



magnetic resources^{NL}

**MAGNETIC RESOURCES NL
ACN 121 370 232**

NOTICE OF GENERAL MEETING

A general meeting of the Company will be held at the offices of Capital Partners, Ground Floor, 22 Delhi Street, West Perth, Western Australia at 10:30am (WST) on Friday 29th January 2016.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9226 1777

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Magnetic Resources NL ("**Company**") will be held at the offices of Capital Partners at Ground Floor, 22 Delhi Street, West Perth, Western Australia 10:30am (WST) on Friday 29th January 2016 ("**Meeting**").

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 5pm (WST) on Wednesday 27th January 2016.

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

AGENDA

1. RESOLUTION 1 - REMOVAL OF DIRECTOR - MR GAVIN FLETCHER

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

"That pursuant to section 203D of the Corporations Act 2001 (Cth), Mr Gavin Fletcher be removed as a director of Magnetic Resources NL with effect from the end of the general meeting of Magnetic Resources NL at which this resolution is passed."

2. RESOLUTION 2 - REMOVAL OF DIRECTOR - MR JOHN BLANNING

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

"That pursuant to section 203D of the Corporations Act 2001 (Cth), Mr John Blanning be removed as a director of Magnetic Resources NL with effect from the end of the general meeting of Magnetic Resources NL at which this resolution is passed."

3. RESOLUTION 3 - ELECTION OF DIRECTOR - MR GEORGE SAKALIDIS

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

"That, Mr George Sakalidis, having consented to act, be appointed as a director of Magnetic Resources NL with effect from the end of the general meeting of Magnetic Resources NL at which this resolution is passed."

4. RESOLUTION 4 - ELECTION OF DIRECTOR - MR JULIEN SANDERSON

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

"That, Mr Julien Sanderson, having consented to act, be appointed as a director of Magnetic Resources NL with effect from the end of the general meeting of Magnetic Resources NL at which this resolution is passed."

Dated: 18 December 2015

By order of the Board



Mr Ben Donovan

Company Secretary

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of Capital Partners at Ground Floor, 22 Delhi Street, West Perth, Western Australia 10:30am (WST) on Friday 29th January 2016.

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Returning the Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company 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. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than **10.30 am (WST) on 27 January 2016**, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. MEETING BACKGROUND

As announced on 24 November 2015, by notice dated 23 November 2015, Leeman Pty Ltd, Mr Haank Jan Gerhard, Mr Jan Gerhard Haank and Ms Li Chiao Chen and Mr George Sakalidis (**Requisitioning Shareholders**) requested the Directors call and arrange to hold a general meeting in accordance with section 249D of the Corporations Act (**Initial Request**).

As announced on 1 December 2015, by a notice dated 30 November 2015, the Requisitioning Shareholders withdrew the Initial Request and provided a replacement notice requesting the Directors call and arrange to hold a general meeting in accordance with section 249D of the Corporations Act (**Second Request**).

The Second Request seeks the appointment of Mr George Sakalidis and Mr Julien Sanderson as Directors of the Company and the removal of Mr Gavin Fletcher and Mr John Blanning as Directors of the Company.

For a copy of the Second Request, please contact the Company Secretary by telephone on **+61 8 9226 1777**

Pursuant to section 249D(1) of the Corporations Act, a general meeting is required to be called upon the request of a member with at least 5% of the votes that may be cast at a general meeting of the Company.

As at 30 November 2015, the Requisitioning Shareholders held 5,433,523 Shares directly representing a voting power of 5.55% in the Company.

Accordingly, the Directors have called and arranged to hold this Meeting pursuant to the Second Request and in accordance with the provisions of section 249D(5) of the Corporations Act. Shareholders should note that the Resolutions contained in this Notice have been proposed pursuant to the Second Request and not by the Board.

Furthermore, pursuant to section 203D of the Corporations Act, a public company may by resolution remove a director from office regardless of any provision in that company's constitution or any agreement between the director and the company.

4. RESOLUTION 1 - REMOVAL OF DIRECTOR - MR GAVIN FLETCHER

The Second Request requisitioned a general meeting to propose a resolution to remove Mr Gavin Fletcher as a Director.

In accordance with the requirements of the Company's Constitution and the Corporations Act, the Company has convened the Meeting to allow Shareholders to vote on the removal of Mr Fletcher as a Director.

The Company has provided the following information to assist Shareholders.

