



ASX Announcement

30 April 2019

Third Quarter Activities Report Ending 31 March 2019

Summary

Corporate:

- 100% owned Razorback Iron Project continues to attract interest towards potential funding. Ongoing discussions with several interested parties undertaking due diligence
- Marketing of the Razorback Iron Project to secure project finance and offtake continues in both domestic and international markets
- Strong, sustained iron ore pricing growth underpins drive for high quality iron ore concentrates

Project Planning and Development:

- Water study identifies several options towards water supply for the Razorback Iron Project
- Project refinement plan to maximise Razorback Iron Project value to be actioned

Corporate

Magnetite Mines Limited (ASX: MGT) (**Company**) has engaged with several interested parties undertaking due diligence of the Razorback Iron Project (**Project**) to evaluate potential finance and offtake opportunities. The Company believes that it is well placed to take advantage on strong iron ore market sentiment and positive market feedback towards Definitive Feasibility Study funding. Marketing of the Company's flagship Razorback Iron Project continues with the Company aggressively pursuing all value-add opportunities.

With strong project fundamentals as defined by a Pre-Feasibility Study (**PFS**)¹ and associated optimisation studies², the 100% owned Razorback Iron Project is very well placed to capitalise on its high tonnage deposits (3.9 Billion tonnes JORC 2012)³, high grade concentrate product (68.8% Fe)⁴, low stripping ratios and relative proximity to rail and port options.

Project Planning and Development

During the reporting period water studies were commissioned by the Company were completed by Water Technologies Pty Ltd. The work presented a number of local and long distance water options for a variety of mining scenarios confirming PFS water supply options as well as defining a number of new water source alternatives. These positive results further underpin the Razorback Iron Project's viability and confirm the Project's access to water supply.

Further optimisations of the PFS to confirm key assumptions with respect to a more contemporary configuration as well as iron ore pricing inputs is envisaged in the short term. This optimisation of the PFS follows the market's preference for low CAPEX start-up options utilising existing infrastructure and new, maturing technologies in minimising expense and maximising both physical and financial outputs.

The first stage of this optimisation will include a metallurgical review of the existing PFS flowsheet and assumptions with respect to new technologies to determine any potential optimisations that may be achieved. In particular, any improvements to mass recovery will be sought for a variety of premium concentrate products.

In addition, an independent financial model review is envisaged to verify the assumptions as utilised in the previous PFS modelling with respect to contemporary pricing inputs and new mining configurations. This data will greatly benefit the Company in marketing and peer comparison studies and draws from the already completed PFS body of work.

Chairman's Note

The Company acknowledges the developing opinion that a supply crunch in quality iron ore is approaching. The Razorback Iron Project is well placed, given its dominant scale and proximity to both Adelaide and the Spencer Gulf.

Iron ore is an abundant mineral, however quality, long life, deposits in politically stable environments are not. The Company believes there is global recognition and movement to value added processed iron ore given its advantages in grade and impurity levels. Fortescue's +\$4 billion Iron Bridge go-ahead is testament to this and represents a vote of confidence for magnetite projects.

1. *ASX Announcement 30/01/13 – Razorback Project Returns a Positive PFS*
2. *ASX Announcement 27/11/13 – Optimisation Study Dramatically Improves Razorback's Economics*
3. *ASX Announcement 20/11/18 – Ironback Hill Deposit – JORC 2012 Resource Update*
4. *ASX Announcement 13/09/16 – Metallurgical Update – Positive Results*

For further information contact:

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Magnetite Mines Limited	
ABN	Quarter ended ("current quarter")
34 108 102 432	31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(35)	(164)
(b) development	-	-
(c) production	-	-
(d) staff costs	(136)	(417)
(e) administration and corporate costs	(73)	(538)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (details required)	-	10
1.9 Net cash from / (used in) operating activities	(241)	(1,096)
Item 1.8 relates to Redemption of security bond for the Adelaide office lease.		

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(5)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) property, plant and equipment	-	5
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(122)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(122)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	767	1,744
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(241)	(1,096)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(122)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	526	526

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	47	317
5.2 Call deposits	479	450
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	526	767

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
65
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	65
9.2 Development	-
9.3 Production	-
9.4 Staff costs	123
9.5 Administration and corporate costs	395
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	583

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

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



Sign here:
(Director/Company secretary)

Date: 30 April 2019

Print name: Frank DeMarte

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

The following tenements held by Magnetite Mines Limited (and its controlled entities) as at 31 March 2019

Tenement/ Project Name	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during the Quarter	Disposed during the Quarter	Joint Venture Partner/Farm-In Party
SOUTH AUSTRALIA						
PUALCO	EL6126	100%	100%	-	-	-
RED DRAGON	EL6127	100%	100%	-	-	-
RAZORBACK RIDGE	EL5432	100%	100%	-	-	-
DRAGON'S TAIL	EL5902	100%	100%	-	-	-
BIMBOWRIE	EL5962	100%	100%	-	-	-
OUTALPA	EL5974	100%	100%	-	-	-
SISTER'S DAM	EL6037	100%	100%	-	-	-
BIMBOWRIE	EL6070	100%	100%	-	-	-