

NOTICE OF ANNUAL GENERAL MEETING

This document constitutes the Notice of Meeting for the 2018 Annual General Meeting of Magontec Limited (ACN 010 441 666).

The thirty-fifth Annual General Meeting (AGM) of Magontec Limited (ACN 010 441 666) (the “Company”, “Magontec” or “MGL”) will be held in the meeting room of Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW on Thursday 10 May 2018 at 11.00 am (Sydney time). The Annual Report is available for viewing on the Company’s web site at the tab “2017 Annual Report” at the following web address: <http://magontec.com/investor-centre/reports-presentations-page/>

The business to be dealt with at the Meeting is:

ORDINARY BUSINESS

ITEM 1: Financial Report, Directors’ Report and Auditor’s Report (Refer “Explanatory Notes” at the foot of this Notice)

Resolution 1 “To receive and consider the Financial Report, including the Directors’ Declaration for the twelve-month reporting period ended 31 December 2017 and the related Directors’ Report and Auditor’s Report thereon.”

ITEM 2: Adoption of the Remuneration Report (advisory only resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

To consider, and if thought fit, pass the following resolution as an advisory only resolution (i.e. non-binding upon Directors):

Resolution 2 “To adopt the Remuneration Report as set out in the Annual Report for the twelve-month reporting period ended 31 December 2017.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this resolution by Mr Nicholas Andrews, Dewberri Pty Limited as trustee for Andrews Superannuation Fund, Mr John Talbot, Mr Derryn Chin, Mr Christoph Klein-Schmeink, and Mr Xunyou Tong and any of their associates. However, the Company need not disregard a vote if –

- it 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
- it 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.

ITEM 3: Re-election of Director (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 3 “That Mr Zhongjun Li, who is retiring and standing for re-election in accordance with clause 12.3(a) of the Constitution of the Company, and being eligible, is re-elected as a Non-Executive Director of the Company, effective from the close of the AGM.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this resolution by Mr Zhongjun Li and Keweier Metal Co Ltd. However, the Company need not disregard a vote if –

- it 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
- it 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.

ITEM 4: Re-election of Director (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 4 “That Mr Kangmin Xie, who is retiring and standing for re-election in accordance with clause 12.3(a) of the Constitution of the Company, and being eligible, is re-elected as a Non-Executive Director of the Company, effective from the close of the AGM.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this resolution by Mr Kangmin Xie. However, the Company need not disregard a vote if –

- it 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
- it 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.

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ITEM 5: Issue of Performance Rights to the Executive Chairman Mr Nicholas Andrews (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 5 **"In line with the terms of the approval by shareholders of Resolution 7 of the 2017 Notice of Annual General Meeting and pursuant to ASX Listing Rule 10.14, confirm the issue of 9,000,000 Performance Rights to the Executive Chairman Mr Nicholas Andrews on the basis detailed in the relevant explanatory note."**

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this resolution by Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund.

However, the Company need not disregard a vote if –

- it 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
- it 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.

ITEM 6: Alteration of the Constitution of Magontec Ltd to incorporate the role of Deputy Chairman (special resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 6 To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to amend its Constitution to incorporate the role of Deputy Chairman as proposed in the Explanatory Notes, with effect from the close of the Meeting.”

DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, all persons who are registered holders of shares in the Company at 7:00pm Sydney time on Tuesday 8 May 2018 will be entitled to vote.

APPOINTING A PROXY

A member entitled to vote may appoint a proxy to attend and vote on behalf of the member. If the member is entitled to cast more than two votes, the member may appoint two proxies to attend and vote instead of the member. Where more than one proxy is appointed, each proxy may be appointed to represent a specified portion of the member’s voting rights. If no such specification is given and two proxies are appointed, each may exercise half the votes to which the member is entitled. A proxy need not be a member. Proxies must be executed in accordance with the instructions in the notes accompanying the proxy form.

