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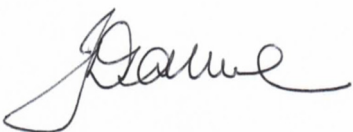
7 May 2015

Magontec Limited - Executive Chairman's Address to 2015 Annual General Meeting

Attached (below) is the content of the Executive Chairman's address to the Company's 2015 AGM to be held on Friday 8 May 2015.

The slides referred to in the body of the Executive Chairman's address appear after the address.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'John Talbot', written in a cursive style.

John Talbot
Company Secretary

EXECUTIVE CHAIRMAN'S ADDRESS to 2015 ANNUAL GENERAL MEETING of MAGONTEC LIMITED

Ladies & Gentlemen

Before we move to the formal business of the Annual General Meeting I would like to make a short presentation.

The slides that I will show and the text of my speech are now available on the Magontec and ASX websites.

I don't plan to go into any great detail on the financial results for the year ended 31 December 2014 as this was covered in an extensive summary in the Annual Report and updated again in a report published on 20th April.

Today I will

- Give an overview of the company and its activities,
- Offer a snapshot of the Group's financial progress in the three months to 31 March 2015,
- Provide an update on the progress made to date at our Qinghai Cast House Project and
- Discuss some of the research and development projects that are in train.

Refer Slide 3 attached at foot of address

I thought I might commence my address with a short overview of the Magontec business. It is important that shareholders and the wider investment community understand how the Company is structured and the nature of the business that we are engaged in.

Magontec is a magnesium processing company. We buy pure magnesium and manufacture magnesium alloy ingots and other downstream magnesium products.

The Company manufactures two principal products, magnesium alloy ingots, which we supply to diecasting companies, and magnesium anodes, which we supply to water heater companies.

Magnesium diecasting companies often return scrap produced in their manufacturing processes to Magontec plants in Europe and China for recycling.

Our biggest customers are in the automotive industry, where magnesium is used to manufacture applications such as steering wheels and car-door frames, and manufacturers of water heaters, who use magnesium anodes to protect steel and enamel water tanks from the effects of corrosion.

Refer Slide 4 attached at foot of address

I have shown this slide before and I think it gives an excellent overview of our business.

Magontec operates in four countries with manufacturing operations in China, Germany and Romania and its head office in Australia.

It is among the largest producers of magnesium alloys in the World and by some margin the largest and most successful magnesium alloy recycler in Europe.

We are also a global supplier of magnesium anodes with manufacturing and sales operations in China and Europe.

Our Chinese primary magnesium alloy production, currently centred on a facility in Shanxi Province, is very much the focus of our attentions.

In 2015 we will construct and partially commission a new 56,000 metric tonne per annum cast house facility at Golmud in Qinghai Province.

This facility is expected to transform the operating economics of our primary magnesium alloy business and allow Magontec to compete in global magnesium alloy markets with a very competitive product.

Refer Slide 5 attached at foot of address

The magnesium industry is currently dominated by many small operators and uses a manufacturing process that is environmentally extremely toxic.

The opportunity for Magontec has been to transform itself, to become an environmental champion and a price leader in a niche industry that is the process of change.

In the four years since the Magontec assets were acquired the underlying business has been transformed.

- We have negotiated and executed a long term agreement with the Qinghai Salt Lake Co Ltd that will deliver a consistent flow of raw material at a competitive price;

- We have raised over A\$17 million to enable us to construct the cast house in Qinghai and
- We have undertaken a wholesale renewal of the downstream assets of the business in magnesium recycling and magnesium anode manufacturing.

Refer Slide 6 attached at foot of address

The first and most important leg of our strategy was to identify and secure a raw material source that would address the environmental shortcomings of our industry.

Our agreements with the Qinghai Salt Lake Co Ltd will comprehensively deliver this objective.

The second leg of our strategy was to ensure that our downstream recycling and anode manufacturing businesses were able to cope with the new volume of primary metal and to be profitable in their own right.

We are well on the way to achieving this goal having expanded capacity and reduced conversion costs in Germany and Romania in the last 12 months.

Both these plants are now operating profitably and have the capacity to grow further in the years ahead as opportunities present.

Refer Slide 7 attached at foot of address

I now want to move on to the results for the 2014 financial year and for the first quarter of 2015.

Refer Slide 8 attached at foot of address

In each of the last three years Magontec has enjoyed modest revenue growth.

While top line growth is not an end in itself it emphasises two things

- That we have maintained our market share, even as conditions in the Chinese domestic markets have deteriorated, and
- That the Magontec magnesium alloy business is well positioned to take advantage of the opportunities that our new facility in Qinghai will offer.

Refer Slide 9 attached at foot of address

Our underlying operating results are often obscured by fluctuations in rates of foreign exchange. In this chart we show Earnings Before Interest and Tax (EBIT) in the 2014 financial year compared with 2013.

- The Romanian recycling business made a full year contribution and while lower anode volumes saw the European business fall short of its budget it experienced a much improved result in 2014
- In China the impact of the closure of the Suzhou facility had a cumulative A\$1m negative impact on earnings significantly reducing profitability.

