



Limited

## NOTICE OF ANNUAL GENERAL MEETING

This document constitutes the Notice of Meeting for the 2020 Annual General Meeting of Magontec Limited (ACN 010 441 666).

The thirty-seventh Annual General Meeting (AGM) of Magontec Limited (ACN 010 441 666) (the “Company”, “Magontec”) will be held in the offices of Magontec Limited at Suite 1.03,46A Macleay St, Potts Point NSW 2011 on Wednesday 29 July 2020 at 11.00 am (Sydney time). Shareholders are advised to read the letter from the Executive Chairman accompanying this Notice which describes restrictions on the attendance and conduct of this year’s meeting. The Annual Report is available for viewing by navigating to the 2020 AGM Home Page at the following website link: <http://magontec.com/investor-centre/agm2020/> and then to the area “2020 AGM Documents”.

**The business to be dealt with at the Meeting is:**

### **ORDINARY BUSINESS**

#### **ITEM 1: Financial Report, Directors’ Report and Auditor’s Report** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 1** “To receive and consider the Financial Report, including the Directors’ Declaration for the twelve-month reporting period ended 31 December 2019 and the related Directors’ Report and Auditor’s Report thereon.”

#### **ITEM 2: Adoption of the Remuneration Report (advisory only resolution)** (Refer to “Explanatory Notes” at the foot of this Notice)

To consider, and if thought fit, pass the following resolution as an advisory only resolution (i.e. non-binding upon Directors):

**Resolution 2** “To adopt the Remuneration Report as set out in the Annual Report for the twelve-month reporting period ended 31 December 2019.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund, Mr Derryn Chin, Mr Christoph Klein-Schmeink, and Mr Xunyou Tong; or
- an associate of those persons.

However, the Company need not disregard a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

#### **ITEM 3: Re-election of Director (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 3** “That for the purposes of clause 12.3(a) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Robert Kaye, who is retiring and standing for re-election be re-elected as an Independent Director of the Company, effective from the close of the Annual General Meeting.”

#### **ITEM 4: Changes to the maximum number of Performance Rights to be issued under the Magontec 2017 Shareholder Approved Incentive Plan (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 4** “That for the purposes of ASX Listing Rule 7.2 (Exemptions 9 and 13) and for all other purposes, approval is given to retrospectively approve an increase of the aggregate maximum number of Performance Rights issued to Other Eligible Executives (ie not including the Executive Chairman) under the 2017 Shareholder Approved Plan from 27,393,713 to 41,786,691 in respect of the 3 three-year performance periods commencing 1 January 2018, 1 January 2019 and 1 January 2020”

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### Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund, Mr John Talbot, Mr Derryn Chin, Mr Patrick Look, Mr Christoph Klein-Schmeink, and Mr Xunyou Tong; or
- an associate of those persons.

However, the Company need not disregard a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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### **ITEM 5: Magontec Global Management Group Incentive Plan - Change to the Rules Governing the 2017 Shareholder Approved Plan and approval to adopt the 2020 Shareholder Approved Plan (ordinary resolution).** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 5**      **"That for the purposes of ASX Listing Rule 7.2 (Exception 9 and 13) and for all other purposes, and in relation to the Magontec Global Management Group Incentive Plan, approval is given to -**

- a. adopt the “2020 Shareholder Approved Plan” as the new plan with effect from 1 January 2021 on the terms and conditions set out in the Explanatory Note; and**
- b. amend the existing rules for the “2017 Shareholder Approved Plan” with immediate effect on the terms and conditions as set out in the Explanatory Note."**

### Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund, Mr John Talbot, Mr Derryn Chin, Mr Patrick Look, Mr Christoph Klein-Schmeink, and Mr Xunyou Tong; or
- an associate of those persons.

However, the Company need not disregard a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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### **ITEM 6: Issue of Performance Rights to the Executive Chairman Mr Nicholas Andrews in relation to the two three-year long-term Performance Periods commencing 1 January 2020 and 1 January 2021 (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 6**      **"Confirm the issue of 11,227,273 Performance Rights to the Executive Chairman Mr Nicholas Andrews –**

- **in respect of the 3-year Performance Period commencing 1 January 2020 - 1,227,273, by way of adjustment to the issue approved in terms of Resolution 5 at the 2019 AGM held on 10 May 2019; and**
- **in respect of the 3-year Performance Period commencing 1 January 2021 - 10,000,000, subject to approval of Resolution 5 of the 2020 Notice of Annual General Meeting and pursuant to ASX Listing Rule 10.14**

**on the basis detailed in the relevant explanatory note."**

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### Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund; or
- an associate of those persons.

However, the Company need not disregard a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### ITEM 7: Issue of Fully Paid Ordinary Shares to Directors or their nominees - Mr Nicholas Andrews and Mr Robert Kaye (ordinary resolution)

**Resolution 7 "Approve the issue by the Company of 1,538,461 Fully Paid Ordinary Shares to each of Directors Mr Nicholas Andrews and Mr Robert Kaye or their nominees on the basis detailed in the relevant explanatory note."**

### Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund; or
- an associate of those persons.

However, the Company need not disregard a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, all persons who are registered holders of shares in the Company at 7:00pm Sydney time on **Monday 27 July 2020** will be entitled to vote.

