

METEORIC RESOURCES NL

(ABN 64 107 985 651)

NOTICE OF 2009 ANNUAL GENERAL MEETING

incorporating Explanatory Notes and Proxy Form

to be held on

Monday 30 November 2009 at 10:00am (WST)

At

Level 2, 16 Ord Street, West Perth, Western Australia

This is an important document and should be read in its entirety.
If you are in doubt as to the course you should follow, consult your financial or other
professional adviser.



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NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of Meteoric Resources NL (ABN 64 107 985 651) (Meteoric or the Company) will be held at Level 2, 16 Ord Street, West Perth, Western Australia on Monday 30 November 2009 at 10.00am (WST) (Meeting).

The *Explanatory Statement* that accompanies and forms part of this Notice of Meeting (Notice of Meeting) describes in more detail the matters to be considered.

AGENDA

FINANCIAL REPORT:

Tabling of the Company's Financial Report as prepared in respect of the year ended 30 June 2009 and the reports by directors and auditors thereon.

ORDINARY BUSINESS:

To consider and, if thought fit, to pass the following as ordinary resolutions:

Resolution No. 1 – Adoption of Remuneration Report:

That the Remuneration Report contained in the 2009 Annual Report be adopted.

Note: This resolution is advisory only and does not bind the Directors or the Company.

Resolution No. 2 – Re-election of Director:

That Mr Thomas, a Director retiring by rotation in accordance with the Constitution, being eligible and offering himself for re-election, is re-elected a Director of the Company.

Resolution No. 3 – Ratification of Share Placement on 23 September 2009:

That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 7,500,000 fully paid ordinary shares in the capital of the Company on 23 September 2009 at an issue price of \$0.15 each to a combination of sophisticated and professional investors who satisfied the definition contained in section 708(8) of the Corporations Act 2001 and otherwise on the basis set out in the Explanatory Statement accompanying this Notice of General Meeting, is ratified and approved.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by any of the persons, or an associate of those persons, who participated in the issue of the shares, the subject of Resolution 3 and a person who might obtain a benefit, except a benefit solely derived in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if either the vote 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 the vote 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.

Resolution No. 4 – Approval for the Proposed Issue of Contributing Partly-paid Ordinary Shares:

That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 8,405,000 contributing partly-paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement at a price of \$0.005 per share.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by a person, or an associate of that person, who may participate in the proposed issue and a person who might obtain a benefit, the subject of Resolution 4, except a benefit derived solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if either the vote 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 the vote 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.

Resolution No. 5 – Employee Share Option Plan (ESOP):

That for the purposes of Exception 9 (contained in ASX Listing Rule 7.2) to ASX Listing Rule 7.1 and Section 259B(2) of the Corporations Act 2001 (Cth) and for all other purposes, approval is hereby given to the Company to adopt an employee share option plan in the terms of an instrument styled “Employee Share Option Plan”.

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a director of the Company or by any person who may participate in the issues of securities under the plan and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person. However, the Company will not disregard a vote if it is 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 if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as ordinary resolutions:

Resolution No. 6 – Issue of Options to G Sakalidis:

That for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to grant a total of 750,000 Options to subscribe for Shares (on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting) to G Sakalidis or his nominee(s).

Resolution No. 7 – Issue of Options to RM Thomson:

That for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to grant a total of 750,000 Options to subscribe for Shares (on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting) to RM Thomson or his nominee(s).

Resolution No. 8 – Issue of Options to PS Thomas:

That for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act 2001 and all other purposes, the directors be authorised to grant a total of 650,000 Options to subscribe for Shares (on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting) to PS Thomas or his nominee(s).

Voting Exclusion Statement

The Company will disregard any votes cast on resolutions 6, 7 and 8 by any director (“Director”) who may benefit from those resolutions and any person who for the purposes of the Corporations Act 2001 would be regarded as a person (“Associate”) associated with the Director. However the Company need not disregard a vote if it is cast by a Director or Associate 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 Director or Associate who is 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.