Other trends emerged in 2014 that will likely continue into 2015. Falling demand from the electronics sector will reduce Chinese domestic demand for magnesium alloys while improved competitiveness in all of our businesses makes the company more resilient and potentially more profitable.

Refer Slide 10 attached at foot of address

One area where we have made great strides in the last 18 months has been in the European recycling business. Magontec is emerging as an important partner for European die casting companies.

We are the only European recycler building new capacity and offering increasingly competitive prices. In 2015 capacity in Romania will rise to nearly

10,000 mt per annum, from 3,500 mtpa in 2013, while in Germany capacity will be only modestly higher but much more competitive.

Our success in European recycling stems from strategic initiatives adopted in 2012 to invest in automation and manufacturing processes to raising barriers to entry.

Magontec operates in a small industry where the competition generally comprises small and capital constrained businesses or larger diversified businesses.

Our competitive advantage is that we are focussed on the magnesium industry exclusively and offer increasingly competitive prices and access to higher volumes across the product range.

Refer Slide 11 attached at foot of address

Here is a snapshot of our first quarter result showing a modest Net Profit After Tax of \$251 thousand dollars from our existing operations in the three months to 31 March 2015.

I do not extrapolate this for the full year, as we are a seasonal business in some sectors, and nor do I claim that that we have overcome our many challenges.

However this result does emphasise that

- Our European recycling business is now on a strong upward trajectory and
- We have begun to address underlying competitiveness issues in our other businesses.

Refer Slide 12 attached at foot of address

So, in summary for 2015 we see

- Scope for further improvement in our recycling businesses in Europe
- Potential for volume gains in the anodes business which will have a positive impact on profitability in those activities
- Steady to growing demand from regional Asian magnesium alloy customers, particularly in Japan, and
- A flat to negative outlook for Chinese domestic magnesium alloy and recycling demand.

Refer Slide 13 attached at foot of address

I want to turn now to the Qinghai project as this is the focus of so much of our attention at this time and will become the company's largest and most important asset when it commences production.

Refer Slide 14 attached at foot of address

Just to re-cap on this project.

In May 2014 we signed three agreements that

- Established the current and future basis for working with Qinghai Salt Lake Co
- Established the price at which liquid pure magnesium would be delivered by Qinghai Salt Lake Co to Magontec, and
- Established the basis upon which Magontec would lease space in the Qinghai cast house building for the installation of its four casting lines.

These are the foundation documents for the future prosperity of Magontec and provide the company with exclusive access to this raw material source.

Refer Slide 15 attached at foot of address

As most shareholders will know already, the Qinghai project exploits a magnesium-rich liquid tailings resource adjacent to a 100,000 metric tonne per annum electrolytic magnesium production plant that is being constructed by Qinghai Salt Lake Magnesium Co.

Magontec will invest A\$11 million in four magnesium alloy casting lines to process the pure magnesium produced by this plant, the first electrolytic plant built in China and one of the largest ever constructed.

Refer Slide 16 attached at foot of address

Here is a schematic of the plant showing,

- At the top the two 50,000 mtpa dehydration plants that are now close to completion
- In the middle the reduction or electrolytic cell-house where magnesium will be extracted, and
- At the bottom the cast house where there are seven casting lines being installed, three by Qinghai Salt Lake Co for the production of pure magnesium and four by Magontec for the production of magnesium alloys.

Refer Slide 17 attached at foot of address

The installation of the first magnesium alloy casting line is now completed and hot commissioning will take place in the next few weeks.

This first line will have a capacity of around 14,000 mtpa

Subsequent production lines will be installed through to the end of the year and will have a final capacity of 56,000 mtpa.

The critical factor in the installation process is the commissioning schedule for the considerably more complicated dehydration and reduction facilities. Qinghai Salt Lake Co has indicated that they will be in a position to start initial production in the fourth quarter of 2015.

Refer Slide 18 attached at foot of address

As we go through this very testing time it is worth reflecting on the fact that we will be producing not only a very competitively priced product but also the most environmentally sound magnesium alloy ever supplied to global markets.

This chart comes from the German Aerospace Institute of Vehicle Concepts and compares CO₂ production at Magontec's future Qinghai production with other production in China and elsewhere around the World.

When production commences at Qinghai, Magontec will have a very compelling environmental story to tell. Our customers in the automotive industry are particularly interested in this aspect of our new project.

Refer Slide 19 attached at foot of address

To close I want to touch briefly on research and development.

The history of this company has been very closely associated with new technology magnesium alloys and processes and research and development continues to be an important part of our company, but not as central to the business case as it once was.

Refer Slide 20 attached at foot of address

Today our research effort is considerably more broadly spread and much more closely linked with our customers. We do not seek to pursue a new alloy or other technology unless a commercial end use can be demonstrated.

Furthermore our R&D focus is not just on magnesium alloys but also on corrosion protection technologies. Both magnesium and electronic anodes have a place in the future of corrosion protection for water heaters and for other liquid containers where corrosion must be addressed.

Over the last 18 months we have expanded our basic corrosion protection model to include more complex electronics and to address new customer groups. These efforts are in their early days and we will discuss them in greater detail in future commentaries.

Refer Slide 21 attached at foot of address

Our big focus at the current time is the development and commercialisation of a rare earth rich magnesium alloy.