### APPOINTING A PROXY

A member entitled to vote may appoint a proxy to attend and vote on behalf of the member. If the member is entitled to cast more than two votes, the member may appoint two proxies to attend and vote instead of the member. Where more than one proxy is appointed, each proxy may be appointed to represent a specified portion of the member's voting rights. If no such specification is given and two proxies are appointed, each may exercise half the votes to which the member is entitled. A proxy need not be a member. Proxies must be executed in accordance with the instructions in the notes accompanying the proxy form.

To be valid, the signed proxy form (together with an original or certified copy of the power of attorney if applicable) must be:

- Lodged with Boardroom Pty Limited at Level 12, Grosvenor Place, 225 George St Sydney NSW 2000;
- Delivered by post to Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001; or
- Sent by facsimile to Boardroom Pty Limited on +61 2 9290 9655.

so as to be received by Boardroom Pty Limited by 11:00 am Sydney time on **Monday 27 July 2020** being not less than 48 hours before the time for holding the meeting.

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## EXPLANATORY NOTES

### ITEM 1: Financial Report and Directors' Report and Auditor's Report for the twelve-month reporting period ended 31 December 2019.

The Corporations Act 2001 (Cth) (Corporations Act) requires that the Financial Report, including the Directors' Declaration for the twelve-month reporting period ended 31 December 2019 and the related Directors' Report and Auditors' Report, be laid before the Annual General Meeting. In addition, the Company's Constitution provides for such reports and statements to be received and considered at the meeting. None of the Corporations Act 2001 (Cth), the ASX Listing Rules or the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

### ITEM 2: Adoption of Remuneration Report for the twelve-month reporting period ended 31 December 2019 (advisory only resolution)

Shareholders (other than excluded shareholders) are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report for the twelve-month reporting period ended 31 December 2019 is to be adopted. Shareholders should note, however, that this is an "advisory only" resolution, which does not bind the Directors of the Company.

**Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund or any of their associates and Mr Derryn Chin, Mr Christoph Klein-Schmeink and Mr Xunyou Tong and any of their associates are not entitled to cast a vote on this resolution.**

**The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 2.**

### ITEM 3: Re-election of Director – Mr Robert Kaye (ordinary resolution)

ASX Listing Rule 14.4 and clause 12.3(b)(iv) of the Company's Constitution, provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

In circumstances where the shareholders vote in favour of Resolution 3 and Resolution 3 is passed, Mr Robert Kaye will be re-appointed as a director with effect from the end of the meeting.

In circumstances where the shareholders do not vote in favour of Resolution 3, Mr Robert Kaye will not be re-appointed as a director and the Company will have only one remaining independent director. On its current Directorship profile, the Company maintains partial compliance with those ASX Corporate Governance recommendations dealing with a requirement for an independent Directors as per the table below.

Relevant ASX Corporate Governance Recommendations	Comply?
2.1 Have a Nomination Committee comprising a majority of independent directors, the roles and responsibilities of which should be disclosed	Yes
2.4 The majority of Board Members should be independent	No
8.1 Have a Remuneration Committee comprising a majority of independent directors, the roles and responsibilities of which should be disclosed	Yes

In such circumstances, the Company may need to consider whether it should appoint another independent director to the board of the Company to at least restore its current level of compliance with ASX Corporate Governance recommendations.

Mr Kaye retired and was re-elected to the Board of the Company by shareholders as an Independent Director at the AGM on 17 May 2017 in accordance with the provisions of clause 12.3(b)(iv) of the Company's Constitution.

Under clause 12.3(a) of the Constitution and ASX Listing Rule 14.4, a director must not retain office for a period in excess of 3 years or beyond the third annual general meeting following his election (whichever is the longer period), without submitting himself for re-election. As this meeting will be the third annual general meeting since Mr Kaye's appointment as a director by shareholders, Mr Kaye will retire and stand for re-election at the meeting. Under clause 12.6 (a) of the Constitution, the resolution to appoint Mr Kaye is not required to be preceded by a shareholder nomination.

Mr Kaye was admitted to legal practice in 1978 and employed as a solicitor at Allen, Allen & Hemsley Solicitors. Thereafter he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law. He has been involved in an array of commercial matters both advisory and litigious in nature and served on a number of NSW Bar Association committees including the Professional Conduct Committee. He has also served as a director for various private companies. In the conduct of his practice as a barrister, he has acted for many financial institutions and commercial enterprises, both public and private and given both legal and strategic advice. He has had significant mediation experience and been involved in the successful resolution of complex commercial disputes. Mr Kaye was previously the Chairman of Spicers Limited, and also previously served as a non-executive director with both UGL Limited and HT&E Limited. Mr Kaye is currently Chairman of Collins Foods Limited and the Chairman of the Macular Disease Foundation Australia.

**The Board (other than Mr Kaye) recommends that shareholders vote in favour of Resolution 3.**

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## ITEM 4: Changes to the maximum number of Performance Rights to be issued under the 2017 Shareholder Approved Incentive Plan for the Magontec Global Management Group (ordinary resolution)

- ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, without the approval of the holders of its ordinary securities, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.
- ASX Listing Rule 7.2 (Exception 9) sets out an exception to ASX Listing Rule 7.1 which provides that issues of securities as a result of the conversion of convertible securities which were issued in accordance with the ASX Listing Rules do not require approval under ASX Listing Rule 7.1.

