

ASX ANNOUNCEMENT

24 OCTOBER 2022

FIRST QUARTER ACTIVITIES REPORT

ENDING 30 SEPTEMBER 2022

HIGHLIGHTS

- **Downstream iron and steelmaking industry interest in Razorback Iron Ore Project increased consistent with accelerated global transition to ‘green steel’**
- **Strategy shifted in response to direct market feedback¹, encompassing:**
 - **Increase in initial development scale to 5Mtpa or larger to better match growing market opportunity, taking advantage of first quartile global cost competitiveness²**
 - **Evaluation of potential Direct Reduction grade concentrate production suitable for low-emission steelmaking demand**
 - **Optimisation studies to improve mining, processing and logistics efficiencies, reduce project risk and further decrease mine-to-customer cost outcomes**
- **Valuable technical and risk reduction insights gained from DFS-level engineering completed to date being transferred to refocused DFS for larger-scale Project**
- **Key Project stakeholder relationships strengthened and permitting advanced**
- **Company transformation bolstered with appointment of highly-experienced resources executive, Tim Dobson, as Chief Executive Officer**

GREEN STEEL TRANSITION ACCELERATING

Magnetite Mines (“MGT” or “the Company”) is experiencing increasing interest in its Razorback Iron Ore Project (Project) from downstream iron and steelmaking industry participants, which is aligned with the accelerating global transition to ‘green steel’ associated with decarbonisation commitments*.

The iron and steelmaking sector currently contributes 8% of global CO₂ emissions and has commenced shifting permanently away from coal-based technologies over a relatively short time frame to meet Paris Agreement 2050 net zero targets, reinforced most recently at COP26 last year.

*Since September 1, 2022, Magnetite Mines has presented to 16 potential strategic partners, 3 companies have been granted access to a Virtual Data Room (VDR) under a Non-Disclosure Agreement (NDA), and 6 companies are pending VDR access once their NDA process is complete.

Crucially, steel production is transitioning away from traditional blast furnace based ironmaking to Electric Arc Furnace (EAF) based technologies, which require high-grade iron ore feed such as high-grade magnetite concentrates.

In illustration of this transition, in the first four months of 2022 alone, China, the world's largest steelmaking country, approved the construction of 16 new EAFs, adding to 43 EAF approvals in 2021, representing a significant increase compared to previous years³.

The Company's discussions with potential strategic partners and customers have confirmed that demand for high-grade magnetite concentrate products over the coming 5 to 15 years is rapidly increasing, and that the supply-side response to meet this demand is far from clear. These discussions will continue to be advanced in parallel with technical workstreams further de-risking the Project with the objective of establishing enduring partnerships to support the development of and offtake for the Project.

STRATEGIC REVIEW

In response to industry feedback relating to initial development scale, product demand and product quality, the Company announced on 13 September 2022¹ that it is increasing the scale of the first stage of the Razorback Iron Ore Project (Project) and assessing a number of other Project enhancements including optimisation and diversification of its product stream. The expected benefits of this strategic shift include:

1. enhanced project economics resulting from economies of scale and widening premiums for high-grade and DR-grade products, as demonstrated in recent Expansion Study outcomes;⁴
2. increased attractiveness to potential iron and steelmaking industry partners and customers, institutional investors, and project financiers;
3. alignment of initial development scale with rapidly-increasing market demand and the large Mineral Resource Estimate;^{5,6,7}
4. potential to re-estimate Ore Reserves as a direct result of expanded production scale; and
5. improved ESG credentials associated with enhanced concentrate specifications and potential electrification of key infrastructure and equipment supported by larger-scale development.

In advance of this strategic shift, the Company has positioned itself to assure the development of the Razorback Project, reinforcing Board and management leadership with deep corporate, marketing and operational experience.

Optimisation studies to determine a go-forward scope for a refocused DFS are underway. The suite of studies being undertaken include capacity options, expecting to result in an initial development scale in the 5Mtpa to 10Mtpa range, assessment of DR-grade concentrate production potential, and optimisation of site and logistics infrastructure configuration.

The optimisation studies will draw heavily on all work undertaken by the Company to date, including all transferable information from DFS-level engineering work completed during 2022. Accordingly, the optimisation studies are expected to be completed in a relatively short timeframe, with results

expected in the first quarter of 2023, following which the timing for completion of the subsequent refocused DFS will be determined.

RAZORBACK IRON ORE PROJECT – PROGRESS UPDATE

Overview

First quarter activities were defined by the shift in business strategy described above, with optimisation study workstreams initiated or refocused to assess a larger, staged production capacity and diversification of product streams. Increased scale presents several opportunities to optimise Project configuration:

- Capturing the value of work completed where outcomes are independent of production scale, including metallurgy, engineering, geology and water studies.
- Establishing new workstreams to (a) optimise the Project at increased scale, including site and plant layout optimisation, concentrate haulage (rail spur line / access road), tailings dam sizing and location, and (b) assess product diversification and quality optionality to meet the requirements of a decarbonising iron and steelmaking industry.
- Workstreams no longer aligned with the revised strategy have been paused to optimise cash flow, with budget reallocated to new workstreams supporting a larger scale development.

A status summary of key project elements is presented below.

Health, Safety & Environment

No significant HSE incidents or events were experienced during the quarter. The Company's Covid-19 protocols remain in place and were enacted when two employees and one contractor contracted the virus following a site visit in September. Following recent increased risk from neighbouring countries and site visits by overseas investors, the Company has also implemented protocols to minimise the risk of foot-and-mouth disease being introduced by workers and site visitors to the pastoral lands on which the Project is situated.

Geology and Resource Estimation

The massive Razorback geological resource provides the basis for the Project and its potential to sustain mining production over many decades. With a Company global Mineral Resource Estimate of 4.2 billion tonnes at JORC 2012 standards and guidelines, the Company holds one of the largest magnetite resources in South Australia. Outside of the defined resources, a significant strike length of over 110km of Braemar Iron Formation is yet to be effectively explored.

A key outcome from the optimisation studies now in progress will be the re-estimation of an Ore Reserve as it relates to an increased production scenario of 2 to 4 times the previously planned scale, as supported by the existing Mineral Resource Estimate. The current 473Mt Probable Ore Reserve relates to a smaller 2.5Mtpa scale project capped at a 30 year mine life. Accordingly, the classification of mineral resources to support conversion to Ore Reserves is a key optimisation study workstream now in progress. This will include the incorporation of drill data associated with the Iron Peak

metallurgical drill program completed in early 2022, where existing geological models were used to locate 11 metallurgical drill holes and 6 infill drill holes across the Iron Peak deposit targeting spatial distribution of samples for metallurgy testwork and improvement in areas of poor resource definition.

