ASX ANNOUNCEMENT

30 OCTOBER 2023

FIRST QUARTER ACTIVITIES REPORT

ENDING 30 SEPTEMBER 2023

HIGHLIGHTS

- **Razorback Iron Ore Project development remains priority focus**
  - **Strategic and JV partnering process accelerating with strong incoming interest from high-profile domestic and international parties**
  - **Value engineering work streams progressed with strong focus on securing water supply and delivering significant Project cost reductions**
  - **Murray Basin Wastewater access rights exclusively secured with SA Government for use in ore processing at Razorback**
  - **Mining Lease Proposal – targeting Q1 2024 submission to SA Government**
- **Corporate**
  - **New Chair of the Board appointed, Mr Jim McKerlie**
  - **New Chief Financial Officer commenced, Mr Simon Smith**
  - **Convertible Note repayment terms extended to end of March 2024 quarter**
  - **Post quarter end: Renounceable Rights offer launched to raise up to $6.2 million**

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Magnetite Mines Limited (ASX:MGT) is pleased to provide an update of its activities for the quarter ending 30 September 2023.

The development of the Company's 100% owned Razorback Iron Ore Project toward production remained the priority focus for the MGT team during the period as the emergence of demand for premium-grade iron ore products, such as those planned for production at Razorback, continues to gather steam.

The proven existing low-carbon technology of Direct Reduced Iron (DRI), which requires rare, very high-grade iron ore as feed, is increasingly becoming established as the best pathway forward for steelmakers to meet their decarbonisation targets. Despite global research efforts attempting to find pathways to produce low-carbon steel from low-grade iron ores currently in use, none have yet emerged as being commercially viable.

The Company is observing that many large steelmakers, including those in Australia and the Asia-Pacific region, are now moving towards investment commitments that will increase global DRI demand and are currently seeking new supply sources of DR-grade iron ores, such as will be produced at Razorback by MGT.

Respected commodity analysts Wood Mackenzie this month have forecast that the gap between supply and demand for DR-grade iron ore will significantly widen, resulting in increased price premiums for DR-grade products, through to 2050:

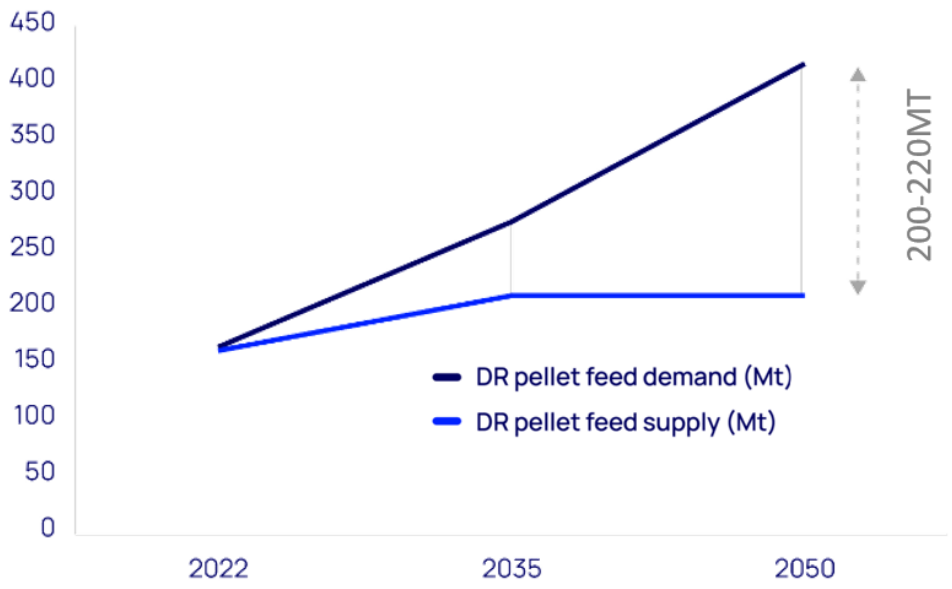

Figure 1: Forecast supply and demand for DR pellet feed [1]

This substantial shift in steel supply chain dynamics has created the compelling positive economic environment for the timely development of the Razorback Iron Ore Project.

