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10 May 2018

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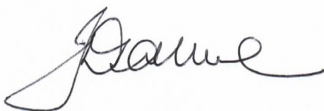
Dear Sirs,

**Magontec Limited – Executive Chairman’s Address to 2018 Annual General
Meeting Thursday 10 May 2018 11:00am**

Attached (below) is the content of the Executive Chairman’s address to be delivered at the Company’s 2018 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



John Talbot
Company Secretary
Magontec Limited

CHAIRMAN'S ADDRESS

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

Slide 1 & 2

Ladies and Gentlemen, as usual I would like to spend a few minutes this morning by reviewing Magontec's business and make some comments on the period ahead.

At the end of my presentation I have short corporate video to show you and I will then open the discussion to the floor for questions.

Slide 3

In the year to 31 December 2017 the company reported a Gross Profit of \$12.6 million, down from \$14.4 million in the previous corresponding period. Net Profit, excluding the unrealised effects of foreign exchange and significant items, was \$685,000 compared with \$2.6 million in the previous corresponding period. I use this measure of Net Profit (excluding the unrealised effects of foreign exchange and significant items) because it gives shareholders a direct, year-on-year comparison and a clearer picture of the true earnings power of the company.

The 2017 negative performance against the 2016 result reflects, inter alia, the impact of the start-up and commissioning costs at the new Magontec Qinghai plant, a costly labour situation in Romania, the loss of a major contract in Magontec's Chinese magnesium anodes business and a fraud that cost the company nearly \$300,000. The Romanian labour issues and the Chinese anode volume slump alone cost the company over A\$2m at the EBIT line.

Slide 4

It is certainly disappointing that the company was not able to build on the success of 2016 and that delivery of liquid pure magnesium by Qinghai Salt Lake Magnesium Co. Ltd (QSLM) from its new primary magnesium cast house has been slower than

anticipated. However, in the last quarter we have experienced a small recovery in Romania and a more substantial uplift from the magnesium anode business in China, driving the quarterly figures higher in the period to the end of March 2018.

This has seen a recovery in overall margin at the Gross Profit level and an improvement in underlying cash generation; that is the cash generated by underlying operations as opposed to the overall cash position which is impacted each month, occasionally by large swings in working capital.

Slide 5

I want to provide some detail on the two key issues that I have described before I move to the Magontec Qinghai project.

In Romania, Magontec constructed a “green field” magnesium recycling and magnesium anode manufacturing plant that was commissioned in 2013. This project was undertaken in response to demand from a key customer relocating production capacity from western Europe to Romania. Unusually we were able to secure a long-term contract with that customer sufficient to justify the establishment of this new location. Since that time, we have added a second customer and in late 2017 secured an extension of the first contract for a further three-year term. Furthermore, all three of the largest European Tier 1 automotive magnesium alloy die casters have operations in this region and the relocation of OEM manufacturing also continues to shift to eastern European countries. Volkswagen and Jaguar Land Rover are both establishing new manufacturing bases in the surrounding countries.

Slide 6

The economic future for Magontec’s Romanian magnesium alloy plant appears sound and, on that basis, we expect this business to grow further in the years ahead.

Our challenge is to settle the production process in a region that has little historical familiarity with this type of industrial process. Through the latter part of 2016 and the early part of 2017, we experienced an increase in the costs of converting scrap (mostly steering wheels) into magnesium alloy ingots for return to our customers.

The cause of this cost increase was a developing labour dispute. This was partly the result of production management and partly due to the changing nature of the regional labour market.

In early 2017 we appointed a new production manager who has established a solid set of production standards required by our business for its longer-term prosperity. This occasioned the departure of a number of employees and required a period of re-training for new staff. Through this period, we were occasionally required to make up volume shortfalls to our Romanian customers with supply of material from Germany and we temporarily re-located staff from Germany to assist in bringing the new Romanian crews up to speed. These actions were a burden on profitability at Magontec Romania in 2017.

On a wider scale there has been a change in local labour market dynamics that have negatively impacted profitability across the region. With the arrival of many new factories, job vacancies in western Romania are at a low level and the demand for skilled labour is high. This has been accompanied by high employee turnover in many businesses. At our factory we have invested heavily in finding the right new employees and training them so that they are able to work safely in a challenging environment. In the first quarter of 2018 we have seen some improvement; this factory is now able to produce sufficient volume without alternative supply from Germany and production metrics are improved on 2017, albeit yet to reach levels of 2016.