4.1 Mr Gavin Fletcher - Managing Director

Mr Fletcher is a Metallurgist with 19 years' experience in mining in Australia, Africa and Europe. Gavin has held senior positions in both major and junior mining companies with the majority of his experience gained in aggressive start up projects in Iron Ore, Gold and Diamonds. His experience covers all aspects of Metallurgy and Project Development from initial assessment of a deposit, through to testwork, flowsheet development, project management and technical marketing of products to customers and investors. His experience in the processing of magnetite will assist Magnetic, with Gavin previously holding the roles of Commissioning Manager, Process Manager and Project Manager for the Process Optimisation of the Sydvaranger Magnetite project in Norway. Recent roles have also included General Manager of Processing and Metallurgy for UK listed African Minerals, Commissioning and Project Manager for Northern Iron Ltd and Principal Process Engineer for Fortescue Metals Group Ltd.

On 24 September 2015 the Company executed an Executive Employment Contract with Mr Gavin Fletcher in respect of his engagement as Managing Director of the Company. The appointment was effective from 20 October 2014.

Mr Fletcher is employed on a base salary of \$250,000 plus statutory superannuation contributions of \$23,750 per annum.

The employment agreement is for a three year term applying from 20 October 2014 subject to the parties' ability to terminate earlier.

Where the Executive Employment Contract is terminated for reasons of gross misconduct by Mr Fletcher, then Mr Fletcher will be entitled to his base salary and superannuation payments up to the date of immediate termination, and cash payment in lieu of accrued statutory annual leave. In all other cases of termination, 6 months notice is required to be given, or at the Company's election, paid in lieu to Mr Fletcher. The Company is currently taking advice with respect to termination benefit matters relating to Mr Fletcher's contract under the Corporations Act and the Listing Rules.

4.2 Company recommendation

Mr Fletcher and Mr Blanning have received personal legal advice which has advised that they do not have a material personal interest in the recommendation to shareholders.

As such, Mr Fletcher and Mr Blanning do not support the removal of Mr Fletcher and recommend that Shareholders vote against Resolution 1.

Mr Lim, supports the removal of Mr Fletcher and recommends that Shareholders vote in favour of Resolution 1.

The majority of the board being Mr Fletcher and Mr Blanning, have indicated that the Chairman intends to exercise all available proxies against Resolution 1.

5. RESOLUTION 2 - REMOVAL OF DIRECTOR - MR JOHN BLANNING

The Second Request requisitioned a general meeting to propose a resolution to remove Mr John Blanning as a Director.

In accordance with the requirements of the Company's Constitution and the Corporations Act, the Company has convened the Meeting to allow Shareholders to vote on the removal of Mr Blanning as a Director.

The Company has provided the following information to assist Shareholders.

5.1 Mr John Blanning - Non-Executive Director

Mr Blanning is a civil engineer with over 30 years of mining, construction & business management experience in both Iron Ore and Coal, and has served as the Vice President Mining for African Minerals Limited (AMI), an AIM listed mining company which discovered, developed, financed and established a fully integrated, Iron Ore Mine, Rail and Port Operation in Sierra Leone. John joined AMI in March 2009, when its Market Cap was approximately £30M and was directly involved in growing AMI to over £2.0B within the next 2 years.

Mr Blanning was directly involved in numerous capital raisings including the raising of \$US750M and the sale of 12.5% of AMI to China Rail & Material).

5.2 Company recommendation

Mr Fletcher and Mr Blanning have received personal legal advice which has advised that they do not have a material personal interest in the recommendation to shareholders.

As such, Mr Fletcher and Mr Blanning do not support the removal of Mr Blanning and recommend that Shareholders vote against Resolution 2.

Mr Lim, supports the removal of Mr Blanning and recommends that Shareholders vote in favour of Resolution 2.

The majority of the board being Mr Fletcher and Mr Blanning, have indicated that the Chairman intends to exercise all available proxies against Resolution 2.

6. RESOLUTION 3 - ELECTION OF DIRECTOR - MR GEORGE SAKALIDIS

The Second Request requisitioned a general meeting to propose a resolution to appoint Mr George Sakalidis as a Director.

In accordance with the requirements of the Company's Constitution and the Corporations Act, the Company has convened the Meeting to allow Shareholders to vote on the appointment of Mr Sakalidis as a Director.

Mr Sakalidis has provided the Company with the following description of his experience.

6.1 Mr George Sakalidis

Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience. His career has included extensive gold, diamond, base metals, iron ore and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits, the Boonanarring-Gingin South-Helene Mineral Sands Deposits in Western Australia where a merger is being currently finalised and he was involved in the tenement application over the high grade Silver Swan nickel deposit. He was also involved with the tenement application for the recently discovered Monty Copper mineralisation (formerly called the Sakalidis Project) adjacent to the Degruusa Copper deposit. He is a founding Director and is currently an Executive Exploration Director of this company, Image Resources NL (since listing on 4 July 2002) and Meteoric Resources NL (since listing on 16 July 2004). Mr Sakalidis is also a founding director of ASX listed companies Emu NL, Magnetic Resources NL and Potash West NL. He was also a founding director of Magnetic Minerals Limited and outlined 180Mt @ 5% HM at Dongara directly north of the Iluka Mining Leases at Eneabba which led to Magnetic Minerals Limited being taken over at 55c in 2003 by Tigor. Tronox are expected to be in production over the next few years.