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RAZORBACK IRON ORE PROJECT

Strategic Partnering

Magnetite Mines' objective is to remain the largest equity holder in the Razorback Project and to be the operator of the mine by forming an unincorporated joint venture with selected downstream industry partners motivated to secure a long-term supply of DR-grade feed. This approach is a well-proven strategy for successfully developing large-scale iron ore projects in Australia.

MGT is receiving increasing interest in its Razorback Iron Ore Project from a range of companies including steelmakers, commodity trading houses, and private equity groups that are seeking future supply of DR-grade iron ore and are attracted to MGT's plan to produce DR-grade iron ore with a specification of **68.5% Fe, <2.5%SiO_2 (silica) & 0.4% Al_2O_3 (alumina)** for at least the first 10 years of operations.

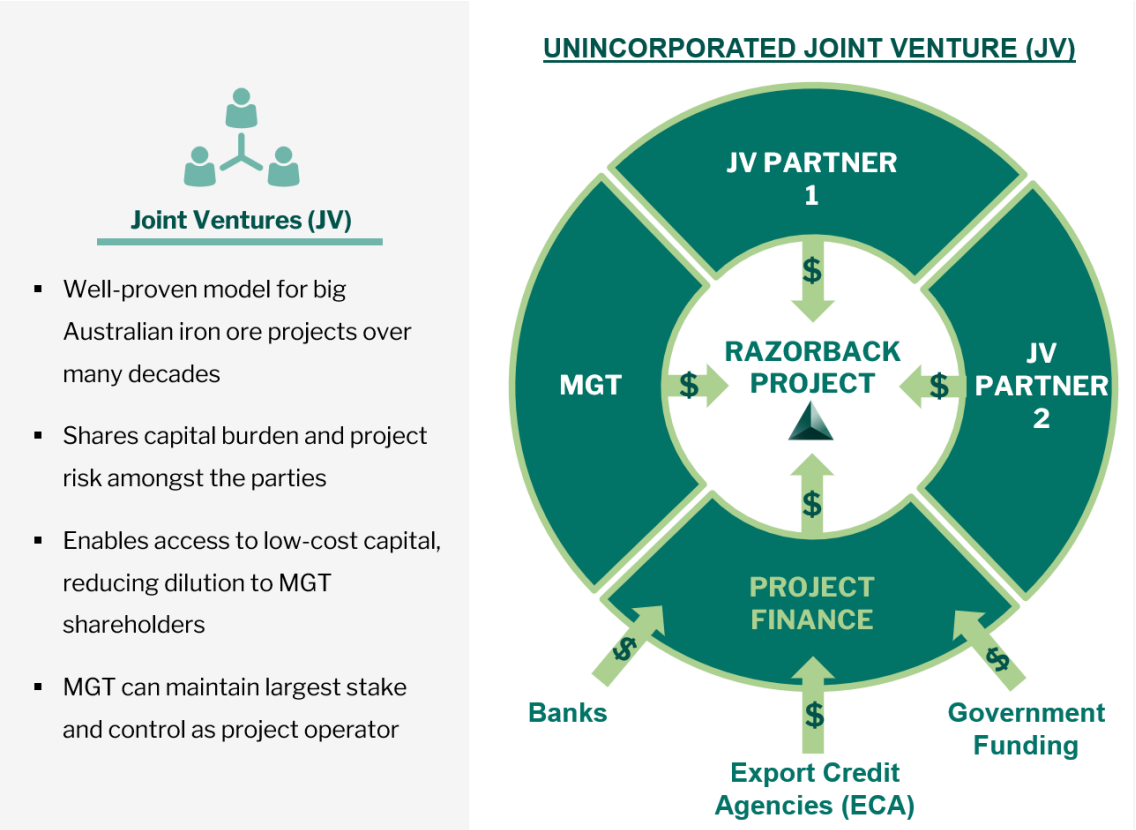

Figure 2: Razorback Project financing concept: Joint venture with motivated offtakers

At the time of writing, 10 parties are currently accessing the Razorback virtual data room (VDR) with a view to potential participation in the Project. These parties have been working closely with the MGT team through confirmatory due diligence and project evaluation.