Slide 7

I turn now to our other underperforming business in 2017, Chinese magnesium anodes. This business largely serves the domestic water heater market and is highly sensitive to volume through put. Magontec is one of the three largest manufacturers of magnesium anodes in China and produces both cast and extruded magnesium rods. The Chinese market for this product is dominated by three or four large customers and price is the principal competitive metric. In early 2017 Magontec lost part of a large contract and production fell by several hundred tonnes with a knock-on effect on profitability

Slide 8

I am pleased to report that our China magnesium anode team have won new volumes over the last 6 months including volume lost in early 2017. They have done this by reducing conversion costs, largely through the introduction of automated equipment. We expect a stronger contribution overall from this business in 2018 and hope to further expand our sales volumes in North America and Australia in the medium term.

Slide 9

Before I move on to discuss the Qinghai Project I should make a few comments about other parts of our business.

In Germany our magnesium alloy recycling business has continued to operate profitably on higher volumes, although at slightly inferior metrics. At the gross profit level German recycling was slightly below the previous corresponding period but still strongly ahead of previous years. By offering a very competitive product Magontec GmbH has established itself as the premier magnesium alloy recycling business in western Europe. While this business is operating at close to full capacity we are content to maintain its current configuration as we wait to see the impact of the flow of new primary magnesium alloy material from Qinghai into Europe.

The European anodes business enjoyed a robust increase in volumes and revenues. This business manufactures both cast magnesium anodes in Romania and electronic anodes in Germany. Over the last 12 months we have grown new markets for both products in Europe, the Middle East and the United States. While there have also been some employee issues in the Romanian magnesium anode plant, the European anodes business made an increased contribution to EBIT in 2017.

And finally, our current primary magnesium alloy manufacturing plant in Shanxi Province, China. As longer-term shareholders will know, this plant has been leased from a local businessman since 2013. In the second half of 2018 the plant will finally close (and will be demolished) as Magontec moves its primary magnesium operations to the new facility in Qinghai Province. Despite the short-term horizon for this

business it continued to perform well in 2017, producing higher volumes and a higher EBIT contribution.

Slide 10

Moving now to the Qinghai project. As I wrote in the first quarter report published on 30 April this year, the Magontec Qinghai cast house has been completed and is ready to start mass production of primary magnesium alloys for sale to our customers around the world.

We held a very well attended opening ceremony in the middle of April where customers, agents, Qinghai Salt Lake Company executives and local, state and regional politicians gathered to view this most modern of magnesium alloy cast houses.

Slide 11 (Cast house)

What this group saw was an operating and commissioned facility. We are currently taking solid pure magnesium produced by QSLM and converting that into modest volumes of magnesium alloy. As our factory is operating, albeit at low volumes, we have been able to invite customers to visit us on-site to review and validate our production process. Qualification of the new cast house is an essential step for all our customers and we expect to see many more visitors in the coming months.

As yet we do not have a consistent supply of liquid pure Mg from our partner company QSLM and this has delayed the commencement of mass production at our alloy cast house. In the early part of this year we had some supply of liquid magnesium from the metal truck – the vehicle that delivers liquid magnesium to our furnaces. However, our partners at QSLM chose to close the two operating lines of the #1 dehydration unit and carry out modifications just before Chinese New Year. These lines were re-opened in late March and the third line in the #1 dehydration unit then commenced production in April.

Slide 12 (metal wagon)

All three lines of QSLM's #1 dehydration unit are now operating and producing prills – the dehydrated magnesium chloride raw material that goes to the reduction

house. While these three lines are capable of producing around 200,000 metric tonnes per annum of magnesium chloride prills, they are currently operating in a start-up phase and at less than 50% of rated capacity (4 tonnes of magnesium chloride prills produces 1 tonne of magnesium). QSLM's current rate of production will soon fill the 6,000 metric tonnes of prill storage capacity and they should then have a sufficient buffer to commence production of liquid pure magnesium through electrolytic reduction in the cell house and then supply to the Magontec Qinghai cast house.

Slide 13 (complete plant)

As I have made plain in my quarterly commentary, all of these component parts are operational and there are no obvious reasons why supply of liquid pure magnesium by QSLM should not commence imminently.

