



ASX Announcement and Media Release

29 April 2016

Third Quarter Activities Report Ending 31 March 2016

Key Points:

CORPORATE

- **MOU signed with Sinosteel Resources for Offtake and possible finance of project**
- **MOU signed with Petroleum Pipeline Bureau and Lodestone in relation to the infrastructure**
- **The Company continues to pursue finance opportunities for the next stage of development of the Mawson Iron Project and offtake of concentrate, with continued engagement in China**

MAWSON IRON PROJECT

- **Magnetite concentrate being produced from the Razorback Deposit to supply Chinese mills for testwork**

CORPORATE

MOU with Sinosteel Resources Co.Ltd

Magnetite Mines Limited (MGT or Company) announced on 26th April 2016, the signing of a Memorandum of Understanding (MOU) with Sinosteel Resources Co. Ltd. (Sinosteel). The MOU between Sinosteel and the SA Magnetite Consortium facilitates an evaluation of:

- (1) the purchase of magnetite concentrate by Sinosteel (offtake) from SA Magnetite Consortium; and
- (2) the possibility of Sinosteel investing in the development of the Mawson Iron Project.

Although the MOU is not legally binding, it provides the platform for the negotiation of binding arrangements between the parties.

Sinosteel is a subsidiary of Sinosteel Corporation, a large state-owned Chinese company involved in the mining and processing of iron ore, trading and logistics of raw material including iron ore, manufacturing of mining and steel milling equipment and engineering and technical services. Sinosteel has other investments in iron ore projects in Western Australia including a very successful collaboration with Rio Tinto.

The MOU was signed between Sinosteel and the “SA Magnetite Consortium”, which consists of the Company and Lodestone Equities Group (Lodestone) which combined make up the Mawson Iron Project. Mr Gordon Toll is the major owner of Lodestone and is also Executive Chairman of Magnetite Mines Limited. Lodestone, through its subsidiaries, owns outright or has exclusive iron rights to prospective tenements containing Braemar Iron Formation to the east of the Company’s exploration leases. Collectively, the ground has over 200km of Braemar Iron Formation prospective strike length and large exploration potential. Lodestone also owns Braemar Infrastructure Pty Ltd, which is developing cost effective methods of transporting and shipping magnetite concentrate in and from South Australia. Magnetite Mines and Lodestone intend to simplify their corporate structure and merge all their South Australian entities into one listed company.

MOU with Petroleum Pipeline Bureau

MGT announced on 27th April 2016, a non-binding Memorandum of Understanding (MOU) between China Petroleum Pipeline Bureau (CPP) and Lodestone for the purposes of evaluating the design financing and construction of Infrastructure comprising overland slurry pipelines and water supply pipelines to develop the magnetite in the Braemar Iron Formation in the Mawson Iron Province of South Australian. The MOU was signed between CPP and Lodestone acting for the “SA Magnetite Consortium”. The Consortium consists of the Company and Lodestone, which combined make up the Mawson Iron Project for the South Australian.

CPP is a Chinese State owned enterprise founded in 1973 and is part of China National Petroleum Company. It is the largest Chinese pipe laying general contracting and EPC company, with full capabilities to undertake complete pipeline transportation projects internationally. CPP’s annual revenues exceed US\$5 billion and its 2015 ENR ranking of international contractors was 64th. Since establishment CPP has constructed over 80,000 km of onshore pipeline and over 100 km of offshore pipeline.

Project Financing

During the quarter, the Company embarked on further discussions with various parties regarding the required funding for the next stage of the Mawson Iron Project. This included preliminary discussions with interested parties in China, in pursuing offtake agreements, construction agreements and definitive feasibility study funding.

Aldershot Resources Ltd

The Company announced on 8th March 2016, that it has entered into an agreement with a private company controlled by Jeremy Caddy who has agreed to purchase the Aldershot Resources Ltd (Aldershot) outstanding unsecured loan amount of \$144,934 owing to the Company for an amount of A\$115,000. Mr Caddy was re-appointed as a Director, Chief Executive Officer and President of Aldershot on 4th March 2016.

The Company announced on the 28 April 2016 that it had entered into a Share Purchase Agreement with a private company controlled by Mr Caddy who has agreed to purchase the 13,000,000 common shares in the capital of Aldershot Resources Ltd (Aldershot) held by the Company for an amount of A\$60,000 subject to Aldershot obtaining approval from its shareholders and the regulatory authorities.