Feedback received supports confirmation of:

- The advanced state of the Project's definition and comprehensive metallurgical database
- The Project's strong potential sustainability credentials, particularly decarbonisation benefits
- MGT's decision to adopt a 5Mtpa stage 1 production configuration

In addition to the VDR access, the Company has hosted a series of visits to the Razorback Project site with potential strategic partner groups during the quarter, allowing these parties to gain further insight into Razorback's scale, quality and development potential.

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Figure 3: Recent visit to Razorback Iron Ore Project site with potential strategic partners

Figure 4: Recent tour of Razorback Iron Ore Project adit with potential strategic partners

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Value Engineering

MGT is working on various high-value work streams, collectively termed Value Engineering, aimed at identifying cost-saving measures and validating infrastructure options prior to final Project scope lockdown and completion of a Definitive Feasibility Study (DFS).

MGT has completed significant DFS-standard work to date and, as the finished study will have a shelf life, its completion will be dovetailed to coincide with the participation of strategic partners who will want to observe or participate in its finalisation. This will ensure that MGT is achieving maximum benefit from study expenditure on behalf of shareholders.

The Company's immediate primary focus is to secure key infrastructure items to support the planned magnetite concentrates production capacity of 5 million tonnes per annum (Mtpa), particularly optimised water and power supply solutions.

Key optimisation objectives of the Value Engineering work streams include:

- **Water supply:** Source option confirmation, pipeline alignment and permitting pathway
- **Flow sheet optimisation:** Potential to use saline instead of desalinated water and magnetite concentrate product specification options test work
- **Power supply:** High-voltage transmission line alignment and permitting pathway
- **Land access:** Land access agreements for Project infrastructure corridors including haul road, electricity transmission and water supply pipeline

Water Supply: Approximately 10 gigalitres (GL) per year of water supply is needed to support the planned 5Mtpa concentrate production rate. MGT has settled on two potential options to achieve this outcome: Coastal Water and Murray Basin Wastewater; with both options being assessed in parallel prior to making a final decision.

Water pipeline construction is required for both options, with permitting requirements and routing being assessed as key considerations. The Coastal Water option offers the advantage of accessing the unlimited seawater resource, while the Murray Basin Wastewater option utilises discarded brackish groundwater from salinity management schemes located south of the Project site.

Preliminary environmental assessments have commenced for both water supply solutions, commencing with due diligence programs and engagement with key stakeholders such as local councils and SA Government agencies to help support project success.

Regarding the Murray Basin Wastewater option, the Company announced on 27 September that it has received approval from the South Australian Cabinet to progress to Step 2 of the State's Unsolicited Proposal process for the Company's application to access wastewater from the Stockyard Plains Salinity Management Basin (SPSMB) [2].

The approval grants Magnetite Mines an exclusive negotiation period with the South Australian Government. During this time, the Company will collaborate with the government to create a comprehensive business case, reinforcing the certainty required for advancing technical design and environmental assessments. The South Australian Government has also appointed a dedicated Case Manager to oversee the process.

Figure 5. Murray Basin Wastewater supply option, Main pool - Stockyard Plains Salinity Management Basin

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MGT's Unsolicited Proposal encompasses four key pillars, including access to wastewater, land access, regulatory support, and funding opportunities. These actions are designed to mitigate infrastructure-related risks and foster project partnerships. Importantly, the use of wastewater from SPSMB presents significant sustainability benefits, aligning with the company's "***foresight*** " sustainability platform. This proposal has the potential to extend the operational life of the SPSMB, which further underscores its positive environmental impact.

Additionally, Magnetite Mines has identified an opportunity to provide limited quantities of water to regional pastoralists along the proposed pipeline corridor, serving as a drought-proofing measure. This collaborative approach enhances the mutual sustainability outcomes of the water supply solution. The Company will further explore this shared supply concept in the development of the Step 2 business case.

