

**Magontec Limited****10 September 2019****ASX Announcement****UPDATE – Qinghai Salt Lake Industry Co Limited (Shenzhen Stock Exchange Code 000792)**

Qinghai Salt Lake Industry Co Limited (QSLIC) is –

- listed on the Shenzhen Stock Exchange; and
- the parent company of Qinghai Salt Lake Magnesium Co Ltd (QSLM), a 29% shareholder of Magontec Limited and a key supplier of magnesium to Magontec's alloy production plant at Golmud.

Magontec Limited notes that QSLIC made 2 announcements to the Shenzhen Stock Exchange, translated precis of which appear below<sup>1</sup>:

1. 17 August 2019 announcement – QSLIC received a “Restructuring Application Notice” on 15 August 2019 from a supplier Geermu Taishan Industrial Co Limited (“Geermu Taishan”).

According to the notice, Geermu Taishan had applied to the Xining Intermediate People's Court for reorganisation of QSLIC with respect to an unpaid debt of RMB 4,390,030.20 (approximately A\$ 898,478). (Xining is the capital city of Qinghai province.) QSLIC noted that regardless of whether or not a reorganisation process is ordered by the Court, the company will continue to carry out its normal daily operations.

QSLIC notes in the announcement that there is uncertainty as to whether the reorganisation process will be ordered by the Court, however if this is the case it will co-operate with the Court and the administrator to perform its obligations according to the law.

2. 24 August 2019 announcement – QSLIC notes that certain bank accounts of the company were frozen (to the extent of RMB 173,059,820.20 (approximately A\$35,402,980) in accordance with certain court orders relating to credit risks from debt defaults and contract disputes. In addition, 30 million shares out of 100 million shares (total book value of 100 million shares = RMB 153 million or A\$31.3 million) of Qinghai Bank Co Limited were frozen.

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<sup>1</sup> Magontec notes that the original QSLIC announcements to the Shenzhen Stock Exchange were made in Mandarin, and makes no guarantees as to the accuracy of the English precis.

Magontec management met with QSLIC senior executives in the week of 5 September and have been informed that these proceedings will not affect QSLM's existing supply arrangements with Magontec and the equipment remediation programme foreshadowed in Magontec's announcement to shareholders on 31 July 2019.

For those interested, the original announcements in Chinese can be viewed on the Shenzhen Stock Exchange via the QSLIC code shown in the heading of this announcement.



Nicholas Andrews  
Executive Chairman  
Sydney, 10 September 2019

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