee that development of any such success will be commercially viable. The current and future operations of the Company will be affected by a range of factors. If exploration is successful, there will be additional costs and processes involved in moving to the development phase.

(c) **Operating and project risks**

The business of mineral exploration and mining involves risks and hazards. For example, in an exploration context no assurance can be given that ore bodies will be detected with preferred or desirable tonnages or grades. High risk and substantial expense can be incurred without the requisite or expected degree of reward. Even if commercial quantities of ore are discovered, unforeseen risks can arise in the development and production phase including mining or processing issues, environmental hazards, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, labour forced disruption, the unavailability of materials and plant and equipment, mechanical failure or plant breakdown, unusual or unexpected geological formation, pit failures, changes in the regulatory environment and weather conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

(d) **Future capital requirements**

The Company's activities will require substantial expenditure. There can be no guarantees that the funds raised through the Rights Issue will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund development after the substantial exhaustion of the net proceeds of the Rights Issue, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(e) **Key personnel risks**

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including sub-contractors. Although the Company enters into employment and incentive arrangements with its personnel to secure their services, it cannot guarantee the retention of their services.

There can be no assurance given that there will be no detrimental impact on the Company if one or more of these people cease their engagement. The Company's inability to recruit additional appropriate skilled and qualified personnel to replace these key personnel could have an adverse effect on the Company. There can be no guarantee that personnel with the appropriate skills will be available within the Company's required timeframes.

(f) **Commodity price volatility and exchange rates risks**

In the event that the Company achieves exploration success, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for commodities, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities and some services are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency. This exposes the Company to the fluctuations and volatility of the rates of exchange between the United States dollar and the Australian dollar, as determined by international markets.

(g) **Tenement title**

The Company's title to its tenements generally requires the Company to continue to satisfy its expenditure or work commitments. The Company currently has no reason to believe that it will not satisfy those commitments. However, this cannot be guaranteed.

Interests in tenements in Australia are governed by federal and state legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance, such as satisfaction of statutory payments (including land taxes and statutory duties) and compliance with work programmes and public health and safety laws. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

Further, mining and exploration tenements, once granted, are subject to periodic renewal. There is no guarantee that current or future tenement renewals will be approved. Renewal of the term of a granted tenement is at the discretion of the relevant government authority and may include additional or varied expenditure or work commitments or compulsory relinquishment of the areas comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

(h) **Litigation and counterparty risks**

The Company is not currently involved in any litigation, however like any corporation operating in a commercial setting, the Company is exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. As with all litigation, there are risks involved. An adverse outcome in litigation or the

cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of the Company.

In addition, there is a risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party, or the insolvency or managerial failure by any of the contractors or other suppliers used by the Company in any of its activities, or that any of those agreements are terminated in accordance with their terms. There is also a risk of legal or other disputes between the Company and co-venturers or contractors or others suppliers.

(i) **Convertible note dilution risk**

As announced on 31 August 2015 and 14 December 2016, the Company issued 100 unsecured convertible notes, each with a deemed value of \$25,000 and aggregate value of \$2.5 million, to Mintech Resources. The terms of the convertible notes provide that the Company may elect to convert all or some of the convertible notes held by providing a conversion notice to Mintech Resources (**Conversion Notice**). Should the Company elect to convert the convertible notes, the Shares to be issued pursuant to the convertible notes will be issued at a price being 100% of the volume weighted average price on the Business Day immediately before the Company provides the Conversion Notice to Mintech Resources (**Convertible Note Shares**). Accordingly, should the Company elect to convert the convertible notes into Shares of the Company, this may result in significant dilution for Shareholders. However, it is likely the Company will require Shareholder approval prior issuing any Convertible Note Shares.

(j) **Liquidity and volatility**

An investment in New Shares should be regarded as speculative. The Company also has a relatively small Shareholder base. As a consequence there is a risk, particularly in times of share market turbulence or negative investor sentiment, that there will not be a highly liquid market for Shares or that the price of Shares may decrease considerably. There may be relatively few buyers or sellers of securities on ASX at any given time and the market price may be highly volatile. This may result in Shareholders wishing to sell their Shares at such a time receiving a market price for their Shares that is considerably less than the price paid under the Rights Issue.

The past performance of the Company is not necessarily an indication as to future performance of the Company as the trading price of Shares can go up or down.

4.2 **Risks associated with mining exploration and operations**

Mineral exploration, development and mining may be hampered by circumstances beyond the control of the Company and are speculative operations which by their nature are subject to a number of inherent risks, including those summarised in the section below.