To be valid, the signed proxy form (together with an original or certified copy of the power of attorney if applicable) must be:

- Lodged with Boardroom Pty Limited at Level 12, Grosvenor Place, 225 George St Sydney NSW 2000;
- Delivered by post to Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001; or
- Sent by facsimile to Boardroom Pty Limited on +61 2 9290 9655.

so as to be received by Boardroom Pty Limited by 11:00 am Sydney time on Tuesday 8 May 2018 being not less than 48 hours before the time for holding the meeting.

EXPLANATORY NOTES

ITEM 1: Financial Report and Directors’ Report and Auditor’s Report for the twelve-month reporting period ended 31 December 2017.

The Corporations Act 2001 (Cth) (Corporations Act) requires that the Financial Report, including the Directors’ Declaration for the twelve-month reporting period ended 31 December 2017 and the related Directors’ Report and Auditors’ Report, be laid before the Annual General Meeting. In addition, the Company’s Constitution provides for such reports and statements to be received and considered at the meeting. None of the Corporations Act 2001 (Cth), the ASX Listing Rules or the Company’s Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

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ITEM 2: Adoption of Remuneration Report for the twelve-month reporting period ended 31 December 2017 (advisory only resolution)

Shareholders (other than excluded shareholders) are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report for the twelve-month reporting period ended 31 December 2017 is to be adopted. Shareholders should note, however, that this is an "advisory only" resolution, which does not bind the Directors of the Company.

The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 2.

ITEM 3: Re-election of Director – Mr Zhongjun Li (ordinary resolution)

Mr Zhongjun Li retired and was re-elected to the Board of the Company by shareholders as a Non-Executive Director at the AGM on 8 May 2015 in accordance with the provisions of clause 12 of the Company's Constitution.

Under clause 12.3 of the Constitution, a director shall not retain office for a period in excess of 3 years or beyond the third annual general meeting following his election (whichever is the longer period), without submitting himself for re-election. As this meeting will be the third annual general meeting since Mr Li's appointment as a director by shareholders, Mr Li will retire and stand for re-election at the meeting. Under clause 12.6 (a) of the Constitution, the resolution to appoint Mr Li is not required to be preceded by a shareholder nomination.

The Board (other than Mr Li) recommends that shareholders vote in favour of Resolution 3.

ITEM 4: Re-election of Director – Mr Kangmin Xie (ordinary resolution)

Mr Kangmin Xie retired and was re-elected to the Board of the Company as a Non-Executive Director by shareholders at the AGM on 8 May 2015 in accordance with the provisions of clause 12 of the Company's Constitution.

Under clause 12.3 of the Constitution, a director shall not retain office for a period in excess of 3 years or beyond the third annual general meeting following his election (whichever is the longer period), without submitting himself for re-election. As this meeting will be the third annual general meeting since Mr Xie's appointment as a director by shareholders, Mr Xie will retire and stand for re-election at the meeting. Under clause 12.6 (a) of the Constitution, the resolution to appoint Mr Xie is not required to be preceded by a shareholder nomination.

The Board (other than Mr Xie) recommends that shareholders vote in favour of Resolution 4.

ITEM 5: Issue of Performance Rights to Executive Chairman Mr Nicholas Andrews (ordinary resolution)

- A Performance Right is an effective option available to the holder to convert, to ordinary shares at the conversion date, part or all of the Performance Right depending upon the extent to which performance hurdle(s) as set by the Board have been satisfied.
- By resolution 7 of the 2017 Notice of Annual General Meeting shareholders approved the issue to Mr Andrews of **28,243,629** Performance Rights as per Item 1 in the table below.

Issue of Performance Rights to Executive Chairman Mr Nicholas Andrews							
Item	3 Year LTI Performance Period	1 Jan 15 to 31 Dec 17	1 Jan 16 to 31 Dec 18	1 Jan 17 to 31 Dec 19	1 Jan 18 to 31 Dec 20	1 Jan 19 to 31 Dec 21	1 Jan 20 to 31 Dec 22
1	Performance Rights approved for issue	6,833,947	6,811,172	4,275,488	3,800,291	3,419,730	3,103,001
2	Date of issue of Performance Rights	1 Jan 15	1 Jan 16	1 Jan 17	1 Jan 18	1 Jan 19	1 Jan 20
3	Date of possible conversion to ordinary shares	31 Dec 17	31 Dec 18	31 Dec 19	31 Dec 20	31 Dec 21	31 Dec 22

