

Suite 1.03, Level 1
46 Macleay St
Potts Point NSW 2011
Australia
Ph +61 2 8005 4109
FAX: +61 2 9252 8960

17 May 2017

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney, NSW, 2000

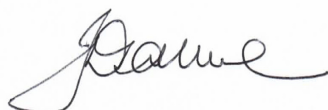
Dear Sirs,

**Magontec Limited – Executive Chairman's Address to 2017 Annual General
Meeting Wednesday 17 May 2017 11:00am**

Attached (below) is the content of the Executive Chairman's address to be delivered at the Company's 2017 AGM.

The slides referred to in the body of the Executive Chairman's address appear in this document at the foot of the Chairman's address. Both the Chairman's address and slides are also available on the Company's website.

Yours sincerely



Mr John Talbot
Company Secretary
Magontec Limited

EXECUTIVE CHAIRMAN'S ADDRESS To 2017 ANNUAL GENERAL MEETING of MAGONTEC LIMITED

Ladies & Gentlemen

Refer Slide 1 at foot of address

The slides that I will show and the text of my speech are now available on the Magontec and ASX websites.

In this presentation I will review the Company's current financial performance, provide a progress report on the Qinghai project and a brief overview of other operational issues.

In the last four years Magontec has been transformed.

In 2012 the Company was losing money in all but one of its operations and was struggling to find a way forward.

In the first quarter of 2017 the company finds itself on the brink of a new era and management can point to a recent history of consistent performance improvement.

This transformation has come about through the hard work of the staff and management and was facilitated by the investment made by shareholders in the rights issue conducted in 2013.

Over the last four years the company has invested in new production equipment in all of its facilities, not least a \$10 million investment in the new magnesium alloy cast house at Golmud in Qinghai Province.

Investment in new plant and equipment *and* in new people and systems continue to make Magontec a more efficient and competitive company.

Refer Slide 2 at foot of address

In the 12-months to 31 December 2016 Gross Profit rose 11.6% to \$14.4m while the Gross Profit Margin rose from 9.3% to 11.3%, an improvement that was largely driven by rising productivity.

Revenues were slightly lower in our Chinese primary magnesium alloy business reflecting both lower pure magnesium prices and lower volume output. Despite the lower volumes, conversion costs - the price of converting pure magnesium into magnesium alloy - fell by nearly 20% in 2016 compared with the previous 12 months.

In the European magnesium alloy recycling business, volumes were about the same as in 2015 across the two factories but improved conversion costs in Romania and other cost reductions delivered an improved contribution to EBIT.

This was also the case with our Magnesium Anodes businesses in both China and Romania where volumes were higher overall and the key efficiency metric,

again conversion costs, fell by more than 9% on average across the two factories compared with the previous corresponding period.

These overall improvements in productivity drove cash generation higher through the year, up 36% on 2015 to \$4.9 million.

Refer Slide 3 at foot of address

Over the last three years we have spoken at length about building a strong and resilient platform from the existing assets in Europe and Asia. In 2016 we made significant headway towards that objective with Earnings Before Interest and Tax rising to \$2.5 million and EBITDA rising 29% to \$4.25 million.

This represents a Return on Invested Capital of 5.5%, which is close to our weighted average cost of capital in Europe, although still behind where we need to be overall.

Refer Slide 4 at foot of address

In 2016 Magontec recorded a Net Profit After Tax of \$1.12 million excluding the effects of foreign exchange on balance sheet items. Including these effects, Net Profit After Tax was \$620,000. Movements in foreign exchange rates have a very significant effect on Magontec's profit and loss account as all of our earnings are generated in foreign currencies and converted into Australian dollars for accounting purposes.

By reporting Net Profit After Tax exclusive of foreign exchange effects we offer a clearer indication of the performance of underlying operations.

Refer Slide 5 at foot of address

2017 has started brightly, as we discussed in the most recent quarterly report to shareholders, released on the 28th of April.

Earnings for the first quarter of 2017 are comfortably ahead of the first quarter of 2016 and cash generation of \$1.5 million in the three months to 31 March 2017 was 31% ahead of the previous corresponding period.

While our business has enjoyed positive momentum in the first quarter, conditions remain highly competitive and over the coming months we will have to manage some significant challenges.

In Asia in the first quarter our magnesium anode business has lost a large contract. Our response has been to speed up the automation program to further improve competitiveness, regain volumes lost and challenge for new contracts. Indeed across our magnesium anode businesses in Asia and Europe we are investing in a range of automation initiatives to further lower the cost of goods sold, raise gross profit margins and build market share.

