



MAGNUM MINING TO ACQUIRE APPALACHIAN IRON INC.

HIGHLIGHTS

- Acquisition of Appalachian Iron Inc provides Magnum with right to enter into a formal license agreement for use of Hismelt technology and to advance Appalachian Iron's other interests
- Hismelt technology to be used to develop a green pig iron plant at the Buena Vista Magnetite Project
- Appalachian Iron has entered into a number of non-binding agreements for existing land access in the US, pig iron offtake and raw material supplies to further the development of an iron ore project in West Virginia
- Acquisition of Appalachian Iron has the potential to add further value to Magnum due to the transaction being based on performance shares that only vest when milestones are met

Magnum Mining and Exploration Limited (ASX:MGU) (Magnum or Company) is pleased to announce it has entered into a binding share purchase agreement (Agreement) with Mr. Neil Goodman (Vendor), the CEO of the Company, to acquire 100% of the issued capital of Appalachian Iron Inc (an entity incorporated in the state of Delaware) (Appalachian Iron) (Acquisition).

In consideration for the Acquisition, the Company will issue 30,000,000 performance shares to Mr Goodman, the sole director and shareholder of Appalachian Iron.

APPALACHIAN IRON ACQUISITION & BUENA VISTA MAGNETITE PROJECT

Appalachian Iron is a party to a license agreement with Molong Petroleum Machinery Company (an entity incorporated in China) (**Molong**) pursuant to which it has the right to elect to enter into a future formal process agreement to utilise all intellectual property, information and data relating to the Hismelt iron ore process (**Hismelt Process**), as well as Molong providing technical services and key equipment to Appalachian Iron in order to produce green pig iron in the United States.

The Company is seeking to utilise this Acquisition to integrate the Hismelt Process into its Buena Vista Magnetite Project in order to transition towards operating an integrated mining and production facility for low emission green pig iron products for both US and Asian steelmakers.

It is proposed that the Hismelt Process will replace the Company's previously announced strategy to utilise a rotary kiln to produce green pig iron products.

The decision to replace the rotary kiln with the HIs melt Process was recommended by an independent engineer, MinRizon Projects Pty Ltd (**MinRizon**), after the completion of a technology assessment report undertaken by MinRizon that compared the effectiveness of the rotary kiln, blast furnace and HIs melt pig iron production technologies. The HIs melt Process was shown to produce the highest NPV for the conversion of magnetite to pig iron.

The Company is targeting the development of its JORC 2012 premium quality magnetite resource as the key component of an integrated HIs melt pig iron production facility. This proposed development is intended to utilise the premium quality and low-cost Buena Vista Magnetite Project resource and the abundant local biomass to produce carbon neutral green pig iron products.

The Board considers this Acquisition to be a value add to the Company's current operations.

PROPOSED WEST VIRGINIA PROJECT – APPALACHIAN IRON

Prior to the Acquisition, Appalachian Iron had been pursuing the development of a proposed pig iron project using the HIs melt Process to produce green pig iron at a plant in West Virginia (West Virginia Project).

The West Virginia Project is still in a conceptual stage, with Appalachian Iron only having secured non-binding agreements for land access, pig iron offtake, raw materials supplies, HIs melt technology, and engineering for the West Virginia Project.

None of these agreements will impose any contractual obligations upon the Company post completion of the Acquisition.

The Company has previously advised its shareholders that, as part of its long-term strategy, it will seek to expand its business through acquisitions of complementary assets and to investigate value add opportunities.

The West Virginia Project is a long-term project, where the Company can use the know-how, expertise and HIs melt Process available to Appalachian Iron to assist in the development of the project and increase value for shareholders.

Commenting on the Acquisition and the proposed West Virginia Project, Magnum's CEO Neil Goodman said:

"I look forward to continuing to advance Magnum's Buena Vista Magnetite Project and to progress the West Virginia Project from its current conceptual stage, to develop a project that will be complementary to our existing project. The West Virginia Project is ideally suited to serve the US steel plants located in the eastern half of the US, whereas the Buena Vista Magnetite Project is equally well suited to serve the western half of the US and Asia."