(a) **Exploration risks**

Exploration is a high-risk activity that requires large amounts of expenditure over extended periods of time. The Company's exploration activities are subject to all the hazards and risks normally encountered in the exploration

of minerals, including climatic conditions, hazards of operating vehicles and plant, risks associated with operating in remote areas and other similar considerations. Conclusions drawn during mineral exploration are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, drilling and other data.

Further, the costs of the Company's exploration activities may materially differ from its estimates and assumptions. No assurance can be given that the Company's cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the value of the Company's Shares.

(b) **Resource and reserve estimates**

Resource and reserve estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates that are valid when made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource and reserve estimates are necessarily imprecise and depend to some extent on geological interpretations, as well as various economic, commercial, technical, environmental and legal assumptions which may prove to be inaccurate.

Should the Company encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(c) **Regulatory risks**

Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of Shares.

Exploration and prospective production are dependent upon the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations, which may not be granted or may be withdrawn or by made subject to limitations at the discretion of government or regulatory authorities. Although the authorisations may be renewed following expiry or grant (as the case may be), there can be no assurance that such authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If the Company cannot obtain or retain the appropriate authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then the Company's ability to conduct its exploration or development operations may be adversely affected.

(d) **Environmental risks**

The Company's operations and activities are subject to the environmental laws of Australia and any other places the Company may conduct business. As with most exploration projects, the Company's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to

conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. However, non-compliance with or breach of any conditions attached to the Company's mining or environmental licences may lead to penalties and/or revocation of the licence, and significant liability could be imposed on the Company for damages, clean-up costs or penalties in the event of certain environmental damage. This would require the Company to incur significant costs and may result in an adverse impact on the Company's cash flows, financial position and performance.

Further, the Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments which could have a material adverse effect on the Company's operations, financial position and performance.

(e) **Insurance risks**

Company will endeavour to maintain insurance within ranges of coverage in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate cover. The occurrence of an event that is not covered or fully covered by insurance could have an adverse effect on the Company's operations and financial position and performance.

Insurance of risks associated with minerals exploration is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage that is in accordance with industry practice. The Company will use reasonable endeavours to insure against the risks it considers appropriate for the Company's needs and circumstances. However, no assurance can be given that the Company will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

4.3 General Risks

(a) **Discretion in use of capital**

The Board and the Company's management have discretion concerning the use of the Company's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, the Company's financial and/or operational performance may suffer.

(b) **Investment in capital markets**

As with all stock market investments, there are risks associated with an investment in the Company.

Securities listed on the stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of the Company's performance. The price of Shares might trade below or above the issue price for the New Shares.

(c) **General economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position.

The Company's future possible revenues and Share prices may be affected by these factors, which are beyond the control of the Company.

4.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities. Shareholders should consider that the investment in the Company is high risk and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

5. Additional information

5.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) **Issue of Shares**

The issue of Shares in the capital of the Company and the options over unissued Shares by the Company is under the control of the Directors, subject to the Corporations Act and Listing Rules.

(b) **Voting**

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such Shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the Shares of all those Shareholders having the right to vote at that meeting.

(c) **Dividends**

Dividends are payable out of the Company's profits and are declared by the Directors.

(d) **Transfer of Shares**

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a proper market transfer, where permitted by the Listing Rules or the ASX Settlement Rules. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper ASX transfer of Shares or other securities.

(e) **Meetings and notice**

Each Shareholder is entitled to receive notice of, and to attend, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

(f) **Rights on winding up**

The Company has only issued one class of Shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.

(g) **Shareholder Liability**

As the Shares are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

5.2 **Terms and conditions of Attaching Options**

The Attaching Options to be issued under the Offers will be issued on the following terms and conditions:

- (a) Each Attaching Option entitles the holder to subscribe for one fully paid ordinary Share.
- (b) The Attaching Options are exercisable at \$0.05 each at any time up to 5.00pm (WST) on or before 31 May 2021.
- (c) Any Attaching Option not exercised by its expiry date will automatically expire.
- (d) The Attaching Options are transferable.
- (e) The Company will apply to ASX for Official Quotation of the Attaching Options.
- (f) The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Attaching Options.
- (g) The Attaching Option holder is not entitled to participate in any issue to existing Shareholders of Securities unless they have exercised their Attaching Options before the "record date" for determining entitlements to the issue of Securities and participate as a result of holding Shares. The Company must give the Attaching Option holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.
- (h) The number and exercise price of the Attaching Options remains the same regardless if the Company makes a bonus issue of Shares or other Securities to Shareholders.

