

Magontec Limited

23 October 2019

ASX Announcement**UPDATE – Qinghai Salt Lake Industry Co Limited (Shenzhen Stock Exchange Code 000792)****1. Background to this Announcement**

Qinghai Salt Lake Industry Co Limited (QSLIC) –

- is listed on the Shenzhen Stock Exchange (SSX) with trading code as shown in the heading of this announcement); and
- is, to the extent of approximately 88% (per 2018 QSLIC annual report), 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.

As detailed in prior announcements by Magontec to shareholders, both QSLIC and QSLM are currently subject to legal processes examining restructuring options. This announcement by Magontec is an update to shareholders on that process.

2. Latest QSLIC Announcements

Since our previous update to shareholders on 11 October 2019, QSLIC has made the further announcements (amongst others) shown in Table 1. The content under the heading "Essence of Announcement" is a precis of some of the statements made by QSLIC in the particular announcement.

Table 1 – Relevant QSLIC Announcements to SSX

QSLIC Announcement		Announcement Concerning	Essence of Announcement
Date	No.		
1 10 Oct 2019	2019-063	QSLIC	Invitation to QSLIC creditors and bond holders to submit their claims by 1 November 2019.
2 11 Oct 2019	2019-064	QSLIC	<ul style="list-style-type: none">• Confirmation by the Court that –<ul style="list-style-type: none">○ QSLIC will manage its own property and business affairs under the supervision of the appointed restructure manager; and○ the party responsible for the disclosure of the company's information is changed from the restructure manager to the board of Directors of the company.
3 11 Oct 2019	2019-065	QSLIC	<ul style="list-style-type: none">• Emphasising creditor claims to be lodged by 1 Nov 2019 and the basis of lodgement.• More than 1,800 creditors identified.• As at 10 October 2019, the restructure manager has received 11 creditor claims aggregating approximately RMB10m of which RMB3m has been confirmed.• First meeting of creditors (and presumably bond holders) scheduled for 6 Nov 2019.• Risk of QSLIC shares being suspended from trading on the SSX in the event of 3 consecutive years of losses (2017, 2018 were loss years and 2019 is negative to current date).

Table 1 (Continued) – Relevant QSLIC Announcements to SSX

QSLIC Announcement		Announcement Concerning	Essence of Announcement
Date	No.		
4 18 Oct 2019	2019-070	QSLM	<ul style="list-style-type: none"> On 16 October 2019, the Court approved an application to restructure QSLM and appointed a manager of that process. QSLIC's equity investment in QSLM is about RMB5.5b and its receivable due from QSLM is about RMB35b. There is a high risk these QSLIC assets will suffer impairment potentially up to 100%. The extent of the ultimate impairment in the books of QSLIC will be a function of QSLM's restructuring plans.
5 18 Oct 2019	2019-071	QSLM	<ul style="list-style-type: none"> The unaudited balance sheet of QSLM as at 30 Sept 2019 shows negative net assets of about RMB1.8b. QSLM is insolvent.
6 18 Oct 2019	2019-072	QSLM	<ul style="list-style-type: none"> The QSLIC restructure manager has instructed QSLM to resolve those contracts that have not been fulfilled.

3. The Purpose of this Announcement

This announcement is designed to keep shareholders abreast of an unfolding process affecting Magontec's contractual counter party (QSLM) at the Golmud magnesium alloy cast house project. Magontec's other operations in China and Europe continue their operations as usual.

We will continue to monitor developments in the process to –

- provide an insight as to how the legal processes might affect Magontec's alloy plant in Golmud ; and/or
- how those legal processes might directly affect the currently understood financial assumptions on the Golmud alloy plant.



Nicholas Andrews
Executive Chairman
Sydney, 23 October 2019

For more information please contact Nicholas Andrews on 0402 220 077