Results of the drilling program have been received with database validation and Resource Estimation underway at this historically higher-grade deposit. Results of the updated Mineral Resource Estimate are expected in December 2022, subject to final assay validation.

In addition to the Razorback Project (incorporating both Razorback Ridge and Iron Peak deposits), the Company is pursuing additional iron ore mineralisation through tenement applications both locally and within other iron domains in South Australia to bolster longer-term expansion opportunities. As announced by MGT in May 2022⁸, the Muster Dam tenement was officially granted to the Company by the SA Mines Department following a competitive technical bid. During the quarter, existing datasets were integrated into the Company's database to form the basis of an updated Mineral Resource Estimate to JORC 2012 standards and guidelines. This work is nearing completion with results due in November 2022.

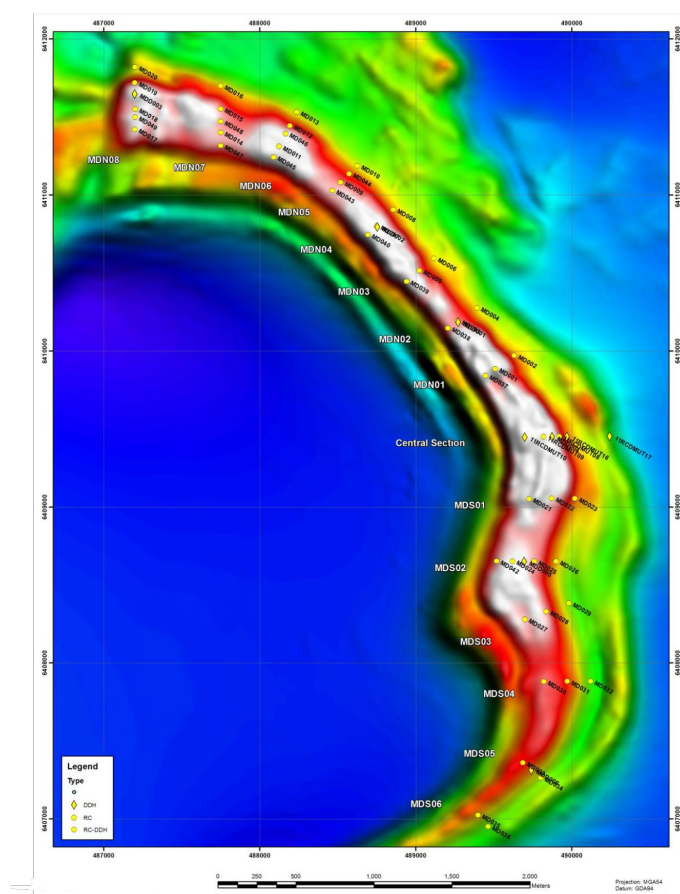


Figure 1. Total Magnetic Intensity (TMI) Image of the Muster Dam magnetic anomaly with drilling collars completed in 2011 by previous tenement holders.

Mining

Mining studies associated with the DFS have included initial pit design, cut-off grade analysis and haulage studies. In alignment with the larger-scale concentrate production rates now being assessed, the Company commissioned studies into the capacity of the Razorback and Iron Peak deposits to

support the increased mining rates required, as well as to determine the optimal concentrate production rate as it relates to both mining and plant feed rates.

The studies have been completed, with the final report pending, and include new pit optimisations resulting from an increase in bench height and associated change in dilution. New pit shells were developed with a minimum mining width of 15m and cost inputs using the latest available information. Optimiser software was subsequently applied to the new pit shells to determine the value impact of various concentrate production rates between 2.5Mtpa and 20Mtpa at 2.5Mtpa increments. Following establishment of the required mining rates, constraints on mining and plant feed rates were applied to improve confidence for each production scenario.

Modelling was carried out for both Indicated Resources only and Indicated & Inferred Resources, with results suggesting that further conversion of Inferred to Indicated material via infill drilling may improve Project NPV.

Conclusions from the Razorback Project mining studies to date include:

1. Project value increases with increasing concentrate production rate, and at higher production rates a bulk mining strategy will further improve value.
2. Production from currently planned pit areas will not constrain production up to a 15Mtpa concentrate production scenario.
3. Converting Inferred material to Indicated increases mining inventory considerably, which in turn improves Project NPV for increased production rate scenarios.

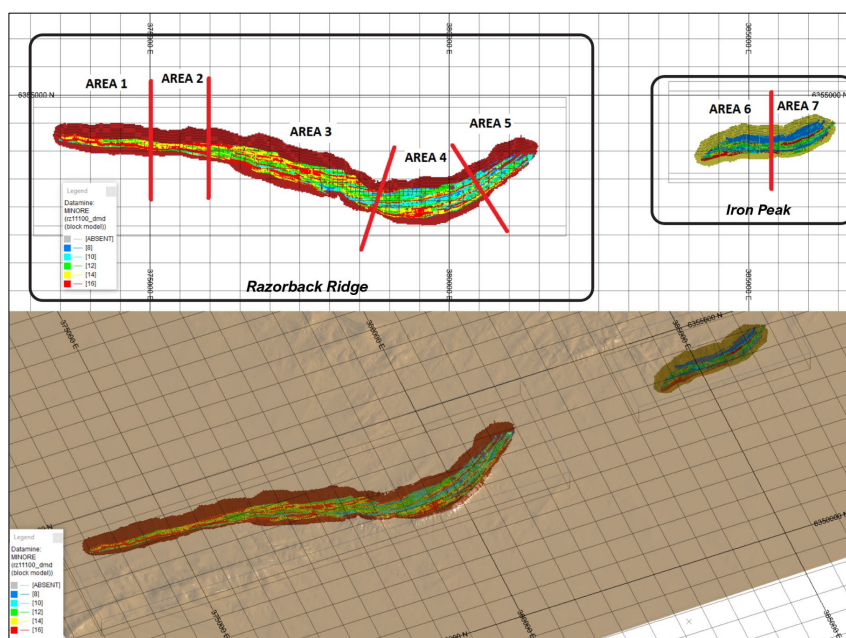


Figure 2. Razorback and Iron Peak mine pit optimisation and block models in plan and 3D views.

