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2022 Annual Report

For the Year Ended 30 June 2022

MAGNETITE
M I N E S

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CORPORATE DIRECTORY

Directors

Mark Eames

Chair of the Board

Peter Schubert

Non-Executive Director

Malcolm Randall

Non-Executive Director

Jim McKerlie

Non-Executive Director

Paul White

Non-Executive Director

Simon Wandke

Non-Executive Director

Company Secretary

Ian Kirkham

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Stock Exchange Listing

Australian Securities Exchange Ltd

ASX Code

MGT

STATEMENT FROM THE CHAIR

Dear Shareholder

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.

Peter's persistence and vision through a substantial period of project advancement has significantly strengthened our position for the next phase of growth. Today, our Company has a market capitalisation around \$100 million, placing us in a strong position both developmentally and financially.

The past twelve months have been transformational for the Company. We have enhanced our marketing, governance, technical and project capability with a range of highly-credentialed board and leadership appointments. Notably, 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 the White Dam gold project in South Australia. Having someone of Tim's calibre leading the development of our Razorback Iron Ore Project fills me with confidence that the Company is on track to unlock the significant value potential of this world-class resource.

Fortifying our stance as we shift gears and position ourselves for long-term success has been the addition of three new top tier Non-Executive Directors: Mr Simon Wandke 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 business, brings expertise in mining, focusing on people strategy and business transformation with global mining companies including Anglo American and Glencore. All have made a significant contribution to the strategic direction and governance of the Company since being appointed this year.

Recently, we announced that Magnetite Mines will be positioned to meet accelerating market demand for high-grade iron ore products arising from expected emissions reduction in the global steel industry. The emerging 'green steel' shift, driven by strong decarbonisation tailwinds, is necessitating a substantial increase in the supply of high-grade, low-impurity iron ore products. As a business, we will always be responsive to opportunities to enhance shareholder value while mitigating technical and execution risks. We are responding not only with improvements

to our development pathway, such as increasing the scale of our Razorback Iron Ore Project and looking at new low-gangue iron ore products, but also engaging with potential new customers and investors. The decision to raise our sights on scale and product quality is in complete alignment with this commitment to shareholder value and our evolving ESG framework.

In line with this evolution, the Company is engaging with downstream industry players and ESG-focused institutional investors with feedback consistently signalling the need for rapid development of new high-grade iron ore sources. This shift is also evidenced in growing premiums for superior-grade products. This is a major market opportunity for Magnetite Mines and we believe our extensive ore resources are particularly well suited to benefit from this trend, releasing significant additional value for shareholders.

As it stands, our Razorback Mineral Resource 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. This includes a 473Mt Probable Ore Reserve. In addition, the Company was formally granted the Muster Dam tenement by the South Australian Department for Energy and Mines in May 2022. This tenement has a historical resource that is currently being converted to the JORC 2012 standard and is expected to materially increase our Mineral Resource position.

Earlier this year, the Company completed an Expansion Study, at scoping-study level of accuracy, which assessed two staged-expansion production scenarios up to 7Mtpa and compared these to the 2.5Mtpa base case considered in the 2021 PFS. Results of the study confirmed substantial economic upside for the expansion cases, with lower operating costs as well as capital efficiencies. Furthermore, we anticipate that increasing the planned production rate to a minimum of 5Mtpa should result in more of the available 1,500Mt JORC Indicated Resource being eligible for conversion to Probable Ore Reserves (subject to the assessment of the Competent Person).

As we develop our response to this exciting market opportunity, we have immediately redirected resources to a suite of optimisation studies, which will define our product and market response.

The optimisation studies are designed to further de-risk the project and will contemplate scales from 5Mtpa capacity and up, along with studies assessing direct reduction grade concentrate production, and improved transport and infrastructure options.

“Recently, we announced that Magnetite Mines will be increasing the scale of our Razorback Iron Ore Project to meet accelerating market demand.”

We are excited and confident that the enhancements to scale, product quality, and logistics infrastructure, considered alongside 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. Furthermore, our resource base is conducive to 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 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 tier 1 global supplier of premium high-grade iron-ore concentrate.

Thank you again for your continued support.

Mark Eames
Chair of the Board

REVIEW OF OPERATIONS

Magnetite Mines Limited (“Magnetite Mines” or the “Company”, ASX: MGT), is pleased to provide an update on its activities during the twelve months ending on 30 June 2022. Magnetite Mines is a mineral exploration development company and owner of the large, South Australian Razorback Iron Ore Project (Project) as well as other interests in the Braemar Iron Formation.

Razorback Iron Ore Project

The Razorback Iron Ore Project (“Razorback” or the “Project”) is a 100% owned magnetite iron ore deposit capable of producing a high-grade iron ore concentrate product for use in steel production¹. With a defined JORC resource of 4.2Bt Iron Ore, the Project consists of two very large magnetite iron ore deposits, the Razorback² and the Ironback Hill³ deposits hosted in the Braemar Iron Formation. It is located 240 NE of Adelaide, South Australia, near the regional town of Yunta in arid, low-intensity pastoral country.

The large resource base is held within five 100% owned and operated tenements EL 6353, 6126, 6127, 6037 and EL 5902 totalling 1,520 square kilometers. The Project is situated 50km from open-user rail, 125km from the power grid and 200km from existing deep water ports⁴. The Braemar Iron Formation is the host rock to magnetite mineralisation on the Project. This formation has a strike length of approximately 110km within the area controlled by the Company.

Table 1. Magnetite Mines Ltd Mineral Resource Estimates and Ore Reserves (JORC Code 2012)^{2,3,4,5}

| Mineral Resources | Ore (Mt, dry) | Mass Rec (eDTR%) | Fe% | SiO ₂ % | Al ₂ O ₃ % | P% | LOI% | Magnetite% |
|---|---------------|------------------|----------------------|--------------------|----------------------------------|-------------|------------|-------------|
| Razorback Iron Ore Project | | | | | | | | |
| Indicated | 1,500 | 15.6 | 18.5 | 47.9 | 8.0 | 0.18 | 5.4 | 15.0 |
| Inferred | 1,500 | 16.0 | 18.0 | 48.3 | 8.2 | 0.18 | 5.5 | 15.9 |
| TOTAL | 3,000 | 15.8 | 18.2 | 48.1 | 8.1 | 0.18 | 5.5 | 15.5 |
| Ironback Hill | | | | | | | | |
| Inferred | 1,187 | | 23.2 | 44.1 | 7.2 | 0.21 | 5.4 | 12.9 |
| Razorback Iron Ore Project Ore Reserve | | Ore (Mt) | Mass Recovery | | Concentrate (Mt) | | | |
| Probable | | 472.7 | 14.5 | | 68.5 | | | |

Notes: Razorback presented at 11% eDTR cut-off; Ironback Hill at 0% Fe cut-off; Probable Ore Reserves are a subset of Mineral Resources. Tonnages and grades presented above are estimates of in-situ rock characteristics.

Muster Dam historic Mineral Resource Estimate not included in table.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements below, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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Pre-Feasibility Study for Razorback Iron Ore Project (July 2021)^{4,5}

Completed immediately after the previous year's reporting period the Razorback Iron Ore Project Pre-Feasibility Study (PFS) represented the bulk of activities for the Company during the year⁴. The Study included 3 primary production scenarios of between 2-3 Mtpa of high-grade concentrate with 67.5 to 68.5% Fe content. The PFS confirmed the opportunity for a high-return, long-life, initial development of the large scale Razorback Resource which leverages the advantages of resource scale, low stripping ratio, available infrastructure, low-cost sustainable power and leading product quality.

The 'Plant Optimisation Case' production scenario contemplated a 15.5 Mtpa feed plant utilising three grinding stages, three stage magnetic separation and flotation to generate a premium grade magnetite concentrate. Non-process infrastructure and transport studies confirm preferred scope for operating inputs and initial route selection to load annual production up to a capacity of 3 Mtpa of concentrate to Capesize vessels in the Spencer Gulf.

A key outcome of PFS studies included the announcement of a maiden Ore Reserve statement for the Project⁵. Completed to JORC 2012 JORC code and guidelines the Reserve statement included 473 Mt at Probable Ore Reserve classification. Based on the PFS 'Reserve Case' the Probable Ore Reserves utilised mining and modifying factor studies inclusive of AACE Class 4 capital estimates to produce a 473 million tonne Ore Reserve for a 30+ year mine life. The Ore Reserve contains 68.5 million tonnes of iron ore concentrate for a 30+ year mine life, based on 31% of the available Indicated Mineral Resources. The Ore Reserves were utilised by the PFS economic studies and formed the basis for the mine planning and pit design.

Expansion Study (March 2022)^{6,7}

An Expansion Study completed to scoping level (AACE Class 5) specification was completed in March 2022⁶. The study explored pathways to increase production following the 2021 PFS and examined the business case for increasing production in a staged manner, starting with an initial production of 3Mtpa (Stage 1) followed by a duplication in production rate to 5Mtpa (Stage 2) and a final production rate of 7Mtpa (Stage 3). Alternative scale options were also assessed including a single step expansion whereby production was expanded from 3Mtpa directly to 7Mtpa.

The Expansion Study assumed the same modular layout of the processing plant used in the 2021 PFS as designed by Hatch for 15.5Mtpa. Given the modular nature of the plant, a duplication of the plant was assumed for increasing production. Engineering and cost estimation was completed to AACE Class 5 (scoping level) standards. As per the PFS⁴ an emphasis was placed on the utilisation of existing infrastructure where practical to do so, with the notable exception of a rail spur line development envisaged at 5Mtpa to facilitate cost effective concentrate logistics to port.

Key ESG considerations in the Expansion Study included minimising Scope 1, 2 and 3 greenhouse gas emissions, the use of public wastewater to support additional water demand, and long-term, mutually-beneficial relationships with stakeholders including First Nations, suppliers and employees. In particular, Low Scope 2 emission intensity are feasible, as additional electricity required for expansion is expected to be sourced via the main South Australian grid which has a significant renewable energy component, estimated to be 70% today and forecast to be 100% by 2030.

The financial returns of the expansion cases were attractive across a range of macroeconomic assumptions and summarised in Table 2 with full details of the 2022 March Expansion Study.

Table 2. Previous PFS & Expansion Study Outcomes

| | Unit | PFS Plant Optimised ^A | Single-Step Expansion ^P |
|-------------------------------------|--------|----------------------------------|------------------------------------|
| | | Stage 1 | Stage 1,3 |
| Production Capacity | Mtpa | 3 | 3>7 |
| Development Capital | A\$m | 665 | 1,985 |
| Post-tax NPV-8^B | A\$m | 660 | → 2,455 |
| Post-tax IRR^B | % | 19% | → 27% |
| All-in breakeven^C | US\$/t | 53 | → 40 |

A. Expansion Study Stage 1 basis: PFS Plant Optimised case with 0.71 AUD:USD exchange rate

B. 62% Fe iron ore price assumption of US\$110/t with quality adjustment premium of US\$25/t

C. 62% Fe iron ore price equivalent break even price

D. The Company confirms all material assumptions underpinning the production targets and forecast financial information contained in the original 2022 Expansion Study announcement continue to apply and have not materially changed.

Definitive Feasibility Study (“DFS”) ^{4,8}

Following the PFS, the Company commenced works on technical elements of the DFS. The Company appointed top-tier mining and processing consultancies Hatch⁹, GHD¹⁰ and AMC¹¹ for high accuracy design and financial estimates required for DFS delivery.

Major components of the DFS were initiated and progressed throughout the period including mining and tailings studies as well as significant advancement in infrastructure, geotechnical studies and processing plant design and metallurgical studies. The permitting and approvals program – which encompasses environmental studies, mining and environmental licensing, land access negotiations, and Native Title Act processes – also achieved several important milestones including the commencement of Native Title Agreement negotiations with the Ngadjuri Traditional Owners.

Key outcomes completed within the DFS study program included:

Drilling Program: A total of 17 diamond drill holes were completed for ~2000m consisting of 11 vertical PQ diameter drill holes and 6 angled HQ diameter drill holes. Drilling was completed in February 2022 with core sampling and assay analysis continuing, with resource estimation to follow¹².

Metallurgical Studies: Confirming the attainment of high-grade, low-impurity concentrates during bulk testing. To date, analysis incorporating the full flow sheet has produced concentrates of higher quality than the design specification of 67.5% iron and 4.5% Silica + Alumina, with one bulk sample, from the Iron Peak deposit, producing 69.7% iron with 2.6% Silica + Alumina¹³.

Mining Studies: AMC were engaged to complete an initial assessment of the deposit together with an initial geotechnical appraisal of rock wall stability. A higher cutoff grade and selective sequencing of ore would result in a larger pit shell and a larger low-grade stockpile for post-mining processing¹¹.

Infrastructure and Logistics Studies: Accommodation, power and access and haul road studies were undertaken as part of DFS related assessments.



We are excited and confident that the enhancements to scale, product quality, and logistics infrastructure, considered alongside the competitive benefits of location, low-cost renewable power, existing rail and port infrastructure, and a supportive South Australian government, all combine to realise maximum value for Shareholders.”

Mark Eames, Chair of the Board

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The outcomes of the studies will inform the spatial and technical capabilities of the respective infrastructure elements required in upcoming optimisation studies^{10,14}.

Hydrology: The first of a phased groundwater drilling program intending to test six Project adjacent locations (5-10km) for potential groundwater supply was initiated during the reporting period. As of writing, these bores are currently undergoing pump testing to test their respective aquifers for sustainability and output.

Razorback Project Production Transformation^{27,28}

An expansion in production scenario for the Project was announced subsequent to the reporting period in response to rapidly-evolving market conditions and downstream industry feedback^{27,28}. The Company is increasing the planned production scale for the Razorback Iron Ore Project (Project) and assessing production options for high-value concentrate product streams. Accordingly, the Company's current strategy of pursuing a small-scale, lower-capital expenditure development is being refocused in favour of a larger-scale, staged development that takes full advantage of the large resource base, available infrastructure and attractive mineral processing characteristics of Braemar ores.

The increase in production facilitates the Company's drive to maximise shareholder value by improving Project economics through:

- Economies of scale to drive potential for improved economics,
- Marketability of the Project by offering high output, sustainable and long life supply and;
- Alignment of the Project's large resources with production scale thereby maximising available in-ground value.

In the short term, a focus on optimisation studies will feature as the Company's priority workstream in order to understand the potential technological and practical benefits of an increased production. This includes assessments of:

- alternative logistics methods (rail spur line to mine),
- processing enhancements (assessment of the ore body's potential to produce sustainable DR grade products over the life of mine and;

- Optimisation of mining methodologies and equipment efficiencies for larger scale production
- ESG benefits of greater grid power utilisation (electrification)

Approvals and Access

The regulatory approvals program for the Razorback project, pursuant to the internationally recognised Mining Act 1971 (SA) framework, has significantly advanced during the financial year. Extensive baseline characterisation studies have been completed within the preliminary Mining Lease area, while the preparation of the required application documentation progressed in line with expectations. The Company's early engagement program is focused on building relationships with the Ngadjuri Nation, the State Government, local councils, and landowners (including pastoral and Crown lease holders)^{15,16,17}.

Native Title and Cultural Heritage

After presenting to the Ngadjuri Nation Aboriginal Corporation (NNAC) in March 2022, Magnetite Mines commenced its planning for Native Title negotiations and confirmed its next representation to the NNAC board. The Company maintains a positive and proactive relationship with the NNAC Board.

An extensive baseline cultural heritage survey was conducted by Ngadjuri Nation cultural heritage representatives over ~3,500 ha in the reporting period. This important work by the Ngadjuri heritage survey team has built a detailed understanding of the intrinsic heritage values of the southern Braemar Iron Formation area, demonstrating the Company's commitment to its ESG objectives. A final baseline cultural heritage survey covering the mining area was completed in August and further studies covering other project elements will follow.

Sustainability and ESG

Magnetite Mines is committed to developing a sustainable magnetite industry in South Australia; one that is valued by its stakeholders and improves the environmental footprint of the global steelmaking sector. The paradigm shift towards a decarbonised steel sector is rapidly progressing, and is driving opportunities for

Magnetite Mines in realising value for shareholders and stakeholders alike.

The Company's objective for sustainable magnetite operations continues to drive performance across the business, and ensures that its projects are designed and executed in a way that enhances their environmental performance, are socially responsible, are accepted by the Company's stakeholders, and instils trust and accountability through essential governance processes. A snapshot of ESG-related activities in this financial year include:

- Climate action / resource utilisation: continuing optimisation of the Project's electricity use (mining, processing) to reduce the Scope 1 emissions intensity and profile a project decarbonisation pathway).
- Climate action: targeting a high percentage of renewable electricity supply to site, with South Australia's forecasted renewable energy load potentially able deliver a zero carbon Scope 2 emissions profile early in the Project's life.
- Climate action / resource utilisation: improving the grid connection structure and transmission line design to negate thermal constraints, improve predicted line losses and reduce project carbon emission intensity.
- Water / resource utilisation: progressing groundwater investigations for near-site water supply with prioritisation of resources without competing uses; furthering assessment of expanded water supply options including wastewater use and water management technologies to reduce overall water demand.
- Biodiversity / ecological system resilience: completed assessment into the presence of targeted species and communities to suitably investigate and manage any potential material impacts on biodiversity; preservation of sensitive habitats and landscapes through the micro-locating of off-site infrastructure and assets in conjunction with stakeholders.
- Community development: the Company's commitment to supporting local communities resulted in several sponsorships and a potential partnership with the District Council of Peterborough infrastructure and social engagement. the Company's commitment to supporting local communities resulted in several sponsorships and a potential partnership with the District Council of Peterborough addressing infrastructure and social engagement.

- First Nation rights / equitable agreement-making: formal request made to NNAC to commence negotiations on a Native Title agreement, enshrining equitable knowledge and influence into the process.
- First Nation rights: Continuing early engagement and heritage management program with NNAC, with ~3,500 ha of heritage surveys completed to build a holistic understanding of the heritage value of the Razorback region.

Muster Dam Project

In May 2022, Magnetite Mines confirmed that it had been formally granted the Muster Dam tenement (EL 6746) by the South Australian Mines Department for Energy and Mines^{18,19,20}. The formal grant of the Muster Dam tenement represents an important exploration and development opportunity for the Company, to be assessed in parallel with the Company's current Razorback Iron Ore Project's Optimisation Studies.

