

ASX ANNOUNCEMENT

16 NOVEMBER 2022

CHAIR'S ADDRESS TO THE ANNUAL GENERAL MEETING

To be held on 23 November 2022

It is with pleasure that I address you this year as Chair of the Board, having worked closely with our outgoing Chair and current Non-Executive Director, Mr Peter Schubert, over the past three years.

The past twelve months have been transformational for the Company. During this period, we have seen a major shift in the global steel industry, with a recognition that carbon emissions have to be reduced and ultimately eliminated. This is a major challenge for the industry, and it will require technology and investment to accomplish. But there is a growing consensus that low-emissions steel requires high-grade iron ore products, and so this is a major opportunity for Magnetite Mines.

But for us, as a Company, to deliver that opportunity and generate a substantial shift in shareholder value, we have to step up. We need the right leadership team to build the project and sell high-grade products globally. We need the right development strategy for our extensive resource. And we need strategic partners and investors to work with us to deliver this vision.

The first step has been to enhance our leadership capability around marketing, governance, technical and project delivery. This has necessitated changes to Board and Management.

Your Board has changed significantly. Last year, it consisted of one Non-Executive Director and two Executive Directors. To improve our overall governance and help drive the development of our assets, we have brought in three new highly-credentialed Non-Executive Directors. Mr Simon Wandke, until recently head of Arcelor Mittal's steel business, brings extensive international iron ore leadership, strategy, value chain and commercial experience in major resource organisations; Mr Jim McKerlie brings more than 30 years' experience transforming organisations across numerous sectors, holding senior roles and board positions for ten public company boards including ASX200 companies; and finally, Mr Paul White, most recently the CEO of the Brisbane Broncos NRL and advisor to global mining companies, brings expertise in leadership, business development and developing organisation culture. All have made an invaluable contribution to the strategic direction and governance of the Company since being appointed this year.

Mr Peter Schubert and I have stepped back from executive day-to-day duties, but aim to provide continuity and support as NED and Chair, respectively.

Mr Mal Randall has been a mainstay of the Board for over 16 years and has elected to stand down. I thank Mal for his wise guidance, support and service over that time and, on behalf of the Board, wish him well for the future.

One of our main tasks as a refreshed Board has been to set up a management team to drive the new strategy. After a thorough search process, we welcomed highly-accomplished resources executive, Mr Tim Dobson, as Chief Executive Officer in August 2022. Tim's global experience in senior leadership roles spans more than 30 years, successfully developing, operating, and transforming complex mining projects and operations, including a six-year tenure at Sherritt International Corporation, where he oversaw financial completion and ramp-up as President of the US\$8 billion Ambatovy nickel and cobalt

project in Madagascar. In a short tenure so far, Tim has already shown us that his drive and team leadership focus will generate results.

The second step in our transformation is to promote our opportunity and engage with downstream industry players and ESG-focused institutional investors. I am pleased to report that this work has also stepped up a gear. At an industry level, the Company has participated in a wide range of forums since May, including Mines and Money London, GMUSG Conference and Trade Expo in Port Pirie, Sydney Mining Club, Melbourne Mining Club's Cutting Edge Series, 121 Mining Investment Conference Sydney, IMARC and the Noosa Mining Investment Conference. At a bilateral level, the Company has developed significant relationships with a range of potential strategic and financing partners for our flagship Razorback Iron Ore Project. Since September, 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. A consistent theme of the feedback is the need for rapid development of new high-grade iron ore sources and that Razorback has a number of unique advantages.

But we have to demonstrate we are a credible and capable partner if we are to develop. The Board and management changes certainly help. Our high-quality technical work is a great platform. Enhancements to corporate governance are essential. But we also have to be 'investable', and that is what drove the need for share consolidation. Many institutions we talk to are unable to invest in a company with so many shares outstanding and such a low volatile share price as a consequence.