- The basis on which the **28,243,629** Performance Rights had been calculated was shown in the table at paragraph b iii in the Explanatory Notes to resolution 7 in the 2017 Notice of Annual General Meeting.
- Although approved, Performance Rights aggregating 10,323,022 for the 3-year LTI periods commencing after 1 January 2017 have not been issued because –
 - at the date of the 2017 Annual General Meeting, those LTI performance periods had not commenced; and
 - certain elements (salary and share price at commencement of the performance period) in the formula to calculate Mr Andrews' entitlement to Performance Rights were unable to be quantified.
- In relation to the LTI performance period 1 January 2018 to 31 December 2020 the variables in paragraph d. can now be determined and, the same share price value applied to the LTI performance period 1 January 2019 to 31 December 2021, if varied for reality on 1 January 2019, can only increase, thus leading to a decrease in the number of Performance Rights issued.
- Approval/confirmation is sought to
 - issue, within 30 days after the date of this meeting or, in any event, within 12 months of the date of this meeting, 4,500,000 Performance Rights to the Executive Chairman Mr Nicholas Andrews in relation to the LTI performance period 1 January 2018 to 31 December 2020; and
 - issue, within 30 days after 1 January 2019 or, in any event, within 12 months of the date of this meeting, 4,500,000 Performance Rights to the Executive Chairman Mr Nicholas Andrews in relation to the LTI performance period 1 January 2019 to 31 December 2021.

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- iii. The Performance Rights will be issued on the basis of -
- ASX Listing Rule 10.14 with the relevant disclosures as per ASX Listing Rule 10.15 (refer paragraph h. in this Item 5); and
 - the calculation in Step 4 as follows.

Step	Element in Formula	1 Jan 18 to 31 Dec 20	1 Jan 19 to 31 Dec 21
1	Salary at commencement of 3-year LTI period	\$450,000 ¹	\$450,000 ²
2	30% * amount in step 1	\$135,000	\$135,000
3	Share price at commencement of 3-year LTI period	\$0.040 ³	\$0.040 ⁴
4	Performance Rights issued at commencement of 3-year LTI period = Amount in step 2 / (75% * share price in step 3)	4,500,000	4,500,000
5	Date of possible conversion to ordinary shares	31 Dec 20	31 Dec 21

Note

- Actual salary at commencement date
- Estimated salary at commencement date
- Actual starting share price to apply for the 2018-2020 LTI period being the higher of the share price at the commencement date of the 3-year LTI period and the share price adopted at the commencement date of the prior 3-year LTI period.
- Estimated starting share price to apply for the 2019-2021 LTI period.

- g. The Board approved performance hurdles by which the Performance Rights the subject of this resolution may be converted into ordinary shares of the Company are as follows –

i. **LTI Performance Period 1 January 2018 to 31 December 2020**

a. **Share Price Performance**

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.064	0.00%
Threshold range	Share price = \$0.064	25.00%
	Share price > \$0.064	25.00% plus 0.96% for each 0.01 cent share price is over \$0.064
Target range	Share price < \$0.090	50.00%
	Share price = \$0.090	50.00% plus 1.67% for each 0.01 cent share price is over \$0.090
Stretch	Share price >= \$0.120	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period

b. **Other Performance Measures**

If (and only if) the –

- share price targets at or above the threshold range in the scale at paragraph g.i.a. in this Item 5 are not achieved;
- share price at 31 December 2020 is not less than the share price adopted at 1 January 2018 (allowing for the effect of any dilution);
- supply of liquid pure Mg from Qinghai Salt Lake Magnesium Co. Ltd. (QSLM) to Magontec Qinghai over the quarter ended 31 December 2020 is occurring at a rate greater than 38,000 tonnes per annum (after allowing for scheduled maintenance and short-term temporary interruptions to supply caused by unusual circumstances); and
- the four outputs in the table immediately below are performed to the standard of the measure and/or to the satisfaction of the Board,