The Company's intentions for the Muster Dam tenement follow:

1. Review all available exploration and technical material concerning the tenement package to confirm its resource potential and to develop targets for further exploration and evaluation;
2. Prepare an updated JORC 2012 compliant statement in respect of the Muster Dam tenement; and
3. Develop a staged exploration program that seeks to refine the existing data, followed by target definition and drill testing for resource definition and development.

Upon completion of the initial data assessments, the Company intends to commence stakeholder engagement, including with traditional owners in an effort to enter into exploration access agreements (Native Title Mining Agreements - NTMA), and obtain permits for on-groundwork program access. On-the-ground geophysical surveys (ground magnetic surveys) will be conducted and drill testing performed of the deposits to determine resources and explore underexplored prospects. An initial scoping study into the economics of mine extraction will follow the work program.

Corporate Activity

Rights Issue

In May 2022, the Company successfully completed a renounceable entitlement offer raising the targeted amount of \$15.8 million (before costs) through the issuance of 631,949,386 ordinary shares at an issue price of \$0.025 per share. For every two new shares subscribed, applicants also received 1 free attaching option exercisable at \$0.05 and expiring 12 months from issuance²¹.

The total number of MGTOE issued including underwriter's options were 363,370,699.

Strategic Board and Management Changes and Appointments

The Company made several changes to its Board and executive leadership team during the financial year intended to further strengthen the stewardship and governance of the business. The combined experience and knowledge of the Board and senior management team represents an invaluable resource to the Company, which will be instrumental in bringing the Razorback Iron Ore Project to fruition. These were as follows:

- Mr Jim McKerlie was appointed as Non-Executive Director²²;
- Mr Paul White was appointed as Non-Executive Director²²;
- Mr Peter Schubert transitioned to the role of Non-Executive Director, following three successful years as Executive Chairman and CEO²³;
- Mr Mark Eames, previously Technical Director, was appointed as Chair of the Board²³;
- Mr Stephen Weir took over the CEO role in an acting capacity while the Company undertakes a formal CEO search process²³;
- Mr Trevor Thomas, formerly General Manager - Geology, was appointed Study Director and will lead the remainder of the Definitive Feasibility Study program²³;

- Mr Simon Wandke, recently CEO and Executive Vice President of Arcelor Mittal Mining, was appointed as a fourth Non-Executive Director²⁴;
- Mr Ian Kirkham, a highly-experienced finance professional, was appointed as Chief Financial Officer (CFO) and Company Secretary, replacing Mr John Rodriguez who held the position temporarily²⁵;
- Ms Gemma Brosnan was appointed as General Manager-External Affairs;
- Mr Duncan Orchard was appointed as Commercial and Finance Manager; and
- Mr Rafael Orschulok was appointed as Owner's Lead Electrical Engineer.

After year end, on 23 August 2022, the Company appointed experienced international resources executive Tim Dobson as Chief Executive Officer following an extensive search²⁶.

Statement of Resources

A resource definition programme of approximately 36,000 metres of combined RC and diamond drilling has been undertaken over several drilling phases from April 2010 to June 2012. As announced to the ASX on 24 May 2021, the Razorback deposit has been upgraded to JORC 2012 reporting guidelines for a total Resource Estimation of 3.0 Billion tonnes at 15.8% eDTR*, 18.2% Fe Head grade (Table 3)

Table 3. Razorback Iron Ore Resource Estimate (100% Magnetite Mines) – May 2021²

| Classification | Million Tonnes (Mt, dry) [^] | Mass Rec (eDTR%) | Fe% | Magnetite% |
|------------------|---------------------------------------|------------------|------|------------|
| INDICATED | 1,500 | 15.6 | 18.5 | 15.0 |
| INFERRED | 1,500 | 16.0 | 18.0 | 15.9 |
| TOTAL | 3,000 | 15.8 | 18.2 | 15.5 |

[^] 11% eDTR cut-off applied

Table 4. Razorback Iron Ore Probable Ore Reserves (100% Magnetite Mines) – June 2021⁵

| Reserve Classification | Tonnes (Million) | Mass Recovery % | Fe Head Grade % | Tonnes of Concentrate (Million) |
|------------------------|------------------|-----------------|-----------------|---------------------------------|
| Probable* | 473 | 14.5 | 16.8 | 68.5 |

*Ore Reserves are a subset of Mineral Resources

Table 5. Ironback Hill Resource Estimate (100% Magnetite Mines) – November 2018³

| Project | JORC Resource Classification | Million Tonnes | Fe% |
|---------------|------------------------------|----------------|------|
| Ironback Hill | Inferred | 1,187 | 21.0 |

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements below, and in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Competent Person's Statement

Exploration Results

The information in this report that relates to Exploration Results is based on information originally compiled by Mr Trevor Thomas, who is a Member of the Australian Institute of Mining and Metallurgy (AUSIMM) and Member of the Australian Institute of Geoscientists (AIG). Mr Thomas is a full-time employee of Magnetite Mines Limited as General Manager – Geology. Mr Thomas has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code 2012"). Mr Thomas consents to the disclosure of this information in this report in the form and context in which it appears.

Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by Mr Lynn Widenbar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates Pty Ltd. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context that the information appears.

Ore Reserves

The information in this report that relates to Ore Reserves is based on and fairly represents information and supporting documentation compiled by Ross Cheyne, BEng (Mining) a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Ross Cheyne is a director and Principal Mining Consultant of Orelogy Mine Consulting Pty Ltd and is consulting to Magnetite Mines Limited. Ross Cheyne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC 2012). Ross Cheyne consents to the inclusion in the report of the matters based on his information in the form and context in which they appear. The Ore Reserve estimates have been compiled in accordance with the guidelines defined in the JORC Code.

Corporate Governance – Reserves and Resources Calculations

The Company ensures that it fully complies with the provisions of the JORC code in estimating mineral reserves and resources. As well as ensuring that estimates are prepared and signed off by appropriately competent persons with relevant experience, all estimates are reviewed by management before being signed off by the full Company Board. The Company ensures that reserve and resource releases contain detailed supporting information.

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References - ASX Announcements

| | | |
|-----|----------|--|
| 1. | 21/07/22 | Positive Interim Metallurgical Test Results |
| 2. | 24/05/21 | Razorback Iron Ore Project Mineral Resource Upgrade |
| 3. | 20/11/18 | Ironback Hill Deposit – JORC 2012 Resource Update |
| 4. | 05/07/21 | Positive PFS Results for Razorback Iron Ore Project |
| 5. | 30/06/21 | Maiden Ore Reserve for the Razorback Iron Project |
| 6. | 21/03/22 | Magnetite Mines Confirms Benefits of Expansion at Razorback |
| 7. | 30/03/22 | Expansion Study Presentation |
| 8. | 30/07/21 | Fourth Quarter Activities & Cashflow Reports |
| 9. | 08/10/21 | Appointment of Hatch to Razorback DFS |
| 10. | 23/09/21 | Appointment of GHD to Razorback Definitive Feasibility Study |
| 11. | 11/04/22 | Appointment of AMC to Razorback Definitive Feasibility Study |
| 12. | 25/10/21 | Razorback Iron Ore Project Drilling Commences |
| 13. | 21/07/22 | Positive Interim Metallurgical Test Results |
| 14. | 15/11/21 | MGT Initiates Electricity Transmission Line to Razorback |
| 15. | 29/10/21 | First Quarter Activities & Cashflow Reports |
| 16. | 31/01/22 | Second Quarter Activities & Cashflow Reports |
| 17. | 27/04/22 | Third Quarter Activities & Cashflow Reports |
| 18. | 01/03/22 | Muster Dam Iron Project Tenements awarded to Magnetite Mines |
| 19. | 09/11/21 | Magnetite Mines Gains Access to Muster Dam Data |
| 20. | 11/05/22 | Magnetite Mines Secures Muster Dam Tenement |
| 21. | 18/05/22 | Rights Issue Closes, Secures \$15.8Mn as Targeted |
| 22. | 12/01/22 | Appointment of New Non-Executive Directors |
| 23. | 19/04/22 | Strategic Board and Management Changes |
| 24. | 02/06/22 | Simon Wandke Appointed as Non-Executive Director |
| 25. | 30/05/22 | Appointment of Chief Financial Officer |
| 26. | 23/08/22 | Appointment of Chief Executive Officer |
| 27. | 13/09/22 | MGT Transforming To Meet Growing High-Grade Market |
| 28. | 13/09/22 | Premium Iron Ore for a Decarbonising Iron & Steel Sector |

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DIRECTORS' REPORT



Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

The directors present their report on the Consolidated Entity consisting of Magnetite Mines Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

INFORMATION ON DIRECTORS

The following persons were Directors of Magnetite Mines Limited ("Company") and were in office during the financial year and until the date of this report unless otherwise stated.

| | | |
|-------------------------|------------------------|---|
| Mr Mark Eames | Chair | (Technical Director from 1 May 2021 to 14 May 2022 and was appointed as Chair on 15 May 2022) |
| Mr Peter Schubert | Non-Executive Director | (Resigned as Chair and Interim CEO and appointed as Non-Executive Director on 15 May 2022) |
| Mr Malcolm Randall | Non-Executive Director | |
| Mr James (Jim) McKerlie | Non-Executive Director | (Appointed on 12 January 2022) |
| Mr Paul White | Non-Executive Director | (Appointed on 12 January 2022) |
| Mr Simon Wandke | Non-Executive Director | (Appointed on 6 June 2022) |

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the year was mineral exploration in Australia. Other than the foregoing, there were no significant changes in those activities during the year.

RESULT OF OPERATIONS

During the year the Consolidated Entity incurred a consolidated operating loss after tax of \$3,661,658 (2021 – loss \$1,732,833).

DIVIDENDS

No dividends have been paid during the financial year and no dividend is recommended for the current year.

NATIVE TITLE

Claims of native title over certain of the Consolidated Entity's tenements have been made, and may in the future be made under the Commonwealth Native Title Act. In the event that native title is established by an indigenous community over an area subject to the Consolidated Entity's mining tenements, the nature of the native title may be such that consent to mining may be required from that community but is withheld.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year not otherwise dealt with in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial period, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity.

Exercise of quoted options

On 13 July 2022, 1,000 quoted options exercisable at 5 cents each expiring on 20 May 2023 were exercised.

On 24 August 2022, 10,656 quoted options exercisable at 5 cents each expiring on 20 May 2023 were exercised.

Expiry of unquoted employee options

On 5 July 2022, 7,500,000 unquoted employee options exercisable at 4 cents each expired.

Lease agreement

The Company entered into a lease agreement on 13 July 2022 for office space in Sydney for a two year term commencing 15 July 2022 at \$157,472 plus GST and variable outgoings per annum.

Appointment of CEO

Mr Tim Dobson was appointed as Chief Executive Officer, effective 23 August 2022, completing a process announced on 19 April 2022. Mr Dobson will be paid a base salary of \$500,000 per annum. He will also receive share rights of \$100,000 vesting in July 2023 and \$100,000 vesting in July 2024 as part of the sign-on arrangements. Mr Stephen Weir, who has been Acting Chief Executive Officer since 15 May 2022, will resume his role as Chief Development Officer.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments in the operations of the Consolidated Entity are set out in the review of operations section of this report. The Consolidated Entity will continue to explore its Australian tenement areas of interest for minerals, and any significant information or data will be released in the market and to shareholders.

ENVIRONMENTAL ISSUES AND REGULATIONS

The Consolidated Entity has interests in mining tenements (including prospecting, exploration and mining leases). The leases and licence conditions contain environmental obligations. The Consolidated Entity has assessed whether there are any particular or significant environmental regulations that apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year. The directors are not aware of any environmental matters which would have a significant adverse effect on the Consolidated Entity. During the year the Company has paid \$58,829 as part of Environmental Rehabilitation for the Razorback tenement of which \$12,400 is included in trade creditors. The Company has also made a provision of \$10,000 for rehabilitation work pertaining to the Razorback tenement.

CORPORATE INFORMATION

| | |
|------------------------------|------------------------------|
| Magnetite Mines Limited | Parent entity |
| Razorback Iron Pty Ltd | 100% owned controlled entity |
| Razorback Operations Pty Ltd | 100% owned controlled entity |
| Red Dragon Mining Pty Ltd | 100% owned controlled entity |
| Ironback Pty Ltd | 100% owned controlled entity |

INFORMATION ON DIRECTORS

| MARK EAMES | Chair | | | | | | | | |
|--|---|------------|-----------------------------|-----------|--|------------|--|------------|--|
| <i>Qualifications</i> | BA (Metallurgy) (Hons) | | | | | | | | |
| <i>Skills and Experience</i> | <p>Mr Eames has a successful track record in the global minerals industry in exploration, evaluation, development, acquisitions, operations, marketing and senior corporate management. He is a qualified metallurgist with extensive experience in Australia and overseas and has held senior roles working with the iron ore businesses of Glencore, Rio Tinto and BHP.</p> <p>Mr Eames graduated with a BA (Metallurgy)(Hons) from the University of Cambridge, UK. He is a member of the Australasian Institute of Mining and Metallurgy. Mr Eames is a past and present Director of other publicly listed Australian companies, including Universal Coal, where he was interim Chair, and Sphere Minerals Ltd, where he was the Chief Executive Officer.</p> <p>Mr Eames was first appointed to the board on 11 March 2020 as a Non-Executive Director and was appointed as Technical Director on a part-time basis on 1 May 2021. Effective 15 May 2022, Mr Eames was appointed as Chair.</p> | | | | | | | | |
| <i>Other current Directorships</i> | None | | | | | | | | |
| <i>Former Directorships in last three years</i> | Universal Coal (from 2019 to 2020) | | | | | | | | |
| <i>Special Responsibilities</i> | Member of Audit & Risk Committee Member of Remuneration & Nomination Committee | | | | | | | | |
| <i>Interest in Shares and Options at the date of this report</i> | <table><tr><td>49,317,914</td><td>Fully paid ordinary shares.</td></tr><tr><td>4,609,826</td><td>Quoted options exercisable at 5 cents each expiring 20 May 2023.</td></tr><tr><td>15,000,000</td><td>Unquoted options exercisable at 3.52 cents each expiring 13 December 2024.</td></tr><tr><td>10,000,000</td><td>Unquoted options exercisable at 1.83 cents each expiring 15 December 2025.</td></tr></table> | 49,317,914 | Fully paid ordinary shares. | 4,609,826 | Quoted options exercisable at 5 cents each expiring 20 May 2023. | 15,000,000 | Unquoted options exercisable at 3.52 cents each expiring 13 December 2024. | 10,000,000 | Unquoted options exercisable at 1.83 cents each expiring 15 December 2025. |
| 49,317,914 | Fully paid ordinary shares. | | | | | | | | |
| 4,609,826 | Quoted options exercisable at 5 cents each expiring 20 May 2023. | | | | | | | | |
| 15,000,000 | Unquoted options exercisable at 3.52 cents each expiring 13 December 2024. | | | | | | | | |
| 10,000,000 | Unquoted options exercisable at 1.83 cents each expiring 15 December 2025. | | | | | | | | |

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

| PETER SCHUBERT | Non-Executive Director |
|--|--|
| <i>Skills and Experience</i> | <p>Mr Schubert is a professional investor with business development and entrepreneurial skills teamed with over 32 years of direct experience in international and domestic markets. Mr Schubert has strong, established ties to the investment community, particularly in relation to the Australian resource sector.</p> <p>During his career Mr Schubert has developed a range of businesses across various sectors with an emphasis on support for the establishment of various Australian resource companies.</p> <p>Mr Schubert was first appointed to the board on 17 December 2015 as non-executive director and appointed as executive director on 9 December 2016 and subsequently appointed as Executive Chair on 3 September 2018 and as Interim CEO on 1 January 2021. Effective from 15 May 2022, Mr Schubert was appointed as non-executive director.</p> |
| <i>Other current Directorships</i> | None. |
| <i>Former Directorships in last three years</i> | None. |
| <i>Special Responsibilities</i> | None |
| <i>Interest in Shares and Options at the date of this report</i> | <p>113,756,518 Ordinary shares.</p> <p>1,000,000 Quoted options exercisable at 5 cents each expiring 20 May 2023.</p> <p>10,000,000 Unquoted options exercisable at 4.51 cents each expiring 30 November 2022.</p> <p>12,000,000 Unquoted options exercisable at 3.52 cents each expiring 13 December 2024.</p> <p>20,000,000 Unquoted options exercisable at 1.83 cents each expiring 15 December 2025.</p> |

| MALCOLM RANDALL | Non-Executive Director |
|--|--|
| <i>Qualifications</i> | <i>B.Applied Chem, FAICD</i> |
| <i>Skills and Experience</i> | Mr Randall holds a Bachelor of Applied Chemistry Degree and is a Fellow of the Australian Institute of Company Directors. He has extensive experience in corporate, management and marketing in the resource sector, including more than 26 years with the Rio Tinto group of companies. His experience extends over a broad range of commodities including iron ore, diamonds, base metals, coal, uranium, lithium, rare earths and industrial minerals both in Australia and internationally. Mr Randall was appointed a director on 4 October 2006. |
| <i>Other current Directorships</i> | Ora Gold Limited (since 2003) Argosy Minerals Limited (since 2017) Hastings Technology Metals Ltd (since 2019) |
| <i>Former Directorships in last three years</i> | Spitfire Oil Ltd (from 2007 to 2020) Kalium Lakes Limited (from 2016 to 2020) |
| <i>Special Responsibilities</i> | Member of Audit & Risk Committee |
| <i>Interest in Shares and Options at the date of this report</i> | <p>17,800,000 Fully paid ordinary shares.</p> <p>400,000 Quoted options exercisable at 5 cents each expiring 20 May 2023.</p> <p>10,000,000 Unquoted options exercisable at 1.14 cents each expiring 1 December 2024.</p> |