By Resolution 5 of the 2017 AGM held on 17 May 2017, pursuant to ASX Listing Rule 7.2 (Exception 13) shareholders approved the terms of the Magontec Global Management Group Incentive Plan encompassing short-term incentive (STI) and long-term incentive (LTI) components, and the issue of securities pursuant to that plan. The approved plan was referred to as the “**2017 Shareholder Approved Plan**”. Additionally, via Resolution 6 of the 2019 AGM held on 10 May 2019, shareholders approved an amendment to the rules governing the 2017 Shareholder Approved Plan to expand the definition of ‘Eligible executives’ (*ie the participants in the plan*) with effect from 1 January 2019

- In circumstances where the shareholders vote in favour of Resolution 4 and Resolution 4 is passed, the maximum number of Performance Rights to be issued to Eligible Executives will increase by 14,392,978 in relation to the 3 three-year Performance Periods commencing 1 Jan 2018, 1 Jan 2019 and 1 Jan 2020 compared to the number contemplated in the approval of Resolution 5 of the 2017 AGM on 17 May 2017.
- In circumstances where the shareholders do not vote in favour of Resolution 4, the Company may need shareholder approval for the issue of the additional 14,392,978 Performance Rights.
- The approval by Resolution 5 of the 2017 AGM covered the issue of a maximum number of Performance Rights of 102,064,554 in relation to the 6 three-year Performance Periods commencing 1 Jan 2015, 1 Jan 2016, 1 Jan 2017, 1 Jan 2018, 1 Jan 2019 and 1 Jan 2020 as per Table 1 of this Explanatory Note 4.

**Table 1 Issue of Performance Rights Under the 2017 Shareholder Approved Plan**

3 Year LTI Performance Period		1 Jan 15 to 31 Dec 17	1 Jan 16 to 31 Dec 18	1 Jan 17 to 31 Dec 19	3 Year Forward Approval Period			Total
					1 Jan 18 to 31 Dec 20	1 Jan 19 to 31 Dec 21	1 Jan 20 to 31 Dec 22	
Nicholas Andrews	Exec Chairman	6,833,947	6,811,172	4,275,488	3,800,291	3,419,730	3,103,001	28,243,629
Other Eligible Executives		16,142,843	18,938,711	11,345,658	10,084,651	9,074,775	8,234,287	73,820,925
<b>Total</b>		<b>22,976,790</b>	<b>25,749,883</b>	<b>15,621,146</b>	<b>13,884,942</b>	<b>12,494,505</b>	<b>11,337,288</b>	<b>102,064,554</b>

- The assumptions on which the projected number of Performance Rights were based in Table 1 proved otherwise in reality, with the result that the following Performance Rights per Table 2 of this Explanatory Note 4 were actually issued.

**Table 2 Actual Issue of Performance Rights Under the 2017 Shareholder Approved Plan**

3 Year LTI Performance Period		1 Jan 15 to 31 Dec 17	1 Jan 16 to 31 Dec 18	1 Jan 17 to 31 Dec 19	1 Jan 18 to 31 Dec 20	1 Jan 19 to 31 Dec 21	1 Jan 20 to 31 Dec 22	Total
Nicholas Andrews	Exec Chairman	6,786,807	6,763,711	4,209,034	4,500,000	4,500,000	3,272,727	30,032,279
Other Eligible Executives		16,031,490	18,806,742	11,169,312	12,681,612	14,467,955	14,637,124	87,794,235
<b>Total</b>		<b>22,818,297</b>	<b>25,570,453</b>	<b>15,378,346</b>	<b>17,181,612</b>	<b>18,967,955</b>	<b>17,909,851</b>	<b>117,826,514</b>

- The issue of 30,032,279 Performance Rights (per Table 2) to the Executive Chairman has been approved by individual shareholder resolutions over the years as is required by Australian Securities Exchange Listing Rule 10.14.
- However, shareholders are asked to approve the issue of an additional 14,392,978 Performance Rights to Other Eligible Executives in relation to the Performance Periods commencing 1 January 2018, 1 January 2019 and 1 January 2020. (Performance Rights in relation to the prior periods lapsed as a result of the performance standards not being satisfied.)
- Of the increase, 2,944,088 Performance Rights relate to issues to a new Eligible Executive added following approval of Resolution 6 at the 2019 AGM.
- The balance of the increase (11,448,890) arises from the actual components for salaries and the starting share price (in the formula that determines the number of Performance Rights to be issued) being different to those assumed in the original 2017 calculation.

**Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund or any of their associates and, Mr John Talbot, Mr Derryn Chin, Mr Christoph Klein-Schmeink, Mr Xunyou Tong and Mr Patrick Look and any of their associates are not entitled to cast a vote on this resolution.**

**The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 4.**

## ITEM 5: Magontec Global Management Group Incentive Plan - Change to the rules governing the 2017 Shareholder Approved Plan and adoption of the 2020 Shareholder Approved Plan

### 1. Background

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, without the approval of the holders of its ordinary securities, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.



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ASX Listing Rule 7.2 (Exception 9) sets out an exception to ASX Listing Rule 7.1 which provides that issues of securities as a result of the conversion of convertible securities which were issued in accordance with the ASX Listing Rules do not require approval under ASX Listing Rule 7.1.