If you would like to know more about our Qinghai facility we have published a booklet, copies of which are at the back of the room, and there is a presentation, which can be found on the Magontec website. Of course, I am also happy to answer questions here today.

Finally, I would like to make a couple of comments about the period ahead. Over the next few months we expect to see a rising volume of liquid metal supply to our cast house furnaces at Qinghai, but, without a firm schedule for delivery it is very difficult for management to make predictions about profitability in the immediate future.

However, we expect Magontec Qinghai to start to make a profitable contribution at around 1,000 mt of supply per month, and this is likely to occur in the third quarter.

Through the remainder of this year there will be two other forces at work; on the one hand a more positive contribution from the underperforming businesses of 2017, which I have discussed today, and on the other the one-off costs of closing the existing primary magnesium alloy facility in Shanxi Province.

Over the last few years we have also used the Shanxi Province facility as a recycling plant and with the closure of that facility we will lose our ability to recycle in China. Recycling is an important part of the magnesium alloy supply offering and a business

that has been profitable for Magontec in China over some years now. In the coming months the company may seek a new opportunity to engage in this business in a region of China close to our customers.

Ladies and Gentlemen, that concludes my remarks.

As I said at the outset I will now show you a short video and then take questions before we move to the formal business of the meeting.

Video unavailable



Magontec Limited – Annual General Meeting (ASX: MGL)