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

| JAMES (JIM) MCKERLIE | Non-Executive Director |
|--|---|
| <i>Qualifications</i> | Bachelor of Economics, FAICD, Fellow of Chartered Accountants ANZ, Diploma in Financial Management |
| <i>Skills and Experience</i> | Mr McKerlie has an extensive career as an international chief executive with public and private companies, management consultant with Deloitte and KPMG and as a public company director including Chair of Drillsearch for 8 years, Beach Energy and ELMO. He has chaired four IPOs and has depth of experience in technology and energy sectors. Mr McKerlie's primary interests are growing businesses, building shareholder value and ensuring appropriate governance procedures are in place. He also has 20 years broadcast experience as a national media presenter in finance and economics. Mr McKerlie was appointed a director on 12 January 2022. |
| <i>Other current Directorships</i> | None |
| <i>Former Directorships in last three years</i> | None |
| <i>Special Responsibilities</i> | Chair of Audit & Risk Committee Member of Nomination & Risk Committee |
| <i>Interest in Shares and Options at the date of this report</i> | 3,800,000 Fully paid ordinary shares. 650,000 Quoted options exercisable at 5 cents each expiring 20 May 2023. |

| PAUL WHITE | Non-Executive Director |
|--|--|
| <i>Qualifications</i> | Master of Business Administration, Member of AICD |
| <i>Skills and Experience</i> | <p>Mr White is a highly accomplished and experienced business leader with a track record of driving organisational performance and delivering superior outcomes in both corporate and board positions. He has substantial executive experience with global mining companies including FTSE-listed Anglo American and Glencore, with expertise in people strategy, business transformation and community stakeholder relations.</p> <p>Until March 2021, Mr White was the CEO of ASX-listed Brisbane Broncos, a position he held for a decade with an outstanding ability in developing ongoing, strategic relationships across a range of stakeholders to drive growth and expand partnerships.</p> <p>Prior to his role with the Broncos, Mr White gained considerable experience within the mining sector over an 8-year period in a variety of senior leadership and executive roles, both within site-based operations and corporate roles. He also spent 17 years in the Queensland Police Service finishing his career as the Officer in Charge of Mount Isa.</p> <p>Throughout his career, Mr White has been extensively involved in working with Aboriginal and Torres Strait Islander communities and in particular, Aboriginal and Torres Strait Islander youth programmes. In 2017, his work in this area was recognised in his nomination for Queensland's Australian of the Year Award. Mr White was appointed a director on 12 January 2022.</p> |
| <i>Other current Directorships</i> | None |
| <i>Former Directorships in last three years</i> | None |
| <i>Special Responsibilities</i> | Chair of Remuneration & Nomination Committee |
| <i>Interest in Shares and Options at the date of this report</i> | 1,081,808 Fully paid ordinary shares. 400,000 Quoted options exercisable at 5 cents each expiring 20 May 2023. |

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

| SIMON WANDKE | Non-Executive Director |
|--|--|
| <i>Qualifications</i> | Bachelor of Arts (Psychology), Bachelor of Marketing (Commerce), Graduate of Australia Institute of Company Directors (GAICD), Diploma in Corporate Finance |
| <i>Skills and Experience</i> | <p>Mr Wandke is a highly accomplished C-suite leader, with extensive global iron ore leadership, strategy, value chain and commercial experience in major resource organisations. Most recently, Mr Wandke was Executive Vice President and Chief Executive Officer of ArcelorMittal Mining, the world's leading steel company with the fifth largest iron ore business globally. During his tenure, Mr Wandke played a key role in helping to drive the mining division forward to the next stage of its development as one of the largest global producers of iron ore, coking coal and other minerals.</p> <p>Mr Wandke has over 40 years' experience in the mining and minerals industry, holding senior management, strategy and commercial positions internationally with a particular focus on the development of greenfield and brownfield projects, designing and implementing major change and effective commercial strategies, strategic marketing, risk management and ESG. Mr Wandke was appointed a director on 6 June 2022.</p> |
| <i>Other current Directorships</i> | None |
| <i>Former Directorships in last three years</i> | None |
| <i>Special Responsibilities</i> | None |
| <i>Interest in Shares and Options at the date of this report</i> | Nil |

CEO

Tim Dobson

Mr Dobson has more than 30 years' international experience leading and developing world-class operations, with a successful track record in transformational leadership through the application of sound strategy, technical capability and building high-performance teams. Most recently he was CEO of Heron Resources, which he joined in early 2020 as Covid-19 impacts forced mine closures and established a strategic process leading to the refinancing and resumption of mining operations. Prior to that, he worked for six years with Sherritt International Corporation where he was President of its US\$8bn Ambatovy nickel operations in Madagascar during its transition from early ramp-up to stable operations before assuming responsibility for the company's nickel and cobalt operations in Canada and Cuba. He has also held a series of executive leadership roles with Norilsk Nickel, Lihir Gold (PNG), Kimberley Rare Earths, Anova Metals and Polymetals, where Mr Dobson lead the development of the successful White Dam project in South Australia. Mr Dobson holds a BAppSc in Extractive Metallurgy from the WA School of Mines. Mr Dobson was appointed as CEO on 23 August 2022. Mr Dobson holds 800,000 fully paid ordinary shares in the Company.

Stephen Weir

Mr Weir was appointed Chief Development Officer on 1 July 2021 and was appointed Interim CEO for the period 15 May 2022 to 22 August 2022. On 23 August 2022, Mr Weir resumed his role as Chief Development Officer. Prior to this, Mr Weir was Managing Director at RFC Ambrian where he provided corporate finance advice over a twenty-year period to clients in the mining and energy sectors. His career spans construction management of high-speed bulk material handling equipment, minerals and coal processing (John Holland), project management of technology introduction, equipment and Industrial Services (Brambles) and Project Finance (Bankers Trust). Mr Weir holds 6,000,000 fully paid ordinary shares, 1,500,000 quoted options exercisable at 5 cents each expiring on 20 May 2023 and 13,400,000 unquoted options exercisable at 3.62 cents each expiring on 8 December 2024 in the Company.

COMPANY SECRETARY

Ian Kirkham – Chief Financial Officer & Company Secretary

Mr Kirkham has over 20 years of experience in project evaluation and construction, equity and debt markets, statutory reporting, treasury, taxation and corporate governance. Before becoming the Chief Financial Officer at Magnetite Mines Limited, he was CFO and Company Secretary for Eastern Star Gas Limited, subject to a A\$924 million takeover by Santos Limited. Previous executive experience includes similar posts for ASX listed companies including Warrego Energy Limited, Hillgrove Resources Limited, Allstate Explorations N.L. and Otter Gold Mines Limited. In all these roles he worked closely with CEOs, Boards, Audit and Risk Committees etc. to evaluate, finance and construct resource projects. Ian's early career involved audit positions with Coopers & Lybrand in Sydney and Toronto. He holds a Bachelor's Degree in Economics and is a member of the Institute of Chartered Accountants Australia and New Zealand and AICD. Mr Kirkham was appointed as Chief Financial Officer on 30 May 2022 and appointed as Company Secretary on 20 July 2022. Mr Kirkham holds 1,000,000 fully paid ordinary shares and 6,767,975 unquoted options exercisable at 3.9 cents each expiring on 27 June 2025 in the Company.

John Rodriguez – Company Secretary from 3 December 2021 to 20 July 2022.

Frank DeMarte – Chief Financial Officer & Company Secretary from 1 July 2021 to 3 December 2021.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

SHARES UNDER OPTION

As at the date of this report, there were 515,660,379 unissued ordinary shares of the Company under option as follows:

| Date options issued | Expiry date | Exercise price of options (\$) | Number of options |
|---------------------|-------------|--------------------------------|-------------------|
| Unquoted options | | | |
| 1 Dec 2017 | 30 Nov 2022 | 0.0451 | 10,000,000 |
| 12 Aug 2020 | 11 Aug 2023 | 0.0119 | 7,000,000 |
| 2 Dec 2019 | 1 Dec 2024 | 0.0114 | 15,000,000 |
| 16 Dec 2020 | 15 Dec 2025 | 0.0183 | 30,000,000 |
| 18 Mar 2021 | 17 Mar 2024 | 0.0453 | 4,000,000 |
| 9 Dec 2021 | 8 Dec 2024 | 0.0362 | 52,600,000 |
| 14 Dec 2021 | 13 Dec 2024 | 0.0352 | 27,000,000 |
| 29 Jun 2022 | 27 Jun 2025 | 0.039 | 6,767,975 |
| Quoted options | | | |
| 20 May 2022 | 20 May 2023 | 0.05 | 363,292,404 |

During the financial year:

- (1) 1,089,318 quoted options with an exercise price of 5 cents each with an expiry date of 29 October 2021 were exercised.
- (2) 294,915,342 quoted options with an exercise price of 5 cents each expired on 29 October 2021.
- (3) 66,639 quoted options with an exercise price of 5 cents each with an expiry date of 20 May 2023 were exercised.
- (4) 6,500,000 unquoted employee options with an exercise price of 1.5 cents each with an expiry date of 18 March 2022 were exercised.
- (5) 5,000,000 unquoted director options with an exercise price of 2 cents each with an expiry date of 30 November 2021 were exercised.
- (6) 5,000,000 unquoted director options with an exercise price of 1.5 cents each with an expiry date of 1 December 2024 were exercised.
- (7) 5,000,000 unquoted director options with an exercise price of 2 cents each expired on 30 November 2021.
- (8) 5,000,000 unquoted consultant options with an exercise price of 10 cents each expired on 5 December 2021.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other entity.

Post 30 June 2022, 7,500,000 unquoted employee options with an exercise price of 4 cents each expired on 5 July 2022.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and has practices in place to ensure they meet the interests of shareholders.

Magnetite Mines Limited Corporate Governance Statement, which summarises the Company's corporate governance practices and incorporates the disclosures required by the ASX Principles can be viewed on the Company's website at www.magnetitemines.com/corporate.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED)

This Remuneration Report details the nature and amount of remuneration for each of the Company's directors and other senior management personnel.

(a) Details of Key Management Personnel

The following persons were key management personnel of Magnetite Mines Limited during the financial year:

Directors

| | |
|-----------------|---|
| Mark Eames | Chair (Technical Director from 1 May 2021 to 14 May 2022 and was appointed as Chair on 15 May 2022) |
| Peter Schubert | Non-Executive Director (Resigned as Chair and Interim CEO and appointed as Non-Executive Director on 15 May 2022) |
| Malcolm Randall | Non-Executive Director |
| Paul White | Non-Executive Director (Appointed on 12 January 2022) |
| Jim McKerlie | Non-Executive Director (Appointed on 12 January 2022) |
| Simon Wandke | Non-Executive Director (Appointed on 6 June 2022) |

Other Key Management Personnel

| | |
|----------------|---|
| Tim Dobson | Chief Executive Officer (Appointed on 23 August 2022) |
| Stephen Weir | Chief Development Officer (Appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. He resumed his role as CDO on 23 August 2022) |
| Ian Kirkham | Chief Financial Officer (Appointed on 30 May 2022) & Company Secretary (Appointed on 20 July 2022) |
| John Rodriguez | Acting Company Secretary (From 3 December 2021 to 20 July 2022) |
| Frank DeMarte | Chief Financial Officer & Company Secretary (Resigned on 3 December 2021) |

(b) Compensation of Key Management Personnel

Remuneration Policy

The Company's remuneration policy for executive directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration, which is market related. Overall, the remuneration policy is subject to the discretion of the Board and can be altered to reflect the competitive market and business conditions, where it is in the best interest of the Company and the shareholders to do so.

The Board's reward policy reflects its obligations to align executives' remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Directors' and executives' remuneration is reviewed by the board of directors, having regard to various goals set. This remuneration and other terms of employment are commensurate with those offered within the exploration and mining industry.

Non-executive directors' remuneration is in the form of directors' fees and are approved by shareholders as to the maximum aggregate remuneration. The Board recommends the actual payment to non-executive directors. The Board's reward policy for non-executive directors reflects its obligation to align remuneration with shareholders' interests and to retain appropriately qualified talent for the benefit of the Group.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(b) Compensation of Key Management Personnel (continued)

Remuneration packages are set at levels that are intended to attract and retain directors and executives capable of managing the Group's operations.

(A) Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(B) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive directors and executive compensation is separate and distinct.

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the annual general meeting held on 26 November 2009 when shareholders approved an aggregate compensation of \$400,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. An additional fee may also be paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub-committees.

Following an annual review of the remuneration for non-executives, and subject to shareholders approving an increase in aggregate non-executive director compensation, effective from 1 July 2022, non-executive director's fees were increased from \$75,000 per annum to \$90,000 per annum exclusive of any superannuation. In addition, a Board Committee member receives an additional \$5,000 per committee and a Board Committee Chair receives an additional \$10,000 per committee. An overseas director may receive an additional \$10,000 as an overseas allowance. All allowances and committee payments are subject to a maximum of \$10,000 for any individual.

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit. The compensation of non-executive directors for the year ended 30 June 2022 is detailed as per the disclosures on page 27.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(C) Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity to:

- reward executives for company, business unit and individual performance against targets set by the remuneration committee to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

(D) Fixed Compensation

Objective

Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating an undue cost for the Company.

Since a review of the remuneration of executives during the year the following changes have occurred:

- Mr Schubert's resigned as Chair and Interim CEO and was appointed Non-Executive Director effective 15 May 2022 and his remuneration changed from \$275,000 per annum exclusive of any superannuation to \$75,000 per annum exclusive of any superannuation effective from 20 July 2022.
- Mr Eames, the Technical Director, was appointed Chair on 15 May 2022 and his remuneration changed from \$240,000 per annum exclusive of any superannuation to \$150,000 per annum exclusive of any superannuation effective from 20 July 2022.
- Mr Weir, the Chief Development Officer, was appointed Interim CEO effective from 15 May 2022 and his remuneration was increased from \$255,000 per annum exclusive of any superannuation to \$275,000 exclusive of any superannuation to reflect his modified role and responsibilities. Mr Weir resumed his role as Chief Development Officer on 23 August 2022 and his remuneration was adjusted to \$255,000 per annum exclusive of any superannuation effective 1 September 2022.

Please refer to Employment Agreements for Key Management Personnel table on page 29 for further details on employment agreements.

(E) Other Compensation

Notwithstanding Guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive directors should not receive options, the directors consider that the grant of the options is designed to encourage the directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the granting of options is an incentive to each of the directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the directors.

REMUNERATION REPORT (AUDITED) (continued)

(b) Compensation of Key Management Personnel (continued)

Details of the remuneration of each director of Magnetite Mines Limited and other key management personnel, including their personally related entities are set out below:
Remuneration of key management personnel for the year ended 30 June 2022

| Names | Short-Term | | Other | Post Employment Superannuation | Other Long Term Service Leave | Share Based Payment | | Total \$ | % Remuneration Consisting of Options for the Year |
|-------------------------------|-------------------------|-----------------------|---------------|--------------------------------|-------------------------------|---------------------|----------------|------------------|---|
| | Salary & Directors Fees | Annual Leave Movement | | | | Equity Options | Equity Options | | |
| Directors | | | | | | | | | |
| Mark Eames ⁽¹⁾ | 240,000 | 36,582 | - | 24,000 | - | 181,128 | - | 481,710 | 38% |
| Peter Schubert ⁽²⁾ | 275,000 | 6,839 | - | 27,500 | - | 144,902 | - | 454,241 | 32% |
| Malcolm Randall | 75,000 | - | - | 7,500 | - | - | - | 82,500 | - |
| Jim McKerlie ⁽³⁾ | 35,288 | - | - | 3,529 | - | - | - | 38,817 | - |
| Paul White ⁽⁴⁾ | 35,288 | - | - | 3,529 | - | - | - | 38,817 | - |
| Simon Wandke ⁽⁵⁾ | 6,029 | - | - | - | - | - | - | 6,029 | - |
| Executives | | | | | | | | | |
| Stephen Weir ⁽⁶⁾ | 257,590 | (1,127) | - | 25,759 | - | 160,138 | - | 442,360 | 36% |
| Ian Kirkham ⁽⁷⁾ | 18,910 | 1,672 | - | 1,891 | - | 87,500 | - | 109,973 | 80% |
| John Rodriguez ⁽⁸⁾ | 44,806 | - | - | - | - | - | - | 44,806 | - |
| Frank DeMarte ⁽⁹⁾ | 91,500 | 13,756 | 40,000 | 9,150 | - | 63,338 | - | 217,744 | 29% |
| Total | 1,079,411 | 57,722 | 40,000 | 102,858 | - | 637,006 | - | 1,916,997 | 33% |

(1) M Eames was appointed as Chair on 15 May 2022. Prior to that Mr Eames was appointed as Technical Director on a part-time basis for the period 1 May 2021 to 15 May 2022. Per the executive employment agreement, Mr Eames was paid his notice period until 19 July 2022, and effective 20 July 2022 his base fee was \$150,000.

(2) P Schubert resigned as Chair and Interim CEO and was appointed as Non-Executive Director on 15 May 2022. Per the executive employment agreement, Mr Schubert was paid his notice period until 19 July 2022 and effective 20 July 2022, his base fee was \$90,000.

(3) J McKerlie was appointed as Non-Executive Director on 12 January 2022

(4) P White was appointed as Non-Executive Director on 12 January 2022

(5) S Wandke was appointed as Non-Executive Director on 6 June 2022

(6) S Weir was appointed as Chief Development Officer on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

(7) I Kirkham was appointed as Chief Financial Officer on 30 May 2022 and was appointed as Company Secretary on 20 July 2022. Within six weeks of commencement, the executive was granted an option incentive of 35% of the Executive's base salary (\$87,500).

Directors' Report
FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(b) Compensation of Key Management Personnel (continued)

- (8) J Rodriguez was appointed as acting Company Secretary through Company Matters from 3 December 2021 to 20 July 2022.
 (9) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021. \$40,000 under other payment relates to ex-gratia termination payment. A further payment of \$67,200 was made to Mr DeMarte post his resignation which is not included above.