During the past three years he has also served as a director of the following other listed companies:

- Meteoric Resources NL - appointed February 2004, continuing
- Magnetic Resources NL - appointed August 2006, resigned October 2014
- Potash West NL – appointed November 2010, resigned 26 November 2014
- Emu NL – appointed August 2007, resigned November 2013

6.2 Company recommendation

Mr Fletcher and Mr Blanning do not support the appointment of Mr Sakalidis and recommend that Shareholders vote against Resolution 3.

Mr Lim, supports the appointment of Mr Sakalidis and recommends that Shareholders vote in favour of Resolution 3.

The majority of the board being Mr Fletcher and Mr Blanning, have indicated that the Chairman intends to exercise all available proxies against Resolution 3.

7. RESOLUTION 4 - ELECTION OF DIRECTOR - MR JULIEN SANDERSON

The Second Request requisitioned a general meeting to propose a resolution to appoint Mr Julien Sanderson as a Director.

In accordance with the requirements of the Company's Constitution and the Corporations Act, the Company has convened the Meeting to allow Shareholders to vote on the appointment of Mr Sanderson as a Director.

Mr Sanderson has provided the Company with the following description of his experience.

7.1 Mr Julien Sanderson

Mr Sanderson is a chartered accountant with more than 40 years' experience in banking, corporate, accounting, taxation, company secretarial practice and international and local corporate governance. Mr Sanderson's experience spans a range of private and public companies in a broad range of industries including mining and resources. Previously Mr Sanderson was Financial Controller and subsequently Manager Director and Company Secretary of ASX-listed Biron Corporation Limited and non-executive Chairman of Premier Gold NL and Corporate Finance Manager of Kia Ora Gold NL. Mr Sanderson is currently Principal of his own accounting firm, Profcare.

7.2 Company recommendation

Mr Fletcher and Mr Blanning do not support the appointment of Mr Sanderson and recommend that Shareholders vote against Resolution 4.

Mr Lim, supports the appointment of Mr Sanderson and recommends that Shareholders vote in favour of Resolution 4.

The majority of the board being Mr Fletcher and Mr Blanning, have indicated that the Chairman intends to exercise all available proxies against Resolution 4.

8. DIRECTORS' STATEMENTS

Statements by Messrs Gavin Fletcher and John Blanning were provided to the Company for distribution to Shareholders pursuant to section 203D(4) of the Corporations Act. These statements are annexed at Schedule 2 and Schedule 3 to this Explanatory Memorandum.

A statement by Messer Lim was provided to the Company for distribution to Shareholders. This statement is set out in Section 11 to this Explanatory Memorandum.

These statements were prepared by their respective authors (i.e. not the Company) who have each represented to the Company that their statement is not false or misleading in any material particular and does not omit any matter which renders it misleading in a material

aspect. The Company makes no comment on any of the statements and notes any statement is made by each director in a personal capacity after having the option to seek independent legal advice, and the Company is not associated with, nor has it verified the statements made by those directors.

The Company disagrees with Mr Lim's description of Messrs Fletcher and Blanning "managing" the Notice of Meeting preparation. Messrs Fletcher and Blanning are participating in preparation of this notice as are all Directors and are doing so in order to fulfill their duties and obligations as Directors.

9. STATEMENTS FROM THE REQUISITIONING SHAREHOLDERS

Section 249P of the Corporations Act permits the requisitioning shareholders to submit a statement for circulation to Shareholders regarding the Resolutions and any other matter that may be properly considered at the Meeting.

The Requisitioning Shareholders have provided the Company with a statement to be sent to Shareholders. A copy of this statement is annexed as Schedule 4.

10. COMPANY'S RESPONSE TO SECTION 249P NOTICE

Dear Shareholders of Magnetic Resources NL.

The Company has reviewed the 249P statement by the requisitioning shareholders and offers the following for you to consider when making a choice between your current Directors and the Directors being nominated by the requisitioning shareholders:

Suggestion of sole focus on Iron Ore

In their section 249P statement, the Requisitioning Shareholders suggest that the Company has solely focused on iron ore exploration. This statement is incorrect. In December 2014, the Company was made aware of a coal project in Kalimantan, Indonesia, by its Non-executive Director, Eric Lim. Due diligence was conducted over the course of the next 8 months and unfortunately the vendor failed to provide a sufficient level of detail or substantiate commitments to warrant an investment by our Company. The proposed coal transaction did not progress to a stage where the Company was required to make an announcement pursuant to its continuous disclosure obligations.