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Resolution No. 9 – Amendment to Constitution:

To consider and, if thought fit, to pass, the following resolution as a special resolution.

That the Constitution be amended as indicated by the changes tracked to Rule 107 as appearing in the Explanatory Statement and Annexures, be passed and that this amendment shall take effect from the earliest date permitted by law.

By order of the Board

A handwritten signature in black ink, appearing to be "Rudolf Tieleman", written over a horizontal line.

RUDOLF TIELEMAN
COMPANY SECRETARY

DATED: 23 October 2009

PROXIES

For the purposes of determining voting entitlements at the general meeting, shares will be taken to be held by persons who are registered as holding shares at 5.00pm on Friday 27 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. A proxy may, but need not be, a shareholder of the Company. Proxy forms must reach the Registered Office of the Company by mail, or be received by facsimile on (08) 9485 2840, or be received by email at info@meteoric.com.au at least 48 hours prior to the meeting. For the convenience of shareholders, a Proxy Form is enclosed.

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Explanatory Statement - 23 October 2009



1. Introduction

This Explanatory Statement has been prepared for the information of members of the Company in connection with the business to be conducted at the general meeting of members to be held at Level 2, 16 Ord Street, West Perth, Western Australia on Monday 30 November 2009 at 10:00am (WST).

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of 2009 Annual General Meeting.

2. Receiving Financial Statements and Reports

The Corporations Act 2001 requires that the Annual Company Financial Statements and reports of the Directors and the Auditor be laid before Shareholders at every annual general meeting.

Shareholders will be given an opportunity to ask questions of the Directors and the Auditor in relation to the financial statements of the Company that have been provided to shareholders with this Notice and Explanatory Statement at the Annual General Meeting.

3. Adoption of the Remuneration Report (Resolution 1)

Section 250R(2) of the Corporations Act 2001 requires that at a listed company's AGM, a resolution that the remuneration report be adopted must be put to the vote. This resolution will be non-binding on the directors and the Company and will be advisory only. The Remuneration Report is incorporated into the Directors' Report which in turn appears in the Annual Report.

Shareholders will be given an opportunity to ask questions of the Directors in relation to the Remuneration Report of the Company.

4. Re-election of PS Thomas as a Director (Resolution 2)

The Company's Constitution requires that one third of all directors (other than the managing director) retire by rotation each year. Mr Thomas will retire at the meeting and, being eligible, offers himself for re-election.

5. Ratification of Placement on 23 September 2009 (Resolution 3)

ASX Listing Rule Requirements

ASX Listing Rule 7.1 relevantly provides that the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The issue and allotment of shares outlined in Resolution 3 does not exceed the 15% limit, however, ASX Listing Rules 7.1 and 7.4 provide that, where a company in general meeting ratifies an issue of equity securities, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby enabling the company to issue further equity securities without exceeding the 15% in 12 months limitation.

Shareholder approval is sought so as to refresh the Company's 15% equity security placement limit pursuant to ASX Listing Rule 7.1.

The information required by ASX Listing Rules 7.4 and 7.5 to be provided to shareholders is contained within this Explanatory Statement and the Notice of General Meeting.

Resolution 3 of the Notice of General Meeting proposes the ratification for the issue of 7,500,000 Shares as announced on 22 October 2009, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5, members are advised of the following particulars in relation to the placement.

- (a) Number of securities issued: 7,500,000 Shares
- (b) Price at which the securities were issued: \$0.15 cents per Share
- (c) The Shares rank equally in all respects with the existing shares on issue.
- (d) The shares were issued to a combination of sophisticated and professional investor who satisfied the definition contained in section 708(8) of the Corporations Act 2001;
- (e) No shares were issued to any related party of the Company; and
- (f) The intended use of the funds raised will be directed towards financing exploration of the Company's high priority gold project at Webb and its Robinson Range iron ore project, both in Western Australia.

The Board recommends that Shareholders vote in favour of Resolution 3.