While the mining studies indicate considerable improvement in Project economics with increasing scale, the initial Project capacity decision will depend on outcomes from other optimisation studies related to processing and logistics infrastructure, power, water and capital and operating cost considerations.

Metallurgy

Metallurgical test work programs were continued during the quarter to determine ore body variability, geometallurgy, comminution, rheology and specific processing energy requirements. Preliminary results were announced during the quarter⁹ with significant progress and validation of results completed. Key results include:

- Confirmation of a process flow sheet able to produce high-grade concentrates exceeding design specifications of 67.5% Fe and 4.5% silica;
- Potential to produce Direct Reduction (DR) grade concentrates with flow sheet optimisation, with samples exceeding 69% Fe, with 2.63% combined silica & alumina;
- Positive Vertical Roller Mill (VRM) testwork results demonstrating potential alternative for low-energy fine grinding of ores; and
- Confirmation of low-to-medium crushing and grinding energy requirements.

It was observed that the Iron Peak deposit performed better than portions of the Razorback deposit with respect to work indices and abrasion. In addition, higher, near-DR grade concentrates were readily achieved for Iron Peak samples, confirming the benefit of the deposit's higher grade and mass recoveries relative to surrounding deposits making up the Project.

Flotation (bulk and variable), comminution and product assessment testwork programs continued during the quarter and are scheduled for completion in November 2022. This work will support the optimisation studies, now underway, by testing the amenability of alternate equipment configurations with larger-scale development in mind. Further metallurgical testwork programs are also planned to include assessment of Semi-Autogenous Grinding and Autogenous Grinding (SAG/AG), along with VRM technology, as alternate technologies to High Pressure Grinding Rolls (HPGRs). These technologies may improve capital and operating cost outcomes as well as plant power efficiencies in support of the Project's strong ESG platform.

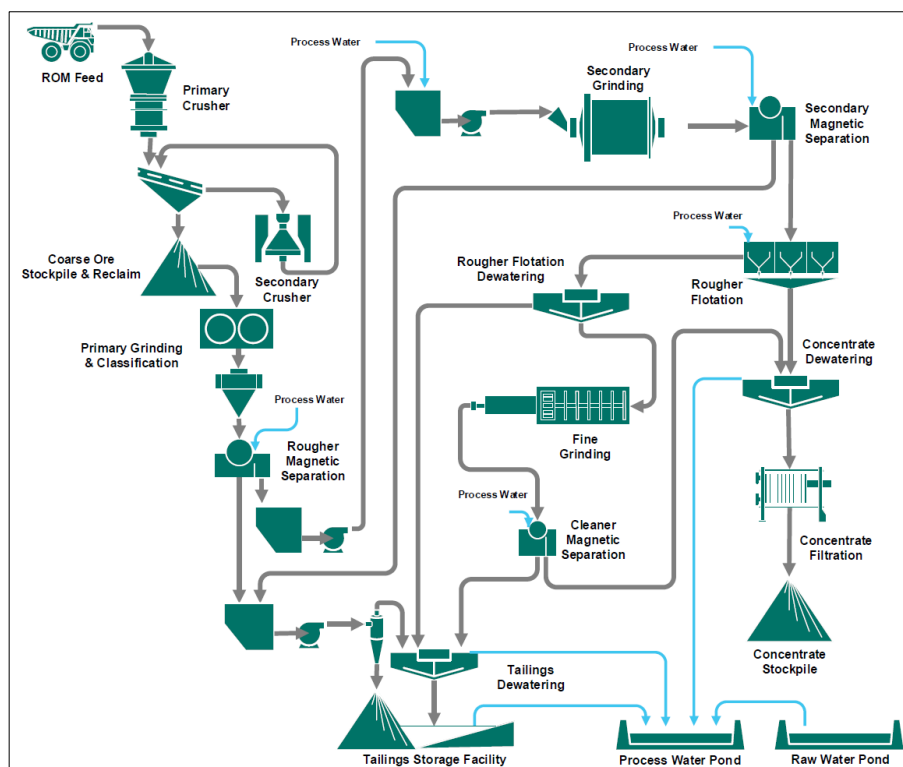


Figure 3. Razorback Iron Ore Project Process Flow Sheet

Process Plant Design

Process plant engineering by consultant engineers Hatch continued during the quarter, providing increased plant design definition and capital cost estimation with a AACE Class 3 level of accuracy. The modular nature of the processing plant design, and equipment components within, are directly applicable to an expanded production scenario and engineering has been significantly progressed with respect to the larger scales of development now being assessed by the Company. Crushing and grinding circuit components, where economies of scale are most pronounced, are now being assessed to support increased scale scenarios.