In the metals business in the first quarter in both Asia and Europe we experienced higher volumes and higher margins than anticipated, hence the significant rise in debt facility utilisation and the sharp rise in profitability.

We expect debt levels and cash utilisation to fall in the second quarter as inventory is called off, however, we do not expect the buoyant first quarter conditions to continue for the rest of the year.

It is our current view that in spite of the strong start to 2017, it is unlikely that the business will match 2016 profit levels. In this transition year, despite a strong start, there are many uncertainties that we cannot accurately forecast.

Refer Slide 6 at foot of address

One of the great attributes of the Magontec business model is the breadth and depth of its activities across the global magnesium alloy and anode industries. While the company has strong competitors in every business, no other magnesium alloy manufacturer combines the operational and distribution attributes of Magontec. Not only does this give Magontec a balanced portfolio of assets and activities, it also provides it with the ability to understand global markets and business opportunities.

The company currently has five manufacturing facilities. At these locations we have one primary magnesium alloy manufacturing facility in Shanxi Province in western China, which also recycles magnesium alloy scrap, two European magnesium alloy recycling businesses in Germany and Romania and two magnesium anode manufacturing operations in Xian in China and in Romania. And of course we have built and commissioned a new primary magnesium alloy manufacturing plant in Golmud, of which more in a moment.

In addition to these manufacturing facilities Magontec has sales teams in Asia and Europe and sales agencies in Canada, Japan and Taiwan. Last year we engaged the services of a new sales agency and appointed an additional Magontec sales person in the USA for our magnesium anode products. The USA is a large market for magnesium anodes – about 25% of global demand - in which Magontec has hitherto been a small participant and where we see an opportunity to grow.

Around the World we see other opportunities to build incrementally on our existing business base. These are relatively small-scale opportunities but will help to build out the scale of the businesses and leverage the skills, processes and teams we already have in place in Europe, Asia and increasingly, North America.

Refer Slide 7 at foot of address

At our newest factory in Qinghai we are now fully prepared for the start of production. Magontec's Magnesium Alloy Cast House equipment has been installed at the Golmud factory for some months. Through 2016 and the first half of 2017 we have engaged about 30 staff (around a third of the final number), commissioned the installed equipment and continue to run casting trials in preparation for the delivery of pure magnesium from the adjacent electrolytic smelter, which is being built by and will be operated by the Qinghai Salt Lake Magnesium Co. Ltd.

The Qinghai smelter complex is currently in the commissioning stage and faces some challenges in that process. It is a project in three parts including dehydration, reduction and casting. As things currently stand both the pure magnesium and magnesium alloy cast houses are waiting for supply from the reduction facility. And the reduction facility is similarly waiting on supply from the dehydration plant. Production of qualified prills from the dehydration plant, the raw material for electrolytic reduction cells, will commence following successful commissioning.

It is almost axiomatic of big industrial projects that it takes longer than anticipated to build and commission than initially anticipated and the Qinghai project is no exception. We can see great progress on the ground at Golmud and look forward to manufacturing our first ingots at Magontec Qinghai.

However, it is the case that Magontec is reliant on QSLM to deliver pure magnesium supply and until the dehydration unit is commissioned our cast house cannot commence production.

Before I leave this discussion it is worth re-capping the key elements of this project. Under agreements concluded three years ago

- Magontec will receive 56% of production from the 100,000 metric tonne per annum magnesium smelter. This will convert, after alloying, into about 60,000 metric tonnes per annum of magnesium alloy at full production.

- Magontec has the exclusive right to manufacture magnesium alloys at this location. Neither QSLM nor any other party has this right.
- Magontec will pay an off-take price for its pure magnesium raw material based on the Asianmetal benchmark price, and
- The term of the lease on which the Magontec alloy cast house is located is 10 years with an option to continue for a further ten years.

While there will be costs associated with the start up phase, at full production we anticipate that Magontec will be able to offer a very competitively priced product into global markets. We know that it is eagerly anticipated.

Refer Slide 8 at foot of address

The Qinghai plant will propel Magontec to a leading role in the production, sales and recycling of magnesium alloys all over the World.

The company currently manufactures less than 10% of global alloy supply. This will rise to more than 20% adding some \$150 million of revenue to the company's top line.

Refer Slide 9 at foot of address

Among the most important aspects of the Qinghai project are its environmental credentials. Magnesium alloys manufactured at Qinghai will have the lowest carbon footprint of any magnesium ever produced and better than most competitor metals, such as aluminium and zinc.