By Resolution 5 of the 2017 AGM, pursuant to ASX Listing Rule 7.2 (Exception 13) shareholders approved the terms of the **2017 Shareholder Approved Plan** with those terms being subsequently amended by resolution 6 at the 2019 AGM.

ASX Listing Rule 7.2 (Exception 13) sets out an exception to ASX Listing Rule 7.1 which provides that issues of securities under an employee incentive scheme do not require shareholder approval under ASX Listing Rule 7.1 for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme. However, the approval under Exception 13 ceases to be available if there is a material change to the terms of the scheme.

Resolution 5 seeks shareholder approval for –

- Resolution 5a. - approval and adoption of rules governing the “**2020 Shareholder Approved Plan**” as the new plan in accordance with ASX Listing Rule 7.2 (Exception 13); and
- Resolution 5b. - amendment of the rules governing the “**2017 Shareholder Approved Plan**”.

Necessary information required by shareholders in making this decision is summarised below.

Information Required	Reference
The terms of the proposed ‘ <b>2020 Shareholder Approved Plan</b> ’	Refer summary at heading 2 and detailed proposed rules at item 3 in Table 3 both in the Explanatory Note to this Resolution
Number of Performance Rights issued under ‘ <b>2020 Shareholder Approved Plan</b> ’ since approval	None
Maximum number of Performance Rights to be issued under ‘ <b>2020 Shareholder Approved Plan</b> ’	118,847,621 (refer Col 12 Table 5 in the Explanatory Note to this Resolution)
Amendments to the terms of the ‘ <b>2017 Shareholder Approved Plan</b> ’	Refer heading 5b in the Explanatory Note to this Resolution

In circumstances where the shareholders vote in favour of Resolution 5 and Resolution 5 is passed, the Magontec Global Management Group Incentive Plan will, to 31 December 2020, be governed by the rules at item 2 in Table 3 below and thereafter by the rules at item 3 in Table 3. This will mean (inter alia) that –

- a. Performance Rights on issue prior to 1 January 2021 will,
  - i. to 29 July 2020 and 31 December 2020 be administered under the rules at items 1 and 2 in Table 3 below respectively; and
  - ii. after 31 December 2020 be administered under the rules at item 3 in Table 3 below.
- b. Performance Rights to be issued on or after 1 January 2020 will be determined in number, and administered according to, the rules at item 3 in Table 3 below.
- c. Any STI entitlement at 31 December 2020 will be determined by the rules at item 2 in Table 3 and thereafter by the rules at item 3 in Table 3.

**Table 3 – Relevant Version of Plan Rules**

Version	Current	Proposed	Magontec Website Reference
1 2017 Shareholder Approved Plan (per 2019 AGM)	Per Resolution 6 2019 AGM		<a href="http://magontec.com/wp-content/uploads/2019/05/2019-STI-LTI-Governing-Documents-Version.pdf">http://magontec.com/wp-content/uploads/2019/05/2019-STI-LTI-Governing-Documents-Version.pdf</a>
2 2017 Shareholder Approved Plan (per 2020 AGM)		Per Resolution 5b 2020 AGM	<a href="http://magontec.com/investor-centre/agm2020/">http://magontec.com/investor-centre/agm2020/</a>
3 2020 Shareholder Approved Plan (per 2020 AGM)		Per Resolution 5a 2020 AGM	<a href="http://magontec.com/investor-centre/agm2020/">http://magontec.com/investor-centre/agm2020/</a>

In circumstances where the shareholders do not vote in favour of Resolution 5, the **2017 Shareholder Approved Plan** will not be amended and the rules at item 1 in Table 3 will continue to apply.

### 2. New 2020 Shareholder Approved Plan (Resolution 5a)

- a. The proposed new rules under Resolution 5a, are referred to as the “**2020 Shareholder Approved Plan**” and are described at item 3 in Table 3 above.
- b. The significant variances of the proposed rules for the **2020 Shareholder Approved Plan** compared to the rules for the **2017 Shareholder Approved Plan** are –
  - i. described at paragraph 5a.i; and
  - ii. the change proposed at Resolution 5b is not carried into the rules applying to the **2020 Shareholder Approved Plan**.

### 3. Rationale for the Plans

#### a. 2020 Shareholder Approved Plan (Resolution 5a)

The 3-year forward approval period associated with the **2017 Shareholder Approved Plan** ended with LTI Performance Period 1 Jan 20 to 31 Dec 22. Thus, a shareholder approved further 3 year forward period needs to be put in place. Additionally, the current sub-optimal operations of the Company’s keystone development at Golmud (caused by the delay in QSLM’s delivery of liquid metal) requires the base for the LTI to be redefined. The delay in the QSLM operations has presented a range of new challenges for both the share price and the Company’s senior executives (insofar that strategic, financial, and operating plans have been considerably disturbed). Those new challenges include –