- (i) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Attaching Option holder (including the number of Attaching Options to which the Attaching Option holder is entitled to and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (j) Any calculations or adjustments which are required to be made will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Attaching Option holder.
- (k) To exercise Attaching Options, the Attaching Option holder must give the Company:
 - (i) a written exercise notice (in the form approved by the Board from time to time) specifying the number of Attaching Options being exercised and Shares to be issued; and
 - (ii) payment of the exercise price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company.
- (l) The Attaching Option holder may only exercise Attaching Options in multiples of 50,000 options unless the holder holds less than 50,000 Attaching Options, in which case all Attaching Options held must be exercised.
- (m) The Attaching Options will be deemed to have been exercised on the date the exercise notice is lodged with the Directors.
- (n) Within 10 Business Days after receiving an application for exercise of Attaching Options and payment by the Attaching Option holder of the exercise price, the Company must issue the Attaching Option holder the number of Shares specified in the application.
- (o) Subject to the Constitution, all Shares issued on the exercise of Attaching Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.

5.3 Material contracts

(a) Underwriting Agreement

CPS Capital is acting as Lead Manager and Underwriter. The Rights Issue is partially underwritten to \$1,000,000 (66,666,667 New Shares).

CPS Capital will be paid a fee for managing and partially underwriting the Rights Issue and the Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred by the Underwriter in relation to the Rights Issue. For more details, please refer to Section 5.10.

The Underwriting Agreement contains a number of provisions ordinarily found in agreements for underwriting arrangements of this type, including that:

- (i) the Company has (subject to certain limitations, including where the loss arises through the Underwriter performing its underwriting obligation) agreed to indemnify the Underwriter, its officers,

employees, advisers and related bodies corporate, and the officers, employees and advisers of any of its related bodies corporate against losses suffered or incurred in connection with the Rights Issue;

- (ii) the Company and the Underwriter have given representations, warranties and undertakings in connection with (among other things) the conduct of the Rights Issue;
- (iii) the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where any of the following events has a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
 - (A) the S&P ASX 200 falls 7% or more below the closing level on the Business Day prior to the date of the Underwriting Agreement;
 - (B) the Rights Issue offer price is greater than the volume weighted average market price for Shares as quoted by the ASX calculated over three successive trading days prior to allotment of New Shares;
 - (C) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or its subsidiaries including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - (D) any of the material contracts or contracts described in this Prospectus (other than the Underwriting Agreement) is breached, not complied with according to its terms, terminated or substantially modified;
 - (E) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union other than hostilities involving Libya, Afghanistan, Iraq, Iran, Syria, Lebanon or Israel, or a terrorist act is perpetrated on any of the first mentioned countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
 - (F) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption

occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; and

- (G) on the occurrence of various regulatory related matters, such as:
 - (1) the Underwriter, having elected not to exercise its right to terminate its obligations under this Underwriting Agreement, forms the view on reasonable grounds that a supplementary prospectus should be lodged with ASIC and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require;
 - (2) it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus;
 - (3) ASIC makes an interim or final stop order in relation to the Prospectus;
 - (4) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances, or an application for such a declaration is made to the Takeovers Panel; and
 - (5) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement.

5.4 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit

report or review. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.5 below). Copies of all documents announced to the ASX can be found at www.magnetitemines.com.

5.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offers a copy of:

- (a) the Annual Report for the period ending 30 June 2017 as lodged with ASX on 29 September 2017;
- (b) the Half Yearly Report for the period ending 31 December 2017 as lodged with ASX on 15 March 2018; and
- (c) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report until the date of this Prospectus:

Date lodged	Subject of Announcement
11/04/2018	Renounceable Rights Issue
29/03/2018	Final Framework Agreement for the Merger with Lodestone
26/03/2018	Appendix 3Y - Change of Director's Interest Notice - G Toll
26/03/2018	Appendix 3B - New Share Issue
15/03/2018	Interim Financial Statements - 31 December 2017
20/02/2018	Lapse of Employee Options
15/02/2018	Response to ASX Appendix 5B Query
31/01/2018	Second Quarter Activities and Cashflow Reports
8/01/2018	Appendix 3Y - Change of Director's Interest Notice - G Toll
8/01/2018	Appendix 3B - New Share Issue
29/12/2017	Expiry of Options
22/12/2017	Amendments to the Framework Agreement for the Merger
4/12/2017	Appendix 3Y - Change of Director's Interest Notice
4/12/2017	Appendix 3B - New Option Issue
1/12/2017	Appendix 3Y - Change of Director's Interest Notice x 2
30/11/2017	Results of Annual General Meeting