We have an on-going project funded in part by the Australian Government, by industry partners, by universities in Australia and Germany and by Magontec. The total investment will be in the order of A\$1.4 million over three years.

Refer Slide 22 attached at foot of address

The objective of the project is primarily to develop alloys that will address the critical concerns of our industrial research partners Audi and Stihl.

In common with many automotive companies Audi is seeking lighter structures to improve fuel efficiency. Structural magnesium components are in their infancy in the automotive world and limited to 5th-door frames in high-end models. This research looks at moving the structural application forward into the cabin area, considerably raising the potential volume of magnesium usage.

Stihl, as every gardener knows, makes hand held power tools and is seeking, through this program, to find more opportunities to use lightweight magnesium in place of heavier metals such as aluminium.

Refer Slide 23 attached at foot of address

Early results have shown that the Magontec patented rare earth alloys have characteristics that make them candidate alloys in other industries.

A highly prospective application is for mobile phone towers where lightweight and high thermal conductivity are key criteria.

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As we enter the middle of 2015 Magontec looks forward to a very busy and productive schedule.

Existing businesses are experiencing improved profitability as a result of the actions taken by management over the last two years.

The Qinghai cast house installation program has commenced and our partners at Qinghai Salt Lake Co expect to be supplying liquid pure magnesium to the Magontec Qinghai cast house by the end of 2015.

Furthermore Magontec increasingly enjoys the growing confidence of its customer base as the business has stabilised and begun to grow again in recent months. We are winning new customers on a regular basis.

Perhaps most importantly Magontec employs 450 people around the World in a motivated and stable workforce.

Our employees are highly resourceful and committed to Magontec and have been fundamental to the transformation of the company over the last two years.



Presentation to Magontec shareholders 2015 Annual General Meeting

Magontec Limited (MGL)

8 May 2015

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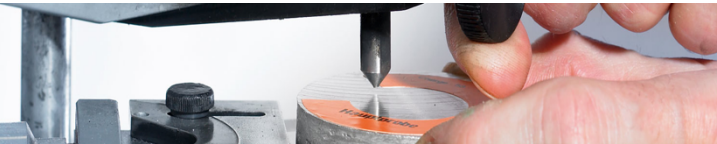
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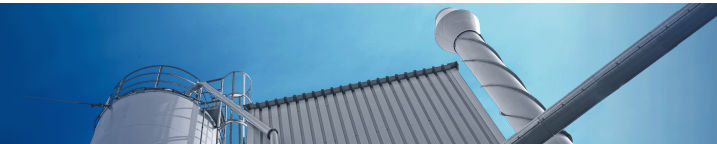
1. Introduction



2. 2014 Review



3. Magontec Qinghai



4. Research & Development

Introduction to Magontec - A magnesium processing company

Magontec buy's pure magnesium for processing into downstream products

Principle activities

- Manufacture and recycle magnesium alloys
 - Key customers: automotive, power tool, electronics
 - Recycling rates 40-to-70%
- Manufacture of magnesium anodes
 - Key customer: water heater manufacturers



Locations and capacities

Bottrop, Germany (MAB)



Santana, Romania (MAR)



- Head Office
- Production
- Sales Office
- Technology Centre
- Cast House Project

- Alloy/Recycling Capacity
- Anode Capacity



Shanxi, PRC (MAY)



Xian, PRC (MAX)



Suzhou, PRC (MAS)



Golmud	Bottrop	Santana	Xi'an	Suzhou	Shanxi
56 kt	15 kt	6 kt	5 kt	8 kt	30 kt
		1 kt	1 kt		

MAGONTEC

Five years of transformation

2015

- Magontec Qinghai installation and early production
- Further automation investment in magnesium anodes

2014

- Off-take Price and Operating Agreements concluded with Qinghai Salt Lake Magnesium
- EU recycling capital investment program A\$2 million

2013

- Commencement of greenfield Romanian recycling plant
- Capital raising, QSLM becomes major shareholder

2012

- Co-operation Agreement signed with Qinghai Salt Lake magnesium
- Transfer of magnesium anode assets to Romania

2011

- Magontec acquired by Advanced Magnesium Limited

Corporate Strategy

The efforts of the company have been directed at executing its key corporate objectives:

1 Establish a competitive and reliable raw material source



Agreements with Qinghai Salt Lake Magnesium

2 Drive costs down through investment in automation

- improve competitiveness
- raise barriers to entry



Invested A\$2.5 million in 2014 and on-going in 2015

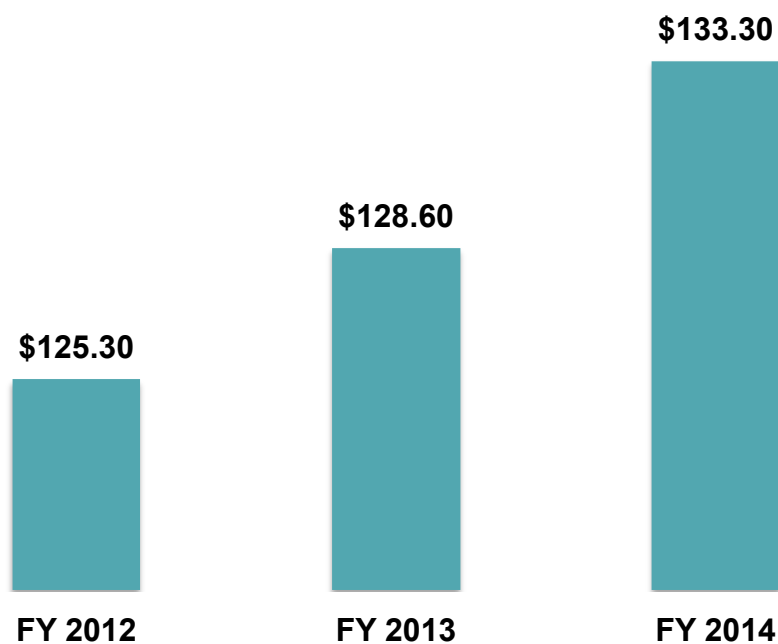
- process engineering
- automation equipment

1. 2014 Review and 2015 Outlook



CY 2014 Financial Results - Revenue

Magontec Group Revenue (A\$m)



Revenue growth has been positive

- Expansion of recycling capacity in Romania and Germany
- More competitive product from China
- Higher volumes in CCP

Calendar Year 2014 Financial Results - EBIT

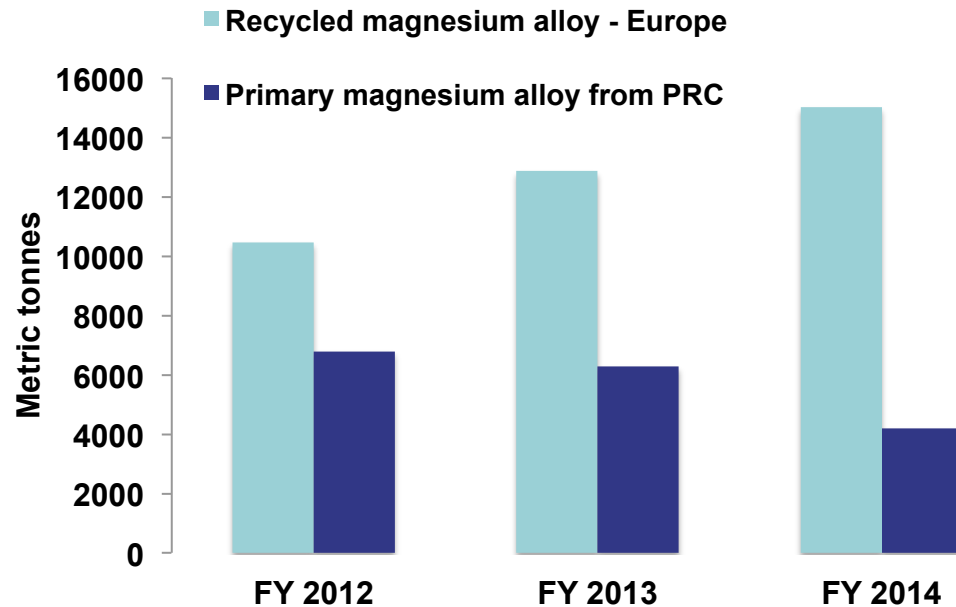
Underlying divisional EBIT analysis

	Europe		Asia	
	CY 2013	CY 2014	CY 2013	CY 2014
Sales	\$86,491,574	\$83,345,924	\$60,901,248	\$59,049,008
EBIT	-\$131,917	\$1,020,450	\$345,910	\$50,700
Foreign Exchange (FX) effect	-\$71,624	\$162,310	-\$91,700	-\$218,905
EBIT excluding FX	-\$60,293	\$858,139	\$437,609	\$269,605
EBIT margin excluding FX	-0.07%	1.03%	0.72%	0.46%
	<ul style="list-style-type: none"> – Progress in reducing conversion costs, to continue in 2015 – Rising metal volumes and market share – Anode volumes and prices down – EU demand declined as economy faltered 		<ul style="list-style-type: none"> – Forced closure of Suzhou recycling ~A\$1m hit to bottom line – Demand from electronics sector faltered – Loss of major anode contracts in 2014, subsequently regained 	

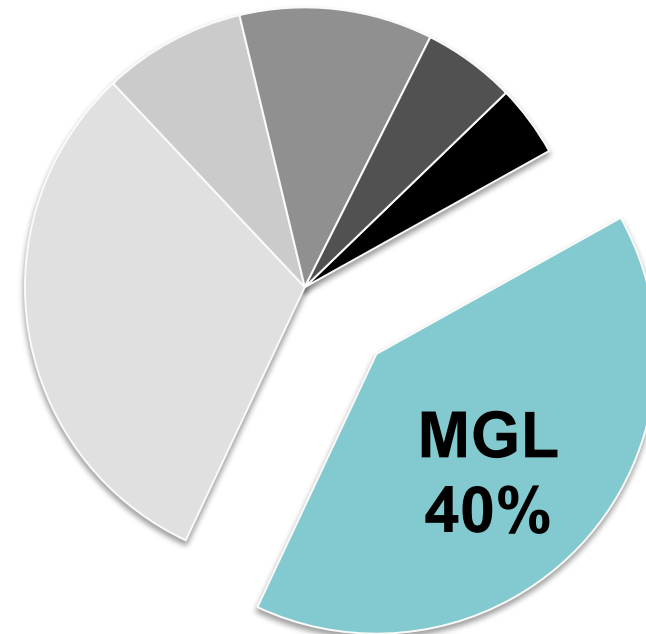
Recycling in Europe - growing and becoming more profitable