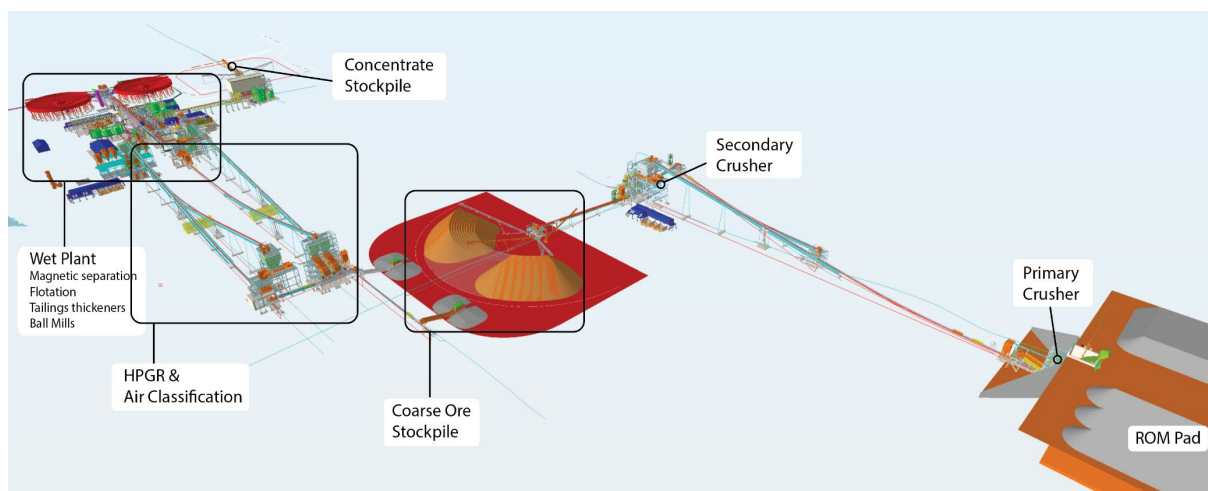


Figure 4. Razorback Iron Ore Project Processing Plant Overview

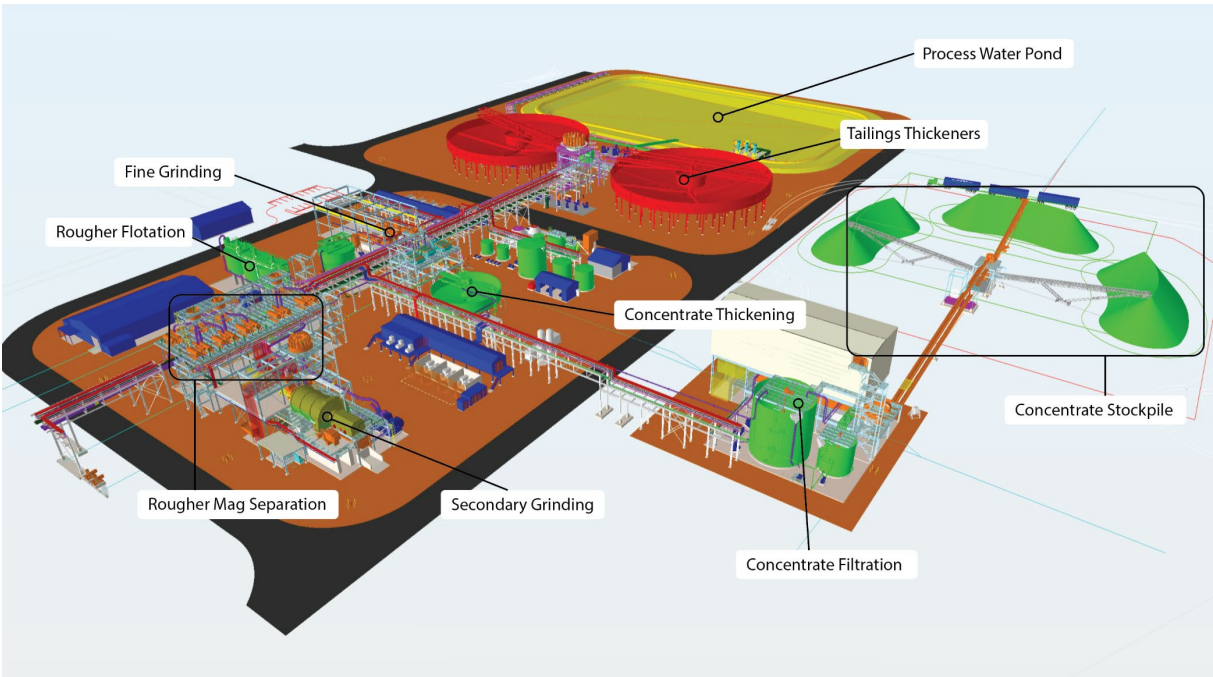


Figure 5. Wet Plant Section of 3D design

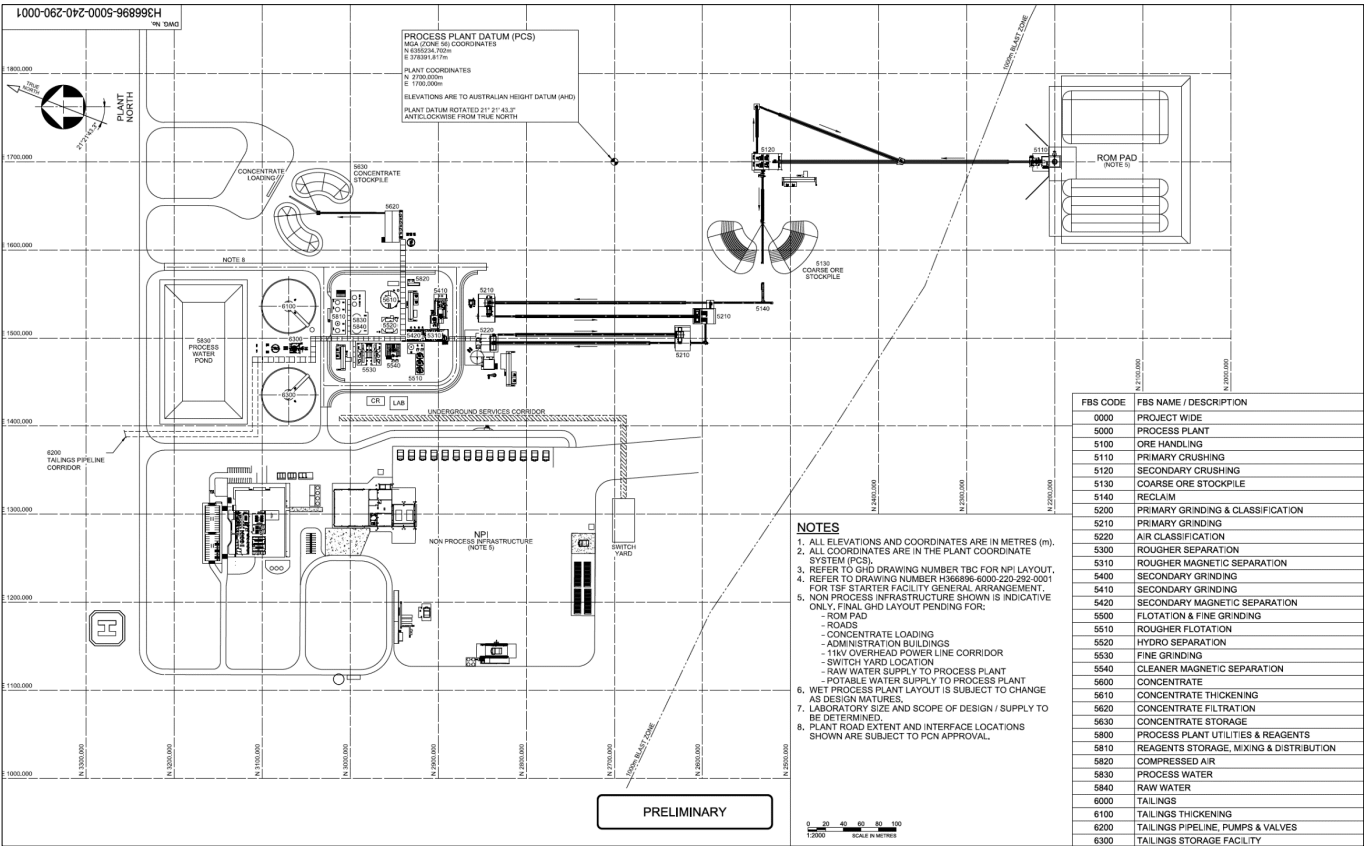


Figure 6. Processing Plant Overview with Non-Process Infrastructure – General Arrangement

Tailings

As part of the optimisation studies now underway, the Company will review the current Tailings Storage Facility (TSF) location in line with increased tailings volumes associated with higher mining rates and a capped 30-year Project life. Two locations have been identified as technically feasible for a larger TSF, with both having the capacity to store tailings at Razorback using the currently contemplated coarse tailings construction method. The studies will assess optimal staging, size and layout for the two locations.