Nicholas Andrews
Executive Chairman
10 May 2018



SLIDE 2

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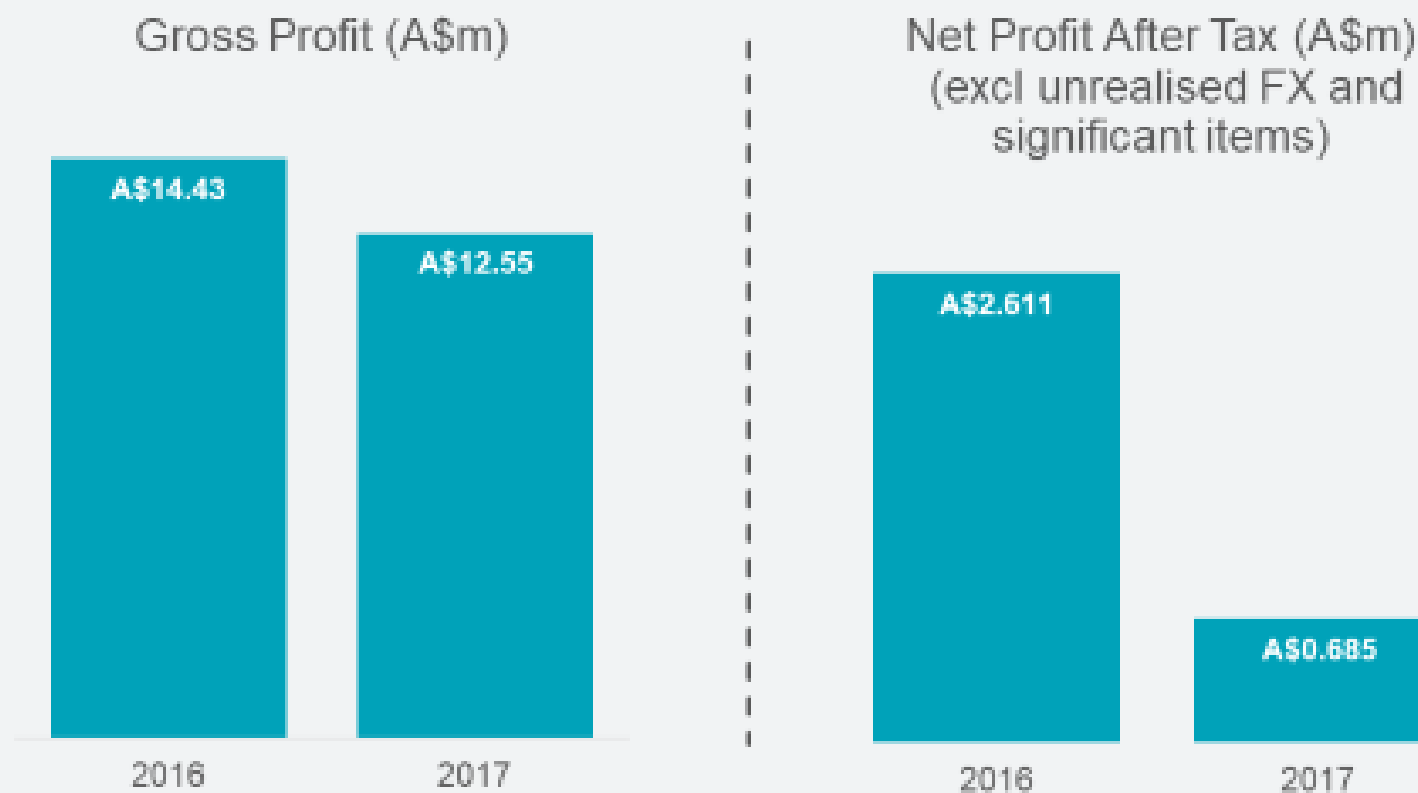
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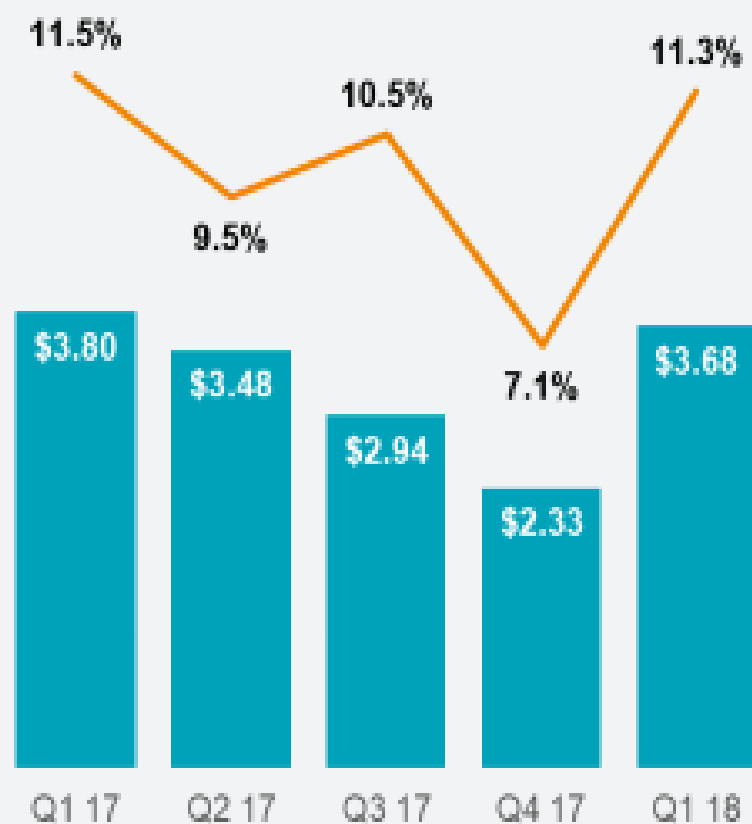
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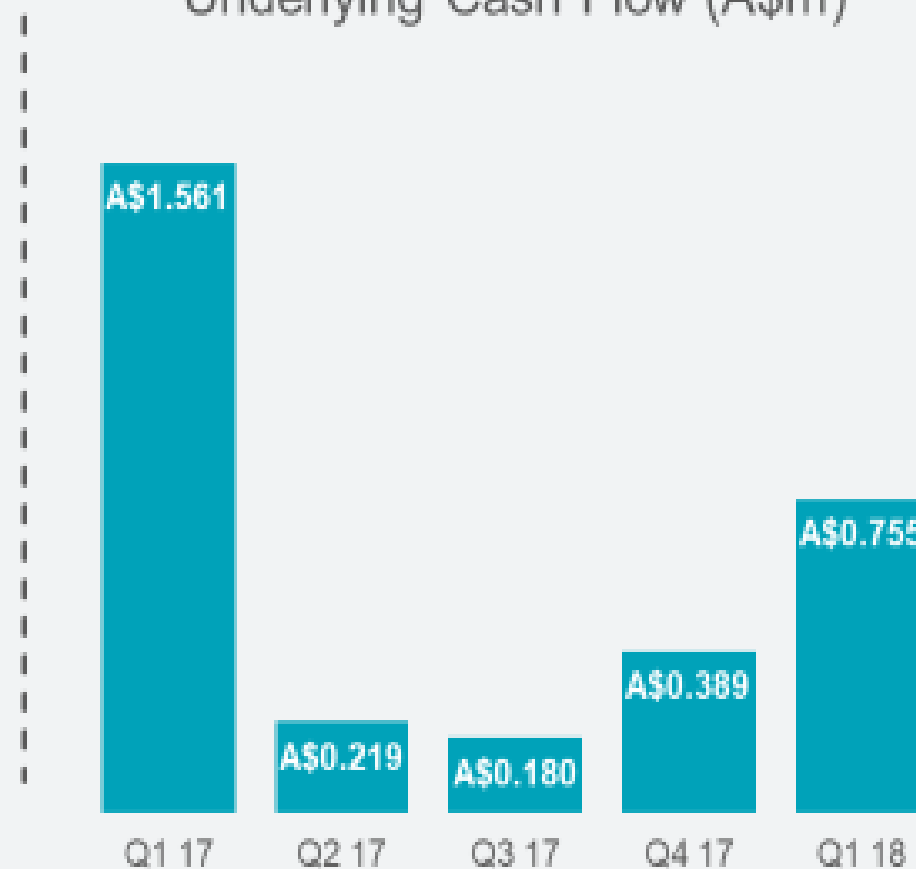
Gross Profit and Net Profit After Tax (excluding unrealized FX and significant items)



