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**ASX Announcement**

31 July 2019

# *Fourth Quarter Activities Report Ending 30 June 2019*

## **Highlights**

- Scoping Study initiated to investigate low capital start-up options, leading edge technology for the assessment of selective mining, processing and use of existing transport infrastructure.
- Successful placement to investors to raise \$300,000 towards working capital completed.
- Appointment of Strategic Advisor Mr. Mark Eames to drive project development and marketing.
- Refreshed marketing of the benefits of the Razorback High Grade Iron Ore Concentrate Project with significantly increased interest from potential investors.
- Discussions with transport and port operators to investigate efficient, low capital transport options.

## **Scoping Study**

During the reporting period, Magnetite Mines Limited (**Company**)(**ASX:MGT**) initiated a Scoping Study (**Study**) to investigate low-capital, low-tonnage start-up options available at the Razorback High Grade Iron Ore Concentrate Project (**Project**) and surrounding prospects.

This Study has been initiated considering the sustained recovery in iron ore pricing and seeks to investigate options to exploit higher grade mineralisation together with established infrastructure as transport options. The study represents an alternate pathway to production to be marketed in parallel with previous Pre-Feasibility Studies (**PFS**)<sup>1</sup> as an alternate development option.

The 2012-2013 PFS development option represents a higher tonnage, higher capital development option. By virtue of its scale, the PFS mine development option is associated with significant lead times primarily related to infrastructure and mine development.

The Scoping Study as initiated during the quarter, aims to investigate smaller scale options that may potentially reduce lead-times by utilising existing infrastructure, improved flow-sheet processing options and selective mining. The following options are under investigation:

**Selectively mining the large resource base.** The Project resource has been extensively drill tested, with 275 drill holes completed by MGT within the tenement holding. The deposits consist of interbedded to massive ironstones with an average mass recovery of 15.3% eDTR (at an 11% eDTR cut-off).<sup>2</sup> The Company has previously reported that there are significant higher grade zones within the JORC 2012 resource (for example hole RRDD0113 included 155m @ 19.5% DTR recovery).<sup>2</sup> The Study will utilise comprehensive existing datasets completed during the 2013 PFS to identify the higher grade, near surface zones which may be amenable to low capital start-up operations.

**New processing technology.** Previous flow sheet development was based on grinding plant feed to between 25 and 45 microns before applying conventional low and medium intensity magnetite separation techniques. The focus of the current investigation is to assess leading edge mineral processing technology, such as staged comminution, front end dry processing, ore sorting and new fine particle separation equipment, aimed at increasing metallurgical efficiency at lower operating cost.

**Optimising product grade.** The PFS was based on a high grade concentrate product containing 67.4% Fe, which represents a higher grade than the average output of Vale, BHP, Rio Tinto and FMG. Optimised indicative processing testwork generated concentrate grades of up to 68.8% Fe.<sup>3</sup> Considering the increased average grade premiums over the last three years suggest there may be overall advantages to target a higher-grade product.

**Transport to market.** The Project is located near to existing Federal and State owned rail and road infrastructure. The Federally owned and operated 'India-Pacific' rail line is accessible from the Project via ~55km of maintained public roads. A rail distance of 360-370 km links the project to two ports in South Australia with bulk iron ore loading experience and capability, those being Whyalla and Port of Adelaide (for comparison, this would result in a return journey lower than the average for Rio Tinto in the Pilbara). Discussions are underway with transport providers. Preliminary indications suggest that presently there is capacity that would allow shipment of iron ore products using existing infrastructure with modest capital requirements.

**Infrastructure.** The review will assess options to use local and existing power, water and residential infrastructure.

The Study is being led by Mark Eames, Strategic Advisor to the Company, with key components managed by the Company's experienced team supported by selected external consultants with extensive experience and technical capability in iron ore processing and mine development. The appointment of Mr Eames was announced during the reporting period.<sup>4</sup>

The Scoping Study builds on previous technical and commercial studies as per the PFS with the outcomes of the study to be reported to the Board before the end of September 2019. Pending positive results of the Study, the board, intends to quickly enter into a Pre-Feasibility Study, assisted and complemented by existing PFS data, to further develop the timeline and costs for a rapid, low capital start-up.

