



ASX Announcement

17 July 2017

LOI with Kuwait Steel for up to 4 million tpy of concentrate sales

The Board of Magnetite Mines Limited (ASX: MGT) (**Company**) is very pleased to announce the signing of a non-binding Letter of Intent (LOI) between the companies of the South Australian Magnetite Consortium (**Consortium**) and United Steel Industrial Co. (K.S.C.C), Kuwait (**Kuwait Steel**) for the sale and purchase of up to 4 million tpy of ultra-high grade pellet feed.

United Steel Industrial Company (**Kuwait Steel**) is a private Kuwaiti closed shareholding industrial and commercial joint venture company that was established in 1996 and is sole producer of steel rebar in Kuwait, with an annual production capacity of 1.4 million metric tonnes. Kuwait Steel currently operates a single Electric Arc Furnace (EAF) melt shop and two rolling mills, however, the company is planning new pelletizing facilities targeted for completion by the end of the decade. These facilities will require high-grade DR pellet feed beginning in 2020. This fits well with the development of Lodestone's Olary Project.

For further information on Kuwait Steel, refer to their website www.kwtsteel.com.

Kuwait Steel desires to purchase iron ore concentrate from the Consortium on a long-term sales contract basis for a period of ten years, renewable. They wish to begin negotiations for a Purchase Agreement for off-take of up to 4 million tpy, with an initial minimum off-take of 2 million tpy, for Ultra High Grade (Fe of ~ 70%) magnetite concentrate from the Consortium, all to be produced at the Olary Project which will be acquired by the company through the proposed merger of the Consortium companies as set out in the March 2017 framework agreement.

The LOI sets out the intent to negotiate an agreement for the sale and purchase of magnetite concentrate from the Olary Project. This agreement will become effective (and binding) when construction financing is secured for the development of the Olary production facilities. The LOI also contains provisions such that if Kuwait Steel becomes an investor in the project, the parties would discuss and agree on a pricing reflecting the investment transaction structure.

The Chairman of the Company, Mr Gordon Toll said, *"Kuwait Steel is a well positioned, very dynamic and rapidly developing company in the Middle East EAF based steel industry. Our relationship with Kuwait Steel will support the development of facilities for the production of Ultra High Grade concentrates from the Olary Project. Discussions to give effect to the intentions of the LOI are ongoing."*

Discussions are also continuing with a large number of additional potential partners and investors in China, Japan, Korea and the Middle East.

South Australian Magnetite Consortium

The South Australian Magnetite Consortium currently comprises of MGT and Lodestone Equities Limited (Lodestone). Mr Gordon Toll is the major owner and Chairman of Lodestone. Lodestone, through its subsidiaries, Fe Mines Limited (FML) (previously Braemar Iron Pty Ltd) and Olary Magnetite Limited (Olary), owns outright or has exclusive iron rights to prospective tenements containing Braemar Iron Formation to the east of the Company's exploration leases. Collectively, the ground has over 200km of Braemar Iron Formation prospective strike length and large exploration potential. The Braemar Region is one of the largest unexploited magnetite provinces in the world.

Lodestone also owns Braemar Infrastructure Pty Ltd (BIPL), which is developing cost effective methods of transporting and shipping magnetite concentrate in and from South Australia. The infrastructure will not only be accessible to the Consortium, but also to other potential magnetite producers in the region. The South Australian Government has declared the infrastructure being developed by BIPL "a Major Development". A task force and case officer from the Department of State Development has been assigned to the infrastructure project. This infrastructure is being developed by BIPL for the Consortium.

The Company and Lodestone intend to simplify their corporate structure and merge all their South Australian entities into one listed company. In preparation for this merger, it is intended that FML will become a direct subsidiary of Lodestone and Olary and BIPL will become subsidiaries of FML.

For further information contact:

Gordon Toll
Chairman and Chief Executive Officer
+61 8 8427 0516

Peter Schubert
Executive Director – Investor Relations &
Capital Development
+61 416 375 346