



magnetic resources^{NL}

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ENTERS INTO PURCHASE AGREEMENT OVER MT JOY, KAURING, RAGGED ROCK AND JUBUK PROJECTS

Magnetic Resources NL (the **Company** or **Magnetic**) is pleased to announce that it has executed a Term Sheet for the acquisition by Northam Iron Pty Ltd (**Northam Iron**) of Magnetic's Mt Joy, Ragged Rock, Kauring and Jubuk iron ore Projects (the **Tenements** or **Areas of Mutual Interest (AMI)**).

The key terms for the proposed purchase are summarised below.

Consideration

The consideration payable by Northam Iron to Magnetic for the Tenements is comprised of the following components:

- a) After satisfactory Due Diligence is completed, a Payment of \$500,000 is due by 1 November 2017 to Magnetic;
- b) A payment of \$1,000,000 is due to be paid to Magnetic by 14 July 2020 (**Milestone Payment**); and
- c) Northam Iron will grant a royalty to Magnetic based on the sale price of all iron ore product extracted and sold from the Tenements. The Royalty rate will be:

\$0.25/t for a sale price of \$80.00/t or less,

\$0.50/t for a sale price of \$90.00/t to \$100.00/t;

\$0.75/t for a sale price of \$100.00/t to \$110.00/t;

\$1.00/t for a sale price of \$110.00/t to \$120.00/t;

\$1.25/t for a sale price of \$120.00/t to \$130.00/t;

\$1.50/t for a sale price of \$130.00/t to \$140.00/t;

\$1.75/t for a sale price of \$140.00/t to \$150.00/t;

\$2.00/t for a sale price above \$150.00/t; and

Thereafter, for every increase in the sale price of \$10.00/t the royalty rate will increase by \$0.25/t.

The payment of the Milestone Payment of \$1,000,000 is subject to and conditional upon the following conditions precedent being satisfied by 14 July 2020;

- a) A minimum of 100,000,000 tonne JORC 2012 compliant iron ore inferred resource being certified by a competent person as existing within any of the Tenements or AMI, in any number of deposits in any one or more of the Tenements or the AMI provided that in aggregate the total resources is equal to or greater than 100,000,000 tonnes of iron ore;
- b) Northam Iron receiving all approvals, consents and authorities required under the Mining Act 1978 to commence mining of at least 2,000,000 tonnes per annum on any one or more of the Tenements or within the AMI;

- c) Northam Iron receiving all approvals, consents and authorities required under all Environmental legislation to commence mining and development on any one or more of the Tenements or the AMI; and
- d) Northam Iron receiving all other statutory approvals, consents and authorities required to commence mining and development on any one or more of the Tenements or the AMI.

If these conditions precedent are not met and the Milestone payment is not paid by 14 July 2020, Northam Iron agrees to pay to Magnetic a development delay payment of \$500,000 within 30 days.

In the event these conditions precedent are not met by 14 July 2023 and the Milestone Payment not made, Northam Iron agrees to pay Magnetic a further development delay payment of \$500,000 within 30 days.

Northam Iron will be responsible for the payment of all rates, rents and meeting minimum commitments on the Tenements upon execution of the formal documentation.

Northam Iron may elect, in its absolute discretion and at any time prior to the Three Year Development Date, to waive compliance with the Development Conditions and pay the Milestone Payment to Magnetic

Timing

The parties will move towards finalisation of the Transaction upon the satisfaction of the following items on or before 1st of November 2017 or such later date as the parties agree in writing:

- (a) Completion by Northam Iron of due diligence enquiries with respect to the Tenements and being satisfied with the results of those enquiries in its absolute discretion, within 90 days;
- (b) Magnetic obtaining any shareholder and regulatory approvals required under the ASX Listing Rules for the transactions contemplated by the Transaction;
- (c) Execution of a tenement sale agreement and other relevant documentation including a Royalty agreement on normal commercial terms; and
- (d) Magnetic obtaining all relevant consents and approvals under the Mining Act, including the consent of the Minister, to the transfer of the Tenements

Magnetic will update the market upon further developments.

For more information on the company visit www.magres.com.au

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