The Board has been acutely aware of the deteriorating iron ore market over the past 12 months. As a result, the Company could follow the lead of other small exploration companies and take on a completely different direction, such as pursuing a graphite project or a mobile phone app. Instead the Company has been evaluating an opportunity to exploit the very high quality of the magnetite on the tenements that the Company has managed to acquire over the past 12 months, in particular the Mt Joy and Northam Tenements. Mr Fletcher and Mr Blanning have been instrumental in identifying a potential opportunity to produce and sell very high quality magnetite as an industrial mineral used in the washing of coal ("Dense Media"). The Company understands there are few magnetite deposits around the globe which are suitable for producing a product such as this. The market price for material of similar quality in Australia is currently around \$250/t, a substantial premium to the price this material would sell for as Iron Ore (Investors should be aware that these statements in relation to the possible Dense Media project are based on the Company's current information and further evaluation work and studies are required to establish sufficient confidence for the Company to progress this project).

The activities conducted by the Company have included among other things, independent testwork conducted by the CSIRO, Mr Fletcher and Mr Blanning joining the Australian Coal Preparation Society and attending several conferences, workshops and technical meetings over the past 12 months. The Company has joined the Coal Preparation Society of India as a Corporate Member and Mr Fletcher has made 2 visits to the country to further explore the opportunity for Dense Media in their rapidly expanding coal washing market. The timing of the 249D is unfortunate in that the Company has not yet disclosed this very promising direction, as more formalised, detailed technical work is required before accurate disclosure can be made to the market.

Mr Sakalidis has questioned why the Company has not diversified into other commodities such as gold. In a meeting on 10 December, Mr Sakalidis suggested to Mr Fletcher that, if elected, his intention was to pursue opportunities in the gold sector. If the new direction was to involve greenfields exploration, this could commit the Company to a very long, involved and expensive pathway to identify a potential gold project, raise funds for exploration and attempt to commercialise the project.

The Company does not see the sense in pursuing this direction when it currently holds exceptional Magnetite tenements which could be used in the prospective Dense Media project. The pathway to production is likely to be much shorter compared to greenfields exploration that requires substantial funding with no guarantee of finding an economic deposit.

Director Skillsets

Mr Sakalidis poses many questions on the suitability of himself and Mr Sanderson as Directors in the place of Messrs Fletcher and Blanning. He suggests that the skill base of Fletcher and Blanning is somewhat limited to iron ore, he suggests his years as an executive on companies he floated would make him a better person to lead your company in these tough times and he suggests that Mr Fletcher's remuneration of \$250,000 as Managing Director of your Company is excessive. Mr Sakalidis further suggests reckless spending on a number of (unspecified) drillholes.

The facts surrounding these suggestions are as follows:

- Messrs Fletcher and Blanning have very wide ranging experience beyond iron ore. Beyond their extensive iron ore experience, Mr Blanning has 25 years of operational coal experience and Mr Fletcher has 8 years operational experience in gold and a further 2.5 years operational experience in diamonds. The vast majority of their experience has been gained in the creation, construction, trouble shooting and operational management of numerous large and small mining projects. Many of these projects were greenfields projects. Building a project from the ground up is arguably the most challenging phase that a mining company ever experiences. Messrs Fletcher and Blanning played critical and substantial roles in the commencement of operations at Fortescue Metals Group.
- Mr Sakalidis is a Geophysicist and the vast majority of his work has revolved around exploration. It is understood that he has not had any significant development nor operational experience during his career and has also not had the experience of commencing any new operation in any commodity. It is true that Mr Sakalidis has enjoyed many years as a company executive. He was involved in the float of at least 5 publicly listed companies during the period of 2002 – 2010. Mr Sakalidis was appointed to the Board of all of these companies. The various companies have explored for an extensive range of different minerals over the course of the last 13 years during one of the largest mining booms this country has ever seen. To the best

of our knowledge, no project has ever been commercialised from any of the tenements held in these 5 companies.

- In the case of Magnetic Resources, Mr Sakalidis was the Managing Director from the time of floating the Company in 2007 until October 2014. Magnetic announced a change in focus to iron ore in 2008 at a time when iron ore prices were reaching unprecedented levels of \$180USD per tonne. Over the course of the next 6 years under Mr Sakalidis' leadership, Magnetic failed to bring any project to commercialisation, despite spending around \$10 million dollars of shareholder funds. It is relevant to highlight that during this same period of time, Messrs Fletcher and Blanning played pivotal roles in the creation of several multi-billion dollar mining projects owned by Fortescue Metals Group and African Minerals Ltd.
- Mr Sakalidis suggests that he is an appropriate choice of Director for the challenging times facing the resources industry. It is difficult to see how Mr Sakalidis intends to ever make Magnetic Resources a producer and generating cashflow if he was not able to do this through the mining boom.
- The Company was provided with the information in section 7.1 relating to Mr Sanderson's experience.
- Mr Sakalidis suggests that the remuneration package proposed for Mr Fletcher at the recent AGM was excessive. The cash component of Mr Fletcher's remuneration is \$250,000. Several milestone payments were outlined in the recent AGM and it is relevant to point out that Mr Fletcher would only receive this remuneration if significant achievements were made leading to the construction and commercialisation of a mining project. Mr Sakalidis suggests that he received much less and refers to his payments as at 30 June 2014. The following table sets out the income Mr Sakalidis received from the numerous Board positions he held during the 12 months prior to 30 June 2014:

Company	Mr Sakalidis Remuneration as at 30 June 2014
Magnetic Resources	\$264,658
Image Resources	\$197,535
Meteoric Resources	\$39,523
Emu Nickel	\$11,654
Potash West	\$50,000
Total	\$563,370

- Mr Sakalidis has made a suggestion of reckless use of Company funds by drilling “*a number of expensive RC holes...without any access arrangements in place*”. Mr Sakalidis has misrepresented this situation completely.
- The Company, under Mr Fletcher's leadership, has identified far more promising tenements than during Mr Sakalidis' tenure, including the Mt Joy and Northam tenements. Mr Fletcher personally engaged with farmers within these areas and

managed to reach agreement with the farmers quickly to start exploring the very promising magnetic anomalies on their farms. One of these farms not only had very impressive magnetic anomalies present, but also had a great deal of data from drilling that was conducted during the 1960's and this critical data was secured by Mr Fletcher through negotiations with the landholder.

- After lengthy discussion with the farmer and extensive negotiation of terms of a compensation agreement that would secure a development pathway all the way through to a producing mine, without the need for further negotiations, an agreement was executed with the farmer and a small number of RC drillholes were carried out for a cost of approximately \$50,000. This small number of holes combined with the historical drilling would have been enough to declare an inferred JORC resource. There was one risk to the agreement which your Board felt was a calculated risk. Whilst the farmer had executed the agreement, a side Deed with the farmer's bank was required, and despite months of discussions, that side Deed has not yet been agreed with the farmer's bank. The relationship with the farmer in this instance is still in good standing and the opportunity to conclude a deal remains.
- By way of comparison, during Mr Sakalidis' tenure as Managing Director, he authorised the drilling of some 74 drillholes on the Jubuk lease at a cost of approximately \$875,000 with an agreement that did not allow for any activities to be undertaken apart from exploration. Further to this, in the 3rd year of that agreement, a payment of \$10,000 was required to the farmer, and this payment was never made, which effectively terminated the access agreement and to this day the relationship with this landholder remains problematic.

Messrs Sakalidis and Sanderson suggest that if you feel it is time for a change, then you should vote for them to replace Messrs Fletcher and Blanning.

The Company feels that a vote for these two gentlemen to lead your Company would be very detrimental to the promising direction of Dense Media.

The Company urges you to vote **AGAINST** the removal of Messrs Fletcher and Blanning, and **AGAINST** the election of Messrs Sakalidis and Sanderson.

11. STATEMENT BY MR ERIC LIM

Dear Shareholders,

In 2013, the Company entered into a placement agreement with Mr Fletcher and Mr Blanning. As part of that agreement, Mr Fletcher began as an executive director with the expectation that he brought a certain skill set, connections and along with Mr Blanning, funding capabilities to the Company.

Mr Fletcher was then appointed Managing Director during October 2014, and Mr Blanning as a non-executive director, providing them with majority control of the board of directors.

Despite having majority control of the board of directors and associated decision making authority, the credentials of being able to develop and operate mining projects, and funding from shareholders arranged through my network of contacts, during the time of Mr Fletcher's tenure, no project has been advanced to a stage of nearing production, nor has any funding been raised from sources associated with Mr Fletcher and Mr Blanning since their original 2013 investment.

I understand the skepticism our requisitioning shareholders have expressed on the continued relevance of Mr Fletcher and Mr Blanning's skillset to the Company during a time of declining iron ore prices and I therefore support refreshing the board of directors with a broader skillset across asset classes as that of Mr Sakalidis. I also support the appointment of Mr Sanderson as his experience in the areas of banking, corporate, accounting, taxation, company secretarial practice and international and local corporate governance will bring the right level of discipline to the company during these difficult times.

I also wish to inform our shareholders of the fact that Mr Fletcher and Mr Blanning, being the named directors in the 249d notice, have obtained personal legal advice that they do not have material personal interest, have therefore declared themselves to have no material personal interest and the Board of Directors with Mr Fletcher and Mr Blanning having board majority are consequently managing the 249d Notice of Meeting as well as other associated aspects of the 249d process.

