



magnetic resources^{NL}

ABN 34 121 370 232

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

**Annual General Meeting to be held at the
Office of the Company,
Ground Floor, 22 Delhi Street
West Perth WA 6005**

on

**Thursday 27 November 2014
commencing at 11.00 am (WST)**

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional
adviser without delay.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Magnetic Resources NL will be held at the Office of the Company, Ground Floor, 22 Delhi Street, West Perth, WA 6005 on Thursday 27 November 2014 commencing at 11:00 am (WST).

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive and consider the annual financial report, together with the Directors' and auditor's reports for the financial year ending 30 June 2014.

2. Adoption of Remuneration Report (Resolution 1)

To consider and if thought fit, to pass, with or without amendment the following **advisory only resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ending 30 June 2014."

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by, or on behalf of:

- a member of the key management personnel ("KMP") as disclosed in the Remuneration Report;
- a closely related party of those persons,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the Proxy Form. The Company's KMP's are set out in the Remuneration Report. Generally speaking they are people having authority and responsibility for planning, controlling and directing the Company's activities in a direct or indirect manner. KMP's include the Directors, and senior executives of the Company.

A closely related party of a KMP generally speaking means a spouse, child, or dependent of the KMP, or a child or dependant of the spouse of the KMP. It includes anyone else who is a member of the KMP's family who would influence or may be expected to influence the KMP in relation to his or her dealings with the Company. It also includes any company which is controlled by the KMP, and includes any other people prescribed as closely related parties by ASIC in the regulations to the Corporations Act (none are prescribed at this time).

3. Re-election of Director (Resolution 2)

To consider and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, in accordance with the Company's Constitution and for all other purposes, Mr Eric Lim, who retires by rotation under section 73.1 of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, is re-elected as a Director of the Company".

4. Ratification of appointment of Director (Resolution 3)

To consider and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, in accordance with the Company's Constitution and for all other purposes, Mr John Blanning, who having been appointed on 17 October 2014 under section 69.2 of the Company's constitution retires and, being eligible, offers himself for re-election, is re-elected as a Director of the Company".

SPECIAL BUSINESS

5. Ratification of Prior issue of Shares to Orbit Drilling (Resolution 4)

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 67,884 Shares to Orbit Drilling Pty Ltd, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue the subject of Resolution 4 and any associates of those persons. However, the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Approval of 10% Placement Facility (Resolution 5)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That approval is given for the Company to have the additional capacity (ie, 10% Placement Capacity) to issue Equity Securities under Listing Rule 7.1A, for the period specified in Listing Rule 7.1A.1 and in accordance with the formula prescribed in Listing Rule 7.1A.2.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 5 is passed. However, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

7. Ratification of Prior issue of Options to White Dot Group Inc (Resolution 6)

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 3,000,000 Options to White Dot Group Inc, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 6 by any person who participated in the issue the subject of this resolution and any associates of those persons. However, the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8. Ratification of Prior issue of Shares to Sophisticated Investors (Resolution 7)

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 2,727,272 Shares at an issue price of \$0.11 per share to Sophisticated Investors, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 7 by any person who participated in the issue the subject of this resolution and any associates of those persons. However, the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9. Ratification of Prior issue of Shares to Sophisticated Investors (Resolution 8)

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

“That for the purpose of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 7,205,000 Shares at an issue price of \$0.20 per share to Sophisticated Investors, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes cast on Resolution 8 by any person who participated in the issue the subject of this resolution and any associates of those persons. However, the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this Notice of Annual General Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share

registry in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5pm (WST) on 25 November 2014. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the Annual General Meeting.

Enquiries

Shareholders may contact the Company Secretary, Ben Donovan, on (+61 8) 9226 1777 if they have any queries in respect of the matters set out in these documents.

By Order of the Board of Directors



Ben Donovan
Company Secretary

Dated this 21 day of October 2014

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

Item 1 - Financial Statements and Reports

The Corporations Act requires the reports of the Directors and of the Company's auditor and the annual financial report, including the financial statements, to be put before the Annual General Meeting and the Constitution provides for those reports and statements to be received and considered at the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the reports or statements. However, Shareholders will be given an opportunity to raise questions on the reports and statements at the Annual General Meeting.

In accordance with the Corporations Act, the Company is not required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at www.magres.com.au.

Item 2 – Adoption of Remuneration Report (Resolution 1)

The Remuneration Report is set out in the Directors Report in the Company's Annual Report for the period ending 30 June 2014. This report sets out the Company's remuneration policy and reports on the remuneration arrangements in place for Directors and key executives of the Company.

Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report be adopted must be put to the vote. This resolution seeks this approval. However, in accordance with section 250R(3) of the Corporations Act, Shareholders should note that this resolution is an "advisory only" resolution which does not bind the Directors of the Company.

Following consideration of the Remuneration Report, the Chairman, in accordance with section 250SA of the Corporations Act, must give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

Under recent reforms to the Corporations Act, if 25% or more of the vote on this resolution are against adopting the Remuneration Report, the Company will be required to consider and report to Shareholders in the next Remuneration Report on what action (if any) has been taken in response to Shareholder concerns, and if no action is proposed to be taken, the Board's reasons for this.

Shareholders also need to be aware that as a result of the new legislation which became effective on 1 July 2011 a "two strikes" process will apply to the results of voting in relation to Resolution 1. This means that if the resolution proposing adoption of the Remuneration Report receives a "no" vote of over 25% of votes cast by those attending in person or by proxy and permitted to vote, at two successive annual general meetings, then at the Company's 2015 annual general meeting, an extra resolution must be put to the meeting proposing that another general meeting should be held within 90 days of the second annual general meeting. A simple majority of over 50% of the votes cast at the 2015 annual general meeting is

required to pass this extra resolution. If the resolution is passed, within 90 days another general meeting must be held at which all the Directors, except the Managing Director and any new Directors appointed since the date of the 2015 annual general meeting, will be required to resign and offer themselves for re-election. These provisions are colloquially referred to as the “two strikes rule” and the “spill resolution” to be put to the “spill meeting”.

If at the spill meeting, the resolutions are all passed against re-electing the relevant Directors, the legislation includes a mechanism to ensure the Board continues with the statutory required minimum of 3 Directors. After the managing director, the remaining two positions will be filled by the Directors whose re-election resolutions at the spill meeting received the highest percentage of votes in favour of re-election. If the number of votes is the same for two Directors, the Managing Director and any other Director whose re-election has been confirmed at this spill meeting, can choose who is to become the third Director, with such appointment to be confirmed by shareholders at the 2016 annual general meeting. The ramifications of this mechanism being invoked include that the Company would not be in compliance with its corporate governance policies as a result of not having three independent directors on the Company’s audit committee or any other committees requiring independent directors.

At the Company’s 2013 Annual General Meeting, there were 60,031 votes cast against the 2013 Remuneration Report, which is less than 25% of the votes cast at the meeting and therefore the two strikes process was not invoked at the 2013 Annual General Meeting.

The Chairman intends to vote all available proxies in favour of adopting the Remuneration Report.

Item 3 – Re-election of Director (Resolution 2)

Clause 73.1 of the Constitution and Listing Rule 14.4 provides that at every Annual General Meeting, one third of the directors must retire, but are eligible for re-election at that Annual General Meeting.

The Directors to retire are those who have been in office for 3 years since their appointment or last re-appointment or have been longest in office since their appointment or last re-appointment, or, if the Directors have been in office for an equal length of time, by agreement.

The requirements for a Director to retire do not apply to a Managing Director (but if there is more than one Managing Director, only one is exempt from retirement).

The Company currently has two Directors (excluding the Managing Director) and accordingly one must retire.

Accordingly, Mr Eric Lim retires by rotation at the Annual General Meeting and, being eligible, he offers himself for re-election as a Director. A summary of Mr Lim’s qualifications and experience is contained in the 2014 Annual Report.

The Directors, other than Mr Lim, recommend that Shareholders vote in favour of Resolution 2 to reappoint Mr Lim as a Director.

The Chairman intends to vote all available proxies in favour of Resolution 2.

Item 4 – Ratification of Director (Resolution 3)

Clause 69.2 of the Constitution, the Directors at any time may appoint a director to the board of the Company as a casual vacancy until the next annual general meeting where that director is then eligible for re-election.

Accordingly, Mr John Blanning having been appointed by the Board on 17 October 2014 without prior shareholder approval retires at the Annual General Meeting and, being eligible, he offers himself for re-election as a Director. A summary of Mr Blanning’s qualifications and experience is contained in the announcement dated 20 October 2014.

The Directors, other than Mr Blanning, recommend that Shareholders vote in favour of Resolution 3 to reappoint Mr Blanning as a Director.

The Chairman intends to vote all available proxies in favour of Resolution 3.

Item 5 – Ratification of the Issue of Securities to Orbit Drilling Pty Ltd (Resolution 4)

To assist the Company with its ongoing drilling costs, the Company entered into a services agreement with Orbit Drilling Pty Ltd whereby Orbit Drilling Pty Ltd could convert some of its invoices into Shares in the Company.