The Company is also testing the potential to use saline water for ore processing with the objective of eliminating the need for large-scale desalination. If successful, this would significantly reduce Project capital and operating costs and permitting complexity.

Power Supply: The Razorback Project 5Mtpa production scenario will have a power demand of 140-150MW and it is planned to source this energy via direct connection to the South Australia electricity grid. The Company has undertaken high voltage power line engineering studies to determine the best design for a transmission line to site. A critical component of these studies is a Connections Options Report (COR) from the State grid operator ElectraNet, expected in Q4.

MGT has also identified a synergistic opportunity to align with ElectraNet's future transmission network expansion plans. ElectraNet's recently released 2023 Transmission Annual Planning Report identified the need for expanded grid infrastructure in SA, including the Mid North Expansion (Northern) project proposed to run between Bundey Substation, Yunta and Cultana, near Whyalla. Such an expansion would bring high voltage, renewable electricity very close to the Razorback Project site.

This scenario has the potential to significantly reduce costs to the Razorback Project, as well as promote expansive local renewable energy generation and enhancing regional electricity supply reliability.

The Company is closely engaging with ElectraNet and advocating for prioritising this new transmission infrastructure, which is also currently being assessed by the Australian Energy Market Operator (AEMO).

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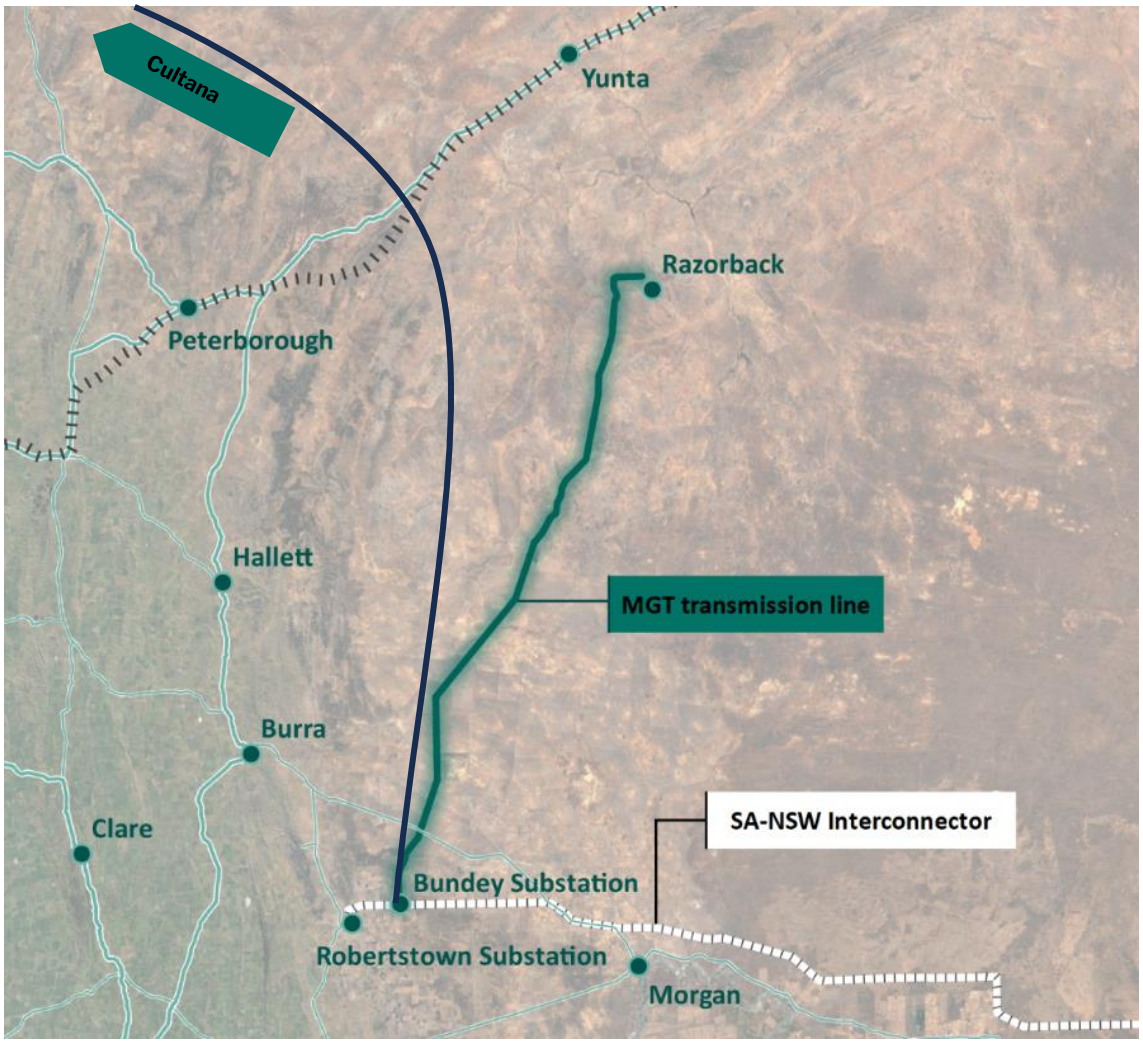