6. Proposed Issue of Contributing Partly-paid Ordinary Shares (Resolution 4)

ASX Listing Rule Requirements

ASX Listing Rule 7.1 relevantly provides that the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The issue and allotment of shares outlined in Resolution 4 will exceed the 15% limit and therefore requires such approval.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the proposed placement.

- (a) The number of securities the Company will issue is 8,405,000 contributing partly-paid ordinary shares;
- (b) The shares will be issued at an issue price \$0.005 per share;
- (d) The shares will be issued to a combination of sophisticated and professional investors who applied for and were issued with fully paid ordinary shares on 23.9.2009 and 16.10.2009. These shares were issued on the basis that there would be an entitlement to be issued with one contributing share for every two fully paid shares subscribed for (subject to shareholder approval);
- (e) No shares will be issued to any related party of the Company;
- (f) The Shares will rank equally in all respects with the existing contributing partly-paid shares on issue; and
- (g) The intended use of the funds raised will be directed towards continued financing of the Company's projects at Webb and Robinson Range and general working capital.

The Board recommends that Shareholders vote in favour of Resolution 4.

7. Employee Share Option Plan (ESOP) (Resolution 5)

This resolution is put to shareholders, for the purpose of ASX Listing Rule 7.2 (Exemption 9) as well as for the purpose of s259B(2) and for all other purposes.

The directors consider it desirable to establish an employee share option plan on the terms appearing in the instrument, copies of which will be made available for inspection by members of the Company at its registered office at any time during normal business hours within the 28 days prior to the meeting.

Under the ESOP the Board may grant options (on terms and subject to such conditions as it sees fit) to subscribe for shares in the Company to selected employees (directors are excluded from the ESOP) or other persons providing consultancy services or contract labour to the Company but excluding any person whom ASX does not regard as being a person entitled to participate under an employee share scheme.

The purpose of the ESOP is to increase the range of potential incentives the Company can offer and to strengthen links between the Company, its employees and consultants.

Under the ESOP the Company may acquire an interest in its own securities in connection with providing assistance to its employees in realising the value of securities issued to them under the ESOP.

Under the ESOP, the Company (either directly or indirectly via an agent, independent trustee or a subsidiary acting as trustee) will have the flexibility to assist an employee deal with securities obtained under the ESOP by doing one or any combination of the following:

- 1. providing the employee with financial assistance to acquire such securities, including funding the:
 - 1.1. conversion of options into shares or partly paid shares (as the case maybe);
 - 1.2. payment of any unpaid portion of a partly paid share issued on conversion of an option issued under the ESOP;

and such assistance may be provided with or without security (including taking security over securities issued to the employee under the ESOP or derived consequent upon exercise thereof) as the Board sees fit;

- 2. acquiring options issued under the ESOP from the employee at a fair price (having regard to factors such as but not limited to the exercise price, the price at which the Company's fully paid shares are trading, the costs to the Company of converting the options and selling the resultant shares and the risk of the exposure to the vagaries of the market between the dates when the Company purchases the options and either sells them or the shares derived on conversion thereof);

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3. selling options issued under the ESOP (or shares issued consequent on exercise of the same) as bare trustee for the employee (with the Company having the right to recover reasonable costs incurred in respect thereof).

The Company may offer an eligible employee the opportunity to acquire securities in the Company under the ESOP through a plan trustee who will hold the securities on behalf of that employee subject to the ESOP rules. ESOP securities acquired by the plan trustee will not be pooled with securities held for other employees.

Securities acquired by an ESOP Trustee by way of issue must not, when aggregated with shares issued or issuable on the exercise of options issued under any other employee share scheme, must not exceed any threshold imposed by law (including the ASX Listing Rules).

Multiple employee share schemes may exist under umbrella of the ESOP.

In respect of shares held in the ESOP for an Employee, that Employee:

may direct a ESOP Trustee to vote at general meetings of the Company other than voting which occurs by a show of hands;

is entitled to receive any dividends and franking credits paid.