Date lodged	Subject of Announcement
30/11/2017	Chairman's Presentation
28/11/2017	Expiry of Options
31/10/2017	First Quarter Activities and Cashflow Reports
24/10/2017	Notice of Annual General Meeting/Proxy Form
29/09/2017	2017 Corporate Governance Statement & Appendix 4G
29/09/2017	2017 Annual Report

The following documents are available for inspection throughout the period of the Offers during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 5.12 and the consents provided by the Directors to the issue of this Prospectus.

5.6 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

5.7 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

5.8 Interests of Directors

(a) Security holdings

The relevant interest of each of the Directors in Securities (whether held directly or indirectly) as at the date of this Prospectus is set out below:

Director	Existing Shares	Options	Entitlement	
			New Shares	Attaching Options
Gordon Toll	108,476,509	30,000,000	27,119,127	27,119,127
Peter Schubert	21,191,129	20,000,000	5,297,782	5,297,782
Frank DeMarte	3,813,135	6,500,000	953,284	953,284
Malcolm Randall	2,012,383	6,500,000	503,096	503,096

Malcolm Randall, Frank DeMarte and Peter Schubert have indicated their intention to subscribe for their full Entitlement up to 6,754,162 Shares (\$101,312). Gordon Toll has indicated that he will arrange for his entitlement to be fully subscribed for by unrelated third parties.

(b) **Remuneration of Directors**

The Constitution provides that the Company may remunerate the non-executive Directors. The maximum total amount of directors' fees for the non-executive Directors shall, subject to any resolution of a general meeting, be fixed by the Directors. The Board may allocate this pool (or part of it) at its discretion.

The remuneration of executive Directors is to be fixed by the Board, without the affected executive Director participating in that decision-making process, and must not be calculated as a commission on, or a percentage of, operating revenue.

A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last two financial years, inclusive of directors fees, consultancy fees, share-based payments and superannuation contributions.

		Salary & fees ¹	Share based payments Options	TOTAL
Gordon Toll	2017	-	1,262,592	1,262,592
	2016	-	70,000	70,000
Peter Schubert	2017	54,750	270,000	324,750
	2016	-	-	-
Frank DeMarte	2017	98,550	-	98,550
	2016	120,450	35,000	155,450
Malcolm Randall	2017	53,708	-	53,708
	2016	61,168	35,000	96,168

Notes:

1. These cash payments are inclusive of statutory superannuation.

(c) **Information disclosed in this Prospectus**

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (i) as an inducement to become, or to qualify as, a Director; or
- (ii) for services provided in connection with the formation or promotion of the Company, or the Offers.

5.9 Related party transactions

There are no related party transactions involved in the Offers that are not otherwise described in this Prospectus.

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

5.10 Interests of other persons

CPS Capital was appointed as the Lead Manager and Underwriter to the Rights Issue under this Prospectus pursuant to an agreement with the Company (**Underwriting Agreement**). Pursuant to the Underwriting Agreement, CPS Capital will provide services relating to the management and marketing of the Rights Issue. In consideration for the services provided pursuant to the Underwriting Agreement, the Company will pay CPS Capital the following fees (excluding GST, where applicable):

- (a) 5,000,000 Options on the same terms as the Attaching Options issued under the Rights Issue (exercisable \$0.05 expiring on or before 31 May 2021). See Section 5.2 for further terms of the Options;
- (b) a lead manager fee of \$50,000 (to be paid by the issue of New Shares and Attaching Options);
- (c) a management fee of 1% of the total amount raised under the Offers, (to be paid by the issue of New Shares and Attaching Options);
- (d) an underwriting fee of 5% of the Underwritten Amount;

- (e) a Shortfall placement fee of 5% of any Shortfall placed; and
- (f) the Company will reimburse CPS Capital for all reasonable expenses properly incurred in the provision of the services under the Underwriting Agreement.

Under this Prospectus the Company the Company offers to the Underwriter (or its nominees) 5,000,000 Options (on the same terms at the Attaching Options), to be issued in accordance with the Underwriting Agreement as set out in above at paragraph 5.10(a). This offer is only made to the Underwriter (or its nominees) and may be accepted by them completing a personalised application form which will be accompanied by this Prospectus.