Figure 6. ElectraNet's proposed Mid North Expansion (Northern) project (indicative), Bundey Substation to Yunta to Cultana

SUSTAINABILITY

Environmental approvals

The preparation of a Mining Lease Proposal for submission to the South Australian Department of Energy and Mining was prioritised during the period with the engagement of technical specialists to complete impact assessments for the Project. Six specialists have been engaged and are currently completing the impact assessment programs:

- CDM Smith Australia – groundwater
- Tetra Tech – social
- Katestone – air quality
- RPS – surface water
- Cirqa – traffic
- Resonate Consultants – noise and vibration

Additional field programs supporting the impact assessments were completed during the quarter including aquatic ecology (Lateral Environmental) and step-out terrestrial ecology (Eco Logical Australia).

Final targeted terrestrial ecology and additional noise baseline monitoring have been commissioned and will be completed during October 2023.

Stakeholder engagement and land access

MGT remains committed to developing and expanding its positive relationships with key Project stakeholders and communities.

During the quarter, the Company launched the ***foresight*** 'One-to-One Meeting' initiative, inviting individuals and groups from the Peterborough and other Mid North communities to meet directly with company representatives and discuss what matters most to them.

The first in a planned series of meeting schedules successfully took place in September 2023, with a range of discussions addressing topics such as mine planning, process flow sheet, traffic impacts, job pathways, economic development and engagement strategies.

MGT team members were also interviewed by Peterborough High School students as they assess opportunities for careers in the mining sector.

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Figure 7. Magnetite Mines GM Sustainability Allan Kane hosting foresight one-to-one meetings in Peterborough

Project land access negotiations progressed well during the period, with extensive engagement supporting the development of land access agreements with approximately 10 landowners.

Other key stakeholder engagement activities in the quarter included:

- Project updates with the Department for Energy and Mining (SA) to maintain coordination for the fast-tracked approvals program
- Meetings with regional project proponents regarding potential future collaboration on sustainability initiatives, including green energy supply opportunities
- Discussions with a range of community-focused and other interest groups.

Native Title and cultural heritage

On 6 July 2023, the Ngadjuri Nation Aboriginal Corporation (NNAC) finalised their Native Title claim by Consent Determination. This was a significant milestone for the group as it marks the formal recognition of their traditional ownership of Ngadjuri Country and their continuing native title rights. Importantly, the Consent Determination is a key pre-requirement for the formal commencement of a Native Title agreement with MGT for the Razorback Project.

MGT team members held an information day for the Ngadjuri Community on 19 August 2023 as MGT expanded its engagement with Ngadjuri community members. The information day successfully supported the development of new and deeper relationships between members of the two groups and ensured gave Ngadjuri community members the opportunity to raise matters directly with company leaders, including the CEO.