Approval for the purposes of section 260C(4) is not being sought. This means that the Company will only provide financial assistance for an ESOP Trustee or employee to acquire securities under the ESOP (including securities acquired consequent on conversion of any acquired under the ESOP) where it may do so in terms of s260A(1)(a) (i.e. where the assistance does not materially prejudice the interests of the Company or its shareholders or the Company's ability to pay its creditors).

The financial assistance may include but will not necessarily be limited to the payment of the purchase price of the shares, payment of any brokerage applicable to dealing in the securities and so on.

Approval for the purposes of section 259B(2) is sought and, if granted, will permit the Company to acquire an interest in (including to take security over its own securities) to the extent that this is provided for in the ESOP (as amended from time to time).

Approval for the purposes of Exception 9 will authorise the Company to issue shares under the ESOP without affecting the Company's capacity to place up to 15% of its issued capital without shareholder approval.

The following is a summary of the key terms of the ESOP:

- a. Subject to the Corporations Act and the ASX Listing Rules, the directors may, at such times as they determine, issue an invitation to employees, consultants and contractors of the Company (*Eligible Person*) (excluding directors or an Associated Body Corporate or person whom ASX does not regard as being a person entitled to participate under an employee share scheme) for the issue of options upon and subject to the terms and conditions of the ESOP. Options issued under the ESOP may be issued for no consideration.
- b. The formula by which the entitlements of Eligible Persons is determined shall be at the absolute discretion of the directors and shall take into account skills, experience, length of service with the Company, remuneration level and such other criteria as the directors consider appropriate in the circumstances.
- c. The directors will have the power to make adjustments to or vary the terms of exercise of an Option, but any proposed variation or adjustment will be subject to any requirements of the Listing Rules and, except in certain prescribed circumstances, no adjustment or variation of the terms of exercise of an Option will be made without the consent of the Eligible Person who holds the relevant Option if that adjustment or variation would have a materially prejudicial effect upon the Eligible Person (in respect of his or her outstanding Options).
- d. Each Option entitles the holder to subscribe for and be allotted one Share. Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- e. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- f. If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to the formula specified in the Listing Rules. If a bonus issue of Shares is made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.
- g. Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time.
- h. The number of Unexercised Options (using that expression as defined in ASX Listing Rule 12.1) from time to time shall not exceed 5% of the total number of issued Shares in the Company from time to time.
- i. No Options are to be issued to an Eligible Person if the issue of those Options will result in the Eligible Person:
 - (i) holding more than 5% of the ordinary fully paid shares comprising the issued capital of the Company;
 - (ii) being placed into a position to cast, or control the casting of, more than 5% of the maximum number of votes that may be cast at a general meeting.

8. Issue of Options (Resolutions 6, 7 & 8)

The Proposal

It is proposed to issue a total of 2,150,000 Options to:

- George Sakalidis (Executive Director) - 750,000;
- Roger Thomson (Managing Director) - 750,000; and
- Peter Thomas (Non-executive Chairman) - 650,000;

free of charge and otherwise on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Corporations Act 2001 Requirements

Chapter 2E of the Corporations Act 2001 ("the Act") prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party or the company without prior shareholder approval.

The Act (Section 219) requires the approval of shareholders be obtained in circumstances where certain information has first been provided to them.

Section 195 of the Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered. As Messrs Sakalidis, Thomson and Thomas may be considered to have a material personal interest in the outcome of resolutions 6, 7 and 8, it was arguable whether a quorum could be formed to consider the matter at Board level other than under section 195(4) of the Act which permits directors to resolve (as they did in this instance) to put matters in which either one of them have a material personal interest to shareholders for consideration and resolution.

The Act prohibits a public company which is listed on ASX from giving a financial benefit to a related party of the public company unless the benefit falls within one of various exceptions to that general prohibition. Exceptions include where:

- the company first obtains the approval of shareholders in general meeting where the pre-conditions set out in the Act have been complied with in relation to the resolution; or
- the terms and conditions upon which the financial benefit is being given are not more favourable to the related party than those on which it is reasonable to expect that the company would give the benefit if dealing with the related party at arm's length in the same circumstances; or
- the financial benefit is paid or provided as remuneration to a person in a capacity as a director of the company and it is reasonable for a company in the company's circumstances to pay or provide that remuneration to a director in the person's circumstances.