On 7 February 2014, the Company issued 67,884 Shares to Orbit Drilling Pty Ltd at a consideration of \$0.14 per share in satisfaction of invoices totalling approximately \$9,500.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 67,884 Shares to Orbit Drilling Pty Ltd.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that without the approval of holders of ordinary securities, a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities (and provided that the previous issue did not breach ASX Listing Rule 7.1) the issue will be treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue to Orbit Drilling Pty Ltd, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue pursuant to Resolution 4:

- (a) 67,884 Shares were issued, within the Company's then existing 15% capacity under Listing Rule 7.1;
- (b) the Shares were issued for consideration of approximately \$9,500 for drilling services;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions and rank equally in all respects with the Company's existing Shares the terms of which are in the public domain;
- (d) the Shares were issued to Orbit Drilling Pty Ltd, which is not a Related Party of the Company; and
- (e) no funds were raised from the issue of the Shares given that the Shares were issued as part payment for drilling services.

The Directors recommend that Shareholders vote in favour of Resolution 4.

The Chairman intends to vote all available proxies in favour of Resolution 4.

Item 6 – Approval of 10% Placement Facility (Resolution 5)

6.1 General

Under Listing Rule 7.1, subject to certain exceptions, a listed entity must not, without the approval of holders of ordinary securities, issue or agree to issue more Equity Securities than the number calculated

according to the formula set out in that rule. The formula generally has the effect that, in addition to the exceptions provided, every listed entity has the ability (**15% Placement Capacity**) over any 12 month period to issue Equity Securities equal to 15% of its issued capital at the commencement of the 12 month period.

Under Listing Rule 7.1A, an “Eligible Entity” may also seek the approval of the holders of its ordinary securities by special resolution passed at an AGM to have the additional capacity (**10% Placement Capacity**) to issue Equity Securities under rule 7.1A. The exact formula for the 10% Placement Capacity is set out in Listing Rule 7.1A.2 and the approval period (**10% Placement Period**) to which it relates (generally 12 months) is set out in Listing Rule 7.1A.1 (refer to sections 6.2 and 6.3 respectively below). The ability to issue securities under listing rule 7.1A is in addition and separate to each listed entity's ability to issue securities under listing rule 7.1.

An “Eligible Entity” for the purposes of Listing Rule 7.1A is an entity which, as at the date of the relevant special resolution passed for the purposes of rule 7.1A, (excluding restricted securities and securities quoted on a deferred settlement basis) is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. As at the date of this Notice, the Company's market capitalisation for this purpose is under \$15 million and the Company expects to be an Eligible Entity at the time of the Meeting.

There are a number of other rules and conditions applicable to the approval and issue of equity securities under listing rule 7.1A, including:

- (a) that any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company;
- (b) a limitation on the discount to prevailing market price at which they may be issued; and
- (c) additional disclosure requirements.

As at the date of the Notice, the Company has on issue six classes of Equity Securities, being listed Shares, both fully paid and partly-paid contributing, and four classes of unlisted Options.

The Company is now seeking Shareholder approval to have the 10% Placement Capacity.

At the date of this Notice, the Company has on issue 97,817,758 fully paid ordinary Shares and 20,418,862 party-paid contributing shares. Assuming the Company's Shares on issue do not change and refreshing of the placement capacity, the Company will have the capacity over the course of the next 12 months to issue:

- (i) 14,672,663 Equity Securities under its 15% Placement Capacity; and
- (ii) 9,781,775 Equity Securities under its 10% Placement Capacity,

without requiring further shareholder approval.

The Directors of the Company believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution. In particular, the ability of the Company to issue Shares under the 10% Placement Capacity will enable the Company to issue Shares at a discount to the then market price in circumstances where it might otherwise be subjected to the cost, delay and uncertainty of having to go back to Shareholders for approval. The additional flexibility will better position the Company to pursue its interests in the prevailing difficult market conditions.

6.2 Formula for calculating the 10% Placement Capacity under Listing Rule 7.1A.2

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 10% Placement Period, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4 (which does not include the 10% Placement Capacity);
- (iv) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% Placement Capacity.

D is 10%;

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

6.3 10% Placement Period under Listing Rule 7.1A.1

Listing Rule 7.1A.1 provides that an approval under Listing Rule 7.1A must be for a period commencing on the date of the AGM at which the approval is obtained and expiring on the first to occur of the following:

- (a) the date that is 12 months after the date of that AGM; or
- (b) the date of the approval by holders of the Eligible Entity's ordinary securities of a transaction under rule 11.1.2 (proposed significant change to the nature or scale of its activities where ASX has required the entity to seek such approval) or rule 11.2 (disposal of main undertaking).

