



**Magontec Limited
(ASX: MGL)**

**Nicholas Andrews
Executive Chairman
4Q 2016**

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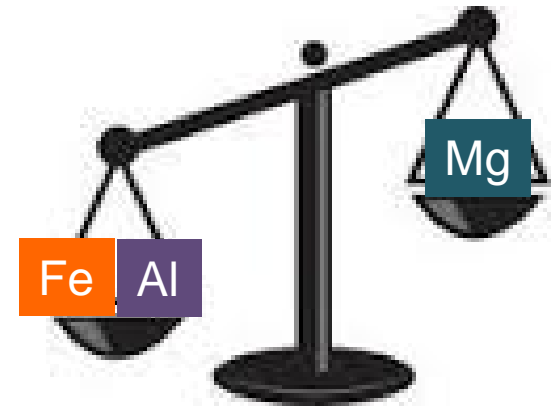
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Why magnesium?

Magnesium alloy is a **light** and **strong** structural metal

	Lower density	
Aluminium	2.70g/cm ³	Mg 36% lighter
Iron	7.87g/cm ³	Mg 78% lighter
Magnesium	1.74g/cm ³	



Research focus

Stress resistance

Thermal conductivity

Corrosion issues



New magnesium applications

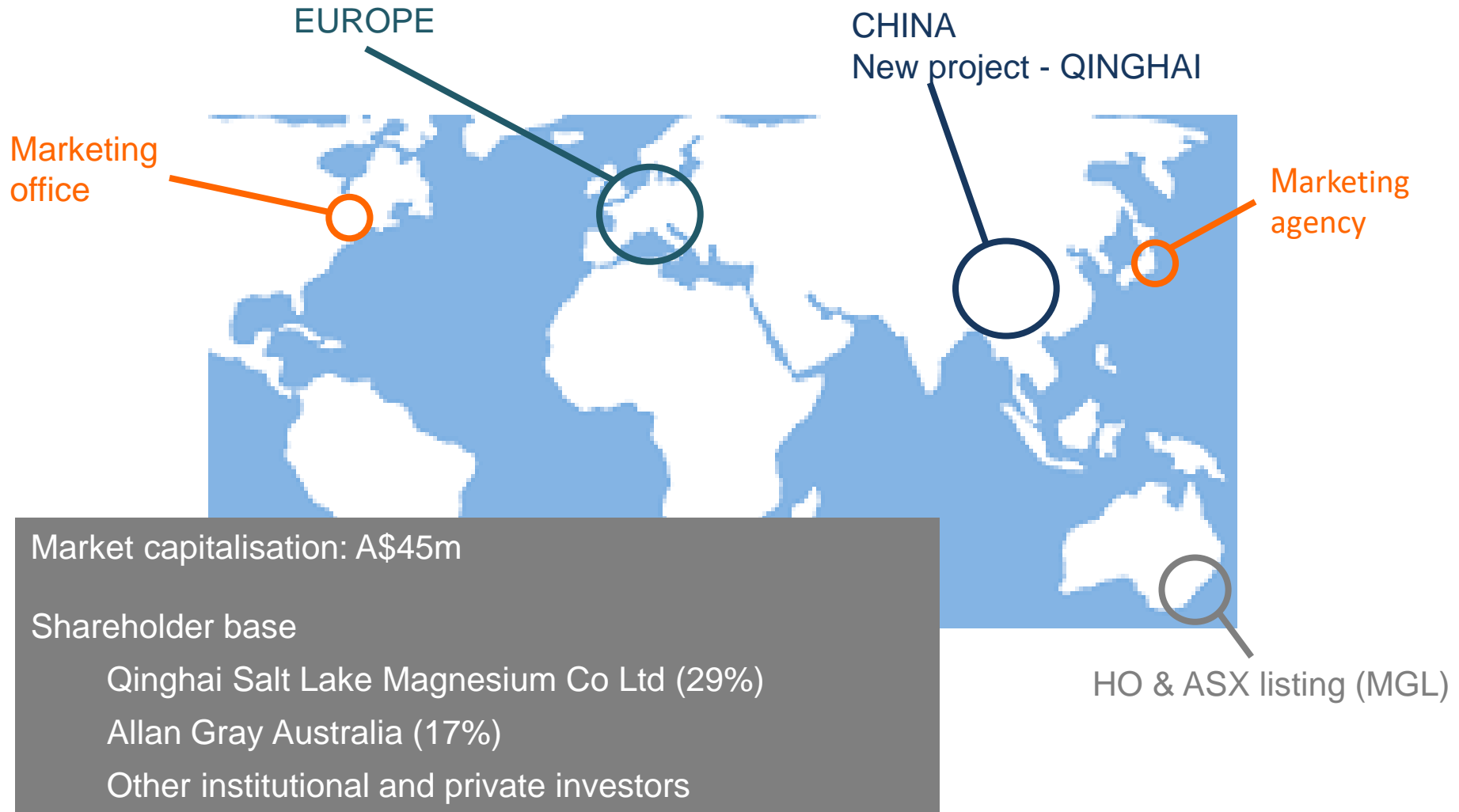
Automotive

Electronics

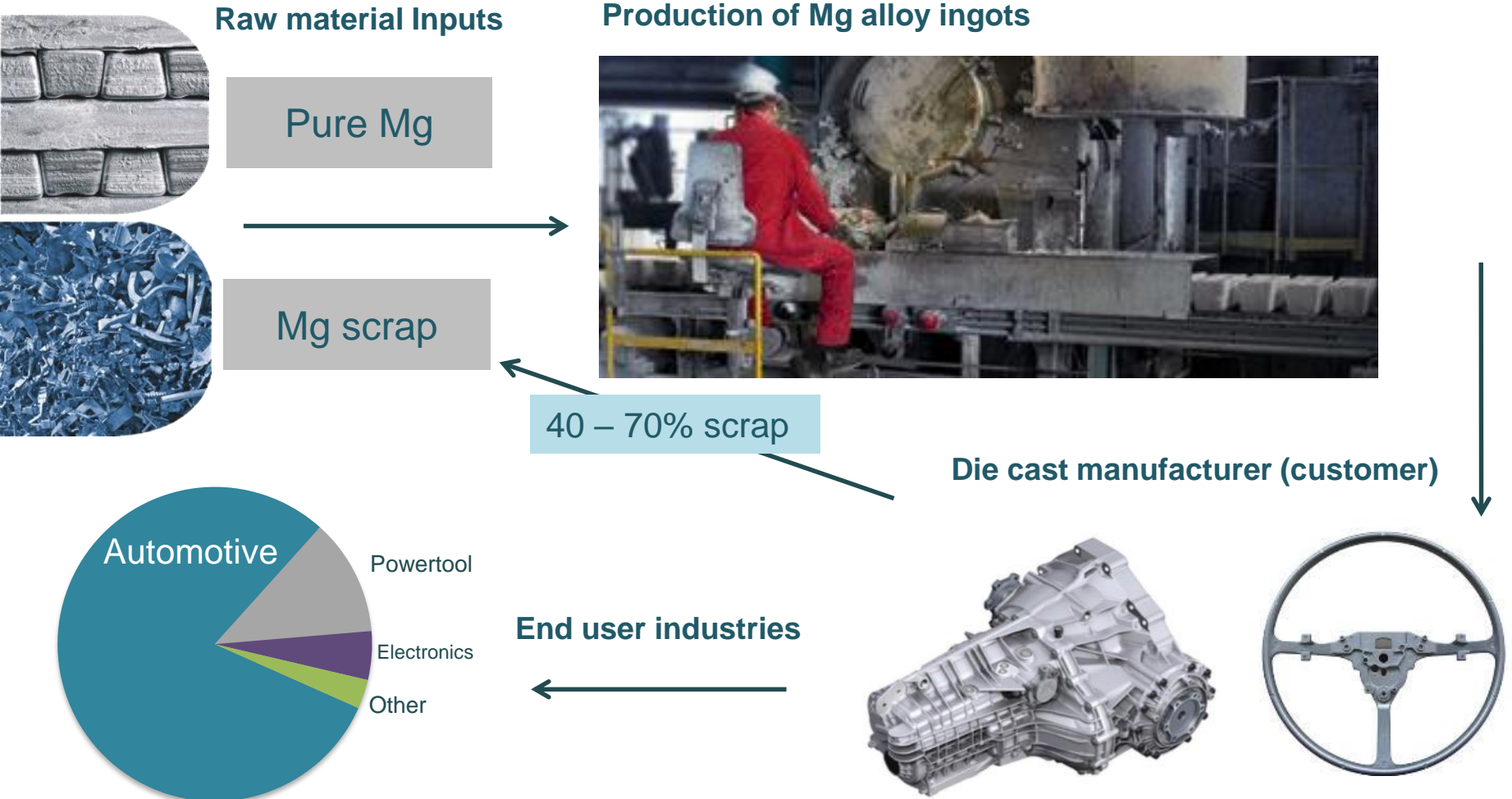
External applications

Global magnesium alloy manufacturing and recycling company

Magnesium anode manufacturing



Magnesium **alloy** manufacturing



Magnesium **anode** manufacturing

Raw material Inputs



Mg alloy /
scrap



Magontec Mg anode cast / extrusion process



Global water heater industry



BOSCH
Invented for life



Haier

Inspired Living



Midea



A.C. Smith.
Innovation has a name.

In 2013 Magontec announced a new project in Qinghai

Agreement between Qinghai & Magontec

Qinghai Salt Lake Magnesium Co Ltd

100,000 mtpa electrolytic Mg smelter

Proven technology from Norsk Hydro

Resource from nearby salt lakes

85% renewable energy (hydro and solar)

Part of an integrated chemicals complex

Future expansion to 150,000 mtpa ++

Magontec Qinghai Co Ltd

60,000 mtpa Mg alloy cast house

Receives liquid pure Mg from QSLM

Exclusive rights over Mg alloy production

Favourable “Off-Take Price Agreement”