## **Corporate Activity**

### *Placement*

The company successfully completed a small-scale placement to sophisticated and professional investors to raise \$300,000 (before costs).<sup>5</sup> The funds will be utilised as operating capital towards activities in support of the Scoping Study including external metallurgical reviews and project financial modelling.

### *Marketing*

Marketing of the project continues with several interested parties undertaking due diligence of the Project to evaluate potential partnership, finance and offtake opportunities. A new website ([www.magnetitemines.com](http://www.magnetitemines.com)) was commissioned and launched during the reporting period to aid marketing of the Project. The company also maintains an up to date Twitter profile to assist shareholders stay current with regard the global iron ore market (<https://twitter.com/MagnetiteMines>).

## **Cash on Hand**

At 30 June 2019, the Company held \$223k cash on hand and estimate cash outflows of \$385k. Further details can be found in the Appendix 5B released with this announcement.

The Company expects to continue negative operating cashflows as it continues exploration and resources development activities to build the value of its mineral assets. As a mineral exploration company, the Company does not have any mining operations at this point in time to generate positive cash flow.

The Company continually assesses its funding requirements. The Company has the capacity under Listing Rules 7.1 and 7.1A. to raise additional working capital to fund its operations, and also has the ability to conduct a rights issue for the purpose of raising further funding. The Company has a history of raising funds as and when required. The Company will update the market when a funding plan is finalised, anticipated in the current quarter.

Based on positive feedback from prospective sophisticated investors, the Company is confident that it will be able to raise additional funds required to advance disclosed work programs, including the Scoping Study mentioned earlier in this Activities Report. As such, the Company expects to be able to continue its operations and meet its business objectives, and believes its financial condition is adequate to warrant the continued quotation of its securities on ASX for the purpose of Listing Rule 12.2.

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

## Chairman's Note

I am pleased to announce the commencement of a Scoping Study to examine smaller-scale, lower capital cost development options at Razorback, which would allow the Company to benefit from favourable market conditions. This work builds on the existing dataset developed for the PFS and therefore represents a low-cost exercise that will improve the value of the Razorback High Grade Iron Ore Concentrate Project. Work on the Study has begun, and we expect to complete the body of work before the end of September. It has become apparent that the perceived attractiveness of high cost, high mining volume mines has waned in response to challenges reported by some large-scale iron ore projects. The Scoping Study is an exciting approach that will leverage the favourable setting and large scale of the Company's resources and data, to expedite potential development operations through use of existing and underutilised local infrastructure whilst targeting high mass recovery mineralisation to minimise processing costs and producing a premium product that presently attracts unprecedented demand.

Significantly, Razorback is 100% owned by Magnetite Mines Limited. We believe the project represents one of the most compelling value iron ore project propositions globally based, on in-situ per resource tonne vs market cap analysis.

Our Strategic Advisor, Mark Eames, has commented: 'The large and well delineated resources owned by Magnetite Mines are significant on a global scale, particularly given the supportive mining jurisdiction in South Australia, established infrastructure and proximity to deep water loading options in the Spencer Gulf (especially as Razorback is the closest part of the Braemar formation to the coast). The past work has proved up a large-scale development pathway, which remains a potentially attractive pathway for major development of the resource. The Scoping Study is designed to investigate a more agile start-up option by leveraging existing infrastructure, applying new technology and prioritising higher grade and recovery zones in the resource.'