I know that a number of shareholders are concerned about the communication of the share consolidation and its impact on the share price. With my shareholder's hat on, I share those concerns. But let me provide a perspective that may assist. Firstly, the share consolidation changes only the number of shares and does not change the Company's assets, or the share of those assets owned by each shareholder. Your Board was provided expert advice by Ord Minnett before proceeding, and we took the view that we have a duty to focus on the long-term shareholder value uplift from transformation, and therefore it was the right choice to put this to shareholders for a decision, recommending that shareholders support us. I understand that a number of shareholders feel this change is unwelcome. We understand their viewpoint, but I do ask you to consider the long-term value it helps to unlock.

The third transformation step is to implement the right development strategy for our Project. We have spent considerable time talking to potential customers. As a result, we have shifted the focus: we are moving away from being a small mining start-up targeting blast furnace customers in China to a longer-term, scaled development strategy working with ESG-focused partners to deliver exceptionally high-grade products to a new generation of environmentally progressive steel industry customers worldwide.

Our Expansion Study release in March gave us a preliminary indication of the significant upside potential of this new pathway resulting from economies of scale. The Single-Step expansion case generated an NPV of A\$2.5B, post-tax ungeared returns of 27% and an all-in 62% iron ore break-even price of US\$40, which respected industry commentators Wood Mackenzie confirmed would put us in the first quartile of global iron ore producers on a value and margin basis. And that is before we factor in potential higher margins for Direct Reduction (DR) grade concentrates, with recent metallurgical test work programs producing samples exceeding 69% Fe, with 2.63% combined silica & alumina.

But this shift takes time and work. At an operational level, we have to assess how best to increase the scale of production at Razorback, look at ways of producing new low-gangue iron ore products and

optimise flowsheet and transport outcomes. We made the call that rather than spending shareholders' money finishing final capital estimates for the old Razorback scope, we would be better off spending that money on a new suite of project optimisations, which 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, and that work is now underway. We have gained immeasurably from the technical work in the last 12 months, which gives us a solid platform from which to work.

One example of this work is our resource understanding. The Mineral Resource for the Razorback Project is currently 4.2 billion tonnes of relatively soft, siltstone-hosted, outcropping magnetite ore location in the prospective and undeveloped Braemar Iron Formation in South Australia. In addition, the Company was formally granted the Muster Dam tenement by the South Australian Department for Energy and Mines in May 2022. This 1.55 billion tonne Mineral Resource was converted to JORC 2012 standard in November 2022, bringing the Company's total resource base to 5.74 billion tonnes. The Company intends to continue to prioritise the development of the Razorback while evaluating the Muster Dam prospect, which has the potential to offer a logical and natural expansion pathway beyond the development of Razorback. Furthermore, we anticipate that increasing the planned production rate over 5Mtpa could result in more of the available 1,500Mt JORC Indicated Resource being eligible for conversion to Probable Ore Reserves.

Your Board believes that with this new pathway and the three parallel workstreams underway of enhancing leadership capability, engaging with new partners and implementing the right development strategy, your Company is poised to unlock substantial shareholder value. We are excited and confident that the enhancements to scale, product quality, and logistics infrastructure, considered alongside existing the competitive benefits of location, low-cost renewable power, existing rail and port infrastructure, and a supportive South Australian government, are a rare combination that will allow us to develop a long-life, highly-competitive iron ore business in a tier 1 jurisdiction with the resource base to allow future expansion to meet market opportunity, delivering attractive returns to shareholders.

We are sincerely grateful for the ongoing support of shareholders, including those who supported our successful rights options issue earlier this year, and we also welcome new shareholders. I am convinced that your Company has a bright future as we continue the development of Razorback to meet increasing demand for products that assist the steel industry in reducing emissions. Our strengthened Board and leadership team will continue to work tirelessly on behalf of all shareholders as we transform to become a leading global supplier of premium high-grade iron-ore concentrate.

[Notice of Annual General Meeting 2022 link](#)

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

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