



MAGNETITE MINES
High Grade Iron Ore Concentrate

ASX Announcement

7 June 2021

Result of MGTOC Option Conversions

Option Conversions

Magnetite Mines Limited (ASX:**MGT**) (Company) is delighted to advise that it has received \$7,520,065 in cash (before costs) from the conversion of the MGTOC quoted options exercisable at \$0.05 each expiring on 31 May 2021 (MGTOC).

The Company has issued 150,401,292 new fully paid ordinary shares from the conversion of the MGTOC options and the shares issued will rank equally with all existing shares from the date of issue.

The conversion of the MGTOC was strongly supported by existing option holders. Only 22,223,253 MGTOC were not converted by option holders and hence expired on 31 May 2021.

As a result of this support, the Company now has a cash balance of approximately \$17.5 million providing a substantial cash backing to pursue the development of the Razorback High Grade Iron Ore Project (Project).

Study Update

The Company is progressing the Razorback Iron Project Pre-Feasibility Study (PFS)^{1,2,3} with results anticipated for release by the end of this quarter. Studies continue to refine the single go-forward optimised case intended to expedite the potential pathway to production.

In addition to the current PFS, this successful option conversion has enabled the Company to immediately commit to programs that are designed to further accelerate the development of the Project and improve technical understanding. These include:

Metallurgical Testwork Program

Hatch, the Company's process engineering and metallurgical engineers, have commenced preliminary work on a staged metallurgical test program for the Razorback deposit designed to prove up the proposed flowsheet and refine the understanding of the metallurgical and processing characteristics of the Mineral Resources available at the Project⁴. Specifically,

funding will be used to diamond drill (core) the deposits to acquire bulk metallurgical samples which will be subject to geometallurgical, comminution and liberation testwork. The work program aims to test ore body variability and optimise the processing flow sheet, primarily in mineralisation that is likely to represent early year ore (years 1-5) reporting to the processing plant. Drilling will commence at the Iron Peak deposit and aims to drill 25 vertical 'PQ' diameter diamond core holes for a total of 2000m. In tandem with metallurgical testwork a portion of the core will be retained for high resolution Davis Tube Recovery (DTR) testwork to significantly expand the existing DTR and geochemical dataset. Following drilling at Iron Peak, it is expected that further metallurgical drilling will be undertaken at Razorback West.

Infill Drilling

Infill drilling of the deposit to improve JORC resource classification and test lateral variability of the Mineral Resource is expected to commence in parallel with the metallurgical test program. The drilling aims to increase drilling density of the resource by drilling between existing drill fences and therefore improve confidence of the geological understanding of the resource. In addition to improved JORC classification, the drilling will better test the basal Braemar Iron Formation units such as the 'Unit A' stratigraphic member to improve geological understanding of structural features including fault bounded hematite distribution.

In tandem with infill drilling, plans for geotechnical drilling are being defined by our engineering consultants, GHD. This will support both mine design optimisation and both layouts and structural design of the processing plant. Geotechnical drilling will initially include broad spaced near surface drill holes testing on average the top 4m of soils and bedrock towards delineating geotechnical stability of surfaces where structures will be located, such as the proposed tailings storage facility, processing plant and non-process infrastructure. Infill drilling of further geotechnical holes where necessary will follow as required after the preliminary programme. In addition, mine pit focussed geotechnical drilling in the form of diamond drill core 'HQ/NQ' scissor holes will test the geotechnical competence of the hanging wall and footwall for mine design.

Environmental Impact Studies

Consultants Eco Logical Australia have been commissioned to undertake preliminary environmental data collection as part of baseline study assessments⁵. These long-lead studies are to be completed in preparation for Mining Lease and Miscellaneous Purpose licensing and aim to identify the environmental and social impacts of mining in line with Federal and State guidelines. In consultation with the SA Department of Mines and Energy, ongoing baseline environmental studies such as seasonal fauna and flora, soil and surface water studies will be progressed. The studies build on the existing significant dataset maintained from the Project's inception.

Native Title and Heritage

Magnetite Mines Limited acknowledges the Ngadjuri people of the Mid-North South Australia as the traditional owners and custodians of the land on which the Razorback Iron Project lies. Native Title negotiations will also be progressed in line with the SA Government permitting and Mining Act legislation. The Company seeks to maintain its good working relationships with the Ngadjuri people and to demonstrate its social license to operate by engaging in respectful and fair negotiations with all stakeholders.

Environment, Social and Governance initiative

Magnetite Mines Limited is committed to developing a sustainable magnetite industry in South Australia that is valued by its stakeholders and improves the environmental footprint of the global steelmaking sector. The Company is ready to contribute to the effort to address some of the most challenging global issues through our actions at local and regional levels. Towards this end the Company is developing an environmental, social and governance (ESG) policy that will drive our future performance and deliver projects that are sustainable and inclusive.

Water Drilling

Water drilling to identify the available groundwater resources for the project is being actioned pending permitting and heritage clearances, both of which are currently underway. This program aims to drill test two groundwater aquifer targets identified by Eco Logical Australia as prospective groundwater supply options within the Company tenement package. Pending permitting, the drill program of up to 12 bores is planned for the third quarter and aims to test the suitability of the water resources in terms of supply volume, quality, sustainability of supply and any environmental and social impacts.

Muster Dam Iron Project

Pending the grant of the Muster Dam Iron Project tenements, the available funding will allow for initial in-house review and early-stage exploration at the tenement and its prospects. Pending data review, the Company intends to explore and progress the resource potential of the tenement. This work will appraise the prospectivity of the 1.5 billion tonne JORC 2004 Inferred Muster Dam deposit as well as the under-explored Peaked Hill and Duffields prospects where some promising drill intersections are located^{6,7}.

Mr Peter Schubert, Executive Chairman, commented on the Option Conversion:

“The overwhelming support from option holders for exercise has solidified our cash position and importantly our ability to advance development work for the Razorback iron project. It is Magnetite Mines’ intention to become an iron ore producer, and to do that in the most cost effective and timely manner possible. This financial contribution has supported that vision. We thank option holders and shareholders for their support.”

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

For further information contact:

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References:

1. ASX Announcement – 18/06/21 – Commencement of PFS and Appointment of Expert Advisors
2. ASX Announcement – 17/12/20 – Pre Feasibility Study Update
3. ASX Announcement – 30/04/21 – Third Quarter Activities and Cashflow Reports
4. ASX Announcement – 24/05/21 – Razorback Iron Ore Project Mineral Resource Upgrade
5. ASX Announcement – 14/09/20 – Permitting and Environmental Studies Initiated
6. ASX Announcement – 01/03/21 – Muster Dam Iron Project Tenements awarded to Magnetite Mines
7. ASX:MEP ASX Announcement – 24/11/11 – Maiden JORC Resource for Mutooroo