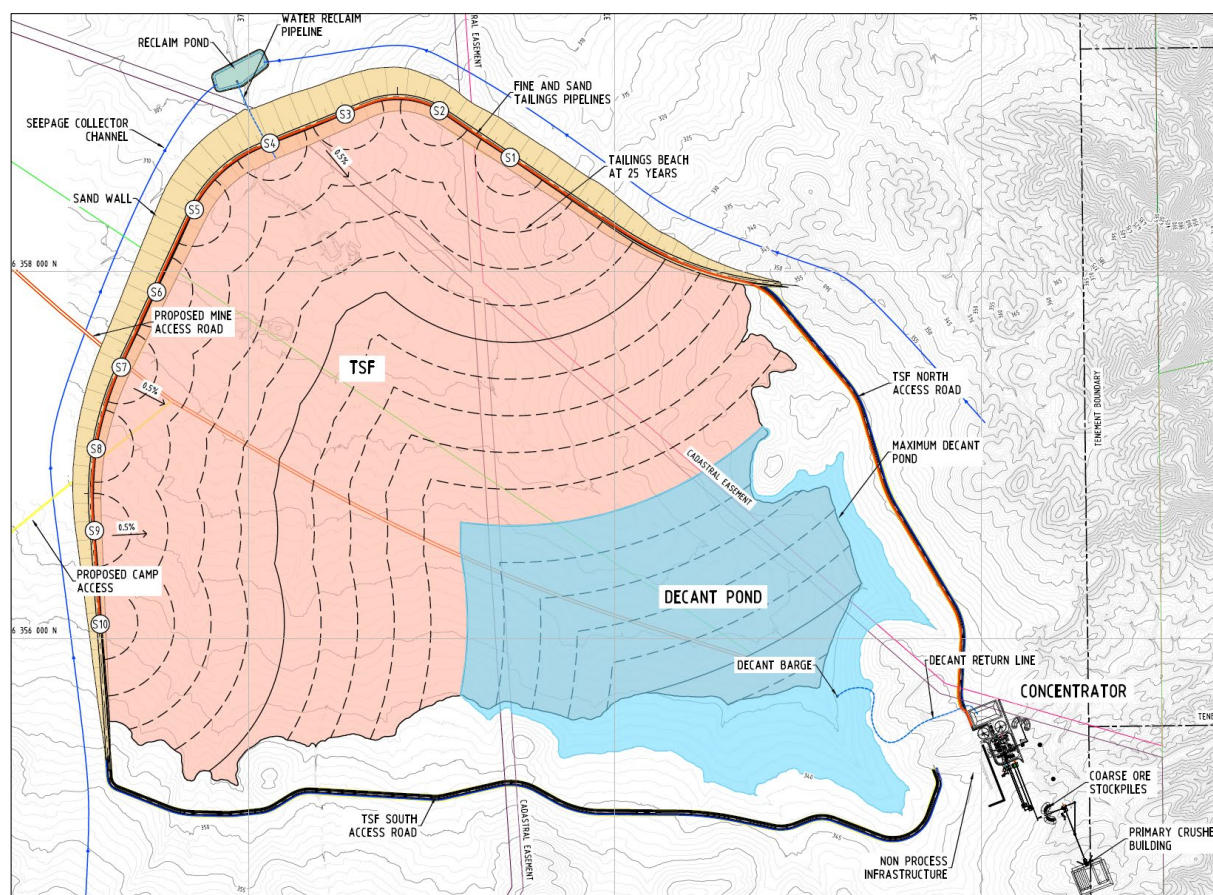


Figure 7. North West Tailings storage facility - General Arrangement

Concentrate Haulage / Site Access Road

During the quarter, the Company completed preliminary haul road designs (Figure 9) for the transport of concentrate to the rail network. Road haulage was determined to be optimal for the 2.5Mtpa production scenario, however, previous work completed by the Company⁴ suggests that at 5Mtpa of concentrate production and above, capital investment in a rail spur to the Project site increases project value; at increased production rates, the higher capital cost associated with the construction of a rail spur is more than offset by operating cost savings. Regardless of a final decision to include a rail spur, the access road alignment and design is necessary for site access during construction and operations.

Camp

During the quarter, a camp design was completed for the previous smaller-scale production scenario (Figure 8). For increased production scenarios, the camp will be rescaled to accommodate increased headcount associated with mining, processing and support staff. It is expected that due to the economies of scale associated with modular plant design, that increases to on-site personnel will be incremental rather than directly proportionate. The application of bulk mining methods, and associated reduction in headcount per tonne mined, is also expected to offset the headcount increase in other areas to some extent.