Gross Profit, Gross Profit Margin and Cash Flow – last 5 quarters



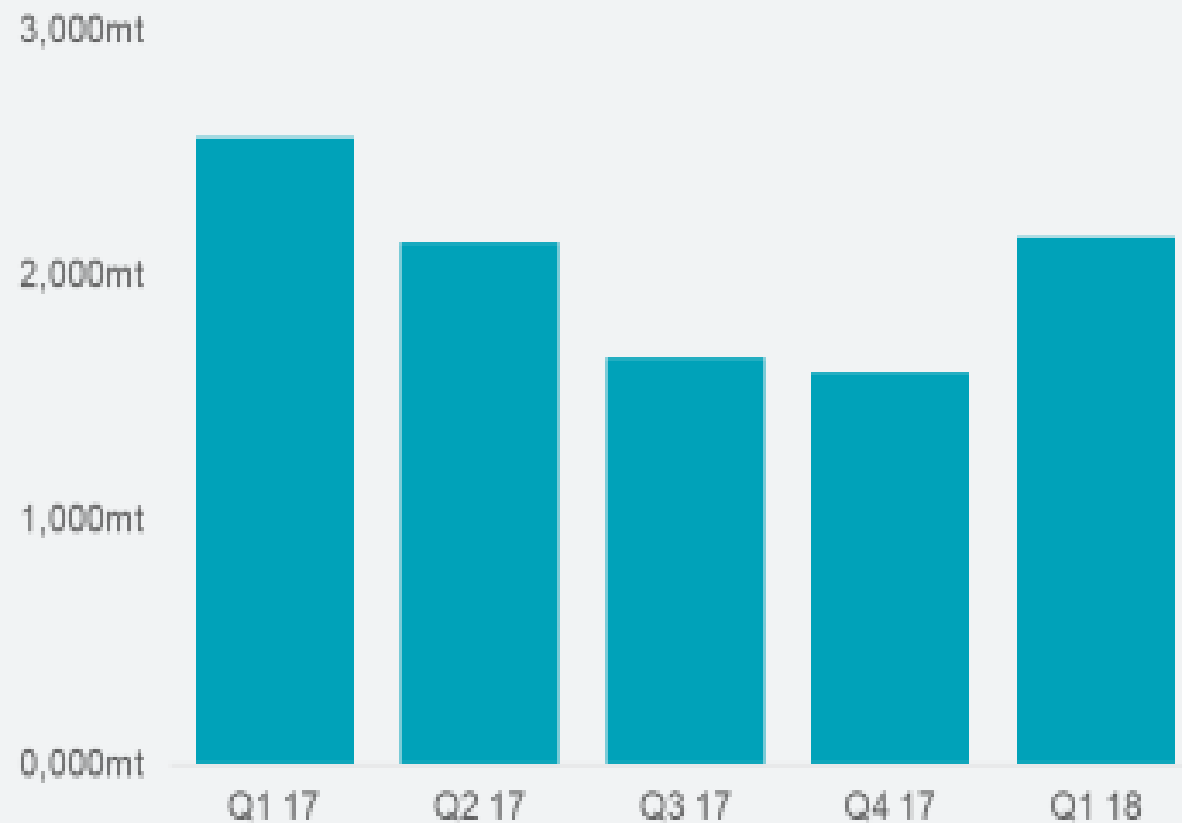
Underlying Cash Flow (A\$m)