Magnesium production elsewhere in China, Turkey and Iran is produced using the Pidgeon Process, a 1940's technology that emits high levels of carbon dioxide and other pollutants through its manufacturing process. At Qinghai energy will be 85% sourced from renewables, offering our customers in the automotive and electronics industries a new, high volume and clean source of magnesium alloy for their die casting operations.

Refer Slide 10 at foot of address

In summary Magontec is in the middle of a corporate transformation; the company has stabilised its businesses and is profitable.

The commencement of production at Magontec's new facility in Qinghai will eventually more than triple volumes and revenues from the primary magnesium alloy business.

Magontec can boast the greenest credentials of any magnesium company and the new, low CO₂ product from the Magontec Qinghai cast house will permeate all aspects of our business from primary magnesium to recycling to magnesium anode production.

Indeed the company is close to an inflexion point that will take scale and profitability to a new level and provide new opportunities to grow and diversify within our industry space.

In closing I would like to thank the Board for their advice and support through the year and the executive and production teams in Asia and Europe who have helped us to successfully manage a challenging business in many locations around the World.

Nic Andrews
Executive Chairman
Magontec Limited
17 May 2017



Magontec Limited

(ASX: MGL)

Nicholas Andrews

Executive Chairman

Annual General Meeting of Shareholders

17 May 2017



Disclaimer

This Presentation has been prepared by Magontec Limited (ABN 30 147 131 977) (Magontec or the Company). This Presentation contains summary information about Magontec and its activities current as at the date of this Presentation. The information in this Presentation is of a general background nature and does not purport to be complete or to comprise all the information that a shareholder or potential investor in Magontec may require in order to determine whether to deal in Magontec shares. It should be read in conjunction with Magontec's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au. This document is not a prospectus or a product disclosure statement under the Corporations Act (Cth) 2001 (Corporations Act) and has not been lodged with the Australian Securities and Investments Commission (ASIC).

Not investment or financial product advice

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Magontec shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek financial, legal and taxation advice appropriate to their jurisdiction. Magontec is not licensed to provide financial product advice in respect of Magontec shares. Cooling off rights do not apply to the acquisition of Magontec shares.

Financial data

All dollar values are in Australian dollars (A\$) unless stated otherwise and financial data is presented within the financial year end of 31 December 2016 unless stated otherwise. Any pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

Past performance

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance

This Presentation contains certain "forward-looking statements". The words "expect", "should", "could", "may", "will", "predict", "plan", "scenario", "forecasts", "anticipates", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with the Company and the industry (including those set out below) which may affect the accuracy of the forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to any forward looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Investment Risk and other risks

Investment in Magontec shares is subject to investment and other known and unknown risks, some of which are beyond the control of Magontec Limited, including risk factors associated with the industry in which Magontec operates and risks specific to Magontec, such as: construction, development and operational risk associated with the Golmud Plant, fluctuations in magnesium alloy prices and exchange rates, risks associated with operating in China, financing risks, market price and demand risk and other risks generally relating to security investments.

Not an offer

This document may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Securities in the Company have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration.

To the maximum extent permitted by law, Magontec and its respective advisers and affiliates, directors, officers and employees:

Make no representation or warranty, express or implied, as to the accuracy, reliability or completeness of information in the presentation; and

Exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the proposed offering and the information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence of otherwise.