The previously reported establishment of a Partnering Agreement between the Company and the Ngadjuri Nation advanced to the final stages with the agreement formally presented to the NNAC Board of Directors. The NNAC Annual General Meeting (AGM), including the appointment of new directors, was held in early October 2023 and the finalisation of the Partnering Agreement was respectfully deferred until after the AGM.

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CORPORATE

Cash position

The Company has $3.08 million in cash and cash equivalents at quarter end. Quarterly operations, exploration and evaluation cash flows reduced from $1.9 million in the June quarter to $0.73 million in the September quarter.

Investor Relations

The Company participated in the following investor and industry events during the period:

- Decarbonising Australia Business Summit – Jul 26-27
- SA Government Energy Transition Roundtable – Aug 4
- AusIMM Iron Ore Conference 2023 – Sep 18-20
- University of Adelaide Round Table: New opportunities from energy transition initiatives in the Upper Spencer Gulf, leveraging from the Hydrogen Jobs Plan – Oct 4
- Australian-Japan Business Cooperation Committee (AJBCC) Conference – Oct 8-10

Figure 8. Magnetite Mines' executive team attended meetings at the AJBCC conference in Melbourne

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Appointment of Mr. Jim McKerlie as Chair of the Board

In September 2023, Mr. Jim McKerlie was appointed as Chair of the Board for the Company, replacing Mr. Mark Eames. Mr. McKerlie originally joined the Magnetite Mines Board in January 2022 and is an experienced public company chairman and corporate executive with more than 30 years' experience in business. Mr. McKerlie's ASX-listed roles have included being Chair of Drillsearch Energy Limited, where he oversaw significant growth underpinned by successful M&A transactions and international capital raisings, and as a Director of Beach Energy Ltd following the Beach-Drillsearch merger. Mr Eames will be retained as a technical consultant by the Company.

Appointment of Mr. Simon Smith as Chief Financial Officer

Mr. Simon Smith commenced as Chief Financial Officer (CFO) during the quarter. Mr Smith's prior experience includes playing a pivotal role in steering growth-driven companies towards financial success and successfully managing capital raisings exceeding A$500 million, involving debt, equity financing, and initial public offerings (IPOs). Notably, he served as the CFO and Company Secretary for ASX-listed Heron Resources Limited, where he oversaw a $340 million project financing and the commercial development of the Woodlawn Zinc Copper Mine in NSW, leading it to full-scale operations.

Convertible Note Extension

The Company reached an agreement with Mintech Resources Pty Ltd's (Mintech) liquidator to modify the terms of the redeemable convertible notes (Notes) held by Mintech[3]. Pending approval from Mintech's creditors, the parties have agreed to extend the Notes' maturity date by seven months, from August 31, 2023, to March 31, 2024. These Notes were initially issued to Mintech on August 31, 2015,

following a renegotiation of a tenement sale agreement related to the acquisition of the Razorback Project by the Company.

Under the Agreement, the interest rate for the Mintech Notes between September 1, 2023, and March 31, 2024, will be set at 10% per annum. Magnetite Mines has also elected not to convert the Notes into shares upon maturity and will instead redeem them in cash before that date. In exchange for accepting these modified terms, the Company have paid Mintech a fee of $200,000 (plus GST). A formal amendment reflecting the Agreement's terms will be implemented in the upcoming weeks.

Related Party Transactions

Payments to related parties of the entity and their associates outlined in the Company's Appendix 5B for the quarter of approximately $200k related to Directors' salaries and superannuation payments and payment made to The Kendo Way Pty Ltd, to provide Human Resources software services.

Significant events after quarter end

On 26 October 2023, the Company announced a Renounceable Rights Offer to raise up to $6.2 million.

Existing shareholders will be entitled to subscribed for 3 new shares for every 11 shares currently held. The Offer is partially underwritten to $3 million by Lead Manager, Mahe Capital. The issue price is $0.30 per share. As an additional benefit for shareholders participating in the Offer, they will receive 1 free attached option for every 2 new shares subscribed. The options will have an exercise price of $0.45, a term of 18 months and quotation will be sought on ASX.

