

22 July 2021

Company Announcements Office
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Dear Sir/Madam

**Qinghai Salt Lake Magnesium (QSLM)
QSLM Production, Restructuring and Refinancing Plan**

JULY 2021 UPDATE

On 20 July 2021 Mr Kang Min Xie, the Chairman of Qinghai Huixin Asset Management Co., Ltd (QHAM, principal owner of QSLM) and a Director of Magontec Limited, informed the company by letter that an engineering company has been engaged to carry out the remediation and re-start of one (of six) dehydration lines at the Qinghai Magnesium Salt Lake (QSLM) electrolytic smelter.

This work has commenced and, per the advice received, is expected to be completed by 30 December 2021. The remediated dehydration line is expected to be commissioned in the first quarter of 2022.

In his letter Mr Xie noted that the magnesium plant is the central manufacturing unit for the wider QSLM industrial complex (now owned by QHAM) and that re-starting the dehydration and associated electrolysis plant is their top priority. (The electrolysis plant also delivers chlorine gas to other industrial activities on the QSLM site).

While QSLM are expressing confidence that one dehydration line can be remediated under the current finance plan within the timetable above, we note that a significant finance task remains for the project and that technical complexity and resource limitations have caused historical challenges.

In the first six months of 2021, Magontec's Magnesium Alloy Cast House, located at Golmud in Qinghai province and sited adjacent to the QSLM magnesium complex, has continued to source pure magnesium raw material from external sources. The logistics of this sourcing strategy have caused Magontec to lose money in this business in each of the reporting periods since supply from the QSLM smelter was halted in the second quarter of 2019, albeit losses have been reduced in the latter periods.

The recommencement of raw material supply to the Magontec Qinghai cast house from the output of one dehydration unit would transform the economics of this business unit.

Each dehydration unit has a rated annual output of MgCl_2 prills sufficient to produce 16,600 tonnes of liquid pure magnesium from the electrolysis plant. In FY2020 the Magontec Qinghai cast house produced just 5,815 tonnes of magnesium alloy and sourced all its raw material from third parties located in other provinces. Magontec built this cast house with the capacity to produce 60,000 tonnes of magnesium alloys per annum and to receive raw material in liquid form from the adjacent magnesium smelter.

We will keep shareholders informed of developments.

Yours sincerely,



Nicholas Andrews
Executive Chairman
Magontec Limited

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 22 July 2021