6.4 Special Resolution

Resolution 5 will only be effective if it is passed as a special resolution which requires (amongst other matters) that it be passed by least 75% of votes cast by members entitled to vote on the resolution.

6.5 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Capacity as follows:

- (a) If the 10% Placement Capacity is used, Equity Securities may only be issued in reliance on the 10% Placement Capacity at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power and economic interests in the Company could potentially be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows:

- (i) the potential dilution of existing Shareholders assuming a share issue at the current market price of Shares and assuming the current number of ordinary securities for variable "A" (as described in section 6.2 and Listing Rule 7.1A.2) (further assumptions are set out in the notes immediately below the table).
- (ii) two further examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of

ordinary securities included in variable “A” may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and

- (iii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable “A” in Listing Rule 7.1A.2		Dilution		
		\$0.065 50% decrease in Issue Price	\$0.13 Assumed Issue Price	\$0.195 50% increase in Issue Price
Current Variable A 97,817,758	10% voting dilution	9,781,776		
	Funds raised	\$635,815	\$1,271,631	\$1,907,446
50% increase in current Variable A 146,726,637	10% voting dilution	14,672,664		
	Funds raised	\$953,723	\$1,907,446	\$2,861,169
100% increase in current Variable A 195,635,516	10% voting dilution	19,563,552		
	Funds raised	\$1,271,631	\$2,543,262	\$3,814,893

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No Options are exercised into Shares before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on the Shareholder’s holding at the date of the Meeting.
 - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The use of Equity Securities under the 10% Placement Facility consists only of Shares.
 - (vii) The assumed issue price is \$0.13, being the closing price of the Shares on ASX on 16 October 2014.
- (c) The Company will only issue the Equity Securities under the 10% Placement Facility approved (if approved) at the 2014 AGM during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities under the 10% Placement Facility for the following purposes:
- (i) cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing the Company’s iron ore projects at its Ragged Rock project and other tenements as well as for general working capital; or

- (ii) non-cash consideration for the acquisition of new resources, assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon the issue of any Equity Securities under the 10% Placement Facility.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or Associates of a related party of the Company.

- (e) The Company has previously obtained Shareholder approval under Listing Rule 7.1A, at the Company's 2013 AGM. The total number of equity securities issued in the 12 months preceding the Annual General Meeting is zero.

The Directors recommend that Shareholders vote in favour of Resolution 5.

The Chairman intends to vote all available proxies in favour of Resolution 5.

Item 7 – Ratification of the Issue of Securities to White Dot Group Inc (Resolution 6)

To assist the Company with increasing its awareness in the investment community, the Company entered into a services agreement with White Dot Group Inc whereby they would provide general investor relations throughout Asia to the Company.

On 16 January 2014, the Company issued 3,000,000 Options exercisable at \$0.1499 on or before 27 December 2016 to White Dot Group Inc or its nominee at a consideration of zero per Option as part payment for the provision of these services.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 3,000,000 Options exercisable at \$0.1499 on or before 27 December 2016 White Dot Group Inc for nil consideration.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that without the approval of holders of ordinary securities, a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities (and provided that the previous issue did not breach ASX Listing Rule 7.1) the issue will be treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue to White Dot Group Inc, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue pursuant to Resolution 6:

- (a) 3,000,000 options exercisable at \$0.1499 on or before 27 December 2016 were issued to White Dot Group Inc on 16 January 2014, within the Company's then existing 15% capacity under Listing Rule 7.1;
- (b) the options were issued for nil consideration;
- (c) the options are on the terms as those already on issue and as set out in the annual report, and the conversion of those options will result in the issue of Shares which rank the same in all respects with the Company's existing Shares, the terms of which are in the public domain. Full terms of the options can be seen in Appendix A;
- (d) the options were issued to White Dot Group Inc or Nominee, which is not a Related Party of the Company; and
- (e) No funds were raised by the issue of the options. Upon the conversion of the options, the funds raised will be used for general working capital purposes.

The Directors recommend that Shareholders vote in favour of Resolution 6.

The Chairman intends to vote all available proxies in favour of Resolution 6.