As noted in the ASX announcement, all Magnetite Mines Directors, CEO and CFO intend to participate in full or in part.

The funds raised (net of costs) will be used to finalise and lodge a Mining Lease Proposal for the Razorback Project with the South Australian Department of Energy & Mining, and to support the completion of value engineering work, amongst other uses.

EXPLORATION & EVALUATION EXPENDITURE

Exploration and evaluation expenditure during the quarter totalled $642k. In addition to general study-related overheads covering staff salaries and site visits, expenditure was related to the following activities:

- General exploration expenditure as related tenement administration
- Environmental field programs including ecology impact assessment and groundwater studies
- Permitting and approvals related consultation
- Negotiation of a partnering agreement with the Ngadjuri Nation (native title claimant group)

No exploration drilling activities occurred during the quarter. Rehabilitation for previous drilling activities and statutory reporting proceeded in line with SA Department of Mines & Energy requirements.

Mine production and development expenditure

None of the Company's projects are at a production or development stage and consequently, there was no expenditure incurred during the quarter relating to production or development.

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Given the scale and nature of what would be the emergence of an entire new industry for the state supported by international investment, the Company observes that international collaboration and partnerships will need to be forged across both the private and public sectors.

Accordingly, during the period Magnetite Mines focussed heavily on discussions and briefings with various departments of the South Australian government including Dept of Energy & Mining, Dept of Infrastructure & Transport, Dept of Trade & Investment, Dept of Treasury & Finance and the Dept of Environment & Water. The Company has also briefed appropriate Ministers, shadow Ministers and affected state and federal MPs to ensure alignment of vision and to set the foundation for a cohesive approach to international collaboration.

Tenement holdings

The following tenements were held by Magnetite Mines Limited (and its controlled entities) as of 30 September 2023:

Tenement/ Project Name	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired during the Quarter	Disposed of during the Quarter	Joint Venture Partner/Farm -In Party
SOUTH AUSTRALIA						
PUALCO	EL 6126	100%	100%	-	-	-
RED DRAGON	EL 6127	100%	100%	-	-	-
RAZORBACK RIDGE	EL 6353	100%	100%	-	-	-
DRAGON'S TAIL	EL 5902	100%	100%	-	-	-
SISTER'S DAM	EL 6037	100%	100%	-	-	-
BRAEMAR	EL 6788	100%	100%	-	-	-
LIPSON	EL 6745	100%	100%	-	-	-
MANUNDA NORTH	EL 6878	100%	100%	-	-	-
MUSTER DAM	EL 6746	100%	100%	-	-	-
MUTOOROO RIDGE	EL 6877	100%	100%	-	-	-

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

For further information contact:

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ABOUT MAGNETITE MINES

Magnetite Mines Ltd is an ASX-listed iron ore Company focused on the development of magnetite iron ore resources in the highly prospective Braemar iron region of South Australia. The Company has a 100% owned Mineral Resource of 6 billion tonnes of iron ore and is developing the Razorback Iron Ore Project, located 240km from Adelaide, to meet accelerating market demand for premium iron ore products created by iron & steel sector decarbonisation, with the potential to produce high-value Direct Reduction (DR) grade concentrates. Razorback is set to become a very long-life iron ore project with expansion optionality in a tier 1 jurisdiction that will produce a superior iron ore product sought by steelmakers globally. For more information visit magnetitemines.com.

DISCLOSURE

Where the Company references previously disclosed exploration results, Mineral Resource and Ore Reserve estimates and ASX announcements made previously, it confirms that the relevant JORC Table 1 disclosures are included with them and that it is not aware of any new information or data that materially affects the information included in those ASX announcements and in the case of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

References

1. Wood Mackenzie, “Metalmorphosis”: How decarbonisation is transforming the iron and steel industry (Oct 23)
2. ASX:MGT Announcement - 27/09/2023 - Water Supply Exclusive Negotiation Rights Secured
3. ASX:MGT Announcement – 23/08/2023 - Agreement reached to extend convertible notes repayment

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