The sale of the Aldershot investment is a continuation of the simplification of our Company and further reinforces our unique focus on developing the Mawson Iron Province in South Australia as the largest magnetite producing area in the world.

Mawson Iron Project - MAGNETITE

The Mawson Iron Project is located 250 km NNE of Adelaide, South Australia and comprises a number of highly prospective magnetite prospects. The project consists of four exploration licences: EL5432 EL5180, EL5240 and EL4811 that are 100% owned by the Company. The Company also has the iron rights to the Iluka Resources-owned EL4842. The Braemar Iron Formation is the host rock to the magnetite mineralisation in the project area and formation has a strike length of over 120 km within the ground controlled by the Company.

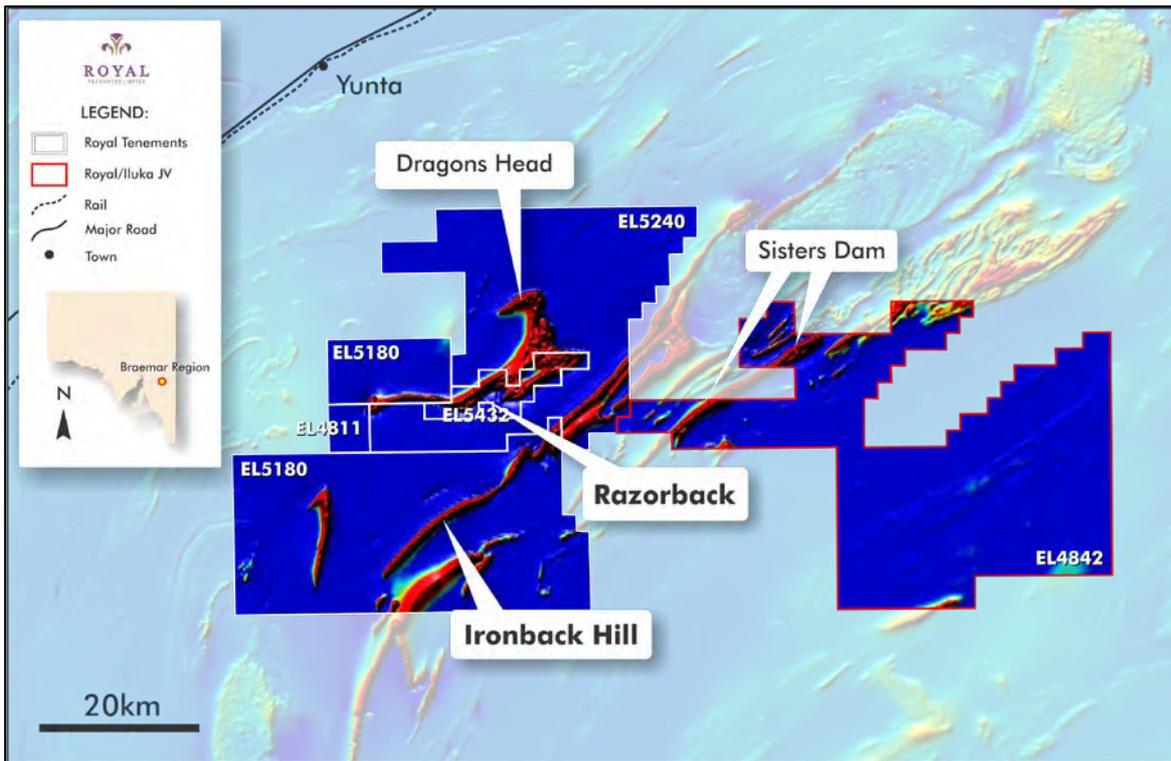
The Company is focussing on the Razorback Deposit, comprising the Razorback Ridge, Razorback West, and Iron Peak Prospects. Royal has defined and announced over **3.9 Billion tonnes** of resources,^{1,2} from testing less than 20% of the Braemar Iron Formation strike. The Razorback Deposit contains a magnetite concentrate equivalent resource of **418 Million tonnes at 67.4% Fe²**. The Exploration Potential has been estimated to be **16 to 32 Billion Tonnes³**.