Item 8 – Ratification of the Issue of Securities to Sophisticated Investors (Resolution 7)

On 6 February 2014, the Company agreed to issue 2,727,272 shares to sophisticated investors to raise \$300,000.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 2,727,272 shares.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that without the approval of holders of ordinary securities, a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities (and provided that the previous issue did not breach ASX Listing Rule 7.1) the issue will be treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue to the sophisticated investors, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue pursuant to Resolution 7:

- (a) 2,727,272 shares within the Company's then existing 15% capacity under Listing Rule 7.1;
- (b) the shares were issued for consideration of \$0.11 per share;
- (c) the shares are the same in all respects as the Company's existing Shares, the terms of which are in the public domain;
- (d) the shares were issued to sophisticated investors who were not a Related Parties of the Company; and
- (e) The funds raised were used for general working capital purposes.

The Directors recommend that Shareholders vote in favour of Resolution 7.

The Chairman intends to vote all available proxies in favour of Resolution 7.

Item 9 – Ratification of the Issue of Securities to Sophisticated Investors (Resolution 8)

On 19 August 2014, the Company agreed to issue 7,205,000 shares to sophisticated investors to raise \$1,441,000

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the 7,205,000 shares.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that without the approval of holders of ordinary securities, a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities (and provided that the previous issue did not breach ASX Listing Rule 7.1) the issue will be treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue to sophisticated investors, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue pursuant to Resolution 8:

- (a) 7,205,000 shares within the Company's then existing 15% capacity under Listing Rule 7.1;
- (b) the shares were issued for consideration of \$0.20 per share;
- (c) the shares are the same in all respects as the Company's existing Shares, the terms of which are in the public domain;
- (d) the shares were issued to sophisticated investors who were not a Related Parties of the Company; and
- (e) The funds raised were used for general working capital purposes.

The Directors recommend that Shareholders vote in favour of Resolution 8.

The Chairman intends to vote all available proxies in favour of Resolution 8.

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

10% Placement Facility	has the meaning given in Section 6.
10% Placement Period	has the meaning given in Section 6.
Annual General Meeting	means the meeting convened by the Notice of Annual General Meeting.
Associate	has the meaning given in the Corporations Act.
ASX	ASX Limited (ACN 008 624 691).
Board	Board of Directors.
Chairman	Chairman of the Company.
Constitution	Constitution of the Company.
Company or Magnetic	Magnetic Resources NL (ABN 34 121 370 232).
Corporations Act	Corporations Act 2001 (Cth).
Director	Director of the Company.
Equity Securities	has the meaning set out in Listing Rule 19.
Explanatory Statement	the Explanatory Statement accompanying the Notice of Annual General Meeting.
Listing Rules or ASX Listing Rules	the listing rules of ASX.
Meeting	means this Annual General Meeting.
Notice of Annual General Meeting	the Notice of Annual General Meeting accompanying the Explanatory Statement.
Option	means an Option to subscribe for a Share.
Related Party	has the meaning given in the Corporations Act.
Share(s)	ordinary fully paid shares in the capital of the Company.
Shareholder	a holder of a Share.
VWAP	the volume weighted average price of a Share.
WST	Western Standard Time as observed in Perth, Western Australia.

APPENDIX A : Options issued to White Dot Group

The Options will entitle the holder to subscribe for and be issued Shares as follows:

- (a) the Options will not be transferable;
 - (b) each Option entitles the holder to subscribe for and be issued with one fully paid ordinary share upon payment of an amount per Option of 14.99 cents, this being the Exercise Price;
 - (c) the Options shall lapse at 5.00pm WST on 27 December 2016;
 - (d) the Options shall be exercisable by notice in writing given to the directors of Magnetic at any time until the expiry date and accompanied by payment of the amount equal to the Exercise Price multiplied by the aggregate number of Options being exercised;
 - (e) the holder of an Option will not be entitled (by reason of being the holder thereof) to participate in new issues of capital which may be offered to shareholders during the currency of the Option; Option holders shall be permitted to participate in new issues of securities on the prior exercise of options in which case the Option holders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Options;
 - (f) Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of Magnetic made during the period when Options may be exercised, and will, if required by and then in accordance with the Listing Rules, be granted a period before the date for determining entitlements to exercise the Options;
 - (g) Within the period stipulated by the Listing Rules following receipt of a properly executed Option exercise notice and the required application monies, the requisite Shares will be issued;
 - (h) Shares issued on the exercise of the Options will rank equally with the then existing issued ordinary shares. Magnetic will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within such period as the Listing Rules stipulate;
 - (i) in the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of Magnetic, the Options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged;
 - (j) other than as set out above, the Options do not confer any of the rights set out in ASX Listing Rule 6.22.
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