A "related party" for the purposes of the Act is defined widely. It includes a director of the public company and specified members of the director's family. It also includes an entity over which a director maintains control.

A "financial benefit" for the purposes of the Act has a very wide meaning. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

ASX Listing Rule Requirements

ASX Listing Rule 10.11 requires, as a general rule, the issue of securities to a director to first be approved by shareholders in circumstances where certain information required by ASX Listing Rule 10.13 has been provided to shareholders; this Explanatory Statement provides that information. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Application of Corporations Act and ASX Listing Rules to Proposal

The provisions of Chapter 2E and ASX Listing Rule 10.11 apply to the proposed issue of Options to Messrs Sakalidis, Thomson and Thomas (the parties to whom resolutions 6, 7 and 8 relate) as they are related parties (by virtue of section 228 of the Act) to whom the proposed resolutions would permit financial benefits to be given.

ASX's Corporate Governance Guidelines

The granting of options to executive directors falls within the guidelines recommended in Principle 8 of the second edition of the ASX's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is aware that the granting of options to non-executive directors is a departure from these guidelines. The Company's Corporate Governance and Policies Manual includes a Remuneration Policy which states that:

"The Remuneration Committee ("committee") makes decisions with respect to appropriate and competitive remuneration and incentive policies (including basis for paying and the quantum of any bonuses), for key management personnel and others as considered appropriate to be singled out for special attention, which:

- *motivates them to contribute to the growth and success of the Company within an appropriate control framework; and*
- *aligns the interests of key leadership with the interests of the Company's shareholders;*
- *are paid within the any limits imposed by the Constitution and make recommendations to the Board with respect to the need for increases to any such amount at the Company's annual general meeting;*
- *in the case of directors, only permits participation in equity-based remuneration schemes after appropriate disclosure to, due consideration by and with the approval of the Company's shareholders."*

This resolution is being put for consideration by the shareholders in compliance with that Policy and on the basis of disclosures made in this document.

Share Trading History

The price of the Company's shares quoted on the ASX over the twelve month period ending 22 October 2009 has ranged from a low of 1.8 cents on 22.12.2008 to a high of \$0.27 on 15.10.2009. The latest available closing price of the Company's shares quoted on the ASX, prior to the date of this Explanatory Statement on 22 October 2009 was \$0.24.

The exercise price for the Options will be 50% higher than (or 1.5 multiple of) the average of 5 days Volume Weighted Average Share Price ending on a date selected by the directors within one month after the Annual General Meeting at which the approval to issue the Options was given.

Valuation

The Directors requested Scott Hill of Provisio Corporate Pty Ltd, Risk & Assurance Consultants (**Provisio**), to provide an indicative valuation of the Options proposed to be granted to the related parties for inclusion in this Explanatory Statement (to satisfy the legal requirement that a value be placed on the Options and disclosed to shareholders using a legally mandated approach to valuation).

Provisio, by letter dated 22 October 2009, have valued the options using a theoretical valuation using a range of open form (basic and binomial) option models. The models valued the Options as an option on a share with a strike price equal to 150% of the expected trading price of ordinary shares in the Company. The modelling took into account that no call can be made on the Options, that the Options have a tenor of five years and that the Company is unlikely to declare any dividends during the currency of the Option. Provisio calculated the value using an implied volatility value of 35%, an underlying share price of \$0.20, a strike price for the Option of \$0.30 and then applied a discount factor of 20% to the resultant option pricing. The discount factor was applied as open form option model are predicated on the assumption that the security is both liquid and tradable (which in this case, they are not as the options are unlisted). A further 10% discount was applied to reflect the fact that the company is a small

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exploration company that will need to raise significant additional funds in an unknown and uncertain market to fully meet all of the expenditure commitments on its exploration licences and mineral tenements for the full tenor of the Option.

Based on the above, Provisio have ascribed a current value of between \$0.026 and \$0.059 with a most likely value of \$0.035 per Option for each of the 1.85 million Options giving a total valuation of all Options to be issued of \$75,250.