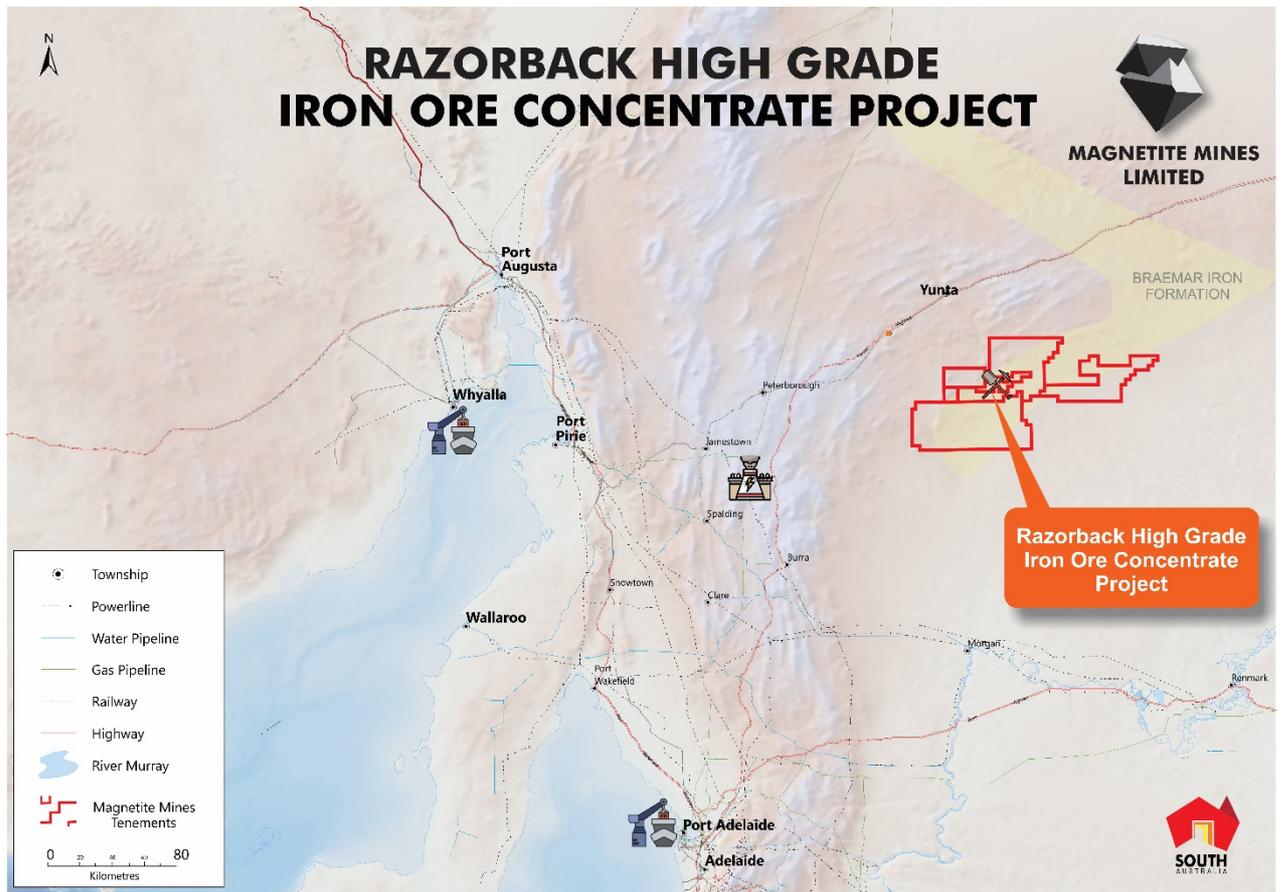


Figure 1. Location of the Razorback High Grade Iron Ore Concentrate Project

1. ASX Announcement 30/01/13 – Razorback Project Returns a Positive PFS
2. ASX Announcement 12/11/18 – Razorback Iron Project - JORC 2012 Update
3. ASX Announcement 13/09/16 – Metallurgical Update – Positive Results
4. ASX Announcement 17/05/19 – Chairman Letter to Shareholders
5. ASX Announcement 10/05/19 – Placement to Investors

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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

<b>Magnetite Mines Limited</b>	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
34 108 102 432	30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>	-	-
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(70)	(234)
(b) development	-	-
(c) production	-	-
(d) staff costs	(118)	(535)
(e) administration and corporate costs	(63)	(601)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	14
1.5 Interest and other costs of finance paid	(350)	(350)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (details required)	-	10
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(600)</b>	<b>(1,696)</b>
Item 1.8 relates to Redemption of security bond for the Adelaide office lease.		

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

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(122)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	300	300
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)	(3)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>297</b>	<b>297</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	526	1,744
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(600)	(1,696)
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)	297	297
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>223</b>	<b>223</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	48	47
5.2 Call deposits	175	479
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>223</b>	<b>526</b>

**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

<b>Current quarter \$A'000</b>
65
-

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**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

<b>Current quarter \$A'000</b>
-
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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	98
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	197
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>385</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: 31 July 2019

Print name: Frank DeMarte

**Notes**

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

The following tenements held by Magnetite Mines Limited (and its controlled entities) as at 30 June 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
<b>SOUTH AUSTRALIA</b>						
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%	-	-	-