- Magontec is now the largest magnesium recycler in Europe by capacity & volume
- Conversion costs improvement of >20% driving product to Magontec
- Expect further market share and profitability gains in 2015 as full capacity impact takes effect

2014 Magontec European Volumes



2014 European Market Shares



First Quarter Financial Year 2015

	3 Months to		Change
	31-Mar-15*	31-Mar-14	
	'000	'000	%
Revenue	\$34,147	\$35,488	-3.8%
Gross Profit	\$3,068	\$2,547	20.5%
Gross Profit Margin	9.0%	7.2%	
Other Income	\$43	\$205	-79.0%
Interest Expense	(\$295)	(\$317)	-6.9%
G&A	(\$2,675)	(\$2,614)	2.3%
Foreign Exchange	\$196	(\$411)	-147.7%
Profit/(Loss) Before Tax	\$337	(\$590)	-157.1%
Tax	(\$86)	(\$29)	196.6%
Net Profit/(Loss) After Tax	\$251	(\$619)	-140.5%

*unaudited

➤ Revenue drop due to Chinese recycling decline

➤ Gross Profit jump due to European recycling improvement

2015 outlook

- Further improvement in volumes and margins in the European recycling business,
- A modest pickup in European and Chinese anode volumes as efficiency gains deliver more competitive products and regain market share
- Steady demand from regional Asian magnesium alloy export markets
- Flat to slightly negative outlook for Chinese domestic magnesium alloy sales and recycling

2. Qinghai Project

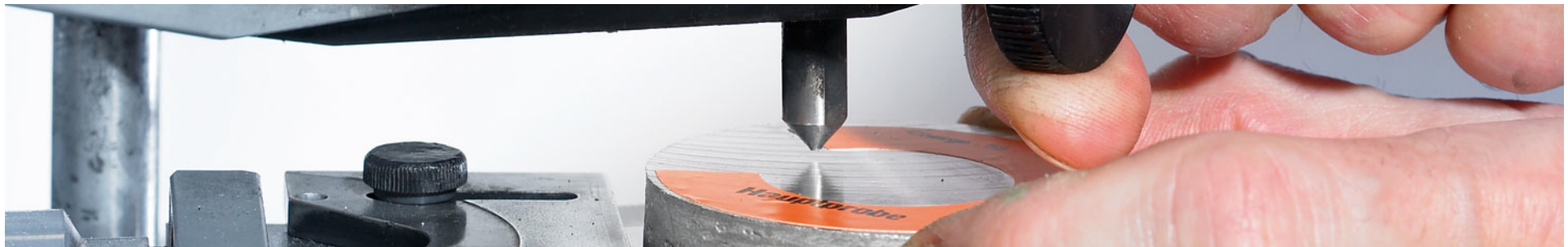


Go beyond.

Qinghai & Magontec have signed 3 Agreements



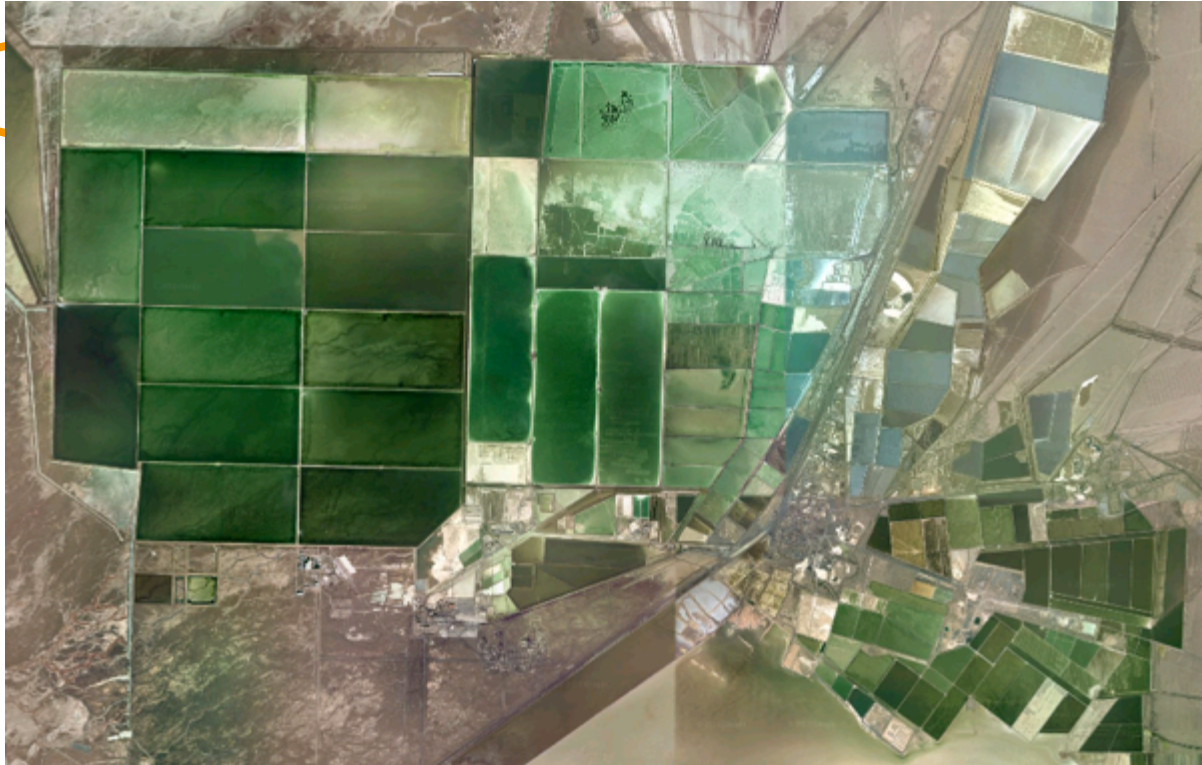
- Defines working relationship
- Defines pricing benchmark & formula
- Provides absolute exclusivity
- Foundation documents for future prosperity
- 10 year + 10 year option duration
- Arbitration in Hong Kong



