

**ATTACHMENT 1
GOVERNING DOCUMENT FOR THE SHORT AND LONG-TERM INCENTIVE
REMUNERATION PLANS FOR THE MAGONTEC GLOBAL MANAGEMENT GROUP**

Background

At the Company’s Annual General Meeting on 22 November 2011, shareholders (at Resolution 8a of the Notice of AGM) approved a plan for the issue of securities to the executives of the Company and its wholly owned subsidiaries. This shareholder approved plan, other than the “Retention Rights” element, was not activated.

At its meeting on 18 December 2013, the Board approved a redesigned incentive plan encompassing short term incentive (STI) and long-term incentive (LTI) components for the Magontec Global Management Group. The principles of this approval were subsequently refined by amendments approved by the Board on 23 February 2017. These Board approvals are referred to as the **2013 Board Approved Plan**.

The **2013 Board Approved Plan** was approved by shareholders at the 2017 AGM and is referred to as the **2017 Shareholder Approved Plan**. This Plan provides the Company with the ability to issue securities –

- in terms of exception 9 of ASX Listing Rule 7.2 to eligible executives named at paragraph i.j.; and
- in terms of ASX Listing Rule 10.14 to eligible directors named at paragraph i.j.

Principles of the 2017 Shareholder Approved Plan

i. Short Term Incentive (STI)

- a. The STI **2017 Shareholder Approved Plan** has a commencement date of 1 January 2017 and annually thereafter.
- b. The STI performance period is the one-year period from the relevant commencement date.
- c. Except as modified by the provisions of paragraph d. below, the STI pool available for distribution is equal to 25% of the excess of the actual net operating profit after tax (**Actual NOPAT**) over budgeted net operating profit after tax (**Budgeted NOPAT**) – the resultant figure being referred to as “**The Pool**”;
- d. The amount of **The Pool** is modified as follows –
 - i. **The Pool** would not be created where Actual NOPAT is negative; and
 - ii. **The Pool** is constrained by the principles in the following table –

	% Range		
If the UNCONSTRAINED POOL as a % of the ACTUAL NOPAT is in this range	0.00% ≤ 12.00%	} Then the MODIFIED POOL is this % of the excess of Actual NOPAT over Budget NOPAT	25%
	> 12.00% ≤ 20.00%		15%
	> 20.00%		8%

- e. The constraint as per paragraph d. above will be reviewed periodically by the Remuneration and Appointments Committee (**Rem Co**).
 - f. Eligible executives in the Magontec Global Management Group will provisionally participate in **The Pool** on a pro rata basis according to the percentage that their total remuneration represents of the aggregate of total remuneration of eligible executives - the resultant figure being referred to as “**The Provisional Payment**”;
 - g. Eligible executives will receive –
 - i. 45% of **The Provisional Payment** by way of a fixed component; and
 - ii. a residual discretionary component (capped as to 55% of **The Provisional Payment**) determined according to an assessment of the eligible executive’s contribution to -
 - regional and Group performance;
 - satisfaction of KPIs laid down by management; and
 - other subjective factors identified by the Rem Co.
- } Together referred to as “**End Payment**”
- h. The resultant **End Payments** are subject to approval by the Board upon the recommendation of Rem Co.
 - i. **End Payments** may only be taken in cash.
 - j. Eligible executives for the STI **2017 Shareholder Approved Plan** mean –
 1. the following persons:

Participant	Current Position
i. Nicholas Andrews	Executive Chairman
ii. John Talbot	Company Secretary and Consultant
iii. Derryn Chin	Chief Financial Officer
iv. Christoph Klein-Schmeink	President Europe & Americas
v. Xunyou Tong	President Magontec Asia
vi. Patrick Look	Vice President Finance & Human Resources

and

2. effective from 1 January 2019, other executives who –
 - a. satisfy selection criteria agreed and applied by the Board at its discretion; and
 - b. have been formally approved by the Board to participate in the LTI/STI scheme.

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ii. LTI

- a. The LTI *2017 Shareholder Approved Plan* has a commencement date of 1 January 2017 and annually thereafter up to and including 1 January 2020.
- b. The LTI performance period is the three-year period from the relevant commencement date.