Magontec Romania – Magnesium recycling



Magontec Romania – Mg alloy recycling last 5 quarters volumes

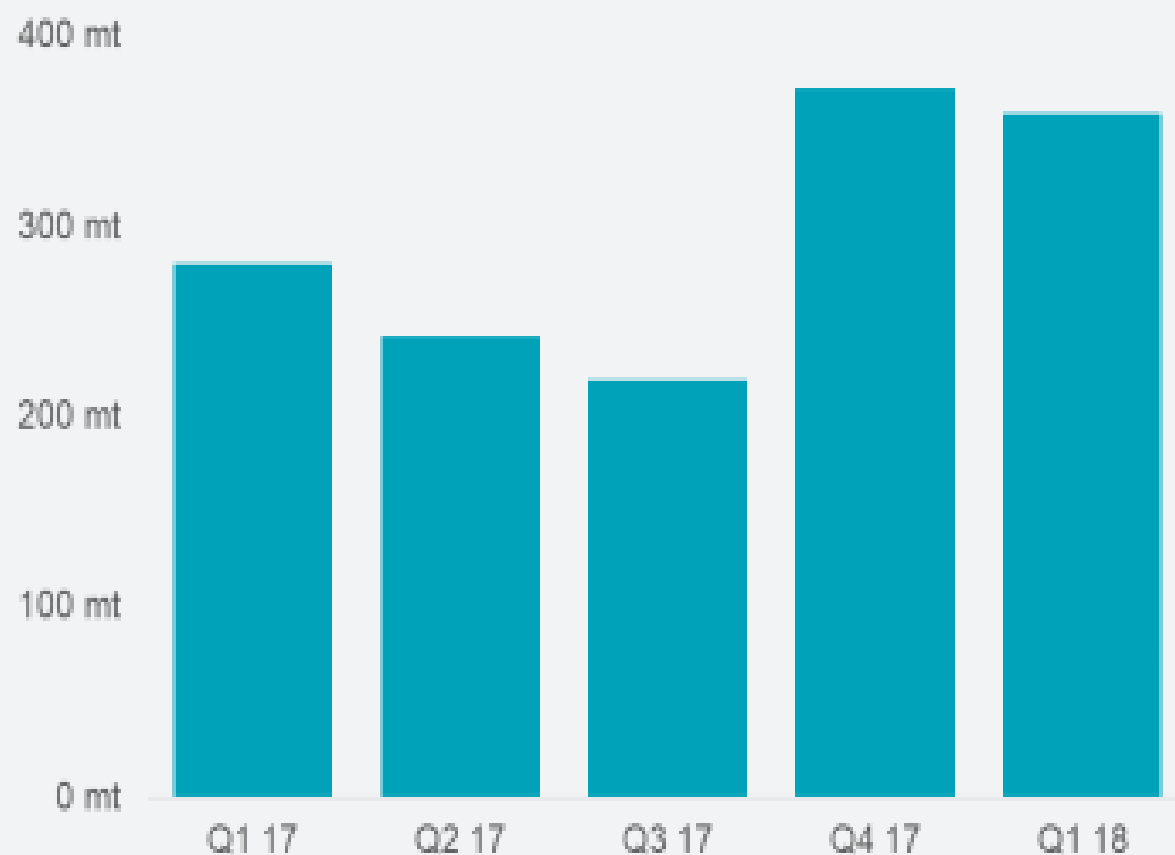


- Volumes recovering in Romanian Mg alloy recycling
- Staff renewal and retraining underway
- FY18 likely to show improvement on FY17