Remuneration of key management personnel for the year ended 30 June 2021

| Names | Short-Term | | | Post Employment | Other Long Term Long Service Leave | Share Based Payment Equity Options | Total \$ | % Remuneration Consisting of Options for the Year |
|--------------------------------|-------------------------|-----------------------|----------------|-----------------|------------------------------------|------------------------------------|------------------|---|
| | Salary & Directors Fees | Annual Leave Movement | Other | | | | | |
| Executive Directors | | | | | | | | |
| Peter Schubert ⁽¹⁾ | 218,750 | 76,649 | - | 20,781 | - | 128,549 | 444,729 | 29% |
| Mark Eames ⁽²⁾ | 81,667 | - | 174,125 | 7,758 | - | 64,274 | 327,824 | 20% |
| Frank DeMarte ⁽³⁾ | 126,667 | 10,638 | 36,000 | 15,633 | - | - | 188,938 | - |
| Non-Executive Directors | | | | | | | | |
| Malcolm Randall | 53,374 | - | - | 5,070 | - | - | 58,444 | - |
| Total | 480,458 | 87,287 | 210,125 | 49,242 | - | 192,823 | 1,019,935 | 19% |

- (1) P Schubert was appointed as interim Chief Executive Officer effective from 1 January 2021.
 (2) M R Eames was appointed as a Technical Director on a part-time basis effective from 1 May 2021. Other fees of \$174,125 shown above relate to consultancy fees paid to Mr Eames in relation to the Razorback project for the period 1 July 2020 to 30 April 2021.
 (3) F DeMarte resigned as a director on 31 July 2020 and remained as a Chief Financial Officer & Company Secretary. Within seven days from the employment agreement's signing, the executive was entitled to a \$36,000 sign-on bonus payment plus superannuation.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(c) Employment Agreements for Key Management Personnel

Remuneration and other terms of employment for the key management personnel are formalised in service agreements. There were no employment agreements for key management personnel other than the following:

| Name | Base salary | Terms of Engagement | Notice Period |
|---|-------------|--|---------------|
| Tim Dobson From 23 August 2022 | \$500,000 | No fixed term. Short-Term Incentive: A target of 50% of base salary granted in share rights adjusted by the Board depending on performance against key performance indicators. Long-Term Incentive: A target of 50% of base salary provided in share options subject to vesting conditions, including Board review and signoff. Sign-on arrangements: Share rights with a nominal value of A\$100,000 vesting in July 2023 and A\$100,000 vesting in July 2024. | 6 months |
| Stephen Weir ⁽¹⁾ | \$275,000 | No fixed term. Short-Term Incentive: 80% of the base salary to be granted in short-term incentive options, at a 60% premium to the 14-day VWAP, depending on Board assessment of performance at the end of the period. Incentive options will vest on grant. | 3 months |
| Ian Kirkham ⁽²⁾ | \$250,000 | No fixed term. Short-Term Incentive: 60% of the base salary to be granted in short-term incentive options, at a 60% premium to the 14-day VWAP, depending on Board assessment of performance at the end of the period. Incentive options will vest on grant. | 3 months |
| Mark Eames ⁽³⁾ – Until 19 July 2022 | \$240,000 | No fixed term | 3 months |
| Peter Schubert ⁽⁴⁾ - Until 19 July 2022 | \$275,000 | No fixed term | 3 months |
| Frank DeMarte ⁽⁵⁾ | \$130,000 | No fixed term | 4 months |

Common key management employment terms:

- Remuneration is reviewed annually.
- No fixed term.
- Statutory superannuation is added to the base salary.
- Incentive options are subject to the Company's Clawback policy.

- (1) Stephen Weir was appointed as CDO on 1 July 2021 and was paid a base salary of \$255,000 per annum. He was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022 and his base salary was increased to \$275,000 per annum to reflect his modified role and responsibilities. Mr Weir resumed his role as CDO on 23 August 2022 and his base salary was adjusted to \$255,000 per annum exclusive of any superannuation effective 1 September 2022.
- (2) Ian Kirkham was appointed Chief Financial Officer on 30 May 2022 and Company Secretary on 20 July 2022.
- (3) Mark Eames was appointed as Chair on 15 May 2022. Prior to that, he was appointed as Technical Director on a part-time basis for the period 1 May 2021 to 15 May 2022. Per the executive employment agreement, Mr Eames was paid his notice period until 19 July 2022 and effective 20 July 2022 his base fee was \$150,000.
- (4) Peter Schubert resigned as Chair and Interim CEO and was appointed as Non-Executive Director on 15 May 2022. Per the executive employment agreement, Mr Schubert was paid his notice period until 19 July 2022 and effective 20 July 2022 his base fee was \$90,000.
- (5) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(d) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

The number of shares held in Magnetite Mines Limited during the financial year.

| 30 June 2022 | Balance 1 July 2021 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2022 |
|-------------------------------|------------------------|----------------------------|---------------------------|---------------------|-------------------------|
| Directors | | | | | |
| Mark Eames ⁽¹⁾ | 40,098,262 | - | - | 9,219,652 | 49,317,914 |
| Peter Schubert ⁽²⁾ | 105,786,693 | - | 5,000,000 | 2,969,825 | 113,756,518 |
| Malcolm Randall | 17,003,000 | - | - | 797,000 | 17,800,000 |
| Jim McKerlie ⁽³⁾ | - | - | - | 3,800,000 | 3,800,000 |
| Paul White ⁽⁴⁾ | - | - | - | 1,081,808 | 1,081,808 |
| Simon Wandke ⁽⁵⁾ | - | - | - | - | - |
| Executives | | | | | |
| Stephen Weir ⁽⁶⁾ | - | - | - | 6,000,000 | 6,000,000 |
| Ian Kirkham ⁽⁷⁾ | - | - | - | - | - |
| John Rodriguez ⁽⁸⁾ | - | - | - | - | - |
| Frank DeMarte ⁽⁹⁾ | 16,531,637 | - | - | (16,531,637) | - |
| Total | 179,419,592 | - | 5,000,000 | 7,336,648 | 191,756,240 |

- (1) M Eames was appointed as Chair on 15 May 2022. Prior to that, he was appointed as a Technical director on a part-time basis for the period 1 May 2021 to 15 May 2022.
- (2) P Schubert resigned as Chair and Interim CEO and was appointed as Non-Executive Director on 15 May 2022.
- (3) J McKerlie was appointed as Non-Executive Director on 12 January 2022.
- (4) P White was appointed as Non-Executive Director on 12 January 2022.
- (5) S Wandke was appointed as Non-Executive Director on 6 June 2022.
- (6) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.
- (7) I Kirkham was appointed Chief Financial Officer on 30 May 2022 and was appointed as Company Secretary on 20 July 2022.
- (8) J Rodriguez was appointed as acting Company Secretary through Company Matters from 3 December 2021 to 20 July 2022.
- (9) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021. Mr DeMarte exercised 5,000,000 unquoted options post his resignation.

The number of shares held in Magnetite Mines Limited for the year ended 30 June 2021.

| 30 June 2021 | Balance 1 July 2020 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2021 |
|------------------------------|------------------------|----------------------------|---------------------------|---------------------|-------------------------|
| Peter Schubert | 85,488,911 | - | 5,297,782 | 15,000,000 | 105,786,693 |
| Frank DeMarte ⁽¹⁾ | 21,409,305 | - | 953,000 | (5,830,668) | 16,531,637 |
| Malcolm Randall | 14,470,452 | - | 503,096 | 2,029,452 | 17,003,000 |
| Mark Eames ⁽²⁾ | 32,078,609 | - | - | 8,019,653 | 40,098,262 |
| Total | 153,447,277 | - | 6,753,878 | 19,218,437 | 179,419,592 |

- (1) F DeMarte resigned as a director on 31 July 2020.
- (2) M R Eames was appointed as Technical Director on a part-time basis effective from 1 May 2021.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

REMUNERATION REPORT (AUDITED) (continued)

(e) Share Based Compensation Options

During the financial year 52,467,975 unquoted options were granted as equity compensation benefits to key management personnel. No options have been granted since the end of the year to key management personnel. For further details relating to options, refer to note 21.

Compensation Options: Granted and vested during the year ended 30 June 2022.

| 30 June 2022 | Terms and Conditions for each Grant | | | | | | | | |
|-------------------------------|-------------------------------------|-------------------|--------------------------------|------------|--|--|---------------------------|---------------------|--------------------|
| | Key Management Personnel | Number Vested | Number Granted As Remuneration | Grant Date | Fair Value per option at Grant Date (\$) (Note 21) | Exercise Price per option (\$) (Note 21) | Expiry Date | First Exercise Date | Last Exercise Date |
| Directors | | | | | | | | | |
| Mark Eames | - | 15,000,000 | 29/11/2021 | \$0.012 | \$0.0352 ⁽⁶⁾ | 13/12/2024 | 14/12/2021 ⁽¹⁾ | 13/12/2024 | |
| Peter Schubert | - | 12,000,000 | 29/11/2021 | \$0.012 | \$0.0352 ⁽⁶⁾ | 13/12/2024 | 14/12/2021 ⁽¹⁾ | 13/12/2024 | |
| Malcolm Randall | - | - | - | - | - | - | - | - | |
| Jim McKerlie | - | - | - | - | - | - | - | - | |
| Paul White | - | - | - | - | - | - | - | - | |
| Simon Wandke | - | - | - | - | - | - | - | - | |
| Executives | | | | | | | | | |
| Stephen Weir ⁽²⁾ | - | 13,400,000 | 9/12/2021 | \$0.012 | \$0.0362 ⁽⁶⁾ | 8/12/2024 | 8/12/2021 | 8/12/2024 | |
| Ian Kirkham ⁽³⁾ | - | 6,767,975 | 27/06/2022 | \$0.013 | \$0.0390 | 27/06/2025 | 29/06/2022 | 27/06/2025 | |
| John Rodriguez ⁽⁴⁾ | - | - | - | - | - | - | - | - | |
| Frank DeMarte ⁽⁵⁾ | - | 5,300,000 | 9/12/2021 | \$0.012 | \$0.0362 ⁽⁶⁾ | 8/12/2024 | 8/12/2021 | 8/12/2024 | |
| Total | - | 52,467,975 | | | | | | | |

(1) Although director's options were granted on 29/11/2021, they were not issued till 14/12/2021.

(2) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

(3) I Kirkham was appointed Chief Financial Officer on 30 May 2022 and Company Secretary on 20 July 2022. Within six weeks of commencement, the executive was granted an option incentive of 35% of the Executive's base salary (\$87,500)

(4) J Rodriguez was appointed as acting Company Secretary through Company Matters from 3 December 2021 to 20 July 2022.

(5) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021.

(6) The exercise price has been amended in accordance with Option Incentive Plan and Listing Rule 6.22.2 due to pro-rata issue.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(e) Share Based Compensation Options

Compensation Options: Granted and vested during the year ended 30 June 2021.

| 30 June 2021 | Terms and Conditions for each Grant | | | | | | | |
|------------------------------|-------------------------------------|-------------------|--------------------------------|------------|---|---|---------------------------|---------------------|
| | Key Management Personnel | Number Vested | Number Granted As Remuneration | Grant Date | Fair Value per option at Grant Date (\$) (Note 21) | Exercise Price per option (\$) (Note 21) | Expiry Date | First Exercise Date |
| Peter Schubert | - | 20,000,000 | 27/11/2020 | \$0.0064 | \$0.02 | 15/12/2025 | 16/12/2020 ⁽²⁾ | 15/12/2025 |
| Frank DeMarte ⁽¹⁾ | - | - | - | - | - | - | - | - |
| Malcolm Randall | - | - | - | - | - | - | - | - |
| Mark Eames | - | 10,000,000 | 27/11/2020 | \$0.0064 | \$0.02 | 15/12/2025 | 16/12/2020 ⁽²⁾ | 15/12/2025 |
| Total | - | 30,000,000 | | | | | | |

(1) F DeMarte resigned as a director on 31 July 2020.

(2) Although these options were granted on 27/11/2020, they were not issued till 16/12/2020.

(f) Shares Issued on exercise of compensation options

On 30 November 2021, Mr Schubert exercised 5 million unquoted director options exercisable at 2 cents each.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(g) Options granted as part of remuneration

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 June 2022.

| 30 June 2022 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options granted for the year |
|-------------------------------|--|--|---|---|
| Directors | | | | |
| Mark Eames | 181,128 | - | - | 38% |
| Peter Schubert | 144,902 | 29,000 | - | 32% |
| Malcolm Randall | - | - | - | - |
| Jim Mckerlie | - | - | - | - |
| Paul White | - | - | - | - |
| Simon Wandke | - | - | - | - |
| Executives | | | | |
| Stephen Weir ⁽¹⁾ | 160,138 | - | - | 36% |
| Ian Kirkham ⁽²⁾ | 87,500 | - | - | 80% |
| John Rodriguez ⁽³⁾ | - | - | - | - |
| Frank DeMarte ⁽⁴⁾ | 63,338 | - | - | 29% |
| Total | 637,006 | 29,000 | - | 33% |

(1) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

(2) I Kirkham was appointed Chief Financial Officer on 30 May 2022 and Company Secretary on 20 July 2022. Within six weeks of commencement, the executive was granted an option incentive of 35% of the Executive's base salary (\$87,500).

(3) J Rodriguez was appointed as acting Company Secretary through Company Matters from 3 December 2021 to 20 July 2022.

(4) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021. Mr DeMarte exercised 5,000,000 unquoted options post his resignation which were valued at \$94,000.

There were no alterations to the terms and conditions of options granted as remuneration since their grant. The value of the options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange at the close of trading on the date the options were exercised after deducting the price paid to exercise the options. Options issued to employees vest on the basis that continued employment with the Company is achieved. All employees leaving while options are vesting will forfeit their options. Director options vest on the date of issue. For details on the valuation of the options, including models and assumptions used, please refer to Note 21. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(g) Options granted as part of remuneration (continued)

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 June 2021.

| 30 June 2021 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options granted for the year |
|------------------------------|--|--|---|---|
| Peter Schubert | 128,549 | 100,658 | - | 29% |
| Frank DeMarte ⁽¹⁾ | - | 18,107 | - | - |
| Malcolm Randall | - | 9,559 | - | - |
| Mark Eames | 64,274 | - | - | 20% |
| Total | 192,823 | 128,324 | - | 19% |

(1) F DeMarte resigned as a director on 31 July 2020.

(h) Equity instruments

Analysis of quoted options held by key management personnel of the Group which were issued as part of the recent Rights Issue are detailed below:

| | Number of options Issued | Exercise Price of options \$ | Expiry date |
|-----------------------------|--------------------------|------------------------------|-------------|
| Directors | | | |
| Mark Eames | 4,609,826 | \$0.05 | 20/05/2023 |
| Peter Schubert | 1,000,000 | \$0.05 | 20/05/2023 |
| Malcolm Randall | 400,000 | \$0.05 | 20/05/2023 |
| Jim McKerlie | 650,000 | \$0.05 | 20/05/2023 |
| Paul White | 400,000 | \$0.05 | 20/05/2023 |
| Executives | | | |
| Stephen Weir ⁽¹⁾ | 1,500,000 | \$0.05 | 20/05/2023 |

(1) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(h) Equity instruments (continued)

Analysis of unquoted options and rights over equity instruments granted as compensation. Details of vesting profiles of the options granted as remuneration to each key management personnel of the Group are detailed below:

| | Number of options granted | Grant Date of options | Exercise Price of options \$ | Fair Value of Options on Grant Date \$ | Expiry date |
|------------------------------|---------------------------|-----------------------|------------------------------|--|-------------|
| Directors | | | | | |
| Peter Schubert | 10,000,000 | 1/12/2017 | \$0.0451 ⁽⁴⁾ | \$210,000 | 30/11/2022 |
| | 20,000,000 | 27/11/2020 | \$0.0183 ⁽⁴⁾ | \$128,549 | 15/12/2025 |
| | 12,000,000 | 29/11/2021 | \$0.0352 ⁽⁴⁾ | \$144,902 | 13/12/2024 |
| Mark Eames | 10,000,000 | 27/11/2020 | \$0.0183 ⁽⁴⁾ | \$64,274 | 15/12/2025 |
| | 15,000,000 | 29/11/2021 | \$0.0352 ⁽⁴⁾ | \$181,128 | 13/12/2024 |
| Malcolm Randall | 10,000,000 | 2/12/2019 | \$0.0114 ⁽⁴⁾ | \$29,994 | 01/12/2024 |
| Jim McKerlie | - | - | - | - | - |
| Paul White | - | - | - | - | - |
| Simon Wandke | - | - | - | - | - |
| Executives | | | | | |
| Stephen Weir ⁽¹⁾ | 13,400,000 | 9/12/2021 | \$0.0362 ⁽⁴⁾ | \$160,138 | 08/12/2024 |
| Ian Kirkham ⁽²⁾ | 6,767,975 | 28/06/2022 | \$0.039 | \$87,500 | 27/06/2025 |
| Frank DeMarte ⁽³⁾ | 10,000,000 | 2/12/2019 | \$0.0114 ⁽⁴⁾ | \$29,994 | 01/12/2024 |
| | 5,300,000 | 9/12/2021 | \$0.0362 ⁽⁴⁾ | \$63,338 | 08/12/2024 |

(1) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

(2) I Kirkham was appointed Chief Financial Officer on 30 May 2022 and Company Secretary on 20 July 2022. Within six weeks of commencement, the executive was granted an option incentive of 35% of the Executive's base salary (\$87,500).

(3) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021. Mr DeMarte exercised 5,000,000 unquoted options with an expiry date of 1 December 2024, post his resignation.

(4) The exercise price has been amended in accordance with Option Incentive Plan and Listing Rule 6.22.2 due to pro-rata issue.

(i) Clawback Policy

The Company's Option Incentive Plan includes provisions that if the Board becomes aware of a material misstatement in the Company's financial statements or some other event has occurred which, as a result, means that the vesting conditions in respect of certain vested options were not, or should not have been determined to have been, satisfied, then the holder will cease to be entitled to those vested options (Affected Options) and the Board may take various actions, including: cancelling the relevant Affected Options for no consideration; requiring that the holder pay to the Company the after tax value of the Affected Options which have been converted into Shares or adjusting fixed remuneration, incentives or participation in the option incentive plan of a relevant holder in the current year or any future year to take account of the after tax value of the Affected Options.

(j) Loans to key management personnel

No loans were made to key management personnel during the year ended 30 June 2022.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

REMUNERATION REPORT (AUDITED) (continued)

(k) Other transactions with key management personnel and their related parties

There were no transactions during the year ended 30 June 2022.