The Options will, at the date of approval, have a value determined by reference to the potential value that might be derived from any increase in the value of fully paid shares during the currency of the Options. It is this potential value uplift that is a key reason for the proposal that the Options be issued to the directors so as to motivate them to achieve that outcome which will likely benefit all shareholders.

Dilution Effect and Costs of Issue

The potential cost to the Company of the issue of 2,150,000 Options pursuant to resolutions 6, 7, & 8 is that there will be a dilution of the issued share capital if the Options are exercised. Based on 67,777,451 shares currently on issue, the exercise of the proposed Options would have a dilution effect of approximately 3.17% on non-associated shareholders' interest in the Company. The issue of the Options will not restrict the Company's ability to issue further securities as it sees fit and should it do so, that will further diminish the potential dilution impact of the Options.

The opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of Options are:

- the price at which the Options might have been issued pursuant to an arm's length transaction for cash (or other value);
- if the Options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have then been able to, with the result that less funds will be raised for the number of shares issued.

If the options are exercised they will raise approximately \$774,000 (based on the closing share price on the day prior to the date of this notice).

Capital Structure

The change in capital structure of the Company as a result of the proposed issue of Options is as follows:

Before New Issues:

Shares	Number	Description
	67,779,251	Quoted fully paid ordinary shares
	23,504,727	Unquoted partly-paid ordinary shares (\$0.20 unpaid)

And in addition, on completion of new issues, the following Options:

Options	Number	Exercise Price	Expiry Date
	2,150,000	Say \$0.36	Say 15.12.2014

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Directors' emoluments and equity interests

The Directors' emoluments for the financial year ended 30 June 2009 were as follows:

	Cash Directors Fees and Contractual Payments	Superannuation	Non-cash Benefits Equity Options	Total
Roger Thomson Managing Director	\$74,923	\$2,700	-	\$77,623
George Sakalidis Executive Director	\$64,695	\$2,700	-	\$67,395
Peter Thomas Non-executive Chairman	\$30,000	\$2,700	-	\$32,700

It is expected that all directors' emoluments will be paid at levels based on those applying in the year ended 30 June 2009 subject to review as provided for by the Companies Corporate Governance policies.

Excluding any securities proposed to be issued to the related parties pursuant to resolutions 6, 7 and 8, the parties have a relevant interest in the securities set out below:

Name	Shares - Fully paid	Shares - Contributing partly-paid	Options
George Sakalidis	3,425,657	2,688,462	1,600,000
Roger Thomson	485,000	2,022,500	1,600,000
Peter Thomas	422,000	33,000	1,600,000

Rationale for the proposal

The issue of Options as proposed is thought by the board to be justified because:

- it will provide directors with an opportunity to participate in the Company's future growth by rewarding them for their contribution and give them an incentive to further contribute to that growth;
- the directors will thereby have a vested interest in the affairs of the Company and in increasing the market value of its securities - thus they will have a common interest with all shareholders. If they achieve this result, all shareholders will benefit;
- the issue of Options has the benefit of conserving cash whilst rewarding and motivating the directors;
- the real cost to the Company will be the opportunity cost and will not result in dilution of shareholders' equity unless the Options are exercised;
- the exercise of the Options will provide working capital for the Company;
- if all the Options proposed to be issued pursuant to resolutions 6, 7 and 8 are exercised, and the exercise price happens to be \$0.36, an amount of approximately \$774,000 will be raised;
- the purpose is to provide the specified directors with an incentive and the success of the Company depends in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

Other Information

If approval is forthcoming, the Options will be issued to Directors free of charge and within one month after the date of the meeting.

There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass resolutions 6, 7 or 8 other than as set out throughout this Explanatory Statement (including the current entitlements of the Directors to securities in the Company).

Other Information

If approval is forthcoming, the Options will be issued to Directors free of charge and within one month after the date of the meeting.

There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass resolutions 6, 7, and 8 other than as set out throughout this Explanatory Statement (including the current entitlements of the Directors to securities in the Company).