Magontec Limited – 2017 Annual General Meeting



Profitable Platform



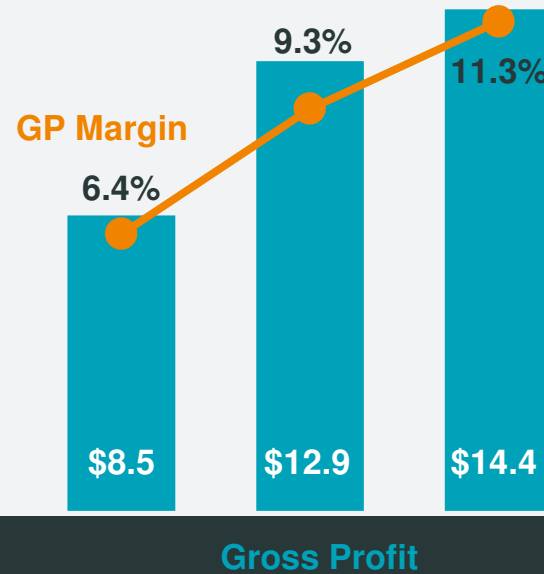
Capital Expenditure

FY 2016 Review

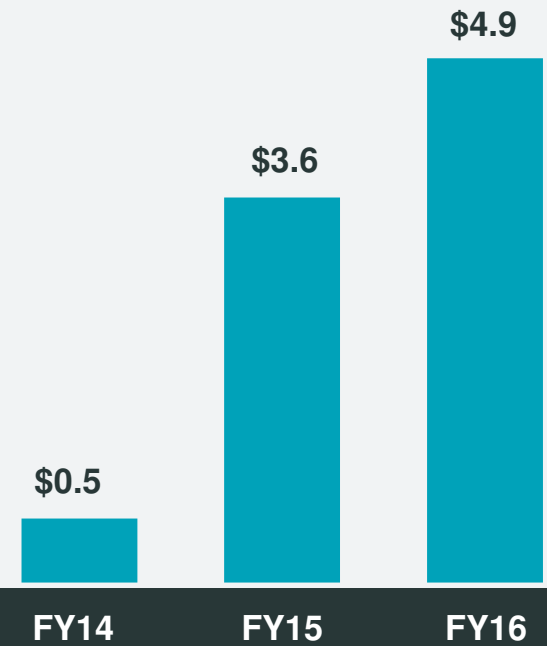
Strong improvements in cash flow and margins have led to continued growth



Magontec Gross Profit and GP margin (\$M)

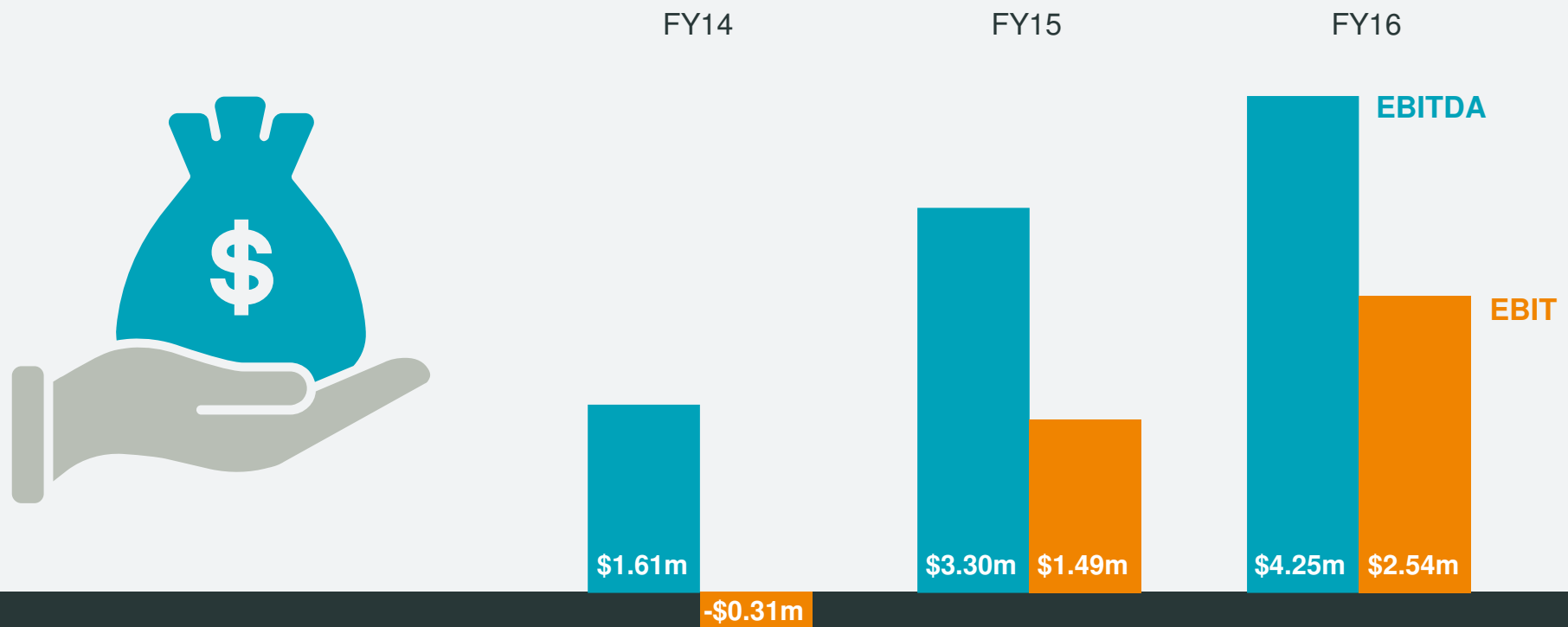


Cashflow (\$M)