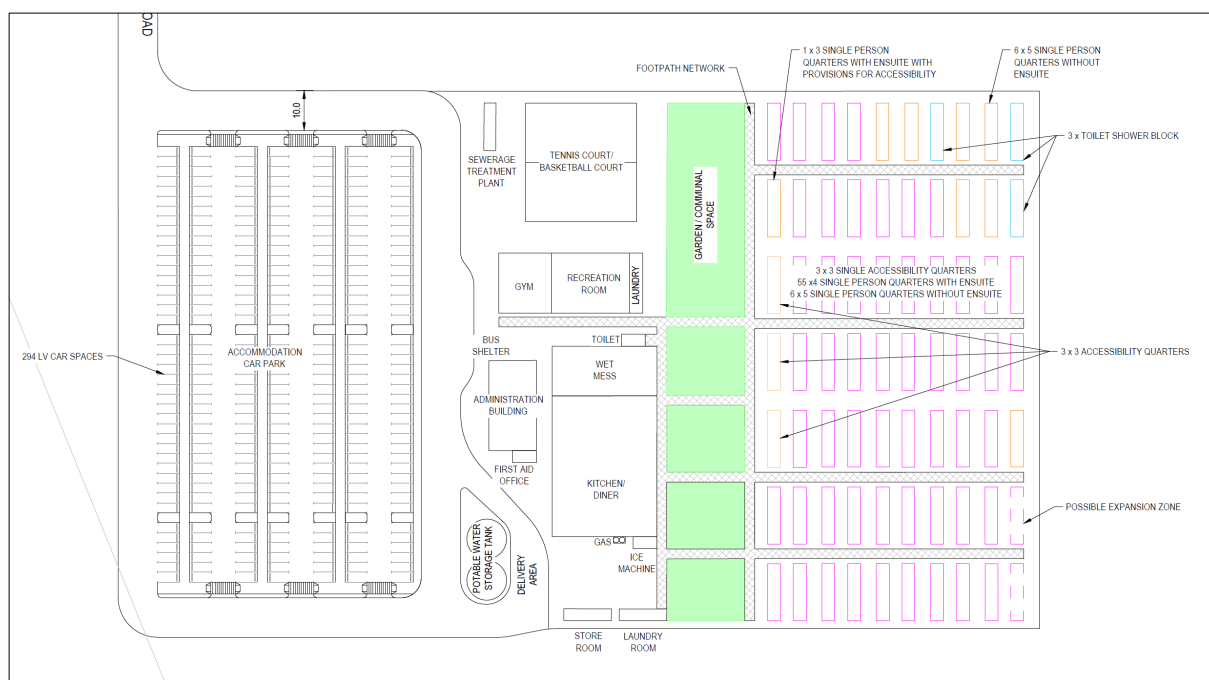


Figure 8. Accommodation Camp Layout - General Arrangement

Power

Power studies are divided into two broad categories; (a) processing plant and ancillary infrastructure power demand and load considerations; and (b) structural design elements of the power infrastructure inclusive of transmission towers, powerline conductors, substations, sitewide power reticulation along with related offtake agreements associated with grid supply.

Project power consumption increases proportionally with production rate and duplication of the processing modules required for increased production scale. The Company has reviewed power demands for the higher production scenarios now being assessed and is currently testing offtake locations that will support the increased load profile.

To optimise the power availability and reduce transmission line length, power studies have demonstrated the economic benefits of a higher-capacity initial transmission line and a shift of grid power offtake point from the Robertstown Substation to the new Bunday Substation, which is currently under construction (Figure 9). The Bunday substation will support substantial power offtake

capacity, including for subsequent staged expansion of the Razorback Project, at 275kV, as compared with the 132kV transmission voltage contemplated in the 2021 PFS.

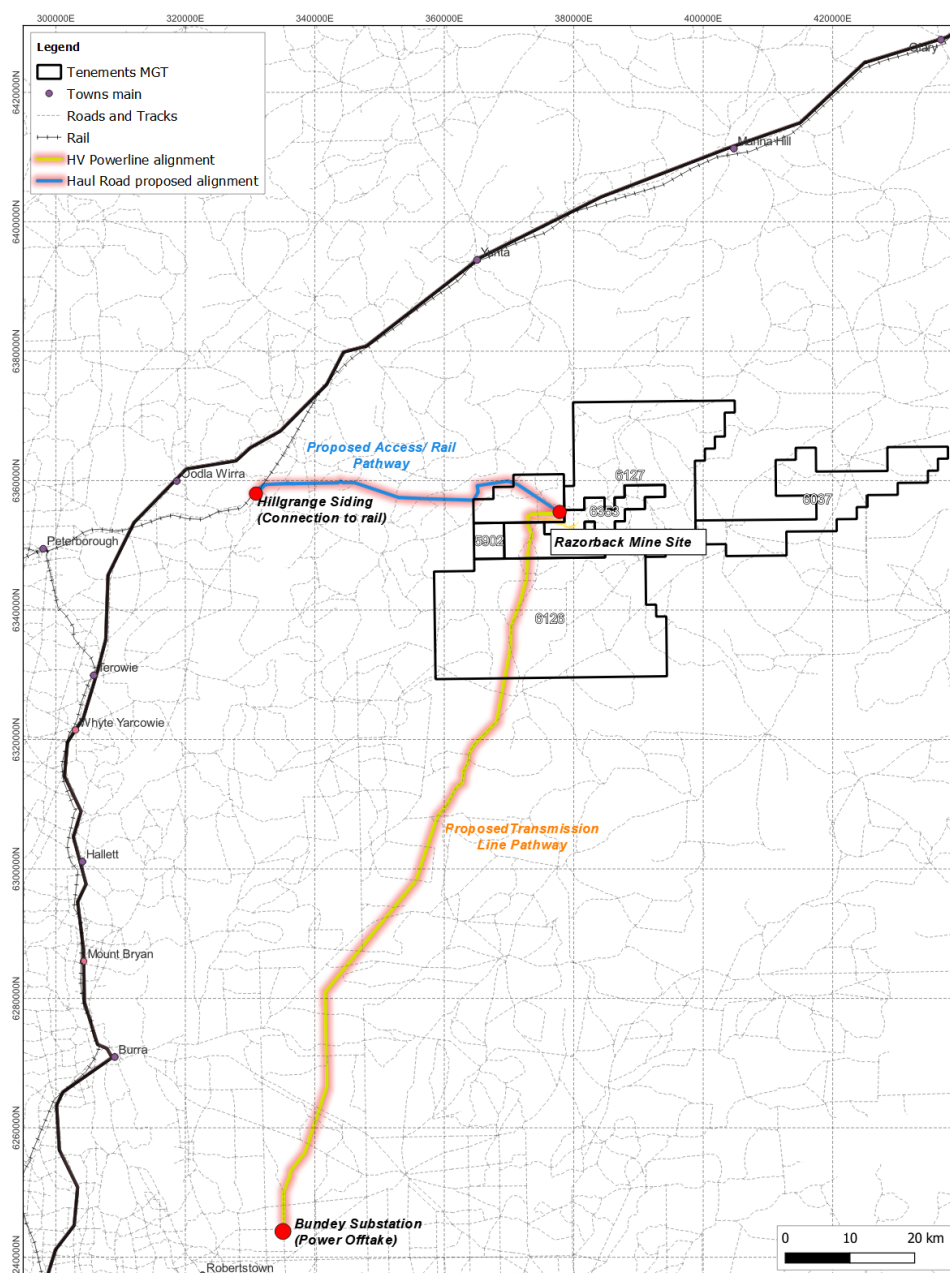


Figure 9. Proposed HV power line and access/rail alignment

Water Supply

Water supply investigations continued during the quarter with the completion of the Stage 1 of planned water exploration drilling. This initial stage is assessing local aquifers within 10-20km of the Project process plant and examined the Neogene palaeochannel and fractured rock aquifers.

