

Magontec Limited

11 October 2019

ASX Announcement

UPDATE – Qinghai Salt Lake Industry Co Limited (Shenzhen Stock Exchange Code 000792)

Magontec is aware of two relevant announcements made by Qinghai Salt Lake Industry Co. Ltd. (QSLIC) to the Shenzhen Stock Exchange (SSE) since our previous update to shareholders on QSLIC's status on 10 September 2019.

Table 1 – Relevant QSLIC Announcements to SSX

Date of QSLIC Announcement	Action Directed At		Nature of Announcement
	Holding Coy	QSLIC Subsidiary	
1 30 Sept 2019	QSLIC		Approval by Qinghai local Court of application by Golmud Mountain Industrial Co., Ltd. to restructure holding company.
2 8 Oct 2019		Qinghai Salt Lake Magnesium Co., Ltd. (QSLM)	Application by Golmud Senhai Chemical Engineering Co., Ltd to local Court in Qinghai province to restructure the nominated subsidiary.

We are undertaking further analysis and enquiries on these issues and confine our comment to repetition of relevant matters disclosed in the QSLIC announcements. (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.)

1. Item 1 Table 1

In an announcement dated 10 September 2019 to shareholders, Magontec (at point 1 of that announcement) described the Court application process that was the precursor to the Court approval now formally announced at item 2. (Note: Golmud Mountain Industrial Co., Ltd and Geermu Taishan Industrial Co Limited are the same entity).

Based on the content of QSLIC's announcement of 30 September 2019, we understand that QSLIC has entered the reorganisation/restructure process on that same date. The QSLIC announcement includes the following description of the reorganisation/restructure process.

1. The Court has appointed an external independent Manager to overview the operations of QSLIC during the reorganisation process.
2. During the period of the reorganisation process, a reorganisation plan is being developed.
3. The reorganisation plan will be presented to the Court for approval.

2. Item 2 Table 1

QSLM is the counter party on commercial contracts governing the operation of Magontec's alloy manufacturing facility at Golmud. In due course, we assume there will be an announcement of the result of the Court's consideration of this application.

Production at the Magontec Qinghai Magnesium Alloy Cast House continues at the same monthly levels as we noted in recent announcements and investor reports at around 800mt a month. We expect to continue to produce primary magnesium alloy at the Magontec Qinghai facility at these levels until QSLM are able to recommence a steady supply of qualified liquid pure magnesium.



Nicholas Andrews
Executive Chairman
Sydney, 11 October 2019

For more information please contact Nicholas Andrews on 0402220077