Qinghai Project – manufacturing and resource location

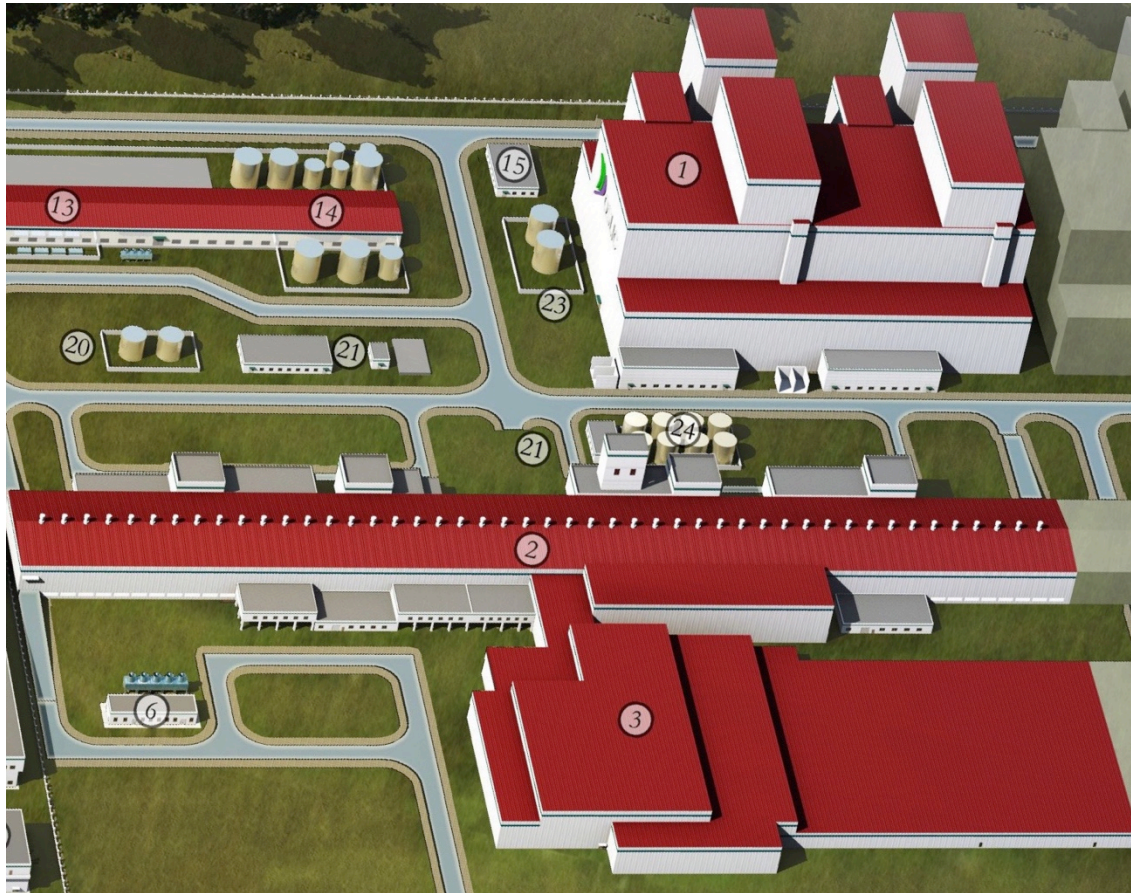


- Situated on a substantial resource in western China
- An established industrial location for > 50 years
- Electrified rail links to domestic and export markets
- Sponsored by Provincial and National governments



*Brine content > 20% $MgCl_2$ / Mean Mg content of 58g/litre
4 bil tonnes of $MgCl_2$ at Golmud of which 1 bil tonnes is pure Mg*

Electrolytic magnesium smelter complex and cast house





Dehydration Units 1 & 2
(100,000 mt annual capacity)