A 10 + 10 year option lease

Option to grow with QSLM expansion

Dehydration units 1 & 2

Electrolytic cell house

Cast house



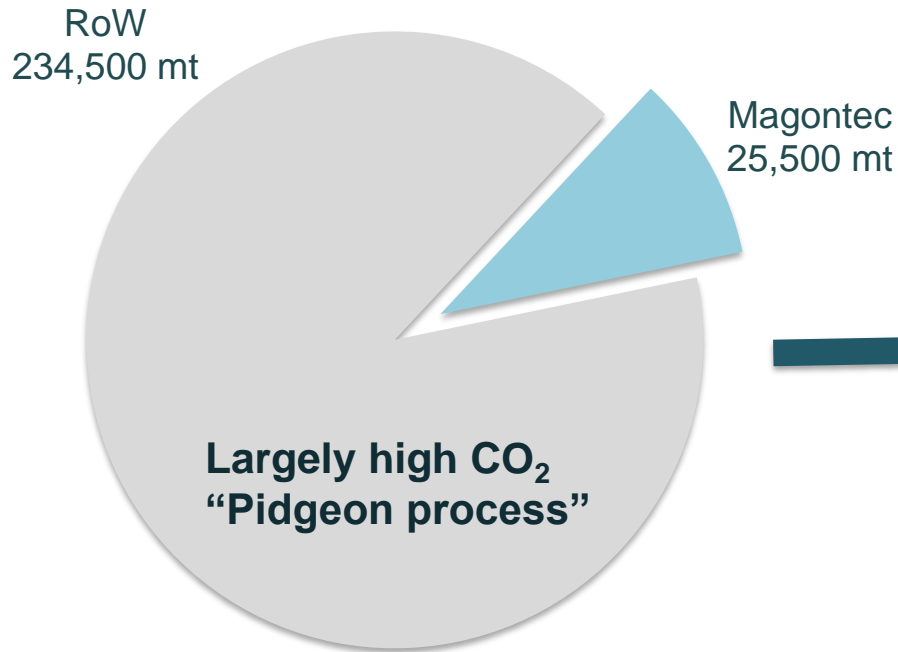
The first new electrolytic magnesium plant constructed in 16 years