Performance Rights

Nature of and Conditions Attaching to Performance Rights

- c. A Performance Right is a conditional right granted by the Company to an eligible executive whereby that conditional right may, subject to paragraphs n. to s. below, vest as Magontec ordinary shares in respect of participation in the LTI.
- d. Any Performance Rights on issue will, –
 - i. lapse in the event of the death, dismissal, retrenchment, retirement or resignation of the eligible executive prior to the end date of the 3-year LTI performance period;
 - ii. in the event of a takeover (being the acquisition of control over the voting shares) of the Company, fully vest immediately by conversion into ordinary shares as per the formula in paragraph ii. o. with a value of 1 applying to the component “P” in that formula; and
 - iii. may not be transferred, assigned or novated except with the approval of Rem Co.
- e. If, at the end date of the relevant 3-year LTI performance period, an eligible executive’s holding of Performance Rights has not lapsed or vested, then the Performance Rights may vest as Magontec ordinary shares according to paragraphs n. to s. below.
- f. Eligible executives will not grant any security interest in or over or otherwise dispose of or deal with any Performance Rights or any interest in them until the relevant Magontec ordinary shares are issued to that eligible executive, and any such security interest or disposal or dealing will not be recognised in any manner by the Company.
- g. Eligible executives for the LTI *2017 Shareholder Approved Plan* mean the same persons as those described at paragraph i.j.
- h. Any additional persons who become entitled to participate in the LTI *2017 Shareholder Approved Plan* and who is
 - i. a person described in ASX Listing Rule 10.14 (for these purposes a director and associate of a director); and
 - ii. is not named at paragraph i.j.
 will not participate until approval is obtained under ASX Listing Rule 10.14.
- i. Performance Rights do not confer on a participant the right to participate in new issues of shares by the Company, including by way of bonus issue, rights issue or otherwise.

Grant of Performance Rights

- j. At the commencement date of the relevant 3-year LTI performance period an eligible executive will receive Performance Rights –
 - i. equal in value to 30% of the eligible executive’s total remuneration at that date;
 - ii. equal in number to the value in paragraph ii.j.i. divided by 75% of the greater of the market value of Magontec ordinary shares on the same date and the market value adopted under this provision at the commencement date of the immediately prior 3-year LTI performance period; and
 - iii. at nil consideration.
- k. The number of Performance Rights in paragraph ii.j.ii. will be rounded down to the next whole number if it is not a whole number and calculated according to the formula in the table immediately below.

Formula to Calculate Number of Performance Rights to be Issued

Step	Element in Formula	Reference
1	Salary of eligible participant at commencement of 3-year LTI period	
2	30% * amount in step 1	Paragraph ii. j. i.
3	Relevant share price at commencement of 3-year LTI period	Paragraph ii. j. ii.
4	Performance Rights issued at commencement of 3-year LTI period = Amount in step 2 / (75% * share price in step 3)	Paragraph ii. j. ii.

- l. No entitlement to Performance Rights accrues to the eligible executive until an appropriate confirmation from the Company has been received by the eligible executive.
- m. Details of any Performance Rights issued under the LTI *2017 Shareholder Approved Plan* will be published in each annual report of the Company relating to a period in which the Performance Rights have been issued,

and approval for the issue of the Performance Rights to persons described in ASX Listing Rule 10.14 under the LTI *2017 Shareholder Approved Plan* was obtained under ASX Listing Rule 10.14.

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Vesting of Performance Rights as Magontec Ordinary Shares

- n. If, at the date of the end of the 3-year LTI performance period, or the date of a takeover (described at paragraph ii.d.ii.) the Performance Rights have not lapsed or vested then the number of Performance Rights in paragraph ii.k. will vest as ordinary shares as per paragraphs o. to s. for nil consideration.
- o. The Performance Rights as per paragraph n. will vest as Magontec ordinary shares according to the following formula –
$$OS^1 = PR * [OS^2 / OS^3] * P$$

Where:
 OS^1 = Number of Magontec Limited ordinary shares into which Performance Rights convert

 PR = Number of Performance Rights in paragraph ii.k.
 OS^2 = Aggregate number of Magontec Limited ordinary shares on issue at the end date of the relevant 3-year LTI performance period
 OS^3 = Aggregate number of Magontec Limited ordinary shares on issue at commencement of the relevant 3-year LTI performance period
 P = 100% where a takeover has occurred as per paragraph ii.d.ii., otherwise a percentage which will be determined by the extent to which Performance Criteria set by Rem Co from time to time have been satisfied.
- p. Where the number of Magontec ordinary shares calculated as per paragraph o. is not a whole number, the number will be rounded down to the next whole number.
- q. Any entitlement to Magontec ordinary shares upon conversion of the Performance Rights is subject to the discretionary approval of the Board and only accrues to the eligible executive after an appropriate confirmation from the Company has been received by the eligible executive.
- r. The Magontec ordinary shares to be issued in terms of paragraph o. will be issued at the 10-day VWAP on the date of issue of the ordinary shares.
- s. The **LTI Amount** is equal to the number of Magontec ordinary shares as per paragraph o. multiplied by the 10-day VWAP on the date of issue of the ordinary shares.

1. LTI Performance Period 1 January 2017 to 31 December 2019

Share Price Performance Scale for LTI Performance Period 1 January 2017 to 31 December 2019 – Table 1

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.062	0.00%
Threshold range	Share price = \$0.062	25.00%
	Share price > \$0.062	25.00% plus
	Share price < \$0.088	0.96% for each 0.01 cent share price is over \$0.062
Target range	Share price = \$0.088	50.00%
	Share price > \$0.088	50.00% plus
	Share price < \$0.117	1.72% for each 0.01 cent share price is over \$0.088
Stretch	Share price >= \$0.117	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period