Electrolytic cell-house
(68 cells)



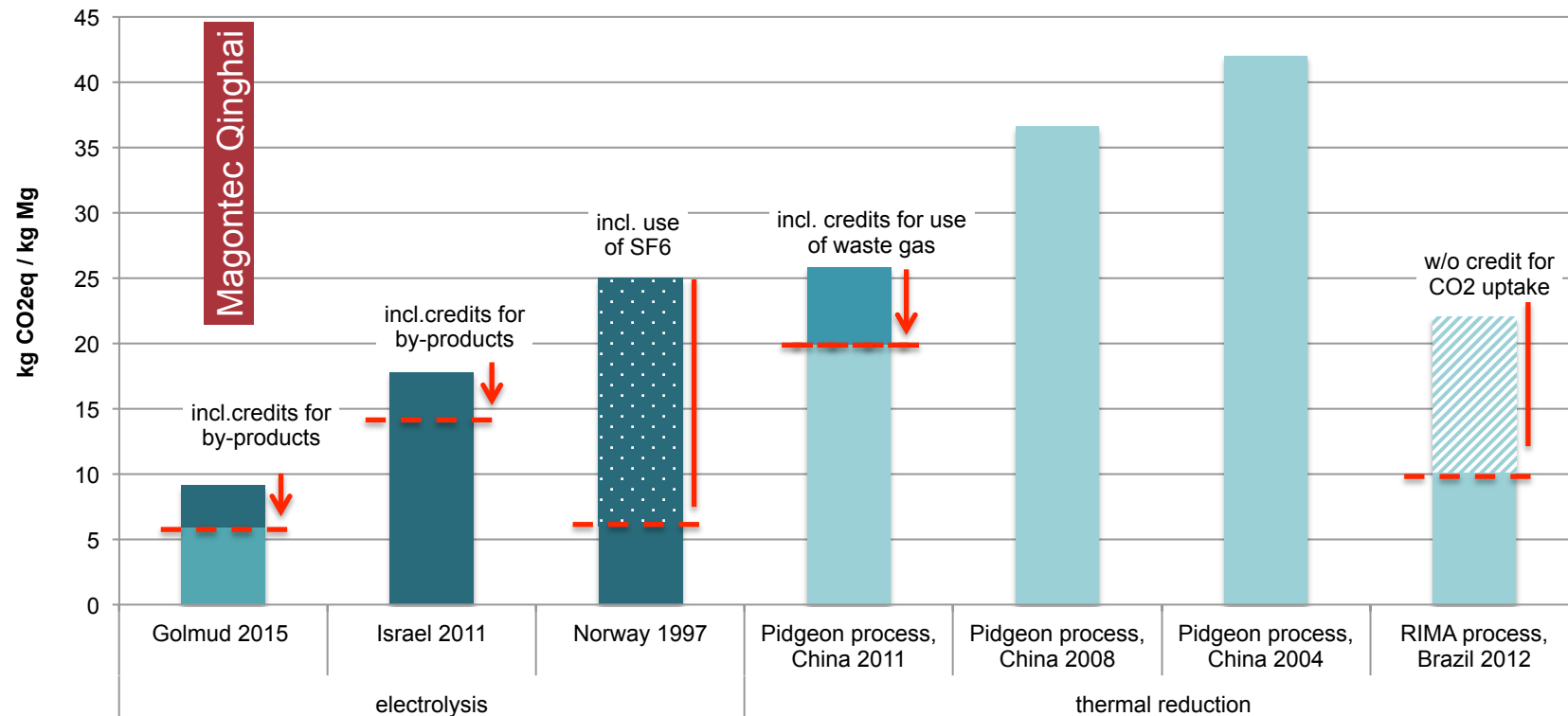
	44%	Pure Mg (QSLM)
	56%	Mg alloys (Magontec)

Magontec Qinghai installation program

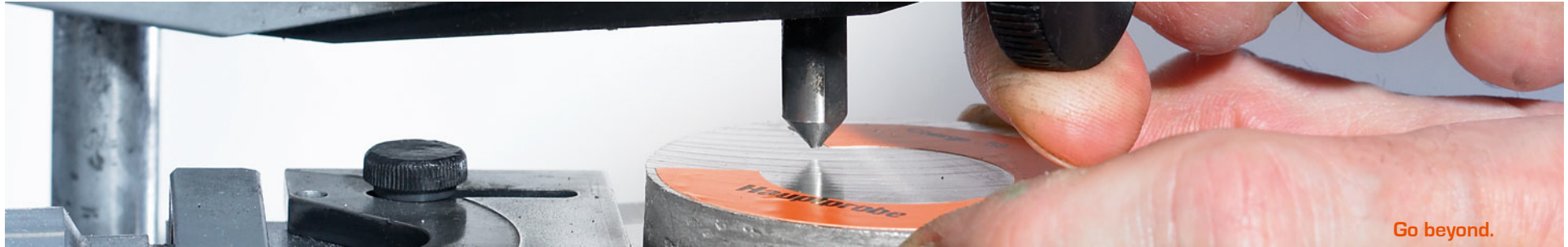
- The first production line has now been installed and will be commissioned by the end of July
 - This will provide 14,000 mtpa of capacity
- Subsequent production lines will be ordered from May/June and will be installed from November 2015
 - Commissioning of these lines is expected to commence in January 2016
- Final capacity at Magontec Qinghai will be 56,000 mtpa