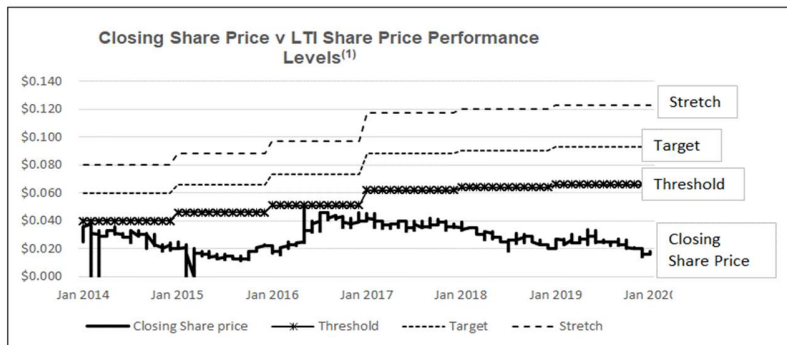
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- manufacturing alloy at Golmud where, in the absence of supply from QSLM, the cost of transporting raw (outsourced) ingot material in, and finished product out, places considerable strain on plant profitability (and therefore cashflow);
- maintaining relationships with end customers in the face of altered production circumstances at the Golmud plant;
- cash management and operational focus to maintain operating cash flow at or above break-even and minimise accounting losses; and
- engagement with shareholders.

These changed circumstances have created –

- a disparity between the rising share price performance levels embedded in the current LTI plan and the falling actual share price (refer Table 4); and
- a need to reset performance standards in the light of the changed circumstances to ensure the LTI is a relevant motivator.

**Table 4**



*Note 1: The share prices displayed for each of the three Performance Levels (“Threshold”, “Target” & “Stretch”) are the lowest prices at which an LTI award may be paid.*

The rate of conversion of Performance Rights to shares is determined by where the share price at the end of the Performance Period fits within four performance levels -

- Share price below Threshold level – zero conversion
- Share price within Threshold level – conversion between 25% and 49%
- Share price within Target level – conversion between 50% and 99%
- Share price at Stretch level – 100% conversion.

### b. 2017 Shareholder Approved Plan (Resolution 5b)

The current world-wide health crisis presents management with many potential negative commercial effects which will demand extraordinary and intense management time and skill.

## 4. Objectives of Proposed Rules

### a. 2020 Shareholder Approved Plan (Resolution 5a)

The proposed rules have three direct objectives and two indirect objectives –

#### Direct Objectives

- re-calibrating and re-defining targets;
- increasing the potential value of the Performance Rights; and
- increasing the probability of Performance Rights being converted to shares

#### Proposed Rules at Item 3 Table 3

Paragraph 3.ii o i & ii  
Paragraph 3.ii j i, Paragraph 3.ii d i  
Paragraph 3.ii j ii 1

#### Indirect Objectives

- increase the proportion that incentive-based remuneration represents of total remuneration; and;
- better align shareholder wealth objectives and executive remuneration.

### b. 2017 Shareholder Approved Plan (Resolution 5b)

- A Board discretion to approve an STI payment as at 31 Dec 2020 will recognise the extraordinary effort required to satisfactorily navigate a path through the crisis to that date
- The principal objective of the Company is to successfully navigate the period to 31 December 2020. As such, it is considered inappropriate to specify the circumstances in which any payment is made in view of the ever-changing circumstances of the crisis.

## 5. Proposed Rules

### a. 2020 Shareholder Approved Plan (Resolution 5a effective from 1 January 2021)

- The significant rule variations compared to the rules applying to the 2017 Shareholder Approved Plan are –

Factor	Rules per 2017 Shareholder Approved Plan	Proposed Rules in 2020 Shareholder Approved Plan	Proposed Rules at Item 3 Table 3
1 Lapse of Performance Rights prior to end of Performance Period	In the event of the death, dismissal, retrenchment, retirement or resignation of the Eligible Executive	In the event of the death, dismissal, retrenchment, retirement or resignation of the Eligible Executive unless otherwise determined by the Board having regard to the nature of the contribution to the Company by, and circumstances of, the particular Eligible Executive	Paragraph 3.ii d. i

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2	Performance measures	Tier 1 – Key Performance Indicators (Performance at the Eligible Executive's Individual Level)	Paragraph 3.ii o. i & ii
	Share Price Performance (Performance at the Group Level)	Tier 2 - Share Price Performance (Performance at the Group Level)	
3	% of salary as a component in the formula to calculate number of Performance Rights to be issued (Step 2 in Table 5)	30%	Paragraph 3.ii j. i
4	Share price at commencement of 2021-2023 Performance Period	Greater of closing share price on 31 December 2020 and <b>\$0.04</b>	Paragraph 3.ii j. ii 1 & 2
5	Cash option	None	Paragraph 3.ii q ii
		Limited cash option available at the discretion of the Board in respect of Tier 1 performance	

Notes: 1. Reflects the weighted average issue price of capital raised by Magontec since 20 Jun 2012 (the formal execution of the Golmud project documents)

- ii. Other rule changes principally relate to the refinement of grammar and the manner of presentation.
- iii. Based on the formula in paragraph 3.ii k in the proposed new rules at Item 3 Table 3, the current number of Eligible Participants and other assumptions in the table immediately below, the maximum number of Performance Rights anticipated to be issued under the proposed **2020 Shareholder Approved Plan** is 118,847,621 (27,946,429 to the Executive Chairman and 90,901,192 to other Eligible Executives) as per Step 4 of Table 5 below.