¹ Announced 21st November, 2012, "RED DRAGON VENTURE EXCEEDS 3 BILLION TONNES".

² Announced 11th June, 2013, "ROYAL OPTIMISES RAZORBACK RESOURCE".

³ The details contained in the report dated 30 October 2016 "First Quarterly Activity Report Ending 30 September 2015" that pertains the quoted exploration target is based upon information compiled by Dr Gavin England, at the time, a full-time employee of the Magnetite Mines Limited. Dr England is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Australian Institute of Geoscientists (AIG) has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2012).

Figure 1: Mawson Iron Project prospect locations and area of the Razorback Deposit

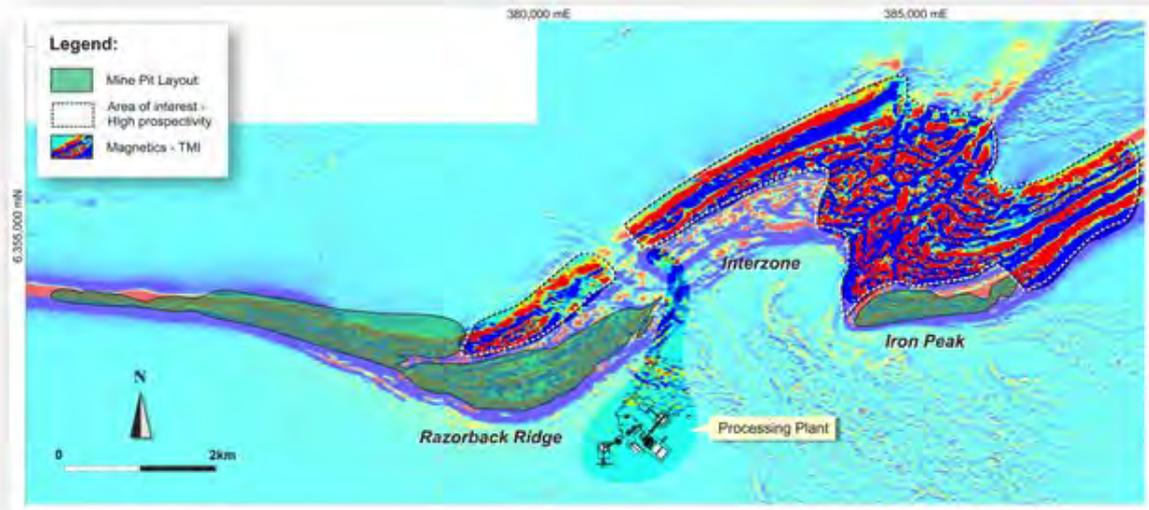


RAZORBACK DEPOSIT

Areas of activities at Razorback during the quarter include:

- Preparation of magnetite concentrate from archived drilling material to provide Chinese steels mills with test samples. Some sample have already been dispatched to China
- Further test samples being prepared from archived material for sinter and pellet studies in China
- A geometallurgical study on the Razorback Project, to better understand the mineralogy and rock properties of the deposit is underway

Figure 2: Razorback Deposit magnetic image, with proposed mine development



OTHER COMMODITY PROJECTS

NORTHERN TERRITORY – George Gold, Uranium (EL24550 & EL27354)

The George Project is located approximately 100 kilometres southeast of Darwin, in the Northern Territory (Figure 4). The project contains known uranium and gold mineralisation, hosted in Early Proterozoic-aged sedimentary rocks of the Pine Creek Geosyncline. Close to the Adelaide River Township, the two granted tenements that make up the project cover 88 km². The Company has 100% ownership of the George Project.

The Company is currently looking at opportunities to divest this asset.

Figure 3: Project Locations, Northern Territory uranium and gold



SOUTH AUSTRALIA – Cooper Hill Gold, Nickel, Copper (EL5340)

The Cooper Hill Tenement is located on the western edge of the Gawler Craton, South Australia, and is prospective for ultramafic-mafic complex related Ni-Cu deposits and IOCG (Au-Cu) style mineralisation (Figure 4). No activities were completed during the quarter. The Company is currently looking at opportunities to divest this asset.