Hot commissioning under way

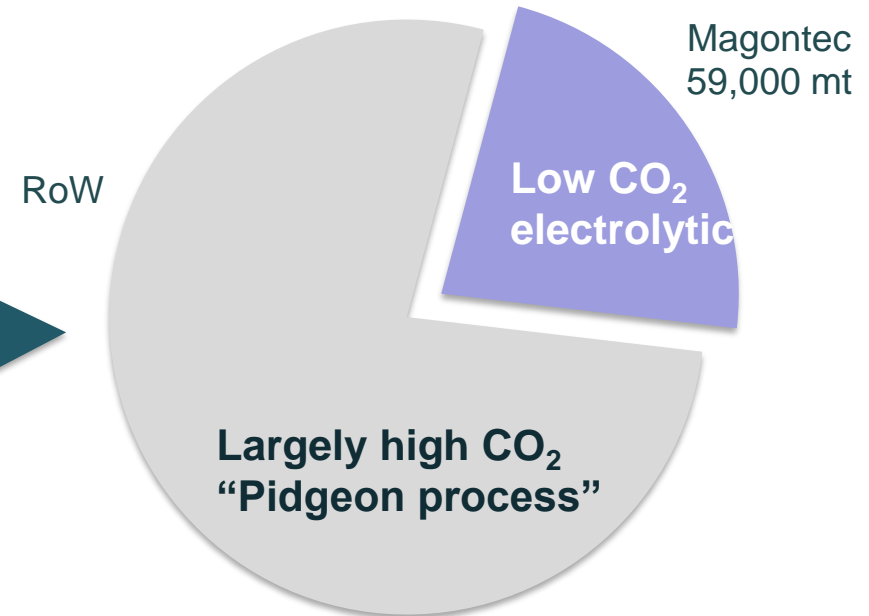
Production expected 4Q 2016 / 1Q 2017

Qinghai will make
Magontec the World's largest supplier
of electrolytic Mg alloy

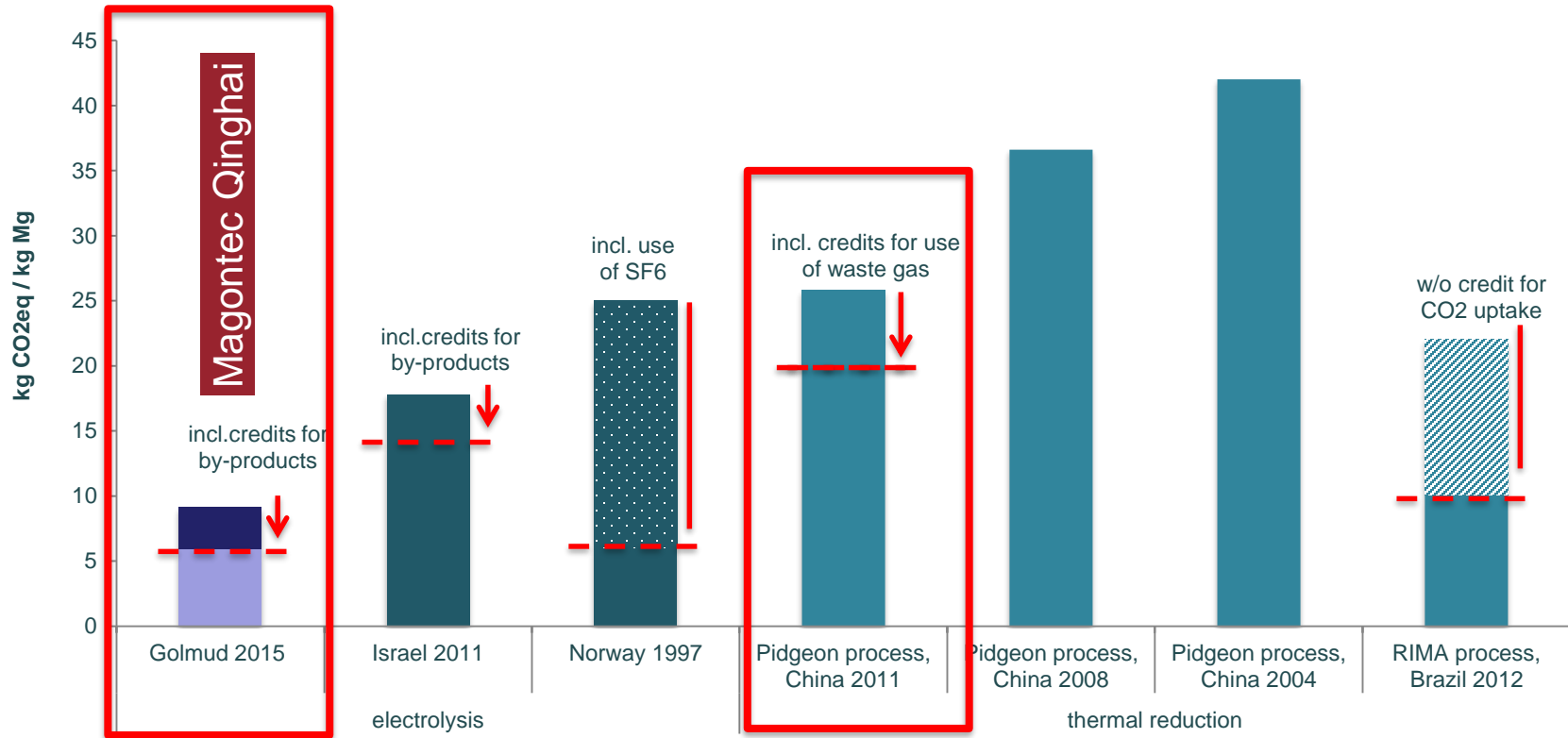
**~10% Mg alloy market share
2015**



**Target > 20% Mg alloy market
share after Magontec Qinghai**



Magontec Qinghai will use the lowest CO₂ Mg ever produced*

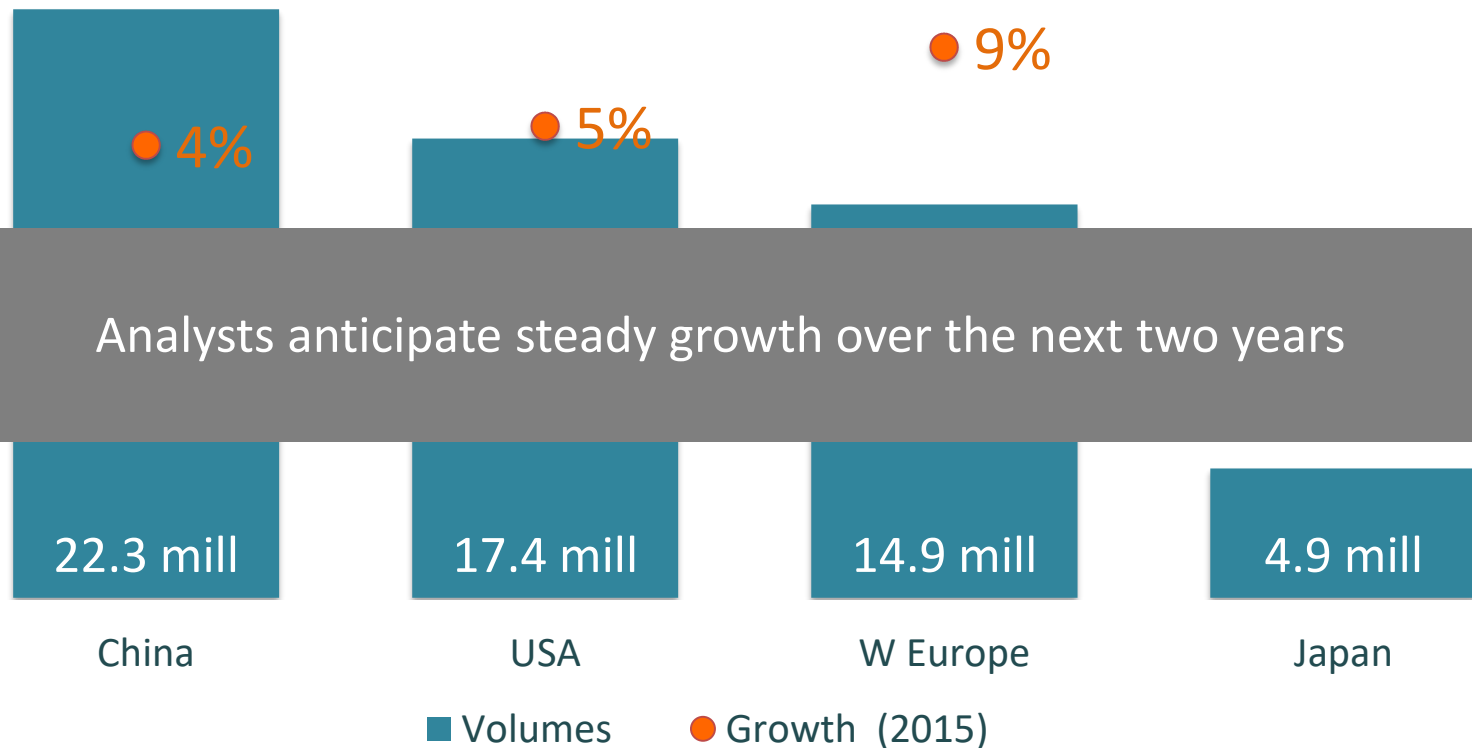


*German Aerospace Institute of Vehicle Concepts survey on CO₂ emissions from magnesium smelters around the World

Magnesium alloy demand – key drivers