Magontec Xi'an - PRC Anodes

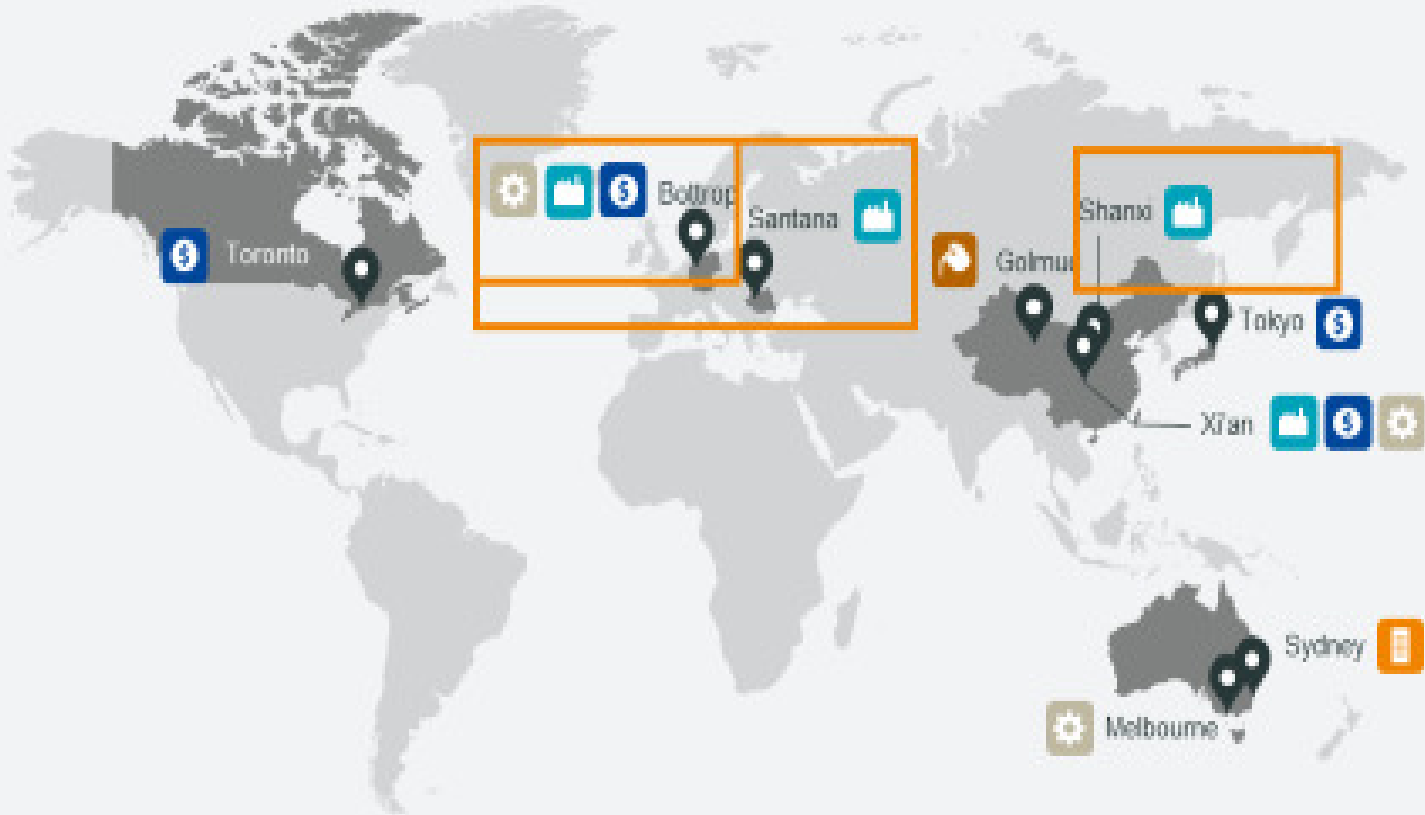


PRC magnesium anode volumes - last 5 quarters



- Q4 17 spike: driven by competitor delivery failure
- Q1 18 volumes: not yet reflecting new contracts
- Volume: a key driver of profitability

A global magnesium company



Production



Sales Office



Technology Centre



Cast House Project



Headquarters

Magontec Qinghai Opening Ceremony



Magontec Qinghai - Cast House in Operation



Magontec Qinghai – Metal Wagon truck delivers liquid pure magnesium



The Qinghai electrolytic magnesium smelter complex

Dehydration



Reduction



Cast house