MATERIAL TERMS OF THE AGREEMENT

The Company has agreed, subject to shareholder approval in general meeting, to issue 30,000,000 performance shares in the capital of the Company (Performance Shares) to Mr Neil Goodman (or his nominee) as consideration for 100% of the issued capital of Appalachian Iron.

The Performance Shares will each convert into one fully paid ordinary share in the capital of the Company on the achievement by the Company of performance milestones relating to the production of green pig iron at the Buena Vista Magnetite Project as well as the future development of the West Virginia Project.

The terms of the Performance Shares and details of the relevant milestones are set out in the annexure to this announcement.

The Acquisition is conditional upon the satisfaction of the following conditions precedent on or before 5.00 pm (WST) 10 February 2023:

1. The Company confirming to the Vendor that it is satisfied, at its absolute discretion, with its financial, legal and technical due diligence on Appalachian Iron;
2. The Company obtaining all necessary shareholder approvals required to lawfully complete the Acquisition as required by the Corporations Act and its constitution;
3. Both the parties obtaining all necessary corporate, governmental, and regulatory approvals, consents, and waivers pursuant to the ASX Listing Rules, the Corporations Act, and any other applicable law to allow the Parties to lawfully complete the Acquisition; and
4. Both the parties obtaining all necessary third-party approvals, consents, and waivers to allow the Parties to lawfully complete the Acquisition.

The Agreement is otherwise on customary business terms.

There will be no Board changes resulting from the Acquisition.

SHAREHOLDER APPROVAL

As Mr Goodman, the Vendor, is the sole director and shareholder of Appalachian Iron as well as the current CEO of the Company, ASX has determined pursuant to ASX Listing Rule 10.1.5 that shareholder approval must be obtained for the Acquisition for the purposes of ASX Listing Rule 10.1.

The notice of meeting to be issued shall contain an independent expert's report commenting on the fairness and reasonableness of the Acquisition for the benefit of unrelated shareholders.

An indicative timetable for the proposed Acquisition is set out below.

ACTION	DATE
Company announces Acquisition	12 October 2022
Company despatches the Notice of Meeting	11 November 2022
MGU Shareholders approve the Acquisition	12 December 2022
Company issues Performance Shares to Vendor	13 December 2022
Completion of the Acquisition	13 December 2022

*Please note that this timetable is indicative only and the Directors of the Company reserve the right to amend the timetable as required.

This announcement has been approved by the Board and lifts the trading halt that the Company requested on 10 October 2022.

ENDS

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ANNEXURE – TERMS OF PERFORMANCE SHARES

The terms of the Performance Shares are as follows:

- a) **Performance Shares:** Each Performance Share is a share in the capital of Magnum and will convert into fully paid ordinary shares in the capital of Magnum (Share or Magnum Share), subject to these terms and conditions.
- b) **General Meetings:** The Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of Magnum that are circulated to Magnum's shareholders. The Holder has the right to attend general meetings of Magnum's shareholders.
- c) **No Voting Rights:** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Magnum's shareholders, subject to any voting rights under the Corporations Act or the ASX Listing Rules where such rights cannot be excluded by these terms.
- d) **No Dividend Rights:** The Performance Shares do not entitle the Holder to any dividends.
- e) **No Rights on Winding Up:** Upon winding up of Magnum, the Performance Shares may not participate in the surplus profits or assets of Magnum.
- f) **No Rights to Return of Capital:** A Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- g) **Transfer of Performance Shares:** The Performance Shares are not transferable.
- h) **Reorganisation of Capital:** In the event that the issued capital of Magnum is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- i) **Application to ASX:** The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Magnum Shares in accordance with these terms, Magnum must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Magnum Shares arising from the conversion.
- j) **Participation in Entitlements and Bonus Issues:** Subject always to the rights under paragraph (h), the Holder of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Magnum Shares such as bonus issues and entitlement issues.
- k) **Amendments required by ASX:** The terms of the Performance Shares may be amended as necessary by the board of directors of Magnum in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- l) **No Other Rights:** The Performance Shares give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

