



magnetic resources^{NL}

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MANAGING DIRECTOR CONTRACT

Magnetic Resources NL (**Magnetic** or the **Company**) wishes to announce that it has executed an executive employment contract with Mr Gavin Fletcher in respect of his engagement as Managing Director of the Company (**Executive Employment Contract**).

Mr Fletcher has been performing the role of Managing Director since 20 October 2014 on the basis of a verbal agreement with the remaining Board members as to base salary and superannuation, with discussions taking place since 1 November 2014 between the Directors concerning the remainder of Mr Fletcher's remuneration package, and his proposed termination benefits.

A summary of the material terms of Mr Fletcher's remuneration package under the Executive Employment Contract are as follows:

1. Base salary of \$250,000 plus statutory superannuation contributions of \$23,750 per annum.
2. A three year term applies from 1 November 2014 (**Commencement date**) subject to the parties' ability to terminate earlier. Six months' notice must be given by either party in order to terminate the Executive Employment Contract for any reason other than immediate termination due to Mr Fletcher's gross misconduct when termination is immediate without notice, or termination due to removal by the Company in general meeting under the procedures set out in the Corporations Act, when termination is immediate.
3. Subject to shareholder approval, the Company will issue on the anniversary of the commencement date, such number of shares to Mr Fletcher which equates to 1% of the issued capital of the Company. If shareholder approval is not obtained, the shares won't be issued.
4. Following the 2015 Annual General Meeting, the Company must grant 1,500,000 Options to Mr Fletcher exercisable at \$0.20 on or before 10 years from the date of grant, with 500,000 Options vesting on each anniversary of the Commencement Date unless the Executive Employment Contract has been terminated. The issue of options is subject to obtaining prior Shareholder approval.
5. The Company will also pay the following cash sums to Mr Fletcher within 5 Business Days after the date when the following milestones are confirmed by the Board and provided Mr Fletcher remains an employee when the milestones occur.

The Company may elect to convert up to half of the cash amount payable to equity, by the issue of Shares at a deemed issue price which is equivalent to the volume weighted average price of Shares in the 30 days on which Shares traded on ASX

preceding the date of satisfaction of the milestones and any associated announcement, whichever is the earlier (provided the Company has sufficient capacity under Listing Rule 7 to issue such Shares).

Milestone	Description	Cash payment to Mr Fletcher
1	<p>Investment in the Company or its projects Payment of the first tranche of money by a single investor or group of investors (whether or not associated with Mr Fletcher) under a legally binding subscription agreement, loan and convertible note agreement, or farmin agreement with the Company, under which funding of \$10 million or more is provided for working capital or specific project development purposes being in the commodities of either iron ore or dense media.</p> <p>Where funding of \$5 million or more is the subject of such an agreement, the milestone payment is payable on a proportionally reduced basis, for example a \$5M investment would lead to a milestone payment of \$125,000.</p>	\$250,000
2	<p>Completion of Project Feasibility Study The completion of a Project Feasibility Study as approved by the Board, with sufficient detail to allow the board to determine that it is capable of achieving a firm commitment from interested parties to finance the commercialisation of the proposed project in the commodities of either iron ore or dense media.</p>	\$150,000
3	<p>Securing Project Finance for Construction. The amount of Project Finance should be sufficient to achieve Milestone 4.</p> <p>The milestone has been achieved when first drawdown or payment of funds occurs under an agreement to finance either an iron ore project or a dense media project with a bank, cornerstone investor, or the raising of sufficient equity capital to finance the construction of an iron ore or dense media operation as outlined in the feasibility study mentioned in Milestone 2.</p>	\$250,000
4	<p>First Ore on “Ship” (FOOS). This shipment or transportation of either iron ore or dense media material should meet the requirements of the project finance business plans as approved by the Board from time to time, and excludes any trial shipments.</p>	\$1,500,000

The Company has also agreed to the following termination benefits under the Executive Employment Contract, with some parts subject to shareholder approval at the coming 2015 Annual General Meeting:

1. Where the Executive Employment Contract is terminated for reasons of gross misconduct by Mr Fletcher, the only components of the remuneration package which Mr Fletcher will be entitled to are the base salary and superannuation payments up to the date of immediate termination, and cash payment in lieu of accrued statutory annual leave.
2. In all other cases of termination, or upon resignation or upon expiry of the Executive Employment Contract at the end of the three year term, Mr Fletcher will be entitled to:
 - a. Receive payment of the base salary and superannuation payments up to the date of termination including the 6 month notice period (but if Mr Fletcher is removed by the Shareholders, no notice period applies);
 - b. Receive a cash payment in lieu of accrued statutory annual leave up to the date of termination;
 - c. Receive a pro-rated issue of Shares described above, based on the number of months which have elapsed so far since the last anniversary date of the Commencement Date;
 - d. Retain all vested Options granted to Mr Fletcher described above; any unvested Options will lapse; and
 - e. If the Board considers that a milestone is close to being achieved on the termination date, receive a proportion of the milestone payment that would have been paid to Mr Fletcher had termination of the Executive Employment Contract not occurred. The quantum of the payment will be decided by the Board on the basis of the progress achieved, and the Board may seek independent verification of the progress achieved towards that milestone. If a payment is to be paid, it cannot be less than 25% of the relevant milestone payment.

Additional details will be provided in the notice of meeting for the upcoming Annual General Meeting.

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

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