2. LTI Performance Periods 1 January 2018 to 31 December 2020 and 1 January 2019 to 31 December 2021

2.1 1 January 2018 to 31 December 2020

a. Share Price Performance Standards – Table 2

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.064	0.00%
Threshold range	Share price = \$0.064	25.00%
	Share price > \$0.064	25.00% plus
	Share price < \$0.090	0.96% for each 0.01 cent share price is over \$0.064
Target range	Share price = \$0.090	50.00%
	Share price > \$0.090	50.00% plus
	Share price < \$0.120	1.67% for each 0.01 cent share price is over \$0.090
Stretch	Share price >= \$0.120	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period

b. Other Performance Standards

If (and only if) the –

- share price targets at or above the threshold range in the scale at paragraph 2.1 a. are not achieved;
- share price at 31 December 2020 is not less than the share price adopted at 1 January 2018 (allowing for the effect of any dilution);
- supply of liquid pure Mg from Qinghai Salt Lake Magnesium Co. Ltd. to Magontec Qinghai over the quarter ended 31 December 2020 is occurring at a rate greater than 38,000 tonnes per annum (after allowing for scheduled maintenance and short-term temporary interruptions to supply caused by unusual circumstances); and
- the four outputs in the table immediately below are performed to the standard of the measure and/or to the satisfaction of the Board,

then, at the discretion of the Board, an LTI payment will be made at 31 December 2020 up to 10% of total salary at 1 January 2018 via conversion of the relevant portion of the Performance Rights. The relevant portion of Performance Rights to convert to ordinary shares will be calculated by ascribing a value to the element “P” in the formula at paragraph ii o. in the “Governing Document for the Short and Long-Term Incentive Remuneration Plans for the Magontec Global Management Group” such that the resultant LTI Amount (as per clause ii s. in that same document) is equal to the percentage of total remuneration approved by the Board.

	Output Factor	Measure
1	Supply of liquid pure Mg by QSLM	Conversion to saleable Mg product of 100% of liquid pure so supplied
2	Mg product manufactured from QSLM supplied liquid pure	Sale of 100% of product at 1.
3	Conversion cost of liquid pure Mg supplied by QSLM to Mg product	Steady appreciable improvement over 2019 and 2020
4	Contribution to development of strategic initiatives	Subjective Board assessment of individual's input

2.2 1 January 2019 to 31 December 2021

a. Share Price Performance Standards - Table 3

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.066	0.00%
Threshold range	Share price = \$0.066	25.00%
	Share price > \$0.066	25.00% plus 0.93% for each 0.01 cent share price is over \$0.066
	Share price < \$0.093	
Target range	Share price = \$0.093	50.00%
	Share price > \$0.093	50.00% plus 1.67% for each 0.01 cent share price is over \$0.093
	Share price < \$0.123	
Stretch	Share price >= \$0.123	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period

b. Other Performance Standards

If (and only if) the –

- share price targets at or above the threshold range in the scale at paragraph 2.2 a. are not achieved;
- share price at 31 December 2021 is not less than the share price adopted at 1 January 2019 (allowing for the effect of any dilution);
- supply of liquid pure Mg from Qinghai Salt Lake Magnesium Co. Ltd. to Magontec Qinghai over the quarter ended 31 December 2021 is occurring at a rate greater than 38,000 tonnes per annum (after allowing for scheduled maintenance and short-term temporary interruptions to supply caused by unusual circumstances); and
- the four outputs in the table immediately below are performed to the standard of the measure and/or to the satisfaction of the Board,

then, at the discretion of the Board, an LTI payment will be made at 31 December 2021 up to 10% of total salary at 1 January 2019 via conversion of the relevant portion of the Performance Rights. The relevant portion of Performance Rights to convert to ordinary shares will be calculated by ascribing a value to the element “P” in the formula at paragraph ii o in the “Governing Document for the Short and Long-Term Incentive Remuneration Plans for the Magontec Global Management Group” such that the resultant LTI Amount (as per clause ii s. in that same document) is equal to the percentage of total remuneration approved by the Board.

	Output Factor	Measure
1	Supply of liquid pure Mg by QSLM	Conversion to saleable Mg product of 100% of liquid pure so supplied
2	Mg product manufactured from QSLM supplied liquid pure	Sale of 100% of product at 1.
3	Conversion cost of liquid pure Mg supplied by QSLM to Mg product	Steady appreciable improvement over 2019 and 2020 and stabilised in 2021
4	Contribution to development of strategic initiatives	Subjective Board assessment of individual's input

3. LTI Performance Periods 1 January 2020 to 31 December 2022

Share Price Performance Scale for LTI Performance Period 1 January 2020 to 31 December 2022 – Table 4

Performance Level	Share Price ⁽¹⁾	% of Performance Rights vesting
Below threshold	Share price < \$0.066	0.00%
Threshold range	Share price = \$0.066	25.00%
	Share price > \$0.066	25.00% plus 0.93% for each 0.01 cent share price is over \$0.066
	Share price < \$0.093	
Target range	Share price = \$0.093	50.00%
	Share price > \$0.093	50.00% plus 1.67% for each 0.01 cent share price is over \$0.093
	Share price < \$0.123	
Stretch	Share price >= \$0.123	100.00%

Note 1: As measured by the 30-day volume weighted average price at the end of the LTI period