(l) Quoted and Unquoted option holdings of Key Management Personnel (Consolidated and Parent Entity)

The number of options over ordinary shares held in Magnetite Mines Limited during the financial year.

| 30 June 2022 | Balance at the beginning of period 1 July 2022 | Granted as Remuneration | Options Exercised | Options Expired | Net Change Other | Balance at end of period 30 June 2022 | Vested at 30 June 2022 | |
|------------------------------|--|-------------------------|--------------------|---------------------|--------------------|---------------------------------------|------------------------|-------------|
| | | | | | | | Total | Exercisable |
| Peter Schubert | 47,500,000 | 12,000,000 | (5,000,000) | (12,500,000) | 1,000,000 | 43,000,000 | 43,000,000 | - |
| Frank DeMarte ⁽¹⁾ | 12,662,035 | 5,300,000 | - | (2,662,035) | (15,300,000) | - | - | - |
| Malcolm Randall | 11,014,774 | - | - | (1,014,774) | 400,000 | 10,400,000 | 10,400,000 | - |
| Mark Eames | 14,009,827 | 15,000,000 | - | (4,009,827) | 4,609,826 | 29,609,826 | 29,609,826 | - |
| Jim McKerlie | - | - | - | - | 650,000 | 650,000 | 650,000 | - |
| Paul White | - | - | - | - | 400,000 | 400,000 | 400,000 | - |
| Simon Wandke | - | - | - | - | - | - | - | - |
| Stephen Weir ⁽²⁾ | - | 13,400,000 | - | - | 1,500,000 | 14,900,000 | 14,900,000 | - |
| Ian Kirkham ⁽³⁾ | - | 6,767,975 | - | - | - | 6,767,975 | 6,767,975 | - |
| Total | 85,186,636 | 52,467,975 | (5,000,000) | (20,186,636) | (6,740,174) | 105,727,801 | 105,727,801 | - |

(1) F DeMarte resigned as Chief Financial Officer & Company Secretary on 3 December 2021. Mr DeMarte exercised 5,000,000 unquoted options with an expiry date of 1 December 2024 post his resignation.

(2) S Weir was appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. Mr Weir resumed his role as CDO on 23 August 2022.

(3) I Kirkham was appointed Chief Financial Officer on 30 May 2022 and Company Secretary on 20 July 2022. Within six weeks of commencement, the executive was granted an option incentive of 35% of the Executive's base salary (\$87,500).

| 30 June 2021 | Balance at beginning of period 1 July 2020 | Granted as Remuneration | Options Exercised | Options Expired | Net Change Other | Balance at end of period 30 June 2021 | Vested at 30 June 2021 | |
|-------------------|--|-------------------------|--------------------|---------------------|-------------------|---------------------------------------|------------------------|-------------|
| | | | | | | | Total | Exercisable |
| Peter Schubert | 25,297,782 | 20,000,000 | (5,297,782) | - | 7,500,000 | 47,500,000 | 47,500,000 | - |
| Frank DeMarte (1) | 15,953,000 | - | (953,000) | (5,000,000) | 2,662,035 | 12,662,035 | 12,662,035 | - |
| Malcolm Randall | 15,503,096 | - | (503,096) | (5,000,000) | 1,014,774 | 11,014,774 | 11,014,774 | - |
| Mark Eames | - | 10,000,000 | - | - | 4,009,827 | 14,009,827 | 14,009,827 | - |
| Total | 56,753,878 | 30,000,000 | (6,753,878) | (10,000,000) | 15,186,636 | 85,186,636 | 85,186,636 | - |

(1) F DeMarte resigned as a director on 31 July 2020.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

DIRECTORS' MEETINGS

The following table sets out the number of meetings of directors held during the year and the number of meetings attended by each director:

| Name | Board of Directors' Meetings | | Audit & Risk Committee Meetings | | Nomination & Remuneration Committee Meetings | |
|-----------------|------------------------------|---------------------------|---------------------------------|---------------------------|--|---------------------------|
| | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend |
| Mark Eames | 9 | 11 | 2 | 2 | 4 | 4 |
| Peter Schubert | 11 | 11 | - | - | - | - |
| Malcolm Randall | 11 | 11 | 1 | 2 | - | - |
| Jim McKerie | 7 | 7 | 1 | 1 | 4 | 4 |
| Paul White | 7 | 7 | - | - | 4 | 4 |
| Simon Wandke | 1 | 1 | - | - | - | - |

- (1) M Eames was appointed as Chair on 15 May 2022. Prior to that Mr Eames was appointed as Technical Director on a part-time basis for the period 1 May 2021 to 15 May 2022.
- (2) P Schubert resigned as Chair and Interim CEO and was appointed as Non-Executive Director on 15 May 2022.

Committee Memberships

As at the date of this report, the Company had an Audit Committee, Remuneration Committee and a Nomination Committee.

| Audit & Risk | Nomination & Remuneration |
|----------------------------|---------------------------|
| Jim McKerie ^(C) | Paul White ^(C) |
| Malcolm Randall | Mark Eames |
| Mark Eames | Jim McKerie |

Note: ^(C) Designates the Chair of the Committee.

RESIGNATION, ELECTION AND CONTINUATION IN OFFICE

In accordance with the Company's Constitution, Mr Jim McKerie, Mr Paul White and Mr Simon Wandke will offer themselves for election at the Annual General Meeting.

PROCEEDINGS ON BEHALF OF THE COMPANY

During the year, no person applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Consolidated Entity is a party for the purposes of taking responsibility on behalf of the Company for all or any part of the proceedings.

DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into Deeds of Access, Indemnity and Insurance (Deed) with each of director and executive, including the Company Secretary

The Deed indemnifies each of its directors and executives (Officeholders) for the period that they hold and for seven years after they cease to be a director and officer of the Company (Access Period) to the maximum extent permitted by law for any loss, cost, expense or liability incurred by the Officeholder in connection with the Officeholder's position, including in respect to negligence, and all legal costs reasonably incurred in defending legal proceedings relating to the Officeholder's conduct. Any payment in respect of the indemnity is subject to shareholder approval.

The Company must insure the Officeholders for the Access Period against all liability, including legal costs, to which they are exposed in performing their role. The Company is not required to insure the Officeholders in respect of conduct involving a wilful breach of duty or a contravention of section 182 or 183 of the Corporations Act 2001, other than in respect of all legal costs associated with defending such claims (including in relation to criminal matters). The Directors of the Company are not aware of any such proceedings or claims brought against the Company as at the date of this report.

Directors' Report

FOR THE YEAR ENDING 30 JUNE 2022

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums to insure the directors and officers of the Company against liabilities for costs and expenses that may be incurred by the directors in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

NON-AUDIT SERVICES

During the year ended 30 June 2022, \$950 was paid to Stantons International for non-audit services for directors' option valuation. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 77.

It is signed in accordance with a resolution of the directors.



MARK EAMES
Chair

Dated in Sydney this 28 September 2022

Consolidated Statement of Profit or Loss & Other Comprehensive Income

FOR THE YEAR ENDING 30 JUNE 2022

| | Note | Consolidated | |
|--|-------|-----------------------|-----------------------|
| | | 2022 \$ | 2021 \$ |
| REVENUE FROM CONTINUING OPERATIONS | | | |
| Other income | 4(a) | 243,104 | 57,641 |
| EXPENDITURE | | | |
| Amortisation and depreciation | 4(c) | (106,752) | (9,185) |
| Administration expenses | | (367,750) | (170,633) |
| Employee benefits expense | | (1,434,752) | (779,590) |
| Exploration expenditure | 13 | (7,268) | (7,724) |
| Finance costs | | (1,874) | (1,068) |
| Interest expense | 4(d) | (107,500) | (99,804) |
| Profit/(loss) on sale of plant and office equipment | 4(b) | (998) | (3,297) |
| Other expenses | | (330,677) | (154,802) |
| Professional fees | | (505,058) | (241,552) |
| Share based payment expense | 18(d) | (1,042,133) | (322,819) |
| Loss from continuing operations before income tax expense | | (3,661,658) | (1,732,833) |
| Income tax (expense)/benefit | 5(a) | - | - |
| Net loss from continuing operations for the year | | (3,661,658) | (1,732,833) |
| Other comprehensive income | | | |
| Item that will not be reclassified to profit or loss | | - | - |
| Item that may be reclassified subsequently to profit or loss | | - | - |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive loss for the year | | (3,661,658) | (1,732,833) |
| Net Loss attributable to members of the parent entity | | (3,661,658) | (1,732,833) |
| Comprehensive loss attributable to members of the parent entity | | (3,661,658) | (1,732,833) |
| | | 2022 cents | 2021 cents |
| Loss per share attributable to ordinary equity holders: | | | |
| Basic loss (cents per share) | 7(a) | (0.114) | (0.063) |
| Diluted loss (cents per share) | 7(b) | (0.114) | (0.063) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDING 30 JUNE 2022

| CONSOLIDATED | Note | Contributed Equity \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|--|-------|-----------------------------|----------------|-----------------------------|-------------|
| Balance at 1 July 2021 | | 74,554,301 | 10,947,217 | (58,608,727) | 26,892,791 |
| Total comprehensive income for the year | | | | | |
| Profit/(Loss) for the year | | - | - | (3,661,658) | (3,661,658) |
| Total comprehensive income/(loss) for the year | | - | - | (3,661,658) | (3,661,658) |
| Transactions with owners recorded directly in equity: | | | | | |
| Shares issued during the year | 18(b) | 16,122,051 | - | - | 16,122,051 |
| Shares yet to be issued | 18(b) | - | - | - | - |
| Transaction costs | 18(b) | (1,124,906) | - | - | (1,124,906) |
| Cost of share based payments | 18(d) | - | 1,121,127 | - | 1,121,127 |
| | | 14,997,145 | 1,121,127 | - | 16,118,272 |
| Balance at 30 June 2022 | | 89,551,446 | 12,068,344 | (62,270,385) | 39,349,405 |

| CONSOLIDATED | Note | Contributed Equity \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|--|-------|-----------------------------|----------------|-----------------------------|-------------|
| Balance at 1 July 2020 | | 54,390,770 | 10,624,398 | (56,875,894) | 8,139,274 |
| Total comprehensive income for the year | | | | | |
| Profit/(Loss) for the year | | - | - | (1,732,833) | (1,732,833) |
| Total comprehensive income/(loss) for the year | | - | - | (1,732,833) | (1,732,833) |
| Transactions with owners recorded directly in equity: | | | | | |
| Shares issued during the year | 18(b) | 21,011,985 | - | - | 21,011,985 |
| Shares yet to be issued | 18(b) | 6,981 | - | - | 6,981 |
| Transaction costs | 18(b) | (855,435) | - | - | (855,435) |
| Cost of share based payments | 18(d) | - | 322,819 | - | 322,819 |
| | | 20,163,531 | 322,819 | - | 20,486,350 |
| Balance at 30 June 2021 | | 74,554,301 | 10,947,217 | (58,608,727) | 26,892,791 |

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDING 30 JUNE 2022

| Note | Consolidated | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payment to suppliers and employees | (2,361,054) | (1,082,769) |
| Interest received | 37,462 | 12,800 |
| Interest paid | (98,750) | (101,901) |
| Other income | 127,768 | 37,500 |
| Net cash outflow from operating activities | <u>(2,294,574)</u> | <u>(1,134,370)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for purchase of plant and office equipment | 12 (133,137) | (32,604) |
| Proceeds from sale of plant and office equipment | 4(b) 3,909 | 3,000 |
| Placement of security deposits | (80,000) | - |
| Exploration and evaluation expenditure | (9,833,292) | (3,142,506) |
| Net cash outflow from investing activities | <u>(10,042,520)</u> | <u>(3,172,110)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares and shares yet to be issued | 18(b) 16,122,051 | 21,018,966 |
| Share issue costs | (955,826) | (855,435) |
| Repayment of lease liabilities | (69,617) | - |
| Repayment of borrowings | - | (100,000) |
| Net cash inflow from financing activities | <u>15,096,608</u> | <u>20,063,531</u> |
| Net increase in cash and cash equivalents held | 2,759,514 | 15,757,051 |
| Cash and cash equivalents at the beginning of the financial year | 16,587,923 | 830,872 |
| Cash and cash equivalents at the end of the financial year | <u>19,347,437</u> | <u>16,587,923</u> |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

1. CORPORATE INFORMATION

The consolidated financial statements of Magnetite Mines Limited ("Company") comprise the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 28 September 2022. Magnetite Mines Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

Separate financial statements of Magnetite Mines Limited as an individual entity are no longer presented as the consequence of a change on the Corporations Act 2001, however required financial information for Magnetite Mines Limited as an individual entity is included in note 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Standards and Interpretations).

The financial report has also been prepared on a historical basis and the accruals basis modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The Group recorded a loss of \$3,661,658 (2021: loss \$1,732,833) for the year ended 30 June 2022. Total exploration expenditure written off for the year is \$7,268 (2021: \$7,724) and no provision for impairment was made. The Group had cash assets of \$19,347,437 at 30 June 2022 (2021: \$16,587,923). The net working capital surplus is \$15,755,137 (2021: Net working capital surplus \$15,926,882).

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern over the next 12 months and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated entity has prepared a cash flow forecast, which indicates that it will not have sufficient cash from operations to meet its ongoing planned expenditure. 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, or to fund the Group's ongoing planned expenditure. As such, these financial statements have been presented on a going concern basis.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Consolidated financial report also complies with International Financial Reporting Standards (IFRS).

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Magnetite Mines Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group.

The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and amended Accounting Standards adopted in the current year that are relevant to the Group include:

- **AASB 2021-3: Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021**

The Group has applied AASB 2021-3: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021 this reporting period.

The amendment amends AASB 16 to extend by one year, the application of the practical expedient added to AASB 16 by AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and instead, to account for those rent concessions as if they were not lease modifications. The amendment has not had a material impact on the Group's financial statements.

- **AASB 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2**

The Group has applied AASB 2020-8 which amends various standards to help listed entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements. As a result of these amendments, an entity:

- will not have to derecognise or adjust the carrying amount of financial statements for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The amendment has not had a material impact on the Group's financials.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

- **AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current. The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

- **AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments**

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments is an omnibus standard that amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141. The Group plans on adopting the amendment for the reporting period ending 30 June 2023. The impact of the initial application is not yet known.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

- **AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8). The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

- **AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendment amends the initial recognition exemption in AASB 112: Income Taxes such that it is not applicable to leases and decommissioning obligations – transactions for which companies recognise both an asset and liability and that give rise to equal taxable and deductible temporary differences. The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

Other Australian Accounting Standards and Interpretations on issue but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, using the assumptions detailed in note 21.

Mineral Exploration and Evaluation

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. A provision for impairment is based on the directors' best estimate of recoverable value.

Exploration and evaluation costs may be carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area of interest are continuing.

Subsidiary Intercompany Loans

Provisions for write off of intercompany loans are made where there is significant uncertainty as to whether the loans are recoverable.

Recovery of Deferred Tax assets

Judgment is required in determining whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Deferred tax assets will not be recognised until the Group is able to generate a net taxable income.

Estimates of future taxable income will be based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(e) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of outstanding bank overdrafts.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Group holds the trade receivables with the objective to collect contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and calculations of the loss allowance are provided in note 2(y).

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(h) Other taxes

Revenues, expenses and assets are recognised net of amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment losses.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment – over 4 to 10 years

Motor vehicles – over 4 years

Office equipment – over 3 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Plant and equipment (continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

(j) Intangibles

Intangible assets are made up of licences and software and are stated at cost less any accumulated amortisation and any impairment value.

The amortisation of all intangible assets are amortised on a straight line basis over two years of their useful lives to the Group commencing from the time that assets is held ready for use.

(k) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision was made.

Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they may not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

(q) Leases

Initial application of AASB 16 Leases

The first adoption of AASB 16 Leases had no impact on the disclosures or the amounts recognised in the Group's most recent annual financial statements since the Group did not have any operating leases which were more than 12 months as at 30 June 2021. On 14 November 2021, the Group entered into a 3 year lease agreement for a storage unit in Wingfield, South Australia. Therefore the Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 14 November 2021 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 14 November 2021. The right-of-use assets have been recognised in the statement of financial position as at 14 November 2021. The depreciation of the right-of-use asset has been determined based on the asset's useful life of the term of the lease which is 3 years.

The Group's incremental borrowing rate on 14 November 2021 applied to the lease liabilities was 4.69%.

The impact of the adoption of AASB 16 on the Consolidated Statement of Financial Position as at 30 June 2022, is an increase in assets (right-of-use asset) net of depreciation of \$236,306 and an increase in liabilities (lease liability) of \$237,624 (\$100,816 current & \$136,808 non-current). The impact on the net loss from continuing operations for the half year end is an increase in depreciation expense of \$62,185 and increase in interest expense of \$8,750 for the lease.

(r) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

For investments which are deemed financial instruments, please refer to note 2(y).

(t) Share-based payment transactions

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

(1) Cash settled transaction

The Group may provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see note 21). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(2) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place the Employee Option Share Plan, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer or internally using a Black-Scholes option pricing model, further details of which are given in note 21.

(u) Comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Foreign Currency Translation

Functional and present currency

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency of all subsidiaries is Australian dollars.

Transaction and balance

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical costs continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date. Income and expenses are translated at average exchange rates for the period. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

(w) Revenue recognition

The Group has applied AASB 15 Revenue from Contracts with Customers using the cumulative effective method. The Group does not have any revenue from contracts with customers.

Other Income

Royalty Income

During the current year the Group has received \$174,245 royalty payment as per the Royalty Agreement between Silverlake Resources Limited and the Company, dated June 2007 in relation to the Rothsay gold operation owned by Silver Lake.