Figure 4: Cooper Hill Tenement Location



For further information, contact:

Gordon Toll

Executive Chairman & CEO

+61 8 8427 0516

The details contained in this report that pertains to ore and mineralisation and the resource underpinning the production target is based upon information compiled by Gavin England BSc (Hons), PhD, a full-time employee of the Magnetite Mines Limited and Mr Lynn Widenbar BSc(Hons), MSc, DIC, Principal Consultant Widenbar and Associates Pty Ltd. Dr England and Mr Widenbar is a member of Australian Institute of Geosciences (AIG) and Australian Institute of Mining and Metallurgy. These two people have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC 2004 Code). Dr England, and Mr Widenbar consent to the inclusion in this report of the matters based upon their information in the form and context in which it appears. The information for the Razorback Deposit was prepared and first disclosed under the JORC Code 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Dr England was responsible for the formulation of the current exploration target in this document. Note that there has been insufficient exploration to define a Mineral Resource in the reported exploration target and it is uncertain if further exploration will result in the determination of a Mineral Resource. The estimate of an exploration target tonnage should not be construed as an estimate of Mineral Resource.

Appendix 1

The Mineral Resource information below for the project was prepared and first disclosed under the JORC Code 2004 and the information has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported. The Resource was first announced on 11th June 2013.

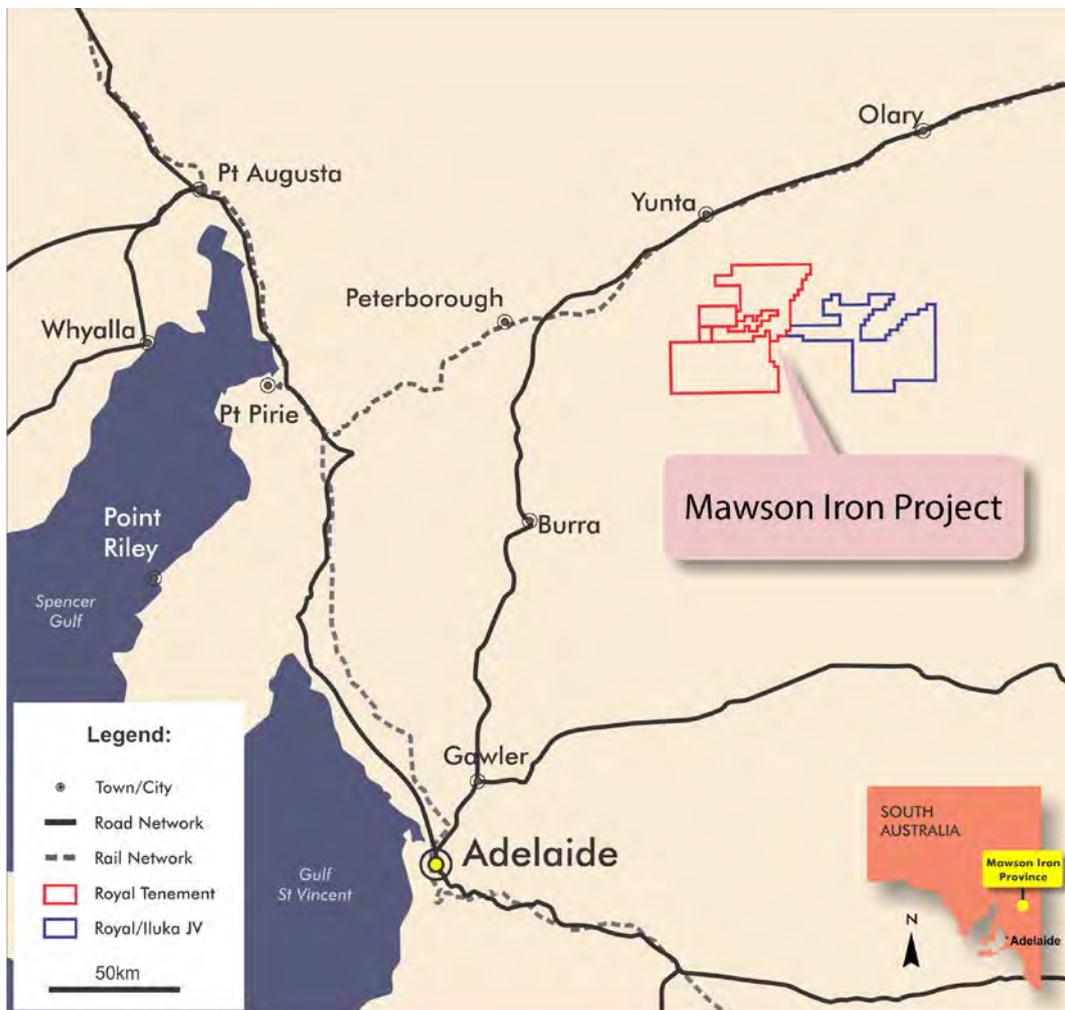
Table 1: Total JORC₍₂₀₀₄₎ Mineral Resource from the Razorback Deposit (11% eDTR cutoff).