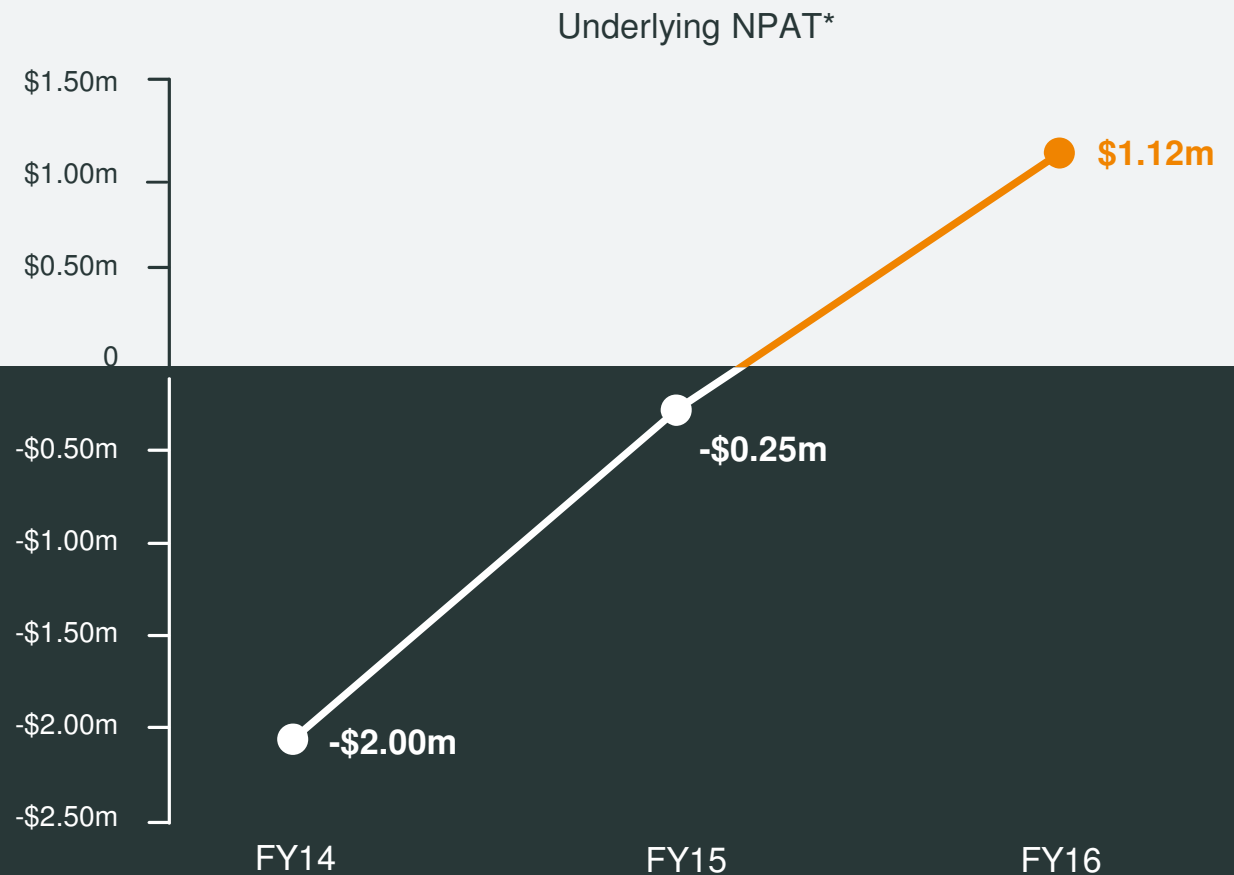
FY 2016 Review

EBITDA and EBIT has also improved significantly in the last three years



FY 2016 Review

Underlying earnings are now positive, prior to SOP at Golmud



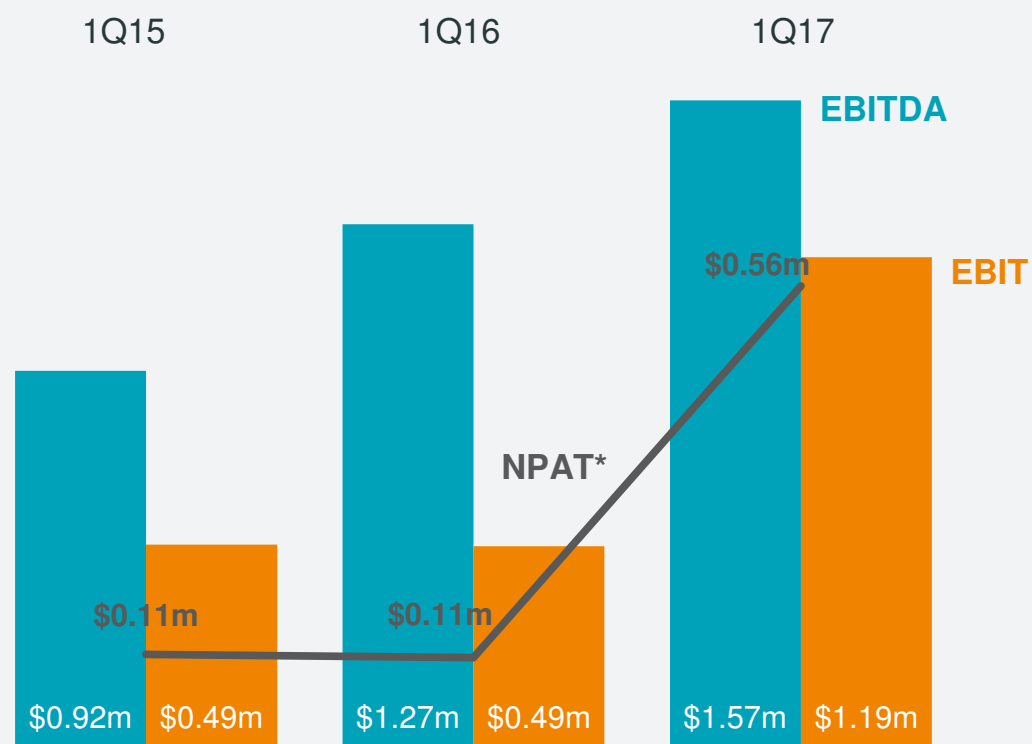
1Q 2017 Earnings Review



Profit & Cash



Achievements & Challenges



*excluding unrealised foreign exchange