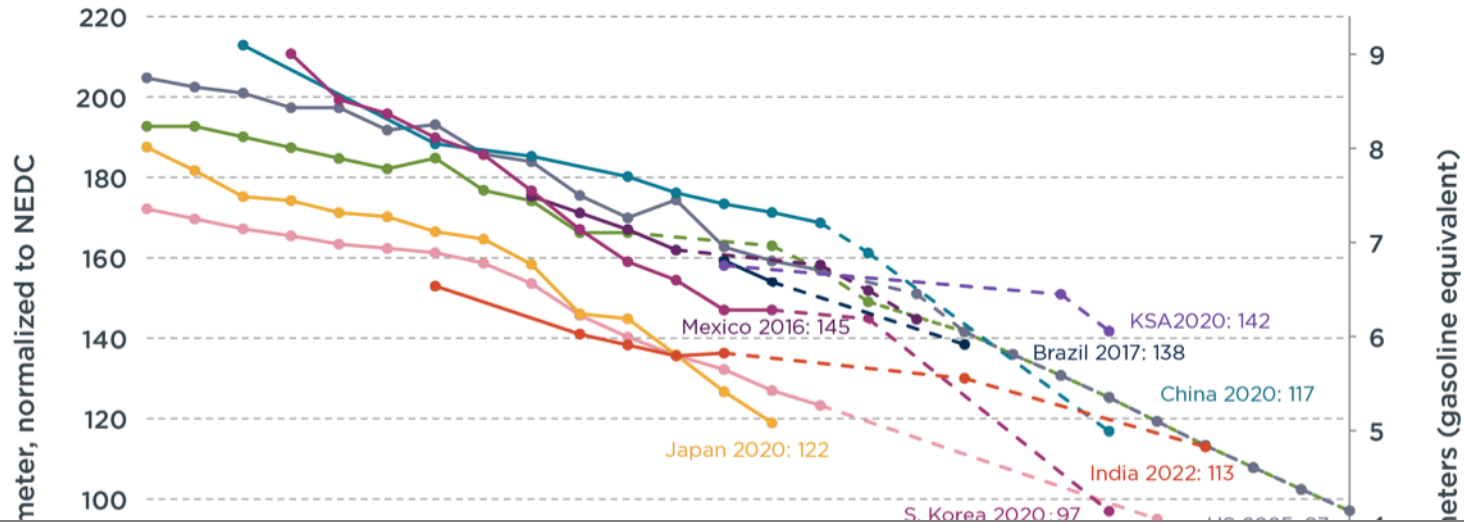
1. Global automotive volumes

annual production volumes 89m in 2015 and estimated at 90m in 2016

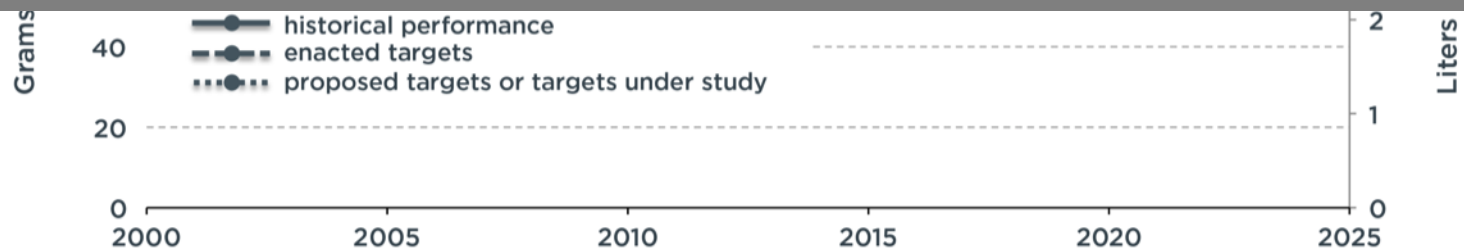


Magnesium alloy demand – key drivers

2. Automotive CO₂ emissions reduction



2020 EU target average fleet emission of 95g CO₂ per km



Magnesium alloy demand – key drivers

Light weight → new magnesium applications

Magontec proprietary Mg alloy

Application		Alloy	Weight save
Porsche	Valve cover	AE44	45%
Audi	Transmission housing	AE44-2	31%
German co	Small engine components	AE44-2	-
Chinese co	Telecommunications application	AE45	30%