**Table 5: Proposed Issue of Performance Rights Under the 2020 Shareholder Approved Plan – 3 Year Forward Approval Period**

Step	Element in Formula	Element Value											
		1 Jan 21 to 31 Dec 23			1 Jan 22 to 31 Dec 24			1 Jan 23 to 31 Dec 25			TOTAL		
	3 Year LTI Performance Period	Col 1 Exec Chairman	Col 2 Other	Col 3 Total	Col 4 Exec Chairman	Col 5 Other	Col 6 Total	Col 7 Exec Chairman	Col 8 Other	Col 9 Total	Col 10 Exec Chairman	Col 11 Other	Col 12 Total
1	Aggregate salaries of eligible participants at commencement of 3-year LTI period <sup>1</sup>	\$450,000	\$1,463,712	\$1,913,712	\$450,000	\$1,463,712	\$1,913,712	\$450,000	\$1,463,712	\$1,913,712	\$1,350,000	\$4,391,137	\$5,741,137
2	50% * amount in step 1 <sup>5</sup>	\$225,000	\$731,856	\$956,856	\$225,000	\$731,856	\$956,856	\$225,000	\$731,856	\$956,856	\$675,000	\$2,195,569	\$2,870,569
3	Share price at commencement of 3-year LTI period <sup>2,3 &amp; 6</sup>	\$0.030	\$0.030		\$0.032	\$0.032		\$0.035	\$0.035				
4	Performance Rights <sup>4</sup> issued at commencement of 3-year LTI period = Amount in step 2 / (75% * share price in step 3)	10,000,000	32,526,944	42,526,944	9,375,000	30,494,010	39,869,010	8,571,429	27,880,238	36,451,666	27,946,429	90,901,192	118,847,621
5	Date of issue of Performance Rights			1-Jan-21			1-Jan-22			1-Jan-23			
6	Date for conversion to ordinary shares			31-Dec-23			31-Dec-24			31-Dec-25			

Notes: The assumptions regarding Steps 1 and 3 (Notes 1,2 and 3) are purely that. They will be determined by the relevant values on the commencement date of each Performance Period.

- 1 Assumed salary at commencement date of 3-year LTI period.
- 2 For 2021-2023 - the greater of the market value of Magontec ordinary shares on 1 January 2021 and \$0.03 per paragraph 3.ii j ii 1 of proposed new rules at item 3 Table 3.
- 3 For 2022-2025 - the greater of the market value of Magontec ordinary shares on the commencement date of the Performance Period and the market value adopted at the commencement date of the immediately prior 3-year LTI performance period per paragraph 3.ii j ii 2 of proposed new rules at item 3 Table 3.
- 4 Performance Rights may convert into ordinary shares at the end of the 3-year LTI period depending upon the satisfaction of performance standards or in the event of a takeover in terms of paragraphs 3.ii.o. and 3.ii.p. respectively of proposed new rules at item 3 Table 3.
- 5 Per paragraph 3.ii j. i of proposed new rules at item 3 in Table 3
- 6 Per paragraph 3.ii j ii. 1 & 2 of proposed new rules at item 3 in Table 3

## b. 2017 Shareholder Approved Plan (Resolution 5b effective immediately)

- i. The rules at Item 1 Table 3 are altered by adding the following paragraphs j. and k. after paragraph i subclause i.

j. In addition to the entitlement under paragraph i.g. Eligible executives will be entitled to participate in a nominal pool at 31 December 2020, referred to as the "31 December 2020 Pool".

k. The 31 December 2020 Pool will be capped at \$100,000 and may be distributed on or after 31 December 2020 in whole or in part at the Board's discretion;

- to any or all of the Eligible executives;
- over any period the Board considers reasonable in the circumstances; and
- in recognition of a Company financial position existing at 31 December 2020 which, in the Board's opinion, has resulted in a satisfactory navigation to date of the financial stresses caused by the COVID-19 global health crisis.

- ii. Re-number paragraph j in the rules at Item 1 Table 3 to paragraph l.
- iii. The rules at Item 2 Table 3 are the consequence of making these amendments.

Mr Nicholas Andrews and Dewberri Pty Limited as trustee for Andrews Superannuation Fund or any of their associates and, Mr John Talbot, Mr Derryn Chin, Mr Christoph Klein-Schmeink, Mr Xunyou Tong and Mr Patrick Look and any of their associates are not entitled to cast a vote on this resolution.

The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 5.



# NOTICE OF ANNUAL GENERAL MEETING

## ITEM 6: Issue of Performance Rights to the Executive Chairman Mr Nicholas Andrews in relation to the two three-year long-term Performance Periods commencing 1 January 2020 and 1 January 2021

### 1. Basis of Shareholders' Approval

The Company is proposing to issue certain Performance Rights (which are classified as equity securities) to a Director, Mr Andrews (Issue)–

- 1,227,273 Performance Rights under the **2017 Shareholder Approved Plan** by way of adjustment to Performance Rights issued to Mr Andrews in respect of the 2020-2022 Performance Period in terms of point 5 h to the Explanatory Note on Resolution 5 at the 2019 Annual General Meeting; and
- 10,000,000 Performance Rights under the **2020 Shareholder Approved Plan** in terms of Column 1 in Table 5 in Explanatory Note 5.

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

10.14.1 a director of the company;

10.14.2 an associate of a director of the company; or

10.14.3 a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders, unless it obtains the approval of its shareholders.