I therefore advise shareholders of my position to vote FOR the removal of Mr Fletcher and Mr Blanning, and FOR the election of Mr Sakalidis and Mr Sanderson.

For further information, please contact:

Mr Gavin Fletcher	+61 400 747 179	gavin@magres.com.au
Mr John Blanning	+61 419 792 057	jtblanning@gmail.com
Mr Eric Lim	+65 9756 5673	eric.limjh@uobgroup.com

SCHEDULE 1: DEFINITIONS

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

£ means UK pounds sterling.

AIM means the alternative market of the London Stock Exchange.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Chairman means the person appointed to chair the Meeting, or any part of the Meeting, convened by the Notice.

Company means Magnetic Resources NL (ACN 121 370 232).

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time, being the time in Perth, Western Australia.

SCHEDULE 2: STATEMENT BY MR GAVIN FLETCHER

16 December 2015

Dear Shareholders of Magnetic Resources NL

I wanted to take the opportunity to address the shareholders of Magnetic Resources NL (the **Company**) regarding my tenure as Managing Director of your company and the resolution before you regarding my removal as a director of the Company.

I feel there is some relevant background information that you should consider when making your election.

John Blanning and I joined the Company in March 2013 along with a group of highly experienced mining professionals who were part of the major success stories of Fortescue Metals Group and African Minerals who invested \$1 million in the Company. The Company was very excited to obtain substantial project development experience that the Company was vastly lacking at that time.

I initially joined the Board as Technical Director. After some 6 months in the role I found myself leading most aspects of the Company despite Mr George Sakalidis fulfilling the role of Managing Director.

Mr Eric Lim, a Director of the Company, arranged for me to meet the major shareholders in June 2014. In an email to a group of the Company's international investors based in Malaysia and Singapore (**International Investors**), Mr Lim commented *"It will be good for you to understand the details directly from Gavin (he speaks with quite a passion.....and is extremely impressive in his knowledge, experience and expertise) as well as for you to get to know the down-to-earth man that Gavin is."*

Since commencing as a director of the Company I have actively sought opportunities to realise value for the Company's shareholders. I visited China and Japan where I engaged with large steel mills about potential investment into your Company. Despite the major downturn in the Iron Ore market, one very large steel group remains interested in an eventual partnership with the Company, particularly in respect of opportunities to develop high quality magnetite as an industrial mineral to be used in the washing of coal (**Dense Media**).

In December 2014, Mr Lim introduced the Company to a potential Coal project in Kalimantan, Indonesia, with a view to obtaining early cashflow. I was advised that the project was very well supported by the International Investors who were ready to invest \$3M USD into the Company to pursue this opportunity.

I met with the vendor with Mr Lim in Singapore and suggested that the Company would need some very basic information including proof of ownership of the mining leases, results of drilling, testwork confirming the quality of the deposit, and some contractual information to support the production costs being suggested by the vendor. After many requests, none of this most basic information was supplied. Despite concerns about a drastic lack of basic due diligence information, I was available to visit the project in December 2014. The trip did not happen as the vendor suggested there were allegedly problems with his December shipment. A visit was then planned for mid-January 2015.

An expatriate Geologist with over 25 years of experience in the Indonesian coal market attended the site visit with me and many inconsistencies were noted. The nature of the mining leases were misrepresented, the drilling and geological information that was promised during the visit was not provided and the vendor even tried to pass off a working coal mine that we visited as belonging to his family, which was refuted by the independent Geologist who had knowledge of the operation.

Despite these many concerns, Mr Eric Lim continued to show a good deal of interest and commitment to concluding a deal. The ensuing due diligence was conducted in Singapore and little information was shared with myself and Mr Blanning who have over 40 years of mining experience and Mr Blanning having some 25 years' experience in Coal. Mr Eric Lim requested on a number of occasions that Mr Blanning and I approve the investment despite these concerns.

The structure of the proposed investment would have resulted in your share ownership being substantially diluted to obtain a very low quality coal project which was not likely to become a profit making venture.

Mr Blanning and I formed the view that investing in the project would not be in the interest of all of the Company's shareholders and on 2 July 2015 we advised the Mr Lim that we would not be supporting an investment into this project.

I feel the best direction for the Company is to pursue the Dense Media opportunity that myself and Mr Blanning created, and I hope this opportunity is developed under the leadership of Directors who properly understand it and have the essential contacts in the Coal industry for the uptake of the product.

Accordingly, I advise you to vote –

AGAINST the removal of myself, Gavin Fletcher and John Blanning and

AGAINST the election of nominees George Sakalidis and Julien Sanderson.