Fuel Tax Credit

During the current year the Group has received \$21,199 fuel tax credit which was recognised under other revenue.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(x) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

The Group does not currently have any Joint Venture arrangements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortisation cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group measures debt instruments at fair value through Other Comprehensive Income (OCI) if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *AASB 132 Financial Instruments: Presentation* and are not held for trading.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Financial Instruments (continued)

Financial assets at fair value through profit and loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa;
or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

3. SEGMENT INFORMATION

The Group operates in the mineral exploration industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

| | Consolidated (Australia) | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Segment revenue | | |
| Other income | 195,444 | 37,500 |
| Finance revenue | 47,660 | 20,141 |
| Total revenue | <u>243,104</u> | <u>57,641</u> |
| Segment result | | |
| Segment result | (3,661,658) | (1,732,833) |
| Intersegment elimination | - | - |
| Gain/(Loss) before income tax | (3,661,658) | (1,732,833) |
| Income tax expense | - | - |
| Gain/(Loss) for the year | <u>(3,661,658)</u> | <u>(1,732,833)</u> |
| Segment assets and liabilities | | |
| Segment assets | 45,792,001 | 29,702,408 |
| Intersegment elimination | - | - |
| Total assets | <u>45,792,001</u> | <u>29,702,408</u> |
| Segment liabilities | 6,442,596 | 2,809,617 |
| Intersegment elimination | - | - |
| Total liabilities | <u>6,442,596</u> | <u>2,809,617</u> |
| Other segment information | | |
| Acquisition of property, plant and equipment and intangibles | 134,045 | 32,604 |
| Depreciation and amortisation | 106,752 | 9,185 |
| Non-recovery of loan to related party | - | - |
| Impairment expense on exploration assets | - | - |

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |

4. OTHER REVENUE AND EXPENSES

| | | |
|---|------------------|----------------|
| (a) Other income | | |
| Interest received | 47,660 | 20,141 |
| ATO COVID Cashflow Boost received | - | 37,500 |
| Fuel tax Credit received | 21,199 | - |
| Royalty income | 174,245 | - |
| | <u>243,104</u> | <u>57,641</u> |
| (b) Loss on disposal of fixed asset | | |
| Proceeds from disposal of plant and office equipment | 3,909 | 3,000 |
| Less: carrying amounts of plant and office equipment sold | (4,907) | (4,194) |
| Less: carrying amounts of plant and office equipment written off | - | (2,103) |
| Net gain/(loss) on disposal of plant and office equipment | <u>(998)</u> | <u>(3,297)</u> |
| (c) Depreciation | | |
| Depreciation on property, plant & equipment and amortisation expenses | (44,567) | (9,185) |
| Depreciation expense per AASB 16 | (62,185) | - |
| | <u>(106,752)</u> | <u>(9,185)</u> |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

4. OTHER REVENUE AND EXPENSES (continued)

(d) Interest expense

| | | |
|---|------------------|-----------------|
| Interest payable on Convertible Loan Note | (98,750) | (98,735) |
| Interest payable on unsecured loan | - | (1,069) |
| Interest expense from unwinding of interest per AASB 16 | (8,750) | - |
| | <u>(107,500)</u> | <u>(99,804)</u> |

5. INCOME TAX

(a) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|--|------------------|------------------|
| Profit/(Loss) from ordinary activities before income tax expense | (3,661,658) | (1,732,833) |
| Prima facie tax benefit on loss from ordinary activities at 25% (2021 – 26%) | (915,415) | (450,537) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Entertainment and other | 650 | 577 |
| R&D Tax refund | - | - |
| Fines & penalties | 21 | - |
| Share based payments | 201,921 | 83,933 |
| | <u>(712,823)</u> | <u>(366,027)</u> |
| Movement in current year temporary differences | (181,771) | (952,644) |
| Tax effect of current year tax losses & non-recognition of previously recognised deferred tax assets | 894,594 | 1,318,671 |
| Income tax expense/(benefit) | <u>-</u> | <u>-</u> |

(b) Unrecognised temporary differences Deferred Tax Assets (25%) (2021 – 26%)

| | | |
|------------------------------|-------------------|-------------------|
| Prepayments | 14,373 | 35,600 |
| Capital raising costs | 386,108 | 254,982 |
| Provisions for expenses | 126,105 | 115,947 |
| Right of Use of Assets | 330 | - |
| Carry forward revenue losses | 12,006,937 | 12,223,576 |
| Carry forward capital losses | 2,475,645 | 2,723,210 |
| Total | <u>15,009,498</u> | <u>15,353,315</u> |

(c) Deferred Tax Liabilities (25%) (2021 – 26%)

| | | |
|---------------------|------------------|------------------|
| Unearned revenue | 3,815 | 1,316 |
| Prepayments | - | - |
| Mineral exploration | 3,268,624 | 3,344,505 |
| Total | <u>3,272,439</u> | <u>3,345,821</u> |

Net deferred tax asset not brought to account

11,737,059 12,007,494

Potential future income tax benefits attributable to total tax losses amounting to approximately \$14,482,582 (2021: \$14,946,786) at 2022 corporate tax rate of 25% (2021: 26%), have not been brought to account at 30 June 2022 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The potential future income tax benefit will be obtainable by the Group only if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;
- the Group continues to comply with the conditions for deductibility imposed by income tax law; and
- no changes in income tax legislation adversely affects the Group in realising the benefit of the deduction for the loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

6. LEASES

(a) Right-of-use assets

| | | |
|---------------------------------|----------------|----------|
| Rental property opening balance | - | - |
| Additions | 298,491 | - |
| Depreciation | (62,185) | - |
| Rental property closing balance | <u>236,306</u> | <u>-</u> |

(b) Lease liabilities

| | | |
|-------------|----------------|----------|
| Current | 100,816 | - |
| Non-current | 136,808 | - |
| | <u>237,624</u> | <u>-</u> |

(c) Depreciation charge of right-of-use asset

| | | |
|----------------------------------|---------------|----------|
| Depreciation expense per AASB 16 | 62,185 | - |
| | <u>62,185</u> | <u>-</u> |

(d) Interest expense on lease liabilities (under net finance income)

| | | |
|---|---------------|----------|
| Interest expense from the unwinding of interest per AASB 16 | 8,750 | - |
| | <u>8,750</u> | <u>-</u> |
| Total annual outflows for leases | <u>70,935</u> | <u>-</u> |

| Consolidated | |
|--------------|-------|
| 2022 | 2021 |
| Cents | cents |

7. EARNINGS PER SHARE

| | | |
|---|----------------|----------------|
| (a) Basic earnings/(loss) per share (cents per share) | (0.114) | (0.063) |
| (b) Diluted earnings/(loss) per share (cents per share) | <u>(0.114)</u> | <u>(0.063)</u> |

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

| | | |
|---|----------------------|----------------------|
| (c) Net profit/(loss) attributable to ordinary shareholders (\$) | <u>(3,661,658)</u> | <u>(1,732,833)</u> |
| (d) Weighted average number of ordinary shares outstanding during the year used in the calculation: | | |
| - basic earnings per share | <u>3,224,074,278</u> | <u>2,729,229,680</u> |
| - diluted earnings per share | <u>3,224,074,278</u> | <u>2,729,229,680</u> |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

8. CASH FLOW INFORMATION

(a) Cash and cash equivalents represents:

| | | |
|--------------------------|-------------------|-------------------|
| Cash in bank and on hand | 2,389,504 | 775,207 |
| Short term deposits | 16,957,933 | 15,812,716 |
| | <u>19,347,437</u> | <u>16,587,923</u> |

(b) Reconciliation of net cash used in operating activities to operating profit/(loss) after income tax

| | | |
|--|-------------|-------------|
| Operating profit/(loss) after income tax | (3,661,658) | (1,732,833) |
|--|-------------|-------------|

Non cash flows in operating loss

| | | |
|---|-----------|---------|
| Exploration costs written-off | 7,268 | 7,724 |
| Amortisation and depreciation | 106,752 | 9,185 |
| Interest expense from the unwinding of interest per AASB 16 | 8,750 | - |
| Share based payments – note 18 (d) | 1,042,133 | 322,819 |
| Convertible loan note extension fee – Non cash | - | - |
| (Profit)/Loss on sale of plant and equipment | 998 | 3,297 |

Change in assets and liabilities

| | | |
|---|--------------------|--------------------|
| Increase/(decrease) in trade, other payables and provisions | 766,095 | 396,637 |
| (Increase)/decrease in receivables | (564,912) | (141,199) |
| Net cash outflow from/(used in) operating activities | <u>(2,294,574)</u> | <u>(1,134,370)</u> |

Non cash flows investing and financing activities

In the current year there are no non cash financing and investing activities.

9. TRADE AND OTHER RECEIVABLES (CURRENT)

| | | |
|--------------------|----------------|----------------|
| (a) GST receivable | 633,929 | 158,737 |
| Prepayments | 21,591 | 9,758 |
| Sundry debtors (1) | 82,968 | 5,081 |
| | <u>738,488</u> | <u>173,576</u> |

The were no amounts receivable from directors and director related entities in 2022 and 2021.

Note1: Other receivables are non-interest bearing and generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2022 no amounts are impaired or past due.

TRADE AND OTHER RECEIVABLES (NON CURRENT)

| | | |
|-----------------------------|----------------|---------------|
| (b) Security deposits/bonds | <u>112,588</u> | <u>32,588</u> |
|-----------------------------|----------------|---------------|

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

10. CONTROLLED ENTITIES

| Name | Country of Incorporation | Percentage Interest Held | | Carrying amount of Parent Entity's Investment | |
|------------------------------|--------------------------|--------------------------|--------|---|---------|
| | | 2022 % | 2021 % | 2022 \$ | 2021 \$ |
| Razorback Iron Pty Ltd | Australia | 100 | 100 | 20 | 20 |
| Razorback Operations Pty Ltd | Australia | 100 | 100 | 20 | 20 |
| Red Dragon Mining Pty Ltd | Australia | 100 | 100 | 20 | 20 |
| Ironback Pty Ltd | Australia | 100 | 100 | 100 | 100 |

| 2022 \$ | 2021 \$ |
|---------|---------|
|---------|---------|

11. PARENT ENTITY DISCLOSURES

STATEMENT OF FINANCIAL POSITION

ASSETS

| | | |
|--------------------|-------------------|-------------------|
| Current Assets | 20,085,905 | 16,761,479 |
| Non-Current Assets | 16,119,991 | 3,472,699 |
| Total Assets | <u>36,205,896</u> | <u>20,234,178</u> |

LIABILITIES

| | | |
|--------------------------|--------------------|--------------------|
| Current Liabilities | (4,330,788) | (834,617) |
| Non-Current Liabilities | (2,111,808) | (1,975,000) |
| Total Liabilities | <u>(6,442,596)</u> | <u>(2,809,617)</u> |
| Net Assets/(Liabilities) | <u>29,763,300</u> | <u>17,424,561</u> |

EQUITY

| | | |
|---------------------------|-------------------|-------------------|
| Contributed equity | 89,551,446 | 74,554,301 |
| Reserves | 12,068,344 | 10,947,217 |
| Accumulated losses | (71,856,490) | (68,076,957) |
| Total Equity/(Deficiency) | <u>29,763,300</u> | <u>17,424,561</u> |

Profit or loss and other comprehensive income

| | | |
|--|--------------------|--------------------|
| Net profit/ (loss) from continuing operations for the year | <u>(3,779,533)</u> | <u>(1,865,122)</u> |
| Total Comprehensive income/(loss) for the year | <u>(3,779,533)</u> | <u>(1,865,122)</u> |

Mineral tenement expenditure commitments

| | | |
|---|------------------|------------------|
| Within one year | - | - |
| Later than one year but not later than five years | 3,486,500 | 1,200,000 |
| Later than five years | - | - |
| | <u>3,486,500</u> | <u>1,200,000</u> |

The commitments relate to the Company and its subsidiaries as the Company funds its subsidiaries' activities. There are no guarantee/contingences and subsequent events other than those mentioned above in this report.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

12. PROPERTY, PLANT AND EQUIPMENT

| | | |
|-------------------------------------|-----------|-----------|
| Plant and equipment, at cost | 318,290 | 224,290 |
| Less: accumulated depreciation | (233,099) | (209,975) |
| | 85,191 | 14,315 |
| Office equipment, at cost | 136,206 | 109,253 |
| Less: accumulated depreciation | (92,919) | (78,780) |
| | 43,287 | 30,473 |
| Total property, plant and equipment | 128,478 | 44,788 |

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

| | | |
|--|----------|---------|
| Plant and equipment | | |
| Carrying amount at the beginning of the year | 14,315 | 21,643 |
| Additions | 105,459 | 3,190 |
| Disposal | (1,995) | (6,298) |
| Depreciation | (32,588) | (4,220) |
| Carrying amount at the end of the year | 85,191 | 14,315 |
| Office equipment | | |
| Carrying amount at the beginning of the year | 30,473 | 5,970 |
| Additions | 28,586 | 29,414 |
| Disposal | (3,820) | - |
| Depreciation | (11,952) | (4,911) |
| Carrying amount at the end of the year | 43,287 | 30,473 |
| Total carrying amount at the end of the year | 128,478 | 44,788 |

13. EXPLORATION EXPENDITURE (NON-CURRENT)

Exploration and evaluation

| | | |
|---|------------|------------|
| At 1 July | 12,863,479 | 9,500,844 |
| Expenditure incurred during the year | 12,372,466 | 3,370,359 |
| Expenditure provided or written off during the year | (7,268) | (7,724) |
| At 30 June | 25,228,677 | 12,863,479 |

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subject to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

14. INTANGIBLE ASSETS

| | | |
|--------------------------------|-----------|-----------|
| Software and licences, at cost | 199,719 | 199,719 |
| Less: accumulated amortisation | (199,692) | (199,665) |
| | <u>27</u> | <u>54</u> |

Reconciliation

Reconciliation of the carrying amount of intangible assets at the beginning and end of the financial year are set out below:

| | | |
|---------------------------------|-----------|-----------|
| Carrying amount at 1 July 2021 | 54 | 107 |
| Additions | - | - |
| Disposal | - | - |
| Depreciation | (27) | (53) |
| Carrying amount at 30 June 2022 | <u>27</u> | <u>54</u> |

15. TRADE AND OTHER PAYABLES (CURRENT)

| | | |
|--------------------|------------------|----------------|
| Trade payables (1) | 3,528,081 | 327,363 |
| Accruals (2) | 369,061 | 225,494 |
| | <u>3,897,142</u> | <u>552,857</u> |

Note 1 - Trade payables are non-interest bearing and are normally settled on 30-60 day terms

Note 2 - Includes interest accrued on Mintech Convertible loan note of \$82,292

16. PROVISIONS (CURRENT)

| | | |
|--|----------------|----------------|
| Employee benefits – Annual Leave | 265,785 | 164,034 |
| Employee benefits – Long Service Leave | 57,045 | 17,726 |
| Provision for rehabilitation | 10,000 | 100,000 |
| Total | <u>332,830</u> | <u>281,760</u> |

17. BORROWINGS (CURRENT)

| | | |
|--|----------|-----------|
| Balance at beginning of year | - | 102,082 |
| Interest accrued during the year | - | 1,069 |
| Borrowings | - | - |
| Repayments | - | (103,151) |
| Reclassification of convertible loan during the year | - | - |
| Balance at end of year | <u>-</u> | <u>-</u> |

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Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| | Consolidated | |
|--|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| BORROWINGS (NON-CURRENT) | | |
| Convertible Notes | 1,975,000 | 1,975,000 |
| | <u>1,975,000</u> | <u>1,975,000</u> |
| Balance at beginning of year (1) | 1,975,000 | 1,975,000 |
| Reclassification of loan during the year | - | - |
| Repayments (Adjustment to face value) | - | - |
| Balance at end of year | <u>1,975,000</u> | <u>1,975,000</u> |

Note 1: On 4 September 2019, the Company entered into a Heads of Agreement (HOA) with the liquidators of Mintech Resources Pty Ltd (in liquidation) (Mintech) to amend the terms of the redeemable convertible notes (Notes) held by Mintech.

Pursuant to the HOA, the parties have agreed to adjust the face value of the Notes from \$2,500,000 to \$1,975,000 by agreeing to certain offsets to which the Company is entitled and by incorporating and deferring payments due on the following terms:

- a) the Redeemable Convertible Notes have a maturity date of 31 August 2023;
- b) interest of 5% per annum, payable 12 months in arrears on the anniversary from the issue date;
- c) at least 5 days before maturity or redemption of the Redeemable Convertible Notes the Company can elect the:
 - (i) Redeemable Convertible Notes be redeemed by cash equivalent to the face value of the Redeemable Convertible Notes;
 - (ii) Redeemable Convertible Notes convert into fully paid ordinary shares in the Company equivalent to the face value of the Redeemable Convertible Notes at a price equivalent to the Company's VWAP over 90 consecutive days;
 - (iii) Redeemable Convertible Notes convert into a combination of cash and fully paid ordinary shares as defined in (i) and (ii).
- d) refer to Note 27 in relation to agreement with Mintech Resources Pty Ltd and Goldus Pty Ltd in respect to contingent liabilities.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

18. CONTRIBUTED EQUITY AND RESERVES

| | Number of Shares | | Consolidated | |
|---------------------------------------|------------------|---------------|--------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | | | \$ | \$ |
| (a) Issued and paid up capital | | | | |
| Ordinary shares | 3,791,762,906 | 3,142,157,563 | 89,551,446 | 74,547,320 |
| Shares yet to be issued | | | - | 6,981 |
| Total | | | 89,551,446 | 74,554,301 |

| | Number of Shares | Issue Price \$ | Total \$ |
|---|------------------|----------------|-------------|
| (b) Movement in ordinary shares on issue | | | |
| Balance at 30 June 2020 | 2,246,041,255 | | 54,390,770 |
| Exercise of unquoted options expiring 27 April 2023 | 15,000,000 | 0.003 | 45,000 |
| Renounceable rights issue | 565,261,289 | 0.01 | 5,652,613 |
| Placement | 30,000,000 | 0.01 | 300,000 |
| Placement | 120,827,586 | 0.058 | 7,008,000 |
| Exercise of unquoted options expiring 26 April 2021 | 3,000,000 | 0.02 | 60,000 |
| Exercise of unquoted options expiring 7 September 2021 | 3,000,000 | 0.025 | 75,000 |
| Exercise of unquoted options expiring 4 June 2023 | 3,000,000 | 0.035 | 105,000 |
| Exercise of unquoted options expiring 5 June 2022 | 3,000,000 | 0.04 | 120,000 |
| Exercise of unquoted options expiring 24 August 2021 | 1,000,000 | 0.045 | 45,000 |
| Exercise of quoted options expiring 31 May 2021 | 150,401,292 | 0.05 | 7,520,065 |
| Exercise of quoted options expiring 29 October 2021 | 1,626,141 | 0.05 | 81,307 |
| Shares yet to be issued (1) | - | - | 6,981 |
| Share issue costs | - | - | (855,435) |
| Balance at 30 June 2021 | 3,142,157,563 | | 74,554,301 |
| Exercise of quoted options expiring 29 October 2021 (1) | 139,629 | 0.05 | - |
| Exercise of quoted options expiring 29 October 2021 | 18,750 | 0.05 | 938 |
| Exercise of quoted options expiring 29 October 2021 | 50,000 | 0.05 | 2,500 |
| Exercise of unquoted options expiring 18 March 2022 | 2,500,000 | 0.015 | 37,500 |
| Exercise of quoted options expiring 29 October 2021 | 12,956 | 0.05 | 648 |
| Exercise of quoted options expiring 29 October 2021 | 96,751 | 0.05 | 4,837 |
| Exercise of quoted options expiring 29 October 2021 | 102,215 | 0.05 | 5,111 |
| Exercise of quoted options expiring 29 October 2021 | 62,107 | 0.05 | 3,105 |
| Exercise of quoted options expiring 29 October 2021 | 606,910 | 0.05 | 30,345 |
| Exercise of unquoted options expiring 30 November 2021 | 5,000,000 | 0.02 | 100,000 |
| Exercise of unquoted options expiring 1 December 2024 | 5,000,000 | 0.015 | 75,000 |
| Exercise of unquoted options expiring 18 March 2022 | 4,000,000 | 0.015 | 60,000 |
| Renounceable rights issue | 631,949,386 | 0.025 | 15,798,735 |
| Exercise of quoted options expiring 20 May 2023 | 66,639 | 0.05 | 3,332 |
| Share issue costs | - | - | (1,124,906) |
| Balance at 30 June 2022 | 3,791,762,906 | | 89,551,446 |