The Issue falls within Listing Rule 10.14.1 above and therefore requires the approval of the Company's shareholders under Listing Rule 10.14. Resolution 6 seeks the required shareholder approval for the Issue under and for the purposes of Listing Rule 10.14.

If Resolution 6 is passed, the Company will be able to proceed with the Issue and the consequences set out in the table at 2b. below may apply.

If Resolution 6 is not passed, the Company will not be able to proceed with the Issue and the consequences set out in the table at 2a. below may apply.

Details of any securities issued under the **2017 Shareholder Approved Plan** and the **2020 Shareholder Approved Plan** will be published in the annual report of the entity relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

### 2. Consequence of Shareholder Decision

#### a. A Negative Decision

Equity Security	Securities on Issue Prior to Decision			
	Per 2017 Shareholder Approved Plan	Per Proposed 2020 Shareholder Approved Plan	On Issue After Negative Decision	Potentially on Issue at 31 December 2023 After Negative Decision
To Executive Chairman	12,272,727	Nil	12,272,727	
To Other Eligible Executives	41,786,691	32,526,944	74,313,635	
<b>Total Performance Rights on Issue</b>	<b>54,059,418<sup>1</sup></b>	<b>32,526,944<sup>2</sup></b>	<b>86,586,362</b>	<b>Nil</b>
Ordinary Shares	1,140,073,483		1,140,073,483	1,183,366,664 <sup>3</sup>

Notes:

1. Refer Table 2 at f in the Explanatory Note to Resolution 4 and the columns 1 Jan 18 to 31 Dec 20, 1 Jan 19 to 31 Dec 21 and 1 Jan 20 to 31 Dec 22

2. Refer Step 4 and Column 2 in Table 5 in the Explanatory Note to Resolution 5

3. Assumes 50% of the Performance Rights in the column immediately to the left have been converted to Magontec ordinary shares and the balance has lapsed

#### b. A Positive Decision

Equity Security	Securities on Issue Prior to Decision			
	Per 2017 Shareholder Approved Plan	Per Proposed 2020 Shareholder Approved Plan	On Issue After Positive Decision	Potentially on Issue at 31 December 2023 After Positive Decision
To Executive Chairman - current	12,272,727	Nil	12,272,727	
To Executive Chairman - proposed	1,227,273	10,000,000	11,227,273	
To Other Eligible Executives	41,786,691	32,526,944	74,313,635	
<b>Total Performance Rights on Issue</b>	<b>55,286,691<sup>1</sup></b>	<b>42,526,944<sup>2</sup></b>	<b>97,813,635</b>	<b>Nil</b>
Ordinary Shares	1,140,073,483		1,140,073,483	1,188,980,301 <sup>3</sup>

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Notes:

1. Refer Table 2 at f in the Explanatory Note to Resolution 4 and the columns 1 Jan 18 to 31 Dec 20, 1 Jan 19 to 31 Dec 21 and 1 Jan 20 to 31 Dec 22 plus 1,227,273 at point 1. a. in this Explanatory Note
2. Refer Step 4 and Column 3 in Table 5 in the Explanatory Note to Resolution 5
3. Assumes 50% of the Performance Rights in the column immediately to the left have been converted to Magontec ordinary shares and the balance has lapsed

### 3. Issue of Performance Rights to Mr Andrews under the 2017 Shareholder Approved Plan

- a. By resolutions at the Company's 2018 and 2019 AGMs, shareholders approved the issue of Performance Rights to Mr Andrews under the **2017 Shareholder Approved Plan** as per Table 6.

**Table 6 – Performance Rights Previously issued to Mr Andrews**

Status of Performance Rights Issued to Executive Chairman Mr Nicholas Andrews under the 2017 Shareholder Approved Plan			
Issued	Performance Period	# of Perf Rights on Issue	Authority
10-May-18	1 Jan 18 to 31 Dec 20	4,500,000	Resolution 5 2018 AGM
24-Jan-19	1 Jan 19 to 31 Dec 21	4,500,000	Resolution 5 2018 AGM
2-Jan-20	1 Jan 20 to 31 Dec 22	3,272,727	Resolution 5 h 2019 AGM
<b>Total on foot at 2 Jan 2020</b>		<b>12,272,727</b>	

- b. Performance Rights in relation to periods prior to 1 Jan 2018, lapsed as a result of the performance standards not being satisfied.