then, at the discretion of the Board, an LTI payment will be made at 31 December 2020 up to 10% of total salary at 1 January 2018 via conversion of the relevant portion of the Performance Rights. The relevant portion of Performance Rights to convert to ordinary shares will be calculated by ascribing a value to the element “P” in the formula at paragraph ii o. in the “Governing Document for the Short and Long-Term Incentive Remuneration Plans for the Magontec Global Management Group” available on the Magontec website (<http://magontec.com/investor-centre/corporate-governance/>) such that the resultant LTI Amount (as per clause ii s. in that same document) is equal to the percentage of total remuneration approved by the Board.

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	Output Factor	Measure
1	Supply of liquid pure Mg by QSLM	Conversion to saleable Mg product of 100% of liquid pure so supplied
2	Mg product manufactured from QSLM supplied liquid pure	Sale of 100% of product at 1.
3	Conversion cost of liquid pure Mg supplied by QSLM to Mg product	Steady appreciable improvement over 2019 and 2020
4	Contribution to development of strategic initiatives	Subjective Board assessment of individual's input

ii. LTI Performance Period 1 January 2019 to 31 December 2021

a. Share Price Performance

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.066	0.00%
	Share price = \$0.066	25.00%
Threshold range	Share price > \$0.066	25.00% plus 0.93% for each 0.01 cent share price is over \$0.066
	Share price < \$0.093	
	Share price = \$0.093	50.00%
Target range	Share price > \$0.093	50.00% plus 1.67% for each 0.01 cent share price is over \$0.093
	Share price < \$0.123	
Stretch	Share price >= \$0.123	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period

b. Other Performance Measures

If (and only if) the –

- share price targets at or above the threshold range in the scale at paragraph g.ii.a. in this Item 5 are not achieved;
- share price at 31 December 2021 is not less than the share price adopted at 1 January 2019 (allowing for the effect of any dilution);
- supply of liquid pure Mg from Qinghai Salt Lake Magnesium Co. Ltd. (QSLM) to Magontec Qinghai over the quarter ended 31 December 2021 is occurring at a rate greater than 38,000 tonnes per annum (after allowing for scheduled maintenance and short-term temporary interruptions to supply caused by unusual circumstances); and
- the four outputs in the table immediately below are performed to the standard of the measure and/or to the satisfaction of the Board,

then, at the discretion of the Board, an LTI payment will be made at 31 December 2021 up to 10% of total salary at 1 January 2019 via conversion of the relevant portion of the Performance Rights. The relevant portion of Performance Rights to convert to ordinary shares will be calculated by ascribing a value to the element “P” in the formula at paragraph ii o in the “Governing Document for the Short and Long-Term Incentive Remuneration Plans for the Magontec Global Management Group” available on the Magontec website (<http://magontec.com/investor-centre/corporate-governance/>) such that the resultant LTI Amount (as per clause ii s. in that same document) is equal to the percentage of total remuneration approved by the Board.

	Output Factor	Measure
1	Supply of liquid pure Mg by QSLM	Conversion to saleable Mg product of 100% of liquid pure so supplied
2	Mg product manufactured from QSLM supplied liquid pure	Sale of 100% of product at 1.
3	Conversion cost of liquid pure Mg supplied by QSLM to Mg product	Steady appreciable improvement over 2019 and 2020 and stabilised in 2021
4	Contribution to development of strategic initiatives	Subjective Board assessment of individual's input

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h. Data Requirement under ASX Listing Rule 10.15