PORSCHE

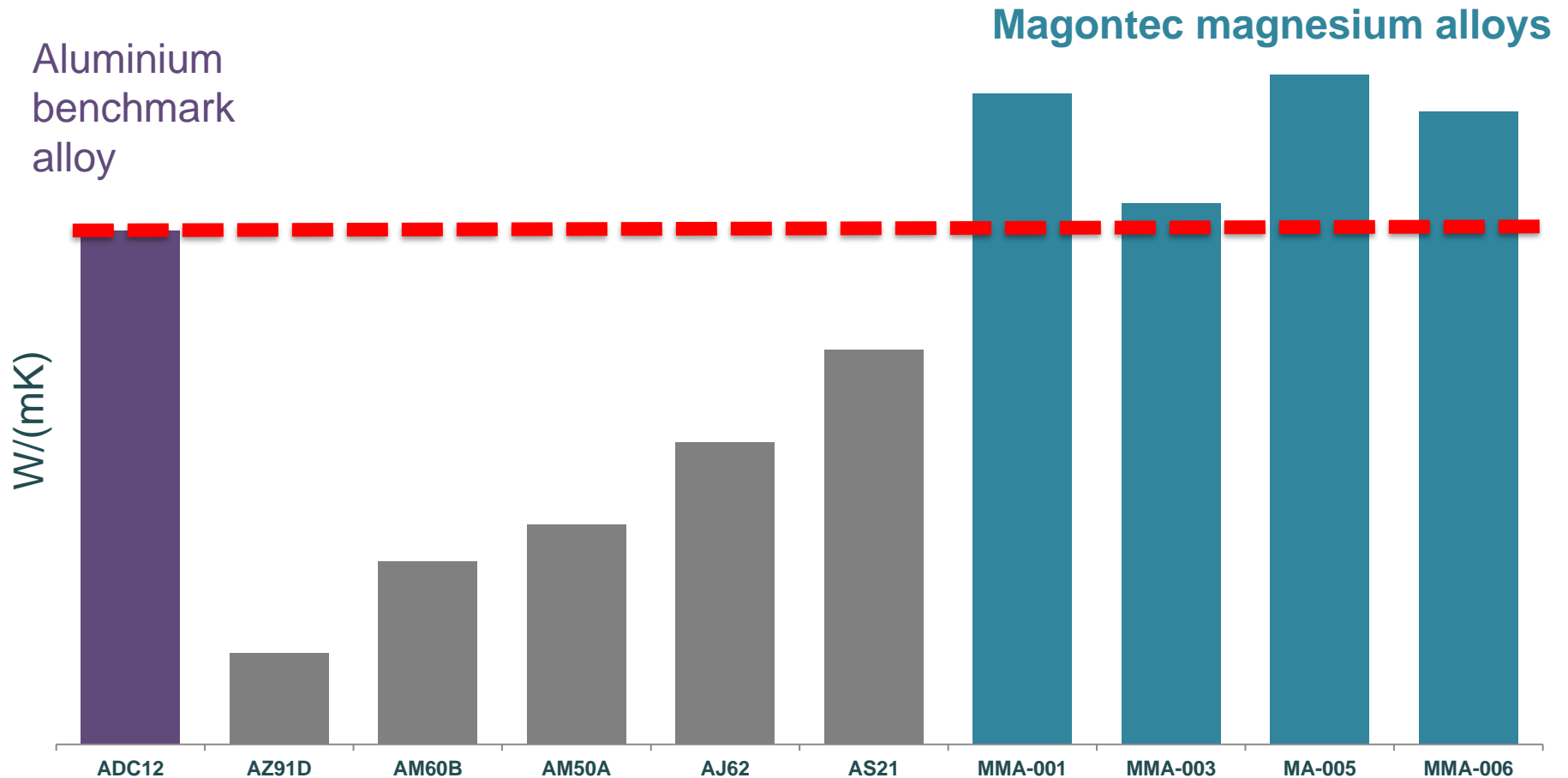


Audi



Magnesium alloy demand – key drivers

3. Thermal conductivity → Magontec 'AE' family alloys finding new applications



New opportunities for applications seeking heat dissipation



Solar inverters

Tele-com
applications



Electric vehicles



LED lights



Electronic applications

Magnesium and electronic anodes – “cathodic corrosion protection”