Prospect	JORC Resource Classification	Million Tonnes*	eDTR%#	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%
Razorback	Indicated	833	16	21.7	45.2	7.3	0.2
	Inferred	1,532	14.6	16.1	50.2	8.5	0.17
Iron Peak	Indicated	203	16.8	20	45	7.67	0.18
	Inferred	163	15.6	17.1	46.7	8	0.16
Total	Mineral Resources	2,732	15.3	18.2	48.1	8	0.18
CONTAINED CONCENTRATE EQUIVALENT		418		67.4	4.74	0.54	0.016

* Tonnages rounded to significant values; totals may not appear correct as a result. The resource has been estimated in accordance with the JORC (2004) Code.

eDTR is determined by DTR and SATMAGAN magnetite estimated % data (see ASX announcement 11th June 2013)

Figure 5. Regional Geographical setting of Mawson Iron Project



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Magnetite Mines Limited

ABN

34 108 102 432

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(202)	(459)
(b) development	-	-
(c) production	-	-
(d) administration	(254)	(908)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income tax benefit – R&D refund	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(450)	(1,346)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(770)
(b) equity investments	-	-
(c) other fixed assets	(13)	(22)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	115	115
1.12 Other – Redemption of security bonds	-	27
Net investing cash flows	102	(650)
1.13 Total operating and investing cash flows (carried forward)	(348)	(1,996)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(348)	(1,996)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	590
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Share issue costs	-	(4)
	Net financing cash flows	-	586
	Net increase (decrease) in cash held	(348)	(1,410)
1.20	Cash at beginning of quarter/year to date	691	1,753
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	343	343

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	43
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

None

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	95
4.2 Development	-
4.3 Production	-
4.4 Administration	182
Total	277

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	143	91
5.2 Deposits at call	200	600
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	343	691

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities (description)	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities Shares	393,329,539	-	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities (description)	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	2,700,000	-		\$0.049	01/07/2016
	6,750,000	-		\$0.21	27/11/2016
	1,450,000	-		\$0.07	01/07/2017
	6,500,000	-		\$0.16	27/11/2017
	5,300,000	-		\$0.02	07/10/2018
	6,500,000	-		\$0.10	31/10/2018
	1,000,000	-		\$0.02	12/01/2019
	20,000,000	-		\$0.02	26/11/2020
7.8	Issued during quarter	1,000,000	-	\$0.02	12/01/2019
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	500,000	-	\$0.075	25/03/2016
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 29 April 2016

Print name: Frank DeMarte

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

The following tenements held by Magnetite Mines Limited (and its controlled entities) as at 31 March 2016

Tenement/ Project Name	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during the Quarter	Disposed during the Quarter	Joint Venture Partner/Farm-In Party
NORTHERN TERRITORY						
GEORGE	EL24550	100%	100%	-	-	-
AMANGAL	EL27354	100%	100%	-	-	-
SOUTH AUSTRALIA						
PUALCO	EL5180	100%	100%	-	-	-
RED DRAGON	EL5240	100%	100%	-	-	-
RAZORBACK RIDGE	EL5432	100%	100%	-	-	-
DRAGON'S TAIL	EL4811	100%	100%	-	-	-
COOPER HILL	EL5340	100%	100%	-	-	-
TWO SISTERS ⁽¹⁾	EL4842	-	-	-	-	-

Note 1 Pursuant to an Iron Ore Rights Agreement with Iluka Resources Limited, Magnetite Mines Limited has been granted exclusive rights to explore for iron ore and carry on mining operations subject to the terms and conditions of the Agreement.

+ See chapter 19 for defined terms.