### 4. Proposed Issue of Performance Rights to Mr Andrews under the 2020 Shareholder Approved Plan

- a. Performance Rights in relation to the 1 January 2021 to 31 December 2023 LTI performance period (the first LTI Performance Period of the **2020 Shareholder Approved Plan**) will be issued to Eligible Executives on (or around) 1 January 2021.
- b. As per Column 1 in Table 5 in the Explanatory Note to Resolution 5, it is estimated that 10,000,000 Performance Rights in respect of the 2021-2023 performance period will be due to the Executive Chairman on (or around) 1 January 2021 – based on assumptions about salary and the Company's opening share price on 1 January 2021.
- c. Should the actual salary and starting share price on 1 January 2021 differ to those assumed in Table 5, the number of Performance Rights to which Mr Andrews is entitled will move–
  - i. in concert with any movement in salary to that assumed; and
  - ii. inversely to any increase in the starting share price above \$0.03.
- d. In any event, a change in those critical assumptions that leads to a calculation of a Performance Right entitlement greater than 10,000,000, will, to the extent of the excess above 10,000,000, require the approval of shareholders at the 2021 AGM.
- e. Approval/confirmation is sought at this AGM to issue, within 30 days after 1 January 2021 or, in any event, within 12 months of the date of this meeting, 10,000,000 Performance Rights to the Executive Chairman Mr Nicholas Andrews in relation to the LTI performance period 1 January 2021 to 31 December 2023.
- f. The Performance Rights will be issued on the basis of ASX Listing Rule 10.14 with the relevant disclosures as per ASX Listing Rule 10.15 (refer paragraph i. in this Item 6).
- g. The Board approved share price performance standards (ie the Tier 2 standards) by which the Performance Rights the subject of this resolution may be converted into ordinary shares of the Company are as follows –

#### LTI Performance Period 1 January 2021 to 31 December 2023 – Tier 2 Share Price performance standards

Performance Level	Share Price(1)	% of Performance Rights vesting
Below threshold	Share price < \$0.030	0.00%
Threshold range	Share price = \$0.030	25.00%
	Share price > \$0.030	25.00% plus 5.00% for each 0.01 cent share price is over \$0.03
Target range	Share price < \$0.035	50.00%
	Share price = \$0.035	50.00% plus 8.33% for each 0.01 cent share price is over \$0.035
	Share price > \$0.035	50.00% plus 8.33% for each 0.01 cent share price is over \$0.035
Stretch	Share price >= \$0.041	100.00%

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

#### h. Data Requirement under ASX Listing Rule 10.15

10.15.1	Name of the person.	Mr Nicholas Andrews
10.15.2	Which category in rules 10.14.1 – 10.14.3 the person falls within and why.	(10.14.1) Mr Andrews is a director
10.15.3	Number and class of securities proposed to be issued to the person under the scheme for which approval is being sought.	• 1,227,273 Performance Rights by way of adjustment to those issued to Mr Andrews in respect of the 2020-2022 Performance Period.

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		<ul style="list-style-type: none"> <li>10,000,000 Performance Rights in respect of the 2012-2023 Performance Period in terms of the formula at Step 4 and Column 1 in Table 5 in the Explanatory Note to Resolution 5.</li> </ul>
10.15.4	If the person is: <ul style="list-style-type: none"> <li>a director under rule 10.14.1; or</li> <li>an associate of, or person connected with, a director under rules 10.14.2 or 10.14.3, details (including the amount) of the director's current total remuneration package.</li> </ul>	Gross pre-tax cash component = \$450,000 per annum.
10.15.5	The number of securities that have previously been issued to the person under the scheme and the average acquisition price (if any) paid by the person for those securities.	12,272,727 Performance Rights issued per Table 6 in the Explanatory Note to this Resolution issued at Nil consideration
10.15.6	If the securities are not fully paid ordinary securities: <ul style="list-style-type: none"> <li>a summary of the material terms of the securities;</li> <li>why that type of security is being used; and</li> <li>the value the entity attributes to that security and its basis.</li> </ul>	Refer rules at Item 3 Table 3 in the Explanatory Note to Resolution 5 Incentive and reward mechanism <ul style="list-style-type: none"> <li>1,227,273 performance rights issued in relation to 2020-22 Performance Period: Estimated value = \$12,272</li> <li>10,000,000 performance rights issued in relation to the 2021-2023 Performance Period: Estimated value = \$45,000</li> </ul> NB. These estimated maximum values have been calculated according to the principles detailed in the heading "Valuation of Performance Rights" on page 28 of the Company's 2019 Annual Report. They are subject to more precise calculation and audit upon preparation of the 2020 Annual Report.
10.15.7	Date by which securities are to be issued	Within 30 days after 1 January 2021 or, in any event, within 12 months of the date of the 2020 Annual General Meeting.
10.15.8	The price at which the entity will issue the securities to the person under the scheme.	Nil
10.15.9	A summary of the material terms of the scheme.	Refer rules at Item 3 Table 3 in the Explanatory Note to Resolution 5
10.15.10	A summary of the material terms of any loan that will be made to the person in relation to the acquisition.	No loan
10.15.11	Required statements	<ul style="list-style-type: none"> <li>Details of any securities issued under the scheme will be published in the annual report of the entity relating to the period in which they were issued, along with a statement that approval for the issue was obtained under listing rule 10.14.</li> <li>Any additional persons covered by listing rule 10.14 who become entitled to participate in an issue of securities under the scheme after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.</li> </ul>
10.15.12	Voting exclusion statement.	See Resolution 6 in "Ordinary Business"

The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 6.

### ITEM 7: Issue of Fully Paid Ordinary Shares to Directors - Mr Nicholas Andrews and Mr Robert Kaye (ordinary resolution)

- Directors of the Company, Nicholas Andrews and Robert Kaye, via interests associated with them, have effectively entered into Subscription Agreements with the Company to each subscribe \$20,000 to new fully paid ordinary shares proposed to be issued by the Company upon approval by shareholders under ASX Listing Rule 10.11 Exception 11.
- The shares proposed to be issued to them form part of a \$300,000 capital raising by the Company to be subscribed by 18 existing shareholders including the two