Mg Anode volumes

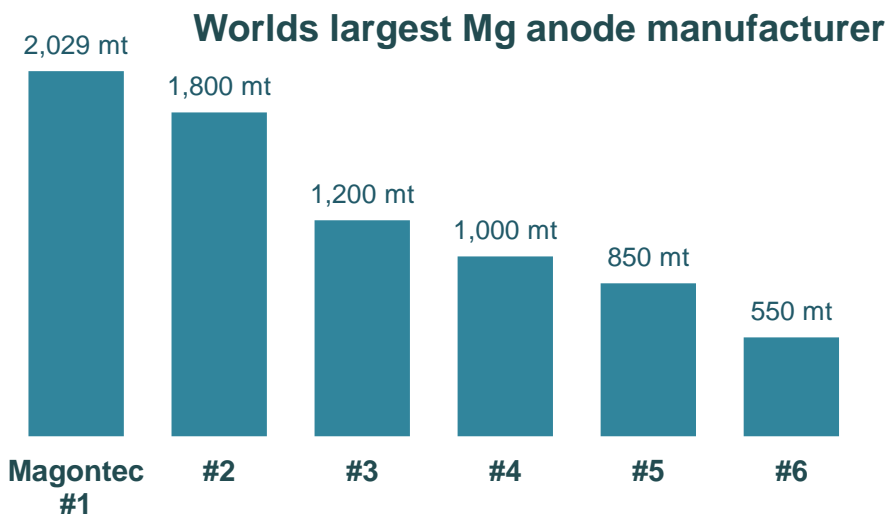
Urbanisation (water heaters)

Replacement (5 to 10 years)

Focus

Production cost (automation)