The drilling program was completed under the supervision of Eco Logical Australia with eight bores across six sites successfully drilled to depths of between 102m and 150m. Water was encountered at

the expected flow rates at these locations and all eight bores were subjected to stepped production tests, with extended production tests completed at two bores. The latter tests demonstrated sustainable flow rates and were terminated once surface storage limits were reached. Hydrogeological interpretation of the groundwater drilling and production test data is now in progress and results will be integrated into future groundwater resource modelling.

A longitudinal groundwater monitoring program associated with Project baseline studies was continued during the quarter with further sampling and analysis. Additionally, the Company assessed a range of third-party bores to improve the understanding of regional groundwater properties and inform hydrogeological modelling.

Permitting of drill sites is underway for the planned Stage 2 step-out drilling program, which is designed to assess defined further-afield drilling targets within expected high yielding aquifers associated with the Murray Basin aquifer lithologies. Drill targets lie roughly 40-70km from the Project site.

Environmental Assessments & Regulatory Approvals

The regulatory approvals program has been restructured to reflect anticipated changes required to enable the Project's increased production profile. This includes consideration of a rail spur and additional processing capacity. The development pathway for the Project remains under the Mining Act 1971 (SA) to ensure a streamlined approach.

Targeted ecology assessments designed to optimise infrastructure placement and inform future impact assessment activities were also carried out during the quarter.

Native Title

In September, Company management met with the Board of Directors of the Ngadjuri Nation Aboriginal Corporation at the Project site to strengthen the relationship between the two entities and ensure a clear and mutual understanding of the proposed Project scope, impacts and opportunities. This milestone activity lays the foundations for a proposed partnering agreement and Native Title negotiations.

The visit to Razorback also enabled Magnetite Mines staff to be on Country with the Traditional Owners and learn about Ngadjuri culture and regional heritage values.

Cultural Heritage

During the quarter, a further cultural heritage survey was completed by Ngadjuri representatives. Approximately 1,000ha of Project area was surveyed, bringing the total area surveyed to date to almost 3,500ha. Reporting of survey results is scheduled for completion during the December quarter.



Figure 10. Magnetite Mines CEO Tim Dobson presenting the Project to Ngadjuri Directors



Figure 11. Magnetite Mines team and Ngadjuri Directors on site at the Razorback Project

ENVIRONMENTAL, SOCIAL & GOVERNANCE

The Company supported its strong sustainability credentials during the quarter by:

- investigating alternative electrification and lower-emission material handling and transportation processes to reduce its Scope 1 emissions profile, taking advantage of existing grid-based renewable energy electricity supply;
- targeting and defining sustainable, non-competing water sources, while assessing additional water recovery and re-use opportunities;
- establishing trusted partnerships with key stakeholders, including Native Title groups and local communities, with relationships centred on principles of fairness and equity; and
- preserving sensitive habitats through the micro-locating of off-site infrastructure and assets.

Additionally, the Company's proposed high-grade concentrate and potential DR-grade products are expected to support a very low Scope 3 emissions profile, providing highly sought after supply for the decarbonising downstream iron and steelmaking industry.

MINING & EXPLORATION ACTIVITIES

Costs associated with mining and exploration studies during the quarter totalled \$5.4 million and relate to the DFS, optimisation studies and resource exploration activities. Water and geoscientific drilling activities occurred within the Company tenement area. Work activities related to the expenditure included:

- DFS advancement completed by engineering and design consultants, and laboratory testwork programs
- Metallurgical and analytical testwork related to resource estimation and Project definition
- Geological field activities related to on-site rehabilitation and desktop studies
- Permitting for drilling activities, groundwater bore drilling and pump testing

Mining Production and Development

None of the Company's projects are at a production or development stage, and as such there were no activities relating to production or development during the quarter.

Tenements

The following tenements were held by Magnetite Mines Limited (and its controlled entities) at 30 September:

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	EL6353	100%	100%	-	-	-
DRAGON'S TAIL	EL5902	100%	100%	-	-	-
SISTER'S DAM	EL6037	100%	100%	-	-	-
BRAEMAR	EL6788	0%	100%	100%	-	-
LIPSON	EL6745	0%	100%	100%	-	-
MUSTER DAM	EL6746	0%	100%	100%	-	-

CORPORATE UPDATE

Key Announcements During the Quarter

During the quarter, the Company made several announcements, all of which are accessible on the ASX website. Key announcements include:

- Appointment of Company Secretary – 07/07/2022
- Positive Interim Metallurgical Test Results – 21/07/2022
- Appointment of Chief Executive Officer – 23/08/2022
- Magnetite Mines Transforming To Meet Growing High-Grade Market – 13/09/2022
- Premium Iron Ore for a Decarbonising Iron & Steel Sector – 13/09/2022

Additionally, the Company released its Annual Report to shareholders and accompanying 2022 Corporate Governance Statement on 28 September 2022.

Appointment of Chief Executive Officer

On 23 August 2022, the Company announced the appointment of highly-accomplished resources professional, Mr Tim Dobson, to the role of Chief Executive Officer following an extensive executive search process. Mr Dobson brings to the role a wealth of experience and knowledge gained over multiple decades in leadership roles at some of the most complex global mining projects. His career highlights include a six-year tenure at Sherritt International Corporation, where he oversaw financial completion and ramp up as President of the \$8 billion Ambatovy nickel and cobalt project in Madagascar.

The Board of Directors has full confidence that Mr Dobson possesses the specific skills and attributes necessary to successfully lead the Company through its next phase of growth and bring the Razorback Project to fruition. He complements the highly credentialed Board and executive team, which have been significantly bolstered during 2022 in readiness to develop the Razorback Project in response to increasing iron and steelmaking industry demand for high-grade iron ore products.

Cash position

The Company held \$12.7 million in cash and cash equivalents at quarter end. Monthly cash flows were significantly reduced during the period with the cessation of cost-intensive engineering activities associated with the DFS. As a result, the Company has adequate funding to complete the suite of optimisation studies described within this report, which are far less cost intensive by nature.