Magontec has five recycling and manufacturing facilities in China, Germany and Romania



Production



Sales Office



Technology Centre



Cast House Project



Headquarters

Qinghai electrolytic magnesium smelter complex

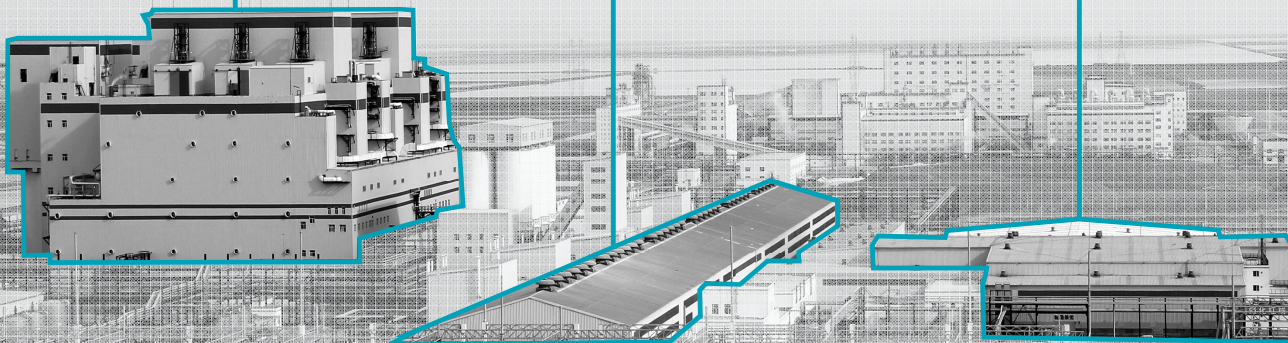
Dehydration



Reduction



Cast house



Agreements

56,000 mtpa
Exclusive Mg alloy rights
Off-take price
Lease (10+10 yrs)