Recommendation

Messrs G Sakalidis, RM Thomson and PS Thomas, current directors of the Company, express no opinion and make no recommendation in respect of the issue of Options proposed by resolutions 6, 7 and 8 as they are each regarded as having a material personal interest in the outcome of those resolutions.

9. Amendment to Constitution (Resolution 9)

The proposed amendments as attached at Annexure "B" are directed at making the use of resolutions of directors by written circular more flexible and to recognise the diminishing use of facsimiles relative to PDF.

**TERMS AND CONDITIONS OF THE OPTION TO ACQUIRE FULLY PAID ORDINARY SHARES IN
MAGNETIC RESOURCES NL (the Company)**

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 \$xxx [being the amount which is 50% higher than (or 1.5 times) the average of 5 days Volume Weighted Average Share Price ending on a date selected by the directors within one month after the Annual General Meeting at which the approval to issue the Options was given] (the **Exercise Price**) and is otherwise granted upon and subject to the terms and conditions which follow:

- (i) the Option shall lapse at 5.00pm Western Standard Time on the fifth anniversary of the date of issue;
- (ii) the Option shall be exercisable wholly or in part by notice in writing to the directors of the Company at any time until the expiry date together with payment of the Exercise Price per Option (in cleared funds);
- (iii) the Option will not be subject to any restrictions on transferability;
- (iv) the Option will not entitle the holder (by reason of being the holder of the Option) to participate in new issues of capital which may be offered to shareholders during the currency of the Option;
- (v) the Option confers on the right of the holder to exercise that Option prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Option, and will be granted a period of at least 9 business days before the date for determining entitlements to exercise that Option;
- (vi) the Company will issue a share within 5 business days of an Option being validly exercised;
- (vii) the share issued on the exercise of the Option will rank pari-passu with the then existing issued ordinary shares and the Company will apply for Official Quotation by ASX of the share within three business days after the date of issue;
- (viii) in the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the Option will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged;
- (ix) in the event of a bonus issue to the holders of Shares, the Share over which the Option is exercisable shall be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the bonus issue. The bonus issue must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and rank equally in all respects with other shares of that class at the date of issue of the bonus shares;
- (x) other than as set out in (ix) above, the Option does not confer any of the rights set out in ASX Listing Rule 6.22

AMENDED EXTRACT FROM THE COMPANY'S CONSTITUTION

(Tracking mark-ups will be deleted before incorporation into the final approved document if approved)

107. CIRCULATED RESOLUTIONS

- 107.1. [~~If all the Directors at that time present in Australia and any Director absent from Australia who has left a facsimile number at which he or she may be given notice~~] [*Insert - If all the Directors*] have signed a document containing a statement that they are in favour of a resolution of the Directors in terms set out in the document, a resolution in those terms is deemed to have been passed at a meeting of the Directors held on the day on which the document was signed and at the time at which the document was last signed by a Director or, if the Directors signed the document on different days, on the day on which, and at the time at which, the document was last signed by a Director.
- 107.2. For the purposes of rule 107.1, 2 or more separate documents containing statements in identical terms each of which is signed by 1 or more Directors are deemed together to constitute 1 document containing a statement in those terms signed by those Directors on the respective days on which they signed the separate documents.
- 107.3. A reference in rule 107.1 to all the Directors does not include a reference to a Director who [~~at a meeting of Directors, would not be entitled to vote on the resolution.~~] [*Insert - either:*
- 107.3.1. **at a meeting of Directors, would not be entitled to vote on the resolution; or**
- 107.3.2. **signs the document in a context which makes it clear that Director abstains from voting on the resolution.**]
- 107.4. Every resolution passed under rule 107.1 must as soon as practicable be entered in the minutes of the Directors' meetings.
- 107.5. A facsimile, cable, telegram, [*Insert - PDF (sent by email or other means)*] or similar means of communication addressed to or received by the Company and purporting to be signed by a Director for the purpose of this Constitution is deemed to be a document in writing signed by that Director.