For further information please contact:

Mr Gavin Fletcher 0400 747 179

gavin@magres.com.au

SCHEDULE 3: STATEMENT BY MR JOHN BLANNING

16 December 2015

Dear Magnetic Resources shareholders –

I seek your support at the forthcoming General Meeting by voting –

AGAINST the removal of Gavin Fletcher and myself, John Blanning and

AGAINST the election of nominees Messrs George Sakalidis and Julien Sanderson.

It is extremely concerning that comments by Messrs Sakalidis and Haank suggesting Magnetic Resources NL (the **Company** or **Magnetic Resources**) would receive \$40.00 per tonne for our final product given this price refers to 62% Fe Hematite Product. As Mr Sakalidis was the Managing Director of Magnetic Resources from 2007 to 2014 he should recall that Magnetic Resources has always secured iron ore tenements that would produce a very high quality MAGNETITE Product of 68% FE, with very low impurities, which sells for a premium.

Messrs Sakalidis and Haank have also made incorrect comments regarding my professional experience. Although I have spent 7 years in iron ore in executive positions in mining companies, the majority of experience I have gained during my career has predominately been in COAL in the Bowen Basin and the Hunter Valley areas of Queensland and NSW. I spent approximately 25 years after graduating, in numerous operational positions in operating mines from Shift Supervisor to General Manager. I have been involved in development, exploration and production phases on various projects including the Cloudbreak and Christmas Creek for the Fortescue Metals Group, Tonkolili Iron Ore Project for African Metals and the Burton Coal Project.

It is incorrect for Messrs Sakalidis and Haank to assert that the current Board of MAU have been idle over the last 14 months. We have been actively investigating two alternative investments for Magnetic Resources.

Firstly, for approximately 8 months we were focussed on a potential investment in Indonesian thermal coal. This project in Kalimantan was brought to the Board by one of our major shareholders and after spending a considerable amount of time investigating or trying to investigate all aspects of the project, through a basic due diligence process, myself and Mr Fletcher did not consider it in the best interests of the company to invest in the project.

After completing the due diligence, we could not verify:

1. the ownership of the mining tenements;
2. the status of current operational contracts;
3. the status of current offtake or sales contracts with customers or potential customers;
4. JORC information, a reasonable geological model or a drilling program;
5. coal quality; or
6. an economic case for the investment.

Through this process Mr Eric Lim remained positive about this investment.

Secondly, we have investigated the concept of producing an industrial mineral called Dense Media Magnetite (DMM). DMM is used in almost every Coal Washing Facility in the world to separate waste material or ash from clean product coal in dense medium cyclones. In short, this material is mixed with water to create a medium where the coal floats and the waste material sinks. It currently

sells to existing coal mines in Australia for approximately \$250.00/tonne, a significantly higher price than ANY straight Iron Ore Product, Hematite or Magnetite.

DMM is sought after in India, Indonesia and China because of its required sizing and quality and sells for between \$US220 and \$US400/ tonne in these countries. The Company is well placed to supply these countries because of the geographical location of Perth to these countries as opposed to our potential current competitors.

The very low infrastructure costs required to get the project into production, because of the location of our tenements around Northam, makes this opportunity a particularly attractive investment for the Company. Our in-house market review of competitors suggests we would be more than competitive on price, taking into account all aspects of the Mining, Processing, Railing and Shipping of the MAU DMM product to Coal Mines on the East Coast of Australia.

I have numerous contacts in both the Bowen Basin and Hunter Valley Coal fields where nearly all of Australia's coal is produced. Both Mr Fletcher and myself have been actively canvassing interest in the Australian Coal Industry for another DMM supplier by attending Australian Coal Preparation Society Conferences, meetings and Technical Seminars in both Queensland and NSW and the feedback from existing coal producers has been VERY POSITIVE. The relationships already established with Mine CHPP Operations Personnel, Head Office Technical Specialists and Company Purchasing Managers in these large existing coal producers in Australia, will be lost to Magnetic Resources once Mr Fletcher and I have left the company.

As the Head of Mining for the Fortescue Metals Group I was responsible for the design, planning, scheduling and development of the Cloudbreak and Christmas Creek mines, from exploration tenements into successfully producing Iron Ore operations. The Cloudbreak Mine was producing iron ore at ~40.0Mtpa when I left FMG for African Minerals.

Likewise, as the Vice President of Mining for African Minerals, I was responsible for the development of the Tonkolili Iron Ore Project in Sierra Leone, from jungle into production of a Hematite Product, overlying one of the world's largest Magnetite Resources.

Also, the average monthly spend by Magnetic Resources over the period Mr Fletcher and I have been on the Board has been significantly less the average monthly spend during the period Mr Sakalidis was Managing Director.

I implore you to please keep the current board of Magnetic Resources intact with Mr Gavin Fletcher and myself, Mr John Blanning as members as we consider the DMM opportunity to be very exciting with the potential for a significant return.