Note 1 – 139,629 shares at 5 cents each were allotted on 5 July 2021.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDING 30 JUNE 2022

18. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Movement in options on issue

The following table summarises the movement in options on issue for the year ended 30 June 2022.

| 30 June 2022 | Balance at the Beginning of the Year | Issued During the Year | Exercised During the Year | Expired During the Year | Balance at the End of the Year |
|---|--------------------------------------|------------------------|---------------------------|-------------------------|--------------------------------|
| Unquoted options exercisable at 2 cents each on or before 30 November 2021 | 10,000,000 | - | (5,000,000) | (5,000,000) | - |
| Unquoted options exercisable at 10 cents each on or before 5 December 2021 | 5,000,000 | - | - | (5,000,000) | - |
| Unquoted options exercisable at 1.5 cents each on or before 18 March 2022 | 6,500,000 | - | (6,500,000) | - | - |
| Unquoted options exercisable at 4 cents each on or before 5 July 2022 | 7,500,000 | - | - | - | 7,500,000 |
| Unquoted options exercisable at 4.51 cents each on or before 30 November 2022 | 10,000,000 | - | - | - | 10,000,000 |
| Unquoted options exercisable at 1.19 cents each on or before 11 August 2023 | 7,000,000 | - | - | - | 7,000,000 |
| Unquoted options exercisable at 4.53 cents each on or before 17 March 2024 | 4,000,000 | - | - | - | 4,000,000 |
| Unquoted options exercisable at 1.14 cents each on or before 1 December 2024 | 20,000,000 | - | (5,000,000) | - | 15,000,000 |
| Unquoted options exercisable at 3.62 cents each on or before 8 December 2024 | - | 52,600,000 | - | - | 52,600,000 |
| Unquoted options exercisable at 3.52 cents each on or before 13 December 2024 | - | 27,000,000 | - | - | 27,000,000 |
| Unquoted options exercisable at 3.9 cents each on or before 27 June 2025 | - | 6,767,975 | - | - | 6,767,975 |
| Unquoted options exercisable at 1.83 cents each on or before 15 December 2025 | 30,000,000 | - | - | - | 30,000,000 |
| Quoted options exercisable at 5 cents each on or before 29 October 2021 | 296,004,660 | - | (1,089,318) | (294,915,342) | - |
| Quoted options exercisable at 5 cents each on or before 20 May 2023 | - | 363,370,699 | (66,639) | - | 363,304,060 |
| Total | 396,004,660 | 449,738,674 | (17,655,957) | (304,915,342) | 523,172,035 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

18. CONTRIBUTED EQUITY AND RESERVES (continued)

| Consolidated | |
|--------------|------|
| 2022 | 2021 |
| \$ | \$ |

(d) Reserves

| | |
|------------|------------|
| 12,068,344 | 10,947,217 |
|------------|------------|

Listed option reserve

| | | |
|---|-----------|-----------|
| Balance at beginning of year | 1,007,941 | 1,007,941 |
| Proceeds from option issue ⁽¹⁾ | 78,994 | - |
| Balance at end of year | 1,086,935 | 1,007,941 |

Note 1: Fair value of the options issued as part of Rights Issue was the cash considered foregone by the underwriters in lieu of options granted.

Share based payments reserve

| | | |
|---|------------|-----------|
| Balance at beginning of year | 9,939,276 | 9,616,457 |
| Share based payments expensed to P&L ⁽¹⁾ | 1,042,133 | 322,819 |
| Balance at end of year | 10,981,409 | 9,939,276 |

Note 1: Relates to non-cash expenses in relation to directors and employee options granted during the year.

Nature and purpose of reserves

Listed option reserve

This reserve is used to record the proceeds from the issue of listed options, net of expenses of the issue.

Share based payments reserve

This reserve is used to record the value of equity benefits provided to directors, employees and consultants as part of their remuneration. Refer to note 21 for further details.

19. ACCUMULATED LOSSES

| | | |
|---|--------------|--------------|
| Balance at the beginning of the year | (58,608,727) | (56,875,894) |
| Net loss attributable to members of Magnetite Mines Limited | (3,661,658) | (1,732,833) |
| Balance at the end of the financial year | (62,270,385) | (58,608,727) |

20. COMMITMENTS

(i) Exploration commitments

| | | |
|---|-----------|-----------|
| Within one year | - | - |
| Later than one year but not later than five years | 3,486,500 | 1,200,000 |
| Later than five years | - | - |
| | 3,486,500 | 1,200,000 |

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

If the Group decides to relinquish certain tenements and / or does not meet these obligations, assets recognised in the Consolidated Statement of Financial Position may require review to determine the appropriateness of the carrying values. The sole transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

20. COMMITMENTS (continued)

| | Consolidated | |
|---|--------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| (ii) Operating lease commitments | | |
| Operating lease commitments are as follows: | | |
| Office rental | | |
| Within one year | - | 39,751 |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |
| | <u>-</u> | <u>39,751</u> |

The Company has entered into a lease agreement on 10 August 2021 for a storage warehouse in South Australia for a 3 year term commencing 14 November 2021 at \$96,600 plus GST and variable outgoings per annum shown under Note 6.

On 13 July 2022, the Company has entered into a lease agreement for an office space in Sydney for a 2 year term commencing 15 July 2022 at \$157,472 plus GST and variable outgoings per annum.

(iii) **Bonds**

At 30 June 2022 the Group has outstanding \$112,588 (2021: \$32,588) as a current bond provided by the Company's bank and held by Department for Energy & Mining for mineral tenements in Australia.

(iv) **Bank Guarantee**

As at 30 June 2022, the Group has outstanding \$29,770 (30 June 2021: \$Nil) as bank guarantee provided by the Group's bankers. The Company has an available bank guarantee limit of \$257,642 and currently this facility has not been utilised by the Company.

(v) **Directors & Employee Commitments**

The Group has entered into contracts with its directors and employees whereby minimum notice periods have been provided by the Group. This totals \$546,417.

21. SHARE BASED PAYMENTS

(a) **Type of share based payment plan**

Employee Share Option Plan

Options are granted under the Company Option Incentive Plan (OIP) which was approved by the shareholders on 29 November 2019. The OIP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the Rules set out in OIP and the Listing Rules, the Company (acting through the Board) may offer options to any Eligible Person at such time and on such terms as the Board considers appropriate.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The expense recognised in the income statement in relation to share based payments is disclosed in consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

21. SHARE BASED PAYMENTS (continued)

(b) Summary of directors and employees options granted

The following table illustrates the number and weighted average prices (WAEP) of and the movements in directors and employees share options issued during the year:

| | Number 2022 | WAEP 2022 \$ | Number 2021 | WAEP 2021 \$ |
|--|----------------|--------------------|----------------|--------------------|
| Outstanding at the beginning of the year | 95,000,000 | 0.024 | 64,000,000 | 0.025 |
| Granted during the year | 86,367,975 | 0.036 | 41,000,000 | 0.022 |
| Lapsed during the year | (5,000,000) | 0.020 | (10,000,000) | 0.02 |
| Exercised during the year | (16,500,000) | 0.016 | - | - |
| Outstanding at the end of the year | 159,867,975 | 0.030 | 95,000,000 | 0.024 |
| Exercisable at the end of the year | 159,867,975 | | 95,000,000 | |

- (i) the weighted average remaining contractual life for the directors and employees options outstanding as at 30 June 2022 is 2.34 years (2021: 2.72 years);
- (ii) the weighted average exercise price for options outstanding at the end of the year was \$0.030 (2021: \$0.024);
- (iii) the weighted average exercise price of options granted during the year was \$0.036 (2021: \$0.022); and
- (iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2022.

| | | | |
|---|------------|------------|------------|
| Number of Options | 52,600,000 | 27,000,000 | 6,767,975 |
| Option exercise price ⁽¹⁾ | 3.62 cents | 3.52 cents | 3.9 cents |
| Expiry date | 08/12/2024 | 13/12/2024 | 27/06/2025 |
| Expected life of the option (years) | 3 years | 5 years | 3 years |
| Vesting period (months) | - | - | - |
| Dividend yield (%) | - | - | - |
| Expected volatility (%) | 100% | 100% | 100% |
| Risk-free interest rate (%) | 0.97% | 0.92% | 3.63% |
| Closing share price at grant date (cents) | 2.3 cents | 2.3 cent | 2.4 cents |
| Fair value of options | 1.2 cents | 1.2 cents | 1.3 cents |
| Grant date | 09/12/2021 | 29/11/2021 | 29/06/2022 |

Note 1: The exercise price has been amended in accordance with Option Incentive Plan and Listing Rule 6.22.2 due to pro-rata issue.

The following table lists the inputs to the model used for the year ended 30 June 2021.

| | | | |
|---|------------|------------|------------|
| Number of Options | 7,000,000 | 30,000,000 | 4,000,000 |
| Option exercise price | 1.5 cents | 2 cents | 4.7 cents |
| Expiry date | 11/08/2023 | 15/12/2025 | 17/03/2024 |
| Expected life of the option (years) | 3 years | 5 years | 3 years |
| Vesting period (months) | - | - | - |
| Dividend yield (%) | - | - | - |
| Expected volatility (%) | 100% | 100% | 100% |
| Risk-free interest rate (%) | 0.27% | 0.29% | 0.09% |
| Closing share price at grant date (cents) | 0.8 cents | 1 cent | 4.3 cents |
| Fair value of options | 0.39 cents | 0.64 cents | 2.56 cents |
| Grant date | 12/08/2020 | 27/11/2020 | 18/03/2021 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

21. SHARE BASED PAYMENTS (continued)

(c) Summary of unquoted consultant options granted

The following table illustrates the number and weighted average prices (WAEP) of and the movements in consultant share options issued during the year:

| | 2022 Number | 2022 WAEP \$ | 2021 Number | 2021 WAEP \$ |
|--|----------------|-----------------|----------------|-----------------|
| Outstanding at the beginning of the year | 5,000,000 | 0.10 | 18,000,000 | 0.05 |
| Granted during the year | - | - | - | - |
| Lapsed during the year | (5,000,000) | 0.10 | - | - |
| Exercised during the year | - | - | (13,000,000) | 0.031 |
| Outstanding at the end of the year | - | - | 5,000,000 | 0.10 |
| Exercisable at the end of the year | - | - | 5,000,000 | - |

- (i) the weighted average remaining contractual life for the consultant options outstanding as at 30 June 2022 is Nil (2021: 0.93 years);
- (ii) the weighted average exercise price for options outstanding at the end of the year was \$Nil (2021: \$0.10);
- (iii) the weighted average exercise price of options granted during the year was \$Nil (2021: \$Nil); and
- (iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

(d) Summary of unquoted options issued to underwriters

The following table illustrates the number and weighted average prices (WAEP) of and the movements in share options issued to underwriters as part of capital raising cost during the year:

| | 2022 Number | 2022 WAEP \$ | 2021 Number | 2021 WAEP \$ |
|--|----------------|-----------------|----------------|-----------------|
| Outstanding at the beginning of the year | - | - | 15,000,000 | 0.003 |
| Granted during the year | - | - | - | - |
| Lapsed during the year | - | - | - | - |
| Exercised during the year | - | - | (15,000,000) | 0.003 |
| Outstanding at the end of the year | - | - | - | - |
| Exercisable at the end of the year | - | - | - | - |

- (i) the weighted average remaining contractual life for the options issued to underwriters outstanding as at 30 June 2022 is Nil (2021: Nil);
- (ii) the weighted average exercise price for options outstanding at the end of the year was \$Nil (2021: \$Nil);
- (iii) the weighted average exercise price of options granted during the year was \$Nil (2021: \$Nil); and
- (iv) the fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

| Consolidated | |
|--------------|--------|
| 2022 | 2021 |
| \$ | \$ |
| 50,677 | 49,881 |
| 950 | 1,400 |
| 51,627 | 51,281 |

22. REMUNERATION OF AUDITORS

The auditor of Magnetite Mines Limited is Stantons International for:

An audit or review of the financial report of the consolidated entity

Other services

Total

| | |
|--------|--------|
| 50,677 | 49,881 |
| 950 | 1,400 |
| 51,627 | 51,281 |

23. DIRECTORS AND EXECUTIVE DISCLOSURES

a) Details of directors and key management personnel

Directors

| | |
|-----------------|---|
| Mark Eames | Chair (Technical Director from 1 May 2021 to 14 May 2022 and was appointed as Chair on 15 May 2022) |
| Peter Schubert | Non-Executive Director (Resigned as Chair and Interim CEO and appointed as Non-Executive Director on 15 May 2022) |
| Malcolm Randall | Non-Executive Director |
| Paul White | Non-Executive Director (Appointed on 12 January 2022) |
| Jim McKerlie | Non-Executive Director (Appointed on 12 January 2022) |
| Simon Wandke | Non-Executive Director (Appointed on 6 June 2022) |

Other Key Management Personnel

| | |
|----------------|---|
| Stephen Weir | Interim CEO (Appointed as CDO on 1 July 2021 and was appointed as Interim CEO for the period 15 May 2022 to 22 August 2022. He resumed his role as CDO on 23 August 2022) |
| Ian Kirkham | Chief Financial Officer (Appointed on 30 May 2022) & Company Secretary (Appointed on 20 July 2022) |
| John Rodriguez | Acting Company Secretary (from 3 December 2021 to 20 July 2022) |
| Frank DeMarte | Chief Financial Officer & Company Secretary (Resigned on 3 December 2021) |

(b) Compensation for directors and key management personnel

| | | |
|------------------------------|-----------|-----------|
| Short term employee benefits | 1,079,411 | 480,458 |
| Annual leave provision | 57,722 | 87,287 |
| Post-employment benefits | 102,858 | 49,242 |
| Other ⁽¹⁾ | 40,000 | 210,125 |
| Share based payments | 637,006 | 192,823 |
| Total compensation | 1,916,997 | 1,019,935 |

(1) Other payment includes \$40,000 ex-gratia termination payment made to Mr Frank DeMarte on termination as Chief Financial Officer & Company Secretary on 3 December 2021. In the prior year, Mr DeMarte received \$36,000 sign-on bonus payment plus superannuation within 7 days of signing of the employment agreement. A further payment of \$67,200 was made to Mr DeMarte post his resignation which is not included above.

(2) In the prior year, other fees includes \$174,125 consultancy fees paid to Mr Mark Eames in relation to Razorback project for period 1 July 2020 to 30 April 2021 prior to his appointment as Technical Director on 1 May 2021.

(c) Details of directors and key management personnel

There were no loans to key management personnel during the year other than as disclosed in Note 24.

(d) Other transactions and balances with key management personnel and their related parties

Disclosures relating to other transactions and balances with key management personnel are included and set out in note 24.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

24. RELATED PARTY DISCLOSURES

(a) Directors

During the year, no payment was made to a related party. In the prior financial year \$174,125 was made to Eames Resources in which Mr Mark Eames is a director, for consultancy services provided for Razorback project for the period 1 July 2020 to 30 April 2021.

Amounts paid and payable to Ora Gold Limited, in which F DeMarte, M R J Randall are directors and shareholders, in the normal course of business in 2021/2022 for admin related costs totalled \$1,413 (2021: \$3,967) and the balance included in trade creditors is \$Nil (2021: \$Nil). Amounts received and receivable from Ora Gold Limited in the normal course of business totalled \$Nil (2021: \$Nil).

(b) Loans with key management personnel and their related entities

There were no loans to key management personnel and their related entities during the year and the prior year.

(c) Loans from key management personnel and their related entities

There were no loans from key management personnel and their related entities during the year (2021: \$103,151).

(d) Subsidiaries

The Group consists of the Parent and its wholly owned controlled entities set out in Note 10.

Transactions between the Parent and its wholly owned controlled entities during the year ended 30 June 2022 are as below.