Global coverage/Supply chain



Electronic anodes

Global market leader

High-end products
→ higher margins

New applications

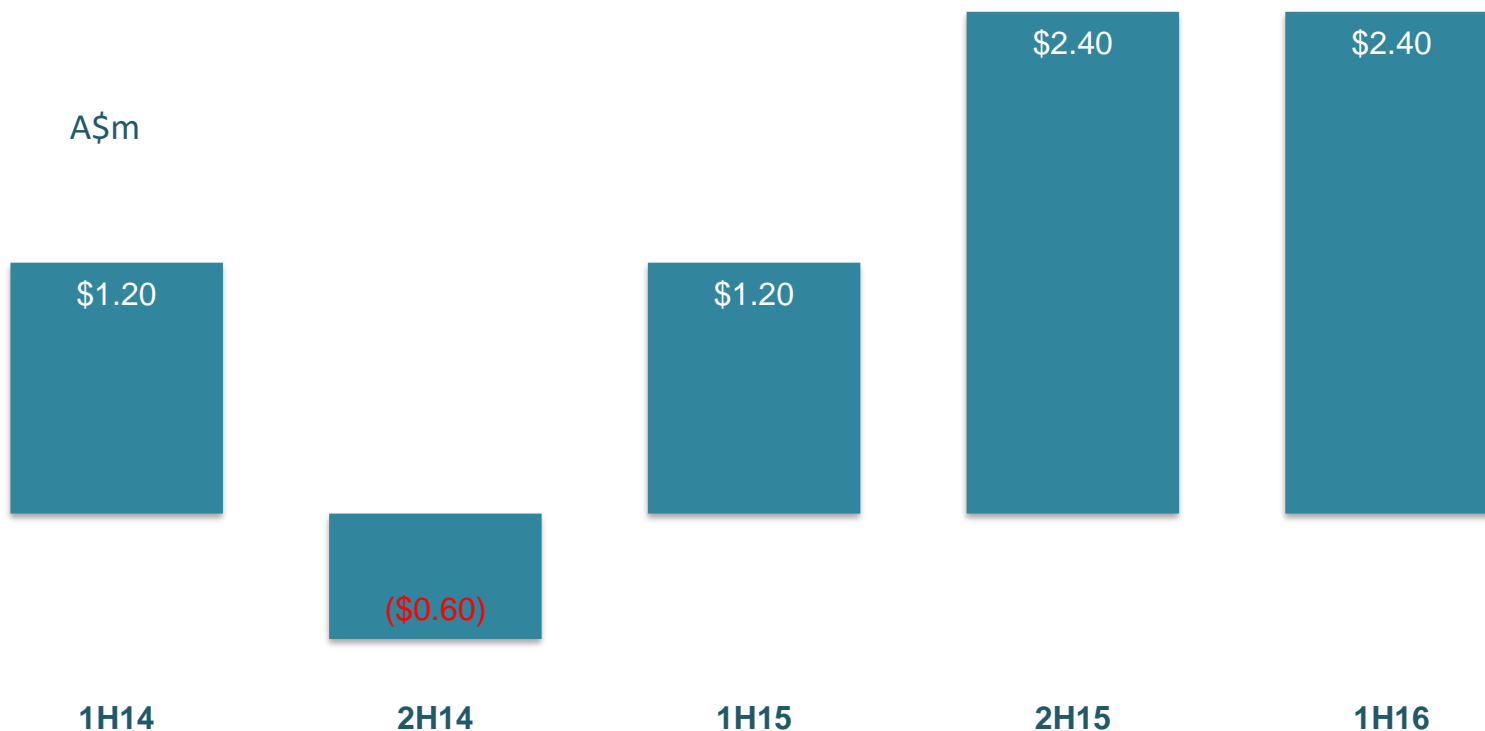


Cash Flow

A\$4.8 million cash flow from underlying operations over the last 12 months

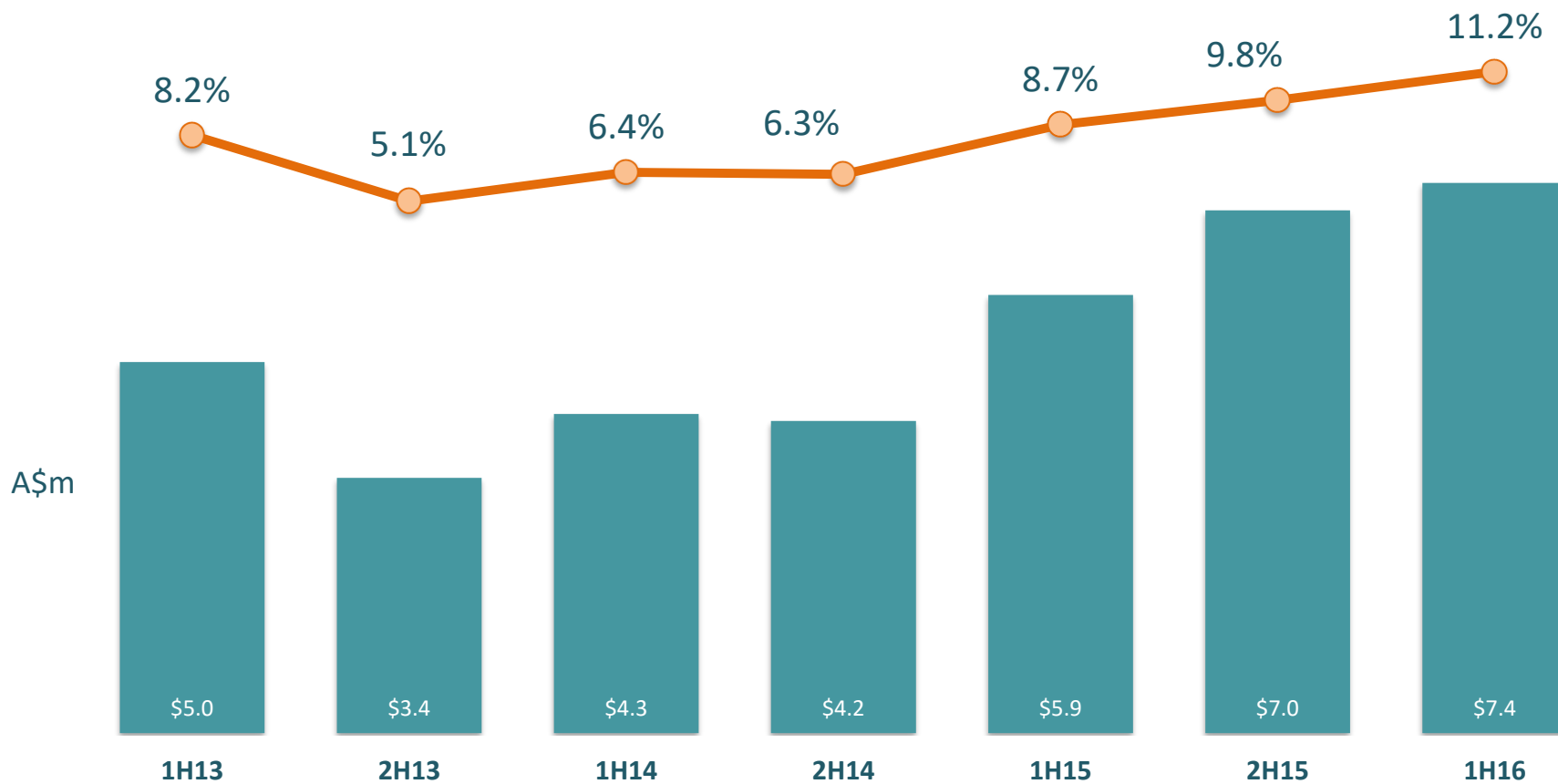
Funding for future working capital requirements

No significant capex requirements going forward



Gross Profit & Gross Profit Margin

Improvement in Gross Profit across the business



1H 2016 - Profit & Loss

	1H16	1H15	% Change		\$ Change
EBITDA	\$1,917,174	\$1,212,842	58%	+	\$704,332
Depreciation & amortisation	(\$863,419)	(\$809,447)	7%		(\$53,972)
EBIT	\$1,053,755	\$403,394	161%	+	\$650,361
Interest expense	(\$622,224)	(\$648,066)	-4%		\$25,842
Profit Before Tax	\$431,531	(\$244,671)	-276%	+	\$676,202
Income tax expense	(\$350,758)	(\$182,863)	92%	-	(\$167,895)
Net Profit After tax	\$80,773	(\$427,534)	-119%	+	\$508,307
NPAT excluding unrealised FX	\$508,603	(\$565,676)	-190%	+	\$1,074,279
- Add back non cash items (equity issue & bad debt)	\$385,000	\$174,000			
UNDERLYING NPAT	\$893,603	(\$391,676)	-338%	+	\$1,285,279

Summary

Mg alloy production volumes to triple



Margin improvement in all products



“Green” magnesium



Improving financial fundamentals



Profit “inflexion” point



Thank you for your time



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