CONVERSION OF THE PERFORMANCE SHARES

- a) **Milestones:** The respective milestones upon which Performance Shares will convert into Shares (one a one for basis) are as follows:
- i. 2,500,000 Performance Shares will vest and convert into Shares on the execution by Magnum (or one of its related bodies corporate) of a binding third party off-take agreement for supply of pig iron produced by Magnum (or one of its related bodies corporate) from the Buena Vista Magnetite Project (milestone to expire on that date which is 9 months from the date of issue of the Performance Shares);
 - ii. 2,500,000 Performance Shares will vest and convert into Shares on the completion by Magnum of a bankable feasibility study in respect of the Buena Vista Magnetite Project (milestone to expire on that date which is 18 months from the date of issue of the Performance Shares);
 - iii. 2,500,000 Performance Shares will vest and convert into Shares on the achievement of a total pig iron production quota of 1,300,000tpa by Magnum (or one of its related bodies corporate) from the Buena Vista Magnetite Project pursuant to a binding third party off take agreement (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares);
 - iv. 2,500,000 Performance Shares will vest and convert into Shares on the achievement of a total pig iron production quota of 1,300,000tpa by Magnum (or one of its related bodies corporate) from the Buena Vista Magnetite Project pursuant to a binding third party pre-pay agreement (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares);
 - v. 5,000,000 Performance Shares will vest and convert into Shares on the achievement of a total supply quota of mill scale or other feed materials relevant to 50% of the required ore for pig iron production by Magnum (or one of its related bodies corporate) from the Buena Vista Magnetite Project pursuant to a third-party supply agreement linked to any bankable feasibility study requirements for the Buena Vista Magnetite Project for at least the term of the bankable debt facilities (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares);
 - vi. 2,500,000 Performance Shares will vest and convert into Shares on the achievement of a total supply quota of 1,000,000tpa of biochar to service production of Magnum's (or one of its related bodies corporate) from the Buena Vista Magnetite Project pursuant to a third-party supply agreement linked to any bankable feasibility study requirements for the Buena Vista Magnetite Project for at least the term of the bankable debt facilities (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares);
 - vii. 2,500,000 Performance Shares will vest and convert into Shares on the achievement of the first production of biochar by Magnum (or one of its related bodies corporate) from the Buena Vista Magnetite Project (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares);
 - viii. 2,500,000 Performance Shares will vest and convert into Shares on the execution of a binding agreement by Magnum (or one of its related bodies corporate) with the state of West Virginia (or other relevant regulatory body) for land access for Magnum (or one of its related bodies corporate) to build a pig iron plant in West Virginia, pursuant to the proposed West Virginia Project (milestone to expire on that date which is 24 months from the date of issue of the Performance Shares); and
 - ix. 7,500,000 Performance Shares will vest and convert into Shares on the achievement of the first production of pig iron by Magnum (or one of its related bodies corporate) from the West Virginia Project (milestone to expire on that date which is 48 months from the date of issue of the Performance Shares), (each a Milestone).
- b) **Conversion of Performance Shares:** Upon the relevant Milestone being achieved and subject to paragraph (a), the applicable Performance Shares will convert into Magnum Shares on a one (1) for one (1) basis on the achievement of the Milestone.
- c) **Expiry:** If the individual Milestones are not achieved by each relevant date set out in paragraph (a), the Performance Shares subject to that Milestone will automatically lapse on that date.
- d) **Conversion Procedure:** Magnum will issue the Holder with a new holding statement for the Magnum Shares as soon as practicable following the conversion of the Performance Shares into Magnum Shares.
- e) **Ranking of Magnum Shares:** The Magnum Shares into which the Performance Shares will convert will rank *pari passu* in all respects with the Magnum Shares on issue at the date of conversion.