Except as disclosed in this Prospectus, no underwriter, expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last 2 years prior to the date of this Prospectus in the formation or promotion of the Company, the Securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Securities offered under this Prospectus.

5.11 Expenses of Offers

Estimated expenses of the Offers	Underwritten \$	Full subscription \$
ASIC lodgment fee	2,400	2,400
ASX quotation fee	13,256	20,736
Share registry fees	10,000	15,000
Legal fees and expenses	28,000	28,000
Printing, mailing, advertising & miscellaneous	18,000	18,000
Underwriting and Lead Manager fees	110,000	120,958
TOTAL	181,656	205,094

5.12 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Securities under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 5.12:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Bellanhouse has given its written consent to being named as the Australian corporate solicitors to the Company in this Prospectus. Bellanhouse has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

CPS Capital has given its written consent to being named as Lead Manager, Underwriter to the Company in this Prospectus. CPS Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

6. Directors' Statement and Consent

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to be 'Frank DeMarte', written in a cursive style.

Frank DeMarte

Executive Director

Dated: 13 April 2018

7. Definitions

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acquisition has the meaning given in Section 4.1(a).

Applicant means a person who submits an Application Form.

Application Form means Entitlement and Acceptance Form and the Shortfall Application Form.

Application Monies means the amount of money in dollars and cents payable for Shares pursuant to the Offers.

ASIC means Australian Securities and Investments Commission.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Attaching Options means attaching quoted Options to be issued under the Rights Issue on the basis of one (1) Attaching Option for every Share issued, and which have the terms and conditions in Section 5.2.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Sub-register System.

Closing Date means 5:00pm (WST) on the closing date identified in the proposed timetable.

Coffee House Group means Coffee House Group Limited, an entity associated with the Company's chairman, Mr Gordon Toll.

Company means Magnetite Mines Limited (ACN 108 102 432).

Constitution means the constitution of the Company as at the date of this Prospectus.

Conversion Notice has the meaning given in Section 4.1(i).

Convertible Note Shares has the meaning given in Section 4.1(i).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares as at 5:00pm (WST) on the Record Date whose registered address is in Australia or, subject to the offer restrictions in Section 1.17, New Zealand.

Entitlement means the number of Securities for which an Eligible Shareholder is entitled to subscribe under the Rights Issue, being one (1) New Share for every existing four (4) Shares held on the Record Date, together with Attaching Options on the basis of one (1) Attaching Option for every New Share issued.

Entitlement and Acceptance Form means the entitlements and acceptance form provided by the Company with a copy of this Prospectus that sets out the Entitlement of Eligible Shareholder to subscribe for Securities pursuant to the Rights Issue.

Ineligible Foreign Shareholder means a person registered as the holder of Shares as at 5:00pm (WST) on the Record Date who is not an Eligible Shareholder.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

Listing Rules means the listing rules of ASX.

Lodestone means Lodestone Equities Limited, to be acquired by the Company via the Acquisition.

Mintech Resources means Mintech Resources Pty Ltd (ACN 068 689 485)(subject to deed of company arrangement)

New Shares means a Share issued pursuant to the Rights Issue.

Offers means the Rights Issue and the Shortfall Offer.

Official Quotation means the quotation of Securities on the official list of ASX.

Option means an option to acquire a Share.

Option holder means the holder of an Option.

Prospectus means this prospectus dated 13 April 2018.

Record Date means 5:00pm (WST) on the record date identified in the proposed timetable.

Rights Issue has the meaning given in Section 1.1.

Section means a section of this Prospectus.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Shareholder means the holder of a Share.

Shortfall means Shares not subscribed for under the Rights Issue.

Shortfall Application Form means the Shortfall Securities application form provided by the Company with a copy of this Prospectus.

Shortfall Offer means the offer of Shortfall Securities described in Section 1.3.

Shortfall Securities means New Shares and Attaching Options for which valid Applications have not been received by the Closing Date under the Rights Issue and which the Underwriter has not subscribed for in accordance with the Underwriting Agreement.

Underwriter, Lead Manager or CPS Capital means CPS Capital Group Pty Ltd (ACN 088 055 636).

Underwriting Agreement means the lead manager and underwriting agreement between the Company and the Underwriter referred to in Section 5.3.

Underwritten Amount is \$1,000,000.

Underwritten Securities means 66,666,667 New Shares.

Underwritten Shortfall Securities means Underwritten Securities for which valid applications have not been received by the Closing Date.

VWAP means volume weighted average price.

WST means Western Standard Time.