I strongly advise you to vote –

AGAINST the removal of Gavin Fletcher and myself, John Blanning and

AGAINST the election of nominees Messrs George Sakalidis and Julien Sanderson.

For further information please contact:

Mr John Blanning +61 419 792 057 jblanning@gmail.com

SCHEDULE 4: STATEMENT OF REQUISITIONING SHAREHOLDERS PURSUANT TO SECTION 249P OF THE CORPORATIONS ACT

STATEMENT FROM REQUISITIONING SHAREHOLDERS

4 December 2015

Dear fellow Magnetic Resources shareholders

We write to you to seek your support in the forthcoming General Meeting by voting **FOR** the removal of current Directors Messrs Gavin Fletcher and John Blanning, and **FOR** the election of nominees Messrs George Sakalidis and Julien Sanderson.

As substantial shareholders of the Company, we are concerned about the direction of the Company under Messrs Fletcher and Blanning in difficult market conditions for a junior resources company.

From an operational perspective, we are concerned that, with the price of iron ore declining over the last 12 months to its current \$40 per tonne (approx.), at which price only the iron ore majors such as BHP Billiton and Rio Tinto could reasonably be expected to operate profitably, the Company has spent the last 12 months under Messrs Fletcher and Blanning solely pursuing iron ore exploration.

As shareholders would be well aware, no major commodity has suffered more in the current market than iron ore. In current conditions, even if a significant deposit was to be discovered by the Company, the likelihood of it being exploited profitably in the medium term is very low.

That being the case, we query why the Company has not diversified into other commodities? Gold, for example, has spent much of the last year trading within reach of its all time high price in Australian dollar terms – up around A\$1,600 per ounce – and tenements prospective for gold and gold projects have been and are available for purchase on highly attractive terms.

We note that iron ore features heavily in the resumes of both Messrs Fletcher and Blanning. Even if they were suitable candidates at the time of their appointment in September 2014, we contend that they are not suitable now.

In such difficult market conditions, the Company needs Directors who have experience in managing junior resources companies in these conditions. However, from their resumes, neither Messrs Fletcher nor Blanning appear to have previous experience on the Board of a junior resources company.

Indeed, over the 12 months from 30 September 2014 to 30 September 2015, the Company's cash position has reduced from \$1.659 million to \$490,000. Whilst much of the expenditure was on exploration, we are concerned that a number of expensive RC holes were drilled without any access arrangements in place.

Notwithstanding the above, our greatest concern with Messrs Fletcher and Blanning is that whilst many junior resources companies are cutting costs in these tough market conditions, Mr. Fletcher is being paid a high salary under an executive services contract which contemplates several high cash bonuses payable when certain milestones are met.

To this end, shareholders are referred to the Company's announcement dated 24 September 2015 – "Managing Director Contract". Proposed terms include:

- Annual base salary of \$250,000 plus Super of \$23,750 based on 80% of Mr Fletcher's time
- The annual issue of shares representing 1% of the Company's then issued capital
- The grant of 1,500,000 10-year \$0.20 options at the 2015 AGM
- Cash payment of \$250,000 on the receipt of \$10 million funding (\$125,000 for \$5 million)
- Cash payment of \$150,000 on completion of a Project Feasibility Study
- Cash payment of \$250,000 on securing project finance for construction
- Cash payment of \$1.5 million for first ore on ship

In our view, while such payments are beneficial to Mr. Fletcher, they are not in the best interests of the Company. Indeed, resolutions seeking approval for issues of shares to Mr. Fletcher under his executive services contract were recently voted down at the Company's AGM at a ratio of 10 to 1. We note that, in year ended 30 June 2014, in much better market conditions, Mr Sakalidis as Managing Director received substantially less.

We believe Messrs Sakalidis and Sanderson are far more suitable persons to be managing the Company.

Mr Sakalidis knows the Company and the majority of its interests well, having been a Managing Director from 2007 to 2014. He has extensive experience in junior resources companies, both as an executive and as a director, and has experience covering a wide range of commodity types. He is also a fellow shareholder.

Mr Sanderson is a chartered accountant with more than 40 years' experience in banking, corporate, accounting, taxation and company secretarial practice. We believe the Company will benefit greatly from the rigor he will bring.

Messrs Sakalidis and Sanderson have advised us that, upon election, they will:

- Review and address the Company's financial position
- Implement much needed cost savings
- Identify and pursue mineral resources opportunities other than iron ore

If like us you believe it is time for change, please vote **FOR** the removal of current Directors Messrs Gavin Fletcher and John Blanning, and **FOR** the election of nominees Messrs George Sakalidis and Julien Sanderson.

For further information please contact:

Mr George Sakalidis	+61411640337	gsakalidis@imageres.com.au
Mr Jan Gerhard Haank	+6596342664	janhaank@gmail.com

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