Qinghai summary

- Magontec commissioned new survey on CO₂ emissions from German Aerospace Institute of Vehicle Concepts
- Confirms Magontec Qinghai alloy will be lowest CO₂ alloy ever produced



3. Research & Development



Global R & D focus



- R&D facilities in Bottrop and Xi'an
- External R&D activities in Australia
- Seeking broader R&D relationships
- Expand University/research foundation relationships

- Developing Mg alloy technologies for future applications
- Developing new corrosion protection technologies using Mg and Ti anodes
- Working with customers to optimise outcomes

New research project to examine AE Magnesium Alloys

- Consortium of research organisations, Universities and manufacturing companies applied for research grant from Australian Government (ARC)
- Australian Research Council (ARC) awarded funds for research into Mg/Al/RE alloys under its Linkage Program
- Total cash contribution over 3 years: A\$690,000 (incl. A\$510,00 from ARC)
- Total in-kind contributions over 3 years: A\$730,000
- Total >A\$1.4M
- Commenced 4Q 2014

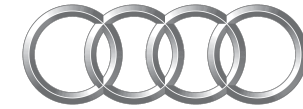


Australian Government
Australian Research Council



MAGONTEC

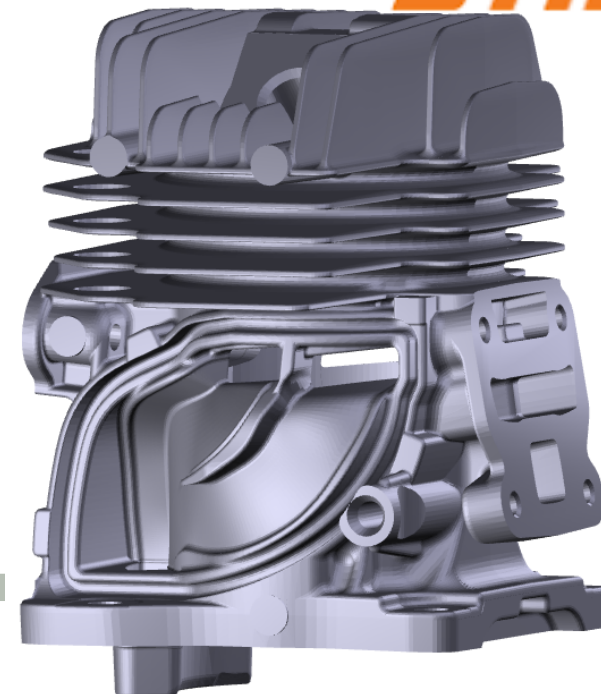
Additional funding and participation from Stihl and Audi



LINSE POWER

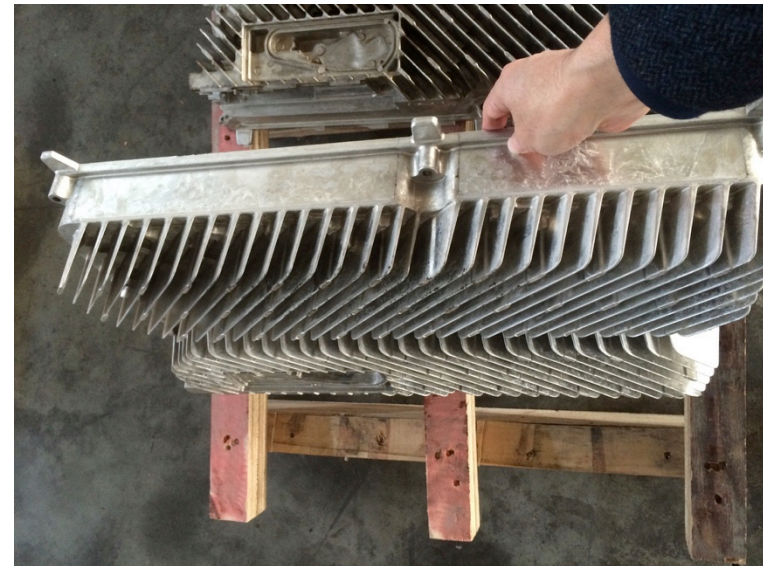
STIHL®

- Working on
 - automotive structural components
 - chain saw engine components
- Funding alloy development activities through Magontec
- IP to be shared with Magontec except for specific applications
- Audi is seeking ductility for riveting into car bodies
- Stihl is seeking high temperature strength for cylinders & pistons



Some interesting outcomes

- Early tests have shown
 - high conductivity of alloys
 - heat treatment response
 - higher strength than Al above 350°C
- This might open up new opportunities
- High thermal conductivity alloys are required for electronic components housings (heat dissipation)
 - mobile phones
 - electromagnetic filter units on cell towers



Telecom component cast in Magontec supplied alloy

Magontec in 2015



- Implementation of Qinghai project
- A dedicated workforce of over 450 people
- The skills and technology for industry leadership



Thank you for your time



MAGONTEC Group

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