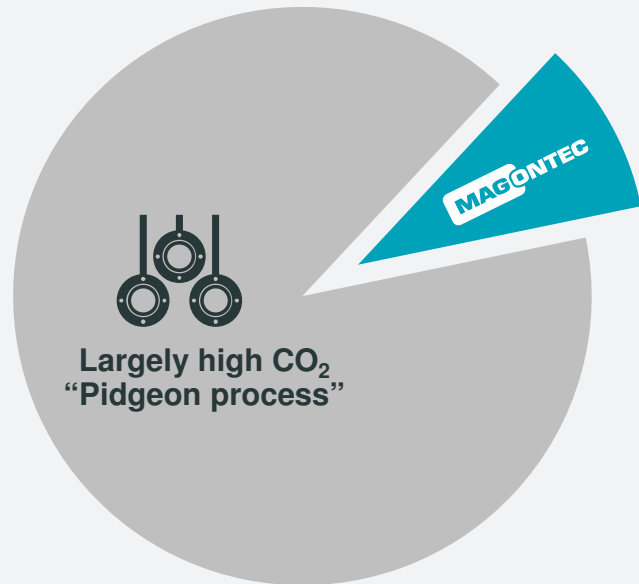


Production

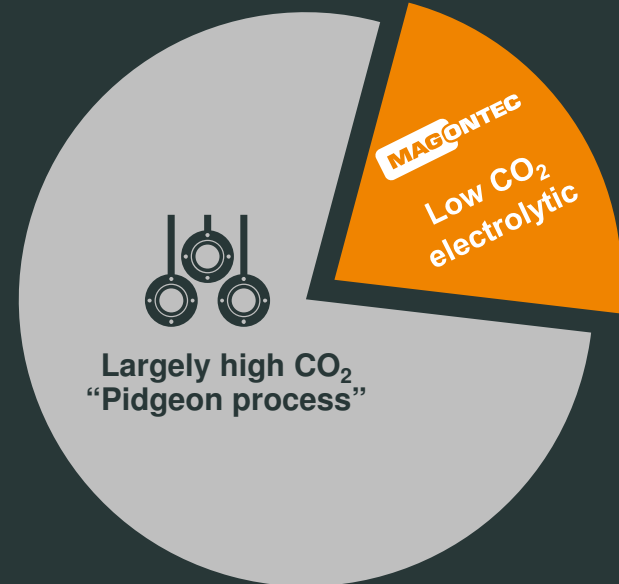
4* Mg alloy cast lines
85% renewable energy
Future growth option

Magontec Qinghai will triple production and make Magontec the world's largest supplier of electrolytic Mg alloy

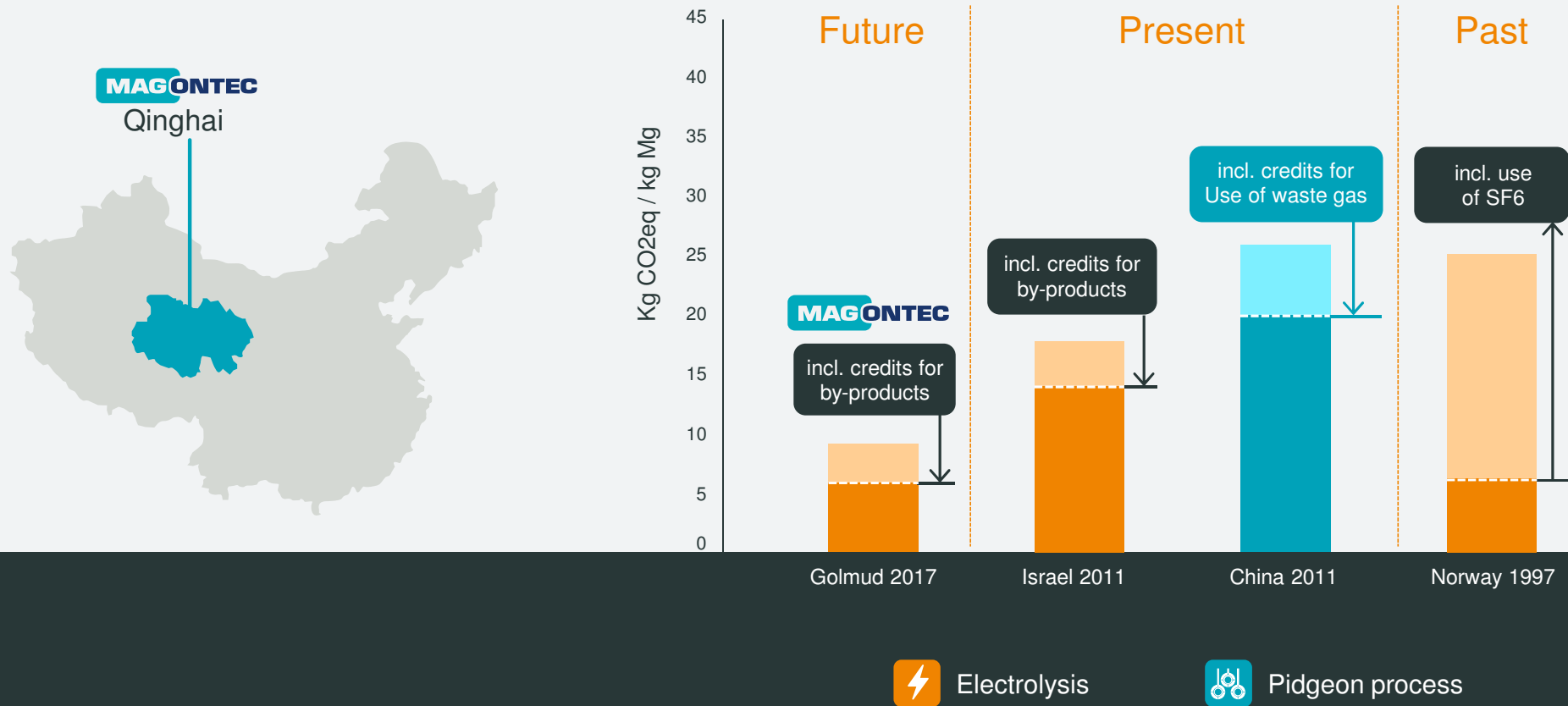
~10% Mg alloy market share 2015



Target > 20% Mg alloy market share



Magontec Qinghai will use the lowest CO2 Mg ever produced*



*German Aerospace Institute of Vehicle Concepts survey on CO₂ emissions from magnesium smelters around the World

Magontec's corporate transformation creates an exceptional platform for growth



Improving
financial
fundamentals



Mg alloy
production
volumes to triple



"Green"
magnesium

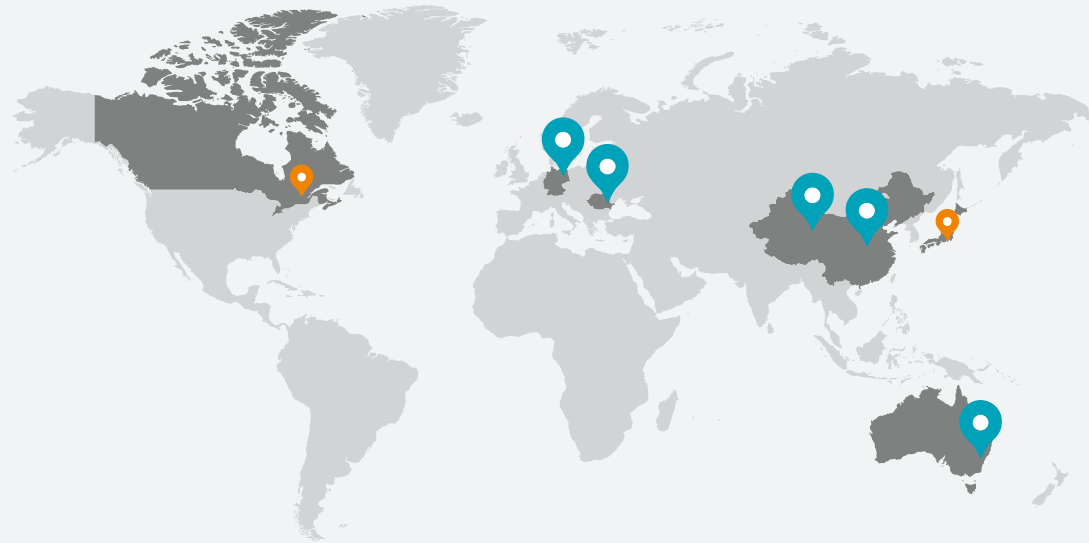


Profit
"inflexion" point







ASX Listed
Capitalisation
\$45m

Magontec Limited







MAGONTEC

Head Office, Sydney
Suite 1.03 46a Macleay St
Potts Point Sydney NSW
AUSTRALIA 2011

 Tel +61 2 8005 4109
 Fax +61 2 9252 8960
 corporate@magontec.com
 www.magontec.com

MAGONTEC GmbH

Industriestraße 61
46240 Bottrop
Germany

 Tel +49 (0) 20 41 / 99 07-0
 Fax +49 (0) 20 41 / 99 07 99
 europe@magontec.com
 www.magontec.com

MAGONTEC Xian Co., Ltd

No. 40, Feng Cheng 3 Road,
Xian Economic and
Development Zone
Xian, China, 710021

 Tel. +86 29 / 86 52 68
 78
 Fax +86 29 / 86 52 37
 22
china@magontec.com
www.magontec.com



Magontec Limited

(ASX: MGL)

Nicholas Andrews

Executive Chairman

1/2Q 2017