- Loans advanced to subsidiary, Razorback Iron Pty Ltd total \$27,416,014 (2021: \$27,418,951) at 30 June 2022.
- Loans advanced to subsidiary, Razorback Operations Pty Ltd total \$3,931 (2021: \$3,655) at 30 June 2022.
- Loans advanced to subsidiary, Red Dragon Mining Pty Ltd total \$3,210 (2021: \$2,934) at 30 June 2022.
- Loans advanced to subsidiary, Ironback Pty Ltd total \$3,489,558 (2021: \$3,468,194) at 30 June 2022.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

25. FINANCIAL INSTRUMENTS

(a) The Group's principal financial instruments comprise of cash, short term deposits and other financial assets. The Group has various other financial assets and liabilities such as trade receivables and trade payables. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken, except for other financial assets which have been sold for working capital purposes. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

| | Floating Interest Rate | | Fixed Interest Rate – less than 1 year | | Fixed Interest Rate – more than 1 year | | Non-interest bearing | | Total | |
|--|------------------------|------|--|------------|--|-------------|----------------------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Consolidated | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | | | | | |
| Cash and cash equivalents | - | - | 16,957,933 | 15,212,716 | - | 600,000 | 2,389,504 | 775,207 | 19,347,437 | 16,587,923 |
| Trade and other receivables ¹ | - | - | 12,588 | 12,588 | - | - | 816,897 | 183,819 | 829,485 | 196,407 |
| Other financial assets | - | - | - | - | - | - | - | - | - | - |
| Total Financial Assets | - | - | 16,970,521 | 15,225,304 | - | 600,000 | 3,206,401 | 959,026 | 20,176,922 | 16,784,330 |
| Weighted Average Interest Rate | - | - | 1.04% | 0.33% | - | 0.32% | - | - | - | - |
| Financial Liabilities | | | | | | | | | | |
| Trade and other payables ² | - | - | (100,816) | - | (136,808) | - | (3,528,081) | (327,363) | (3,765,705) | (327,363) |
| Convertible loan note liability | - | - | - | - | (1,975,000) | (1,975,000) | - | - | (1,975,000) | (1,975,000) |
| Total Financial Liabilities | - | - | - | - | (2,111,808) | (1,975,000) | (3,528,081) | (327,363) | (5,740,705) | (2,302,363) |
| Net Financial Assets/(Liabilities) | - | - | 16,869,705 | 15,225,304 | (2,111,808) | (1,375,000) | (321,680) | 631,663 | 14,436,217 | 14,481,967 |
| Weighted Average Interest Rate | - | - | 4.69% | 4.98% | 4.98% | 5% | - | - | - | - |

Note 1: Trade and other receivables excludes prepayments

Note 2: Trade and other payables excludes accruals

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

25. FINANCIAL INSTRUMENTS (continued)

| Reconciliation of net financial assets/ (liabilities) to net assets | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Net Financial Assets/(Liabilities) as above | 14,436,217 | 14,481,967 |
| Prepayments | 21,591 | 9,758 |
| Property, plant and equipment | 128,478 | 44,788 |
| Intangibles | 27 | 54 |
| Right of use of assets | 236,306 | - |
| Exploration & evaluation expenditure | 25,228,677 | 12,863,479 |
| Accruals | (369,061) | (225,495) |
| Provisions | (332,830) | (281,760) |
| Net Assets per Statement of Financial Position | 39,349,405 | 26,892,791 |

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value. The main risk the Group is exposed is through financial instruments credit risk, commodity risk and market risk consisting of interest rate risk.

(a) **Interest Rate Risk**

The Group's exposure to interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities.

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. Interest payable on Convertible loan note is fixed at 5% per annum.

(b) **Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. Risk is also minimised by investing surplus funds with financial institutions that maintain a high credit rating.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Group believes that all outstanding receivables are recoverable and there are no past due receivables as at balance date.

(c) **Liquidity Risk**

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

The Group believes that all outstanding payables can be paid when due and there are no past due payables as at the balance date.

(d) **Commodity Price Risk**

At the 30 June 2022, the Group does not have any financial instruments subject to commodity price risk.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

26. SENSITIVITY ANALYSIS

(a) Interest Rate Risk

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

| Consolidated 30 June 2022 | Carrying Amount \$ | Interest Rate Risk -1% | | Interest Rate Risk + 1% | |
|---|-----------------------|---------------------------|--------------|----------------------------|--------------|
| | | Net loss \$ | Equity \$ | Net loss \$ | Equity \$ |
| Financial Assets | | | | | |
| Cash and cash equivalents | 16,957,933 | (169,579) | (169,579) | 169,579 | 169,579 |
| Other receivables (interest bearing) | 12,588 | (126) | (126) | 126 | 126 |
| Totals | 16,970,521 | (169,705) | (169,705) | 169,705 | 169,705 |

| Consolidated 30 June 2021 | Carrying Amount \$ | Interest Rate Risk -1% | | Interest Rate Risk + 1% | |
|---|-----------------------|---------------------------|--------------|----------------------------|--------------|
| | | Net loss \$ | Equity \$ | Net loss \$ | Equity \$ |
| Financial Assets | | | | | |
| Cash and cash equivalents | 15,812,716 | (158,127) | (158,127) | 158,127 | 158,127 |
| Other receivables (interest bearing) | 12,588 | (126) | (126) | 126 | 126 |
| Totals | 15,825,304 | (158,253) | (158,253) | 158,253 | 158,253 |

None of the Group's financial liabilities are interest bearing except for the unsecured loan and convertible loan facility that accrues interest at 5% per annum (see note 17) and lease liability which accrues interest at 4.69% per annum (see note 6). These interest bearing loans are at a fixed interest rate agreed with the lenders.

(b) Foreign currency risk

The Group is not exposed to foreign exchange currency risk at balance date.

27. CONTINGENCIES

(a) Contingent Assets

As at 30 June 2022, the Group has the following contingent asset:

Rothsay Royalty Agreement

Pursuant to a Royalty Agreement between Silverlake Resources Limited and the Company, dated June 2007 in relation to the Rothsay gold operation owned by Silver Lake, the Company received \$174,245 royalty payment on revenue earned as at 30 June 2022. Under the Royalty Agreement, the Company is entitled to a royalty of A\$10 per ounce of gold extracted from Rothsay tenements commencing once Silver Lake has sold 10,000 ounces. The royalty payable to the Company will cease after the cumulative royalty payments reach an amount of A\$700,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDING 30 JUNE 2022

27. CONTINGENCIES (continued)

(b) Contingent Liabilities

As at 30 June 2022, the Group has the following contingent liabilities:

Agreement with Mintech Resources Pty Ltd

Pursuant to a Variation Deed dated 11 August 2015, the Company finalised the acquisition of a 100% interest in EL 6353 (formally EL 5432) covering the Razorback Ridge area. On 4 September 2019, the Company entered into a Heads of Agreement with the liquidators of Mintech Resources Pty Ltd. The terms of the agreement are as follows:

- 1) The amended face value of the Redeemable Convertible Notes is \$1.975 million (refer to note 17);
- 2) Resource payments to Mintech calculated at \$0.01 per DTR tonne of measured resources (resource payment = tonne of measured resource x \$0.01 x [(Average DTR% of Resource tonnes)/100]). DTR means potentially recoverable tonnes of magnetite as determined by the Davis Tube Recovery technique;
- 3) A Production Payment of \$3,000,000 to Mintech within 20 Business Days of the Company receiving payment of at least 95% of the purchase price for the first commercial shipment of Product from the tenement; and
- 4) A 1% Royalty on the Value of the Product produced from the tenement measured at the "mine gate".

Mintech was placed in voluntary administration on 9 October 2017 and subsequently placed in the hands of liquidators on 19 April 2019.

Agreement with Goldus Pty Ltd

Pursuant to a Variation Deed dated 11 August 2015, the Company finalised the acquisition of a 100% interest in EL6126 and EL6127 (formerly EL 5180 and EL 5240) which surround the Razorback Ridge area. The Company has the following obligations:

- 1) Resource payments to Goldus calculated at \$0.01 per DTR tonne of measured resources;
- 2) A Production Payment of \$3,000,000 to Goldus within 20 Business Days of the Company receiving payment of at least 95% of the purchase price for the first commercial shipment of Product from the tenements; and
- 3) A 1% Royalty on the Value of the Product produced from the tenement measured at the "mine gate".

28. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the directors are not aware of matter or circumstance not otherwise dealt with in this report or the financial statements, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2022 financial report:

Exercise of quoted options

On 13 July 2022, 1,000 quoted options exercisable at 5 cents each expiring on 20 May 2023 were exercised.

On 24 August 2022, 10,656 quoted options exercisable at 5 cents each expiring on 20 May 2023 were exercised.

Expiry of unquoted options

On 5 July 2022, 7,500,000 unquoted employee options exercisable at 4 cents each expired on 5 July 2022.

Lease agreement

The Company has entered into a lease agreement on 13 July 2022 for an office space in Sydney for a 2 year term commencing 15 July 2022 at \$157,472 plus GST and variable outgoings per annum.

Appointment of CEO

Mr Tim Dobson was appointed as Chief Executive Officer, effective 23 August 2022, completing a process announced on 19 April 2022. Mr Dobson will be paid a base salary of \$500,000 per annum. He will also receive share rights of \$100,000 vesting in July 2023 and \$100,000 vesting in July 2024 as part of the sign-on arrangements. Mr Stephen Weir, who has been Acting Chief Executive Officer since 15 May 2022, will resume his role as Chief Development Officer.

Directors' Declaration

FOR THE YEAR ENDING 30 JUNE 2022

In accordance with a resolution of the directors of Magnetite Mines Limited I state that:

In the opinion of the directors:

- (a) the financial statements and notes and the additional disclosures included in the Directors' report designated as audited, of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial report also complies with International Financial Reporting Standards as described in note 2(a).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

On behalf of the Board



MARK EAMES
Chair

Dated this 28 September 2022

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Independent Auditor's Report

FOR THE YEAR ENDING 30 JUNE 2022



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGNETITE MINES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnetite Mines Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined the following matters to be a Key Audit Matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters

How the matter was addressed in the audit

Carrying Value of Exploration and Evaluation Assets

As at 30 June 2022, Exploration and Evaluation Assets totalled \$25,228,677 refer to Note 13 of the financial report).

The carrying value of exploration and evaluation assets is a key audit matter due to:

- The significance of the exploration and evaluation expenditure capitalised representing 55% of total assets;
- The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and
- The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation expenditure.

Inter alia, our audit procedures included the following:

- i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation;
- ii. Reviewing the directors' assessment of the carrying value of the capitalised exploration and evaluation costs, ensuring the veracity of the data presented and assessing management's consideration of potential impairment indicators, commodity prices and the stage of the Group's projects also against AASB 6;
- iii. Evaluation of Group documents for consistency with the intentions for continuing exploration and evaluation activities in areas of interest and corroborated in discussions with management. The documents we evaluated included:
 - Minutes of the board and management; and
 - Announcements made by the Group to the Australian Securities Exchange; and
- iv. Consideration of the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made.

Share based payments (refer to Note 18 (d) and Note 21)

As referred to in Note 21 to the consolidated financial statements, the Company awarded unlisted share options to directors and employees with a total value of \$1,042,133. The Company also awarded listed options to third parties for services rendered amounting to \$78,994.

The Group valued the share options using the Black Scholes methodology and these awards vest immediately on the date of grant with respect to each tranche of share options as mentioned above.

Due to the value of the options granted (both unlisted and listed) as well as the complex nature of the transactions and estimates used in determining the valuation of the share-based payment arrangements, we consider the Group's calculation of the share-based payment expense to be a key audit matter.

Inter alia, our audit procedures included the following:

- (i) Verifying the inputs and examining the assumptions used in the Group's valuation of unlisted options, being the share price of the underlying equity, time to maturity (expected life) and grant date;
- (ii) Challenging management's assumptions in relation to the likelihood of achieving the vesting conditions;
- (iii) Assessing the fair value of the calculation through re-performance using appropriate inputs; and
- (iv) Assessing the accuracy of the share-based payments expense and the adequacy of disclosures made by the Group in the financial report.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a

Independent Auditor's Report

FOR THE YEAR ENDING 30 JUNE 2022

Magnetite Mines Limited
Independent Auditor's Audit Report
30 June 2022



material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 36 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Magnetite Mines Limited for the year ended 30 June 2022 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
28 September 2022

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Auditor's Independence Declaration

FOR THE YEAR ENDING 30 JUNE 2022



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28 September 2022

Board of Directors
Magnetite Mines Limited
Suite 16, Level 1,
22 Greenhill Road,
Wayville South Australia 5034

Dear Directors

RE: MAGNETITE MINES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Magnetite Mines Limited.

As Audit Director for the audit of the financial statements of Magnetite Mines Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Martin Michalik
Director

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ASX Additional Information

FOR THE YEAR ENDING 30 JUNE 2022

The following information dated 16 September 2022 is required by the Listing Rules of the ASX Limited.

1. DISTRIBUTION AND NUMBER OF HOLDER OF EQUITY SECURITIES

The number of holders, by size of holding, in each class of security are:

| Distribution | Number of Shareholders | Number of Shares |
|---------------------------------------|------------------------|----------------------|
| 1 – 1,000 | 514 | 169,171 |
| 1,001 – 5,000 | 508 | 1,330,853 |
| 5,001 – 10,000 | 604 | 4,928,416 |
| 10,001 – 100,000 | 5,414 | 235,256,927 |
| 100,001 and over | 3,788 | 3,550,089,195 |
| Totals | 10,828 | 3,791,774,562 |
| Holding less than a marketable parcel | 2,654 | 21,273,518 |

2. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

(a) Ordinary Shares

| | Holder | Number of Shares Held | |
|----|--|-----------------------|--------------|
| | | Number | % |
| 1 | National Nominees Limited | 367,444,721 | 9.69 |
| 2 | Citicorp Nominees Pty Limited | 102,460,146 | 2.70 |
| 3 | Mr Kun Liu | 53,861,265 | 1.42 |
| 4 | Mr Siat Yoon Chin | 51,522,466 | 1.36 |
| 5 | Mr Mark Richard Eames | 49,317,914 | 1.30 |
| 6 | Mango Bay Enterprises Incorporated | 45,065,000 | 1.19 |
| 7 | Mr Michael Maynard | 43,624,305 | 1.15 |
| 8 | Rookharp Capital Pty Limited | 40,000,000 | 1.05 |
| 9 | Chin Nominees Pty Ltd | 37,921,565 | 1.00 |
| 10 | Mr Terrence Chivers & Mrs Vicki Lee-Anne-Chivers | 33,392,844 | 0.88 |
| 11 | Chetan Enterprises Pty Ltd | 30,000,000 | 0.79 |
| 12 | Arvada Pty Ltd | 26,100,000 | 0.69 |
| 13 | N K C Pty Ltd | 25,000,000 | 0.66 |
| 14 | Est Mr Robert Steel Renton | 24,868,946 | 0.66 |
| 15 | Rookharp Capital Pty Limited | 20,000,000 | 0.53 |
| 16 | Troca Enterprises Pty Ltd | 20,000,000 | 0.53 |
| 17 | BNP Paribas Noms Pty Ltd | 18,630,342 | 0.49 |
| 18 | Mrs Jeanne Rasmussen & Mr Paul Rasmussen | 18,060,302 | 0.48 |
| 19 | Wassa Venture Capital Pty Ltd | 17,989,167 | 0.47 |
| 20 | Renique Holdings Pty Ltd | 17,800,000 | 0.47 |
| | Total | 1,043,058,983 | 27.51 |
| | Total remaining holders | 2,748,715,579 | 72.49 |

ASX Additional Information

FOR THE YEAR ENDING 30 JUNE 2022

(b) Quoted Options expiring on 20 May 2023 exercisable at \$0.05 each (MGTOE)

| | Holder | Number of Options Held | |
|--------------------------------|---|------------------------|--------------|
| | | Number | % |
| 1 | Mr Kaeshav Ganeswaran | 21,500,000 | 5.92 |
| 2 | Rookharp Capital Pty Limited | 20,000,000 | 5.51 |
| 3 | National Nominees Limited | 19,270,035 | 5.3 |
| 4 | Troca Enterprises Pty Ltd | 13,000,000 | 3.58 |
| 5 | Mr Michael Damian | 10,600,062 | 2.92 |
| 6 | Chetan Enterprises Pty Ltd | 10,000,000 | 2.75 |
| 7 | Matthew Burford Super Fund Pty Ltd | 9,026,279 | 2.48 |
| 8 | Mr Murray Roger Barber & Mrs Yvonne Barber | 7,586,018 | 2.09 |
| 9 | Mr Paul Anthony Sharp | 7,000,000 | 1.93 |
| 10 | Mr Siat Yoon Chin | 6,440,447 | 1.77 |
| 11 | Mr Kun Liu | 5,820,000 | 1.6 |
| 12 | Mr Emmanuel Stan Kastrissios & Mrs Cinzia Kastrissios | 5,483,444 | 1.51 |
| 13 | Mr Wayne Jeffery March & Mrs Janet Ann March | 5,000,000 | 1.38 |
| 13 | Mr Paul Sharp & Mr Valentine Durnin | 5,000,000 | 1.38 |
| 15 | Citicorp Nominees Pty Limited | 4,975,457 | 1.37 |
| 16 | Eggsellence Pty Ltd | 4,780,000 | 1.32 |
| 17 | Mr Mark Richard Eames | 4,609,826 | 1.27 |
| 18 | Rusmal Pty Ltd | 4,524,765 | 1.25 |
| 19 | Chin Nominees Pty Ltd | 4,450,000 | 1.22 |
| 20 | Mr Kevin Albert John Decelis | 4,050,000 | 1.11 |
| Total | | 173,116,333 | 47.65 |
| Total remaining holders | | 190,176,071 | 52.35 |

3. SUBSTANTIAL SHAREHOLDERS

An extract from the Company's register of substantial shareholders is set out below:

| Name | Number of Shares Held | % |
|---------------------------|-----------------------|------|
| National Nominees Limited | 367,444,721 | 9.69 |

ASX Additional Information

FOR THE YEAR ENDING 30 JUNE 2022

4. VOTING RIGHTS

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder presents in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5. STOCK EXCHANGE LISTING

Magnetite Mines Limited ordinary shares are listed on all member exchanges of the ASX Limited.

The home exchange is the ASX Limited.

6. RESTRICTED SECURITIES

There are no ordinary shares on issue that have been classified by the ASX Limited, Perth as restricted securities.

7. SCHEDULE OF TENEMENTS

| Tenement Name | Location | Tenement Number and Type | Holder/ Application | Share Held | Status |
|---------------|----------|--------------------------|---------------------|------------|------------------|
| Razorback | SA | EL 6126 | MGT | 100 | Granted 17/09/17 |
| Razorback | SA | EL 6127 | MGT | 100 | Granted 10/12/17 |
| Razorback | SA | EL 6353 | MGT | 100 | Granted 22/06/19 |
| Razorback | SA | EL 5902 | MGT | 100 | Granted 01/12/16 |
| Sister's Dam | SA | EL 6037 | MGT | 100 | Granted 02/11/17 |
| Muster Dam | SA | EL 6746 | MGT | 100 | Granted 06/05/22 |
| Lipson Area | SA | EL 6745 | MGT | 100 | Granted 06/05/22 |
| Braemar | SA | EL 6788 | MGT | 100 | Granted 09/06/22 |

Key to Tenement Type

EL = Exploration Licence

Key to Holders

MGT = Magnetite Mines Limited

Location

SA = South Australia



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