Financing

During the quarter, the Company continued to advance discussions with potential strategic partners, including iron ore producers, steel producers, trading houses, project financiers and ESG-focused institutional investors. A virtual data room (VDR) has been set up by the Company to ensure potential partners have secure access to detailed financial information required to complete due diligence prior to investing.

The recent increase in investor and industry interest both domestically and overseas supports the Company's view that the demand for high-grade iron ore products from the decarbonising iron and steelmaking industry is sufficiently strong to outweigh near-term macroeconomic shocks.^{10,11}

Capital Structure

The Board will seek shareholder approval at the Company's Annual General Meeting on 23 November 2022, to consolidate the issued capital of the Company through the conversion of every fifty (50) existing Shares into one (1) Share (Consolidation).

The Consolidation is aligned with the Company's revised strategic direction towards a larger-scale, staged development that takes full advantage of the large resource base and available infrastructure. In concert with this transition, the Company is tightening its capital structure in readiness for potential investment by institutional investors, who traditionally have policy thresholds that preclude investment in stocks with a low share price and associated high volatility. It is the opinion of the Board that fewer shares and a higher share price will also improve perceptions of value as the Company forms relationships with potential strategic investors.

As the Consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of shares (subject only to rounding up of fractions). Accordingly, the Consolidation will have no material effect on the percentage interest of each individual shareholder.

It is also the Board's intent to establish an unmarketable parcel sale facility for shareholders who hold less than \$500 worth of fully paid ordinary shares in the Company in the first quarter of 2023. This facility will provide shareholders an option to retain their shares if they wish.

Investor Relations

The Company continues to enhance its investor relations efforts to promote effective shareholder communication and increase investor awareness of the Magnetite Mines' value proposition.

The Company participated in the following investor events:

- On 13 September 2022, Mr Dobson presented at the Melbourne Mining Club, a forum for small-to mid-cap exploration and development companies to showcase their activities, management, and business strategies.
- On 19 September 2022, Mr Dobson presented an Investor Webinar following the Magnetite Mines' Transformation to Meet Growing High-Grade Market announcement¹ with 252 participants
- On 5 October 2022, the Company commenced a non-deal roadshow with Ord Minnett, a leading Australian broker and private wealth management group.

Subsequent to the quarter, the Company participated in the 121 Mining Investment Conference held in Sydney on 13-14 October 2022.

Additionally, the Company has engaged in a range of discussions with potential strategic and financing partners for the Project, including site tours at Razorback to further due diligence. Since September 1, 2022, Magnetite Mines has presented to 16 potential strategic partners, 3 companies have been granted access to a Virtual Data Room (VDR) under a Non-Disclosure Agreement (NDA), and 6 companies are pending VDR access once their NDA process is complete.

Annual General Meeting

The Annual General Meeting will be held at The Marconi Room, Sydney Town Hall, 483 George Street, Sydney, on Wednesday, 23 November 2022, at 10.30am (AEDT) and simultaneously as a virtual meeting for the purpose of transacting the following business referred to in the Notice of Annual General Meeting.

The Company encourages shareholder participation at the Meeting and, in recognition of the significant number of Shareholders not residing in NSW, advises that in addition to a physical meeting, the Company has made arrangements for Shareholders that are eligible to attend and vote to remotely participate in the Meeting via the Computershare Meeting Platform. Full details on how to participate can be found in The Notice of Meeting from the company's website:

magnetitemines.com

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

For further information contact:

Gemma Brosnan
General Manager - External Affairs
+61 8 8427 0516

References

1. ASX Announcement – 13/09/22: Magnetite Mines Transforming To Meet Growing High-Grade Market
2. ASX Announcement – 04/05/22: Mines & Money Conference Presentation, Wood MacKenzie VIU-adjusted total cash cost curve - CRF north China
3. S&P Global Commodity Insights – 20/10/22 - China's Q4 oil product export quota signals a change in market dynamics
4. ASX Announcement – 21/03/22: Magnetite Mines Confirms Benefits of Expansion at Razorback
5. ASX Announcement – 12/11/18: Razorback Iron Project - JORC 2012 Resource Update
6. ASX Announcement – 30/06/21: Maiden Ore Reserve for the Razorback Iron Project
7. ASX Announcement – 20/11/18: Ironback Hill Deposit – JORC 2012 Resource Update
8. ASX Announcement – 11/05/22: Magnetite Mines Secures Muster Dam Tenement
9. ASX Announcement – 21/07/22: Positive Interim Metallurgical Test Results
10. McKinsey Insights – 01/08/22: Spotting green business opportunities in a surging net zero world
11. McKinsey Horizons September 2022: Iron and steel's US\$1.4 trillion shot at decarbonisation

Appendix 5B

Mining exploration entity quarterly cash flow report

Name of entity

MAGNETITE MINES LIMITED

ABN

34 108 102 432

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(634)	(634)
	(e) administration and corporate costs	(560)	(560)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	47	47
1.5	Interest and other costs of finance paid	(25)	(25)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (fuel tax credit, royalty income)	3	3
1.9	Net cash from / (used in) operating activities	(1,169)	(1,169)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(7)	(7)
	(d) exploration & evaluation	(5,397)	(5,397)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	3	3
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security bond)*	-	-
2.6	Net cash from / (used in) investing activities	(5,401)	(5,401)
*Relates to reallocation of payment for security bonds from section 1.8 to 2.5			

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	(37)	(37)
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(86)	(86)
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	(123)	(123)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19,347	19,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,169)	(1,169)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,401)	(5,401)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(123)	(123)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,654	12,654

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	1,334	2,389
5.2 Call deposits	11,320	16,958
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)	12,654	19,347

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	-
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,169)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(5,397)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(6,566)
8.4	Cash and cash equivalents at quarter end (item 4.6)	12,654
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	12,654
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.93
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: The current level of cash outflows will reduce as cost-intensive DFS level studies were halted in August and replaced with significantly lower cost optimisation studies. Additionally, July expenditure included significant payments from work completed in the June quarter. Accordingly, monthly cash flow materially decreased in September and this is forecast to continue for the time being.	

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The directors are confident, based on past performance, that they will be successful in their plan to raise further funds from the issue of equity, project sell down or debt, to fund the Group's ongoing planned expenditure.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

See 8.8.2. above.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 24 October 2022

Authorised by: **This report has been authorised for release to the market by the board.**

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.