ASX Listing Rule	Description	Comment		
10.15.1	If person is not a director, relationship to director	Not applicable – Mr Andrews is a director		
10.15.2	Maximum number of securities that may be acquired by all persons for whom approval is required	9,000,000		
10.15.3	The price at which securities are to be acquired	Nil		
10.15.4	All persons referred to in rule 10.14 who have received securities under the scheme since last approval	Issued To N A Andrews N A Andrews Net Issue	Issue/Lapse Date 19 May 2017 31 Dec 2017	No. Issued (+)/Lapsed (-) 17,920,607 (6,833,947) 11,086,660
10.15.4A	All persons referred to in rule 10.14 who are entitled to participate in the scheme			
	Participant Mr Nicholas Andrews	Current Position Executive Chairman		
10.15.5	Voting exclusion statement	As per “Ordinary Business” section at Resolution 6 of this notice.		
10.15.6	The terms of any loan	No loan		
10.15.7	Date by which securities are to be issued	<ul style="list-style-type: none"> Tranche 1 4,500,000 - within 30 days after 10 May 2018 or, in any event, within 12 months of the date of the 2018 Annual General Meeting. Tranche 2 4,500,000 - within 30 days after 1 January 2019 or, in any event, within 12 months of the date of the 2018 Annual General Meeting. 		

- i. The Performance Rights issued under this resolution will be held on the terms and conditions as per paragraphs ii c to s in the “Governing Document for the Short and Long-Term Incentive Remuneration Plans for the Magontec Global Management Group” available on the Magontec website (<http://magontec.com/investor-centre/corporate-governance/>).

The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 5.

ITEM 6: Alteration of the Constitution of Magontec Ltd to incorporate the role of Deputy Chairman (special resolution)

The Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations 3rd edition (CGP & R) recommends that the role of Executive Chairman and Chief Executive Officer either be separate roles or that a “Senior Independent Director” is appointed to provide additional oversight of the executive role. In Magontec these roles are currently occupied by the one person.

Magontec's Constitution currently contemplates the role of Deputy Chairman but without prescribing a process for appointment of such a person or his/her role. Clause 11.7 of the Constitution provides for a Deputy Chairman (if one has been appointed) to act as chairman at a general meeting in circumstances where the elected chairman is unable or unwilling to act. Additionally, clause 14.7 of the Constitution provides for directors to elect one of their number to act as chairman at a directors' meeting in circumstances where the elected chairman is unable or unwilling to act. Any election in terms of Clause 14.7 is purely for the particular meeting.

It is proposed to amend articles 11.7, 14.6 and 14.7 and to insert a new article 14.6A in the Constitution as shown below by the large bold text in italics.

11.7 Absence of chairman at general meeting

If a general meeting is held and:

- a chairman has not been elected by the Directors; or
 - the elected chairman is not present within 15 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,
- the following may preside as chairman of the meeting (in order of precedence):
- any deputy chairman ***elected under article 14.6(b)***;
 - a Director chosen by a majority of the Directors present;
 - the only Director present; or
 - a Member chosen by a majority of the Members present in person or by proxy, attorney or Representative.

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14.6 **Chairman and Deputy** Chairman of Directors

- (a) The Directors may elect one of their number as chairman of their meetings and may also determine the period for which the person elected as chairman is to hold office.
- (b) ***The Directors may elect one of their number as deputy chairman of their meetings and may also determine the period for which the person elected as deputy chairman is to hold office.***

14.6A **Role of Deputy Chairman**

The deputy chairman elected under article 14.6(b) will effectively act as a 'senior independent director' as contemplated by the ASX Governance Principles, with the deputy chairman's role to include assisting the board in reviewing the performance of the chairman and providing a separate channel of communication for shareholders (especially where those communications concern the chairman).

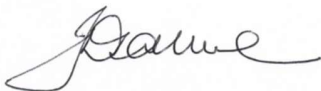
14.7 Absence of chairman **and deputy chairman** at Directors' meeting

If a Directors' meeting is held and:

- (a) a chairman **and deputy chairman have** not been elected under article **14.6**, or
- (b) **neither** the chairman **nor deputy chairman** is present within 10 minutes after the time appointed for the holding of the meeting or **each of the chairman and deputy chairman** is unable or unwilling to act, the Directors present must elect one of their number to be a chairman of the meeting.

The Board recommends that shareholders vote in favour of Resolution 6.

By order of the board.



J Talbot
Company Secretary
26 March 2018

Helpline: If you have any questions regarding the meeting or proxy voting, please do not hesitate to contact the Company's share registrar **Boardroom Pty Limited** on 1300 737 760 for Australian shareholders or +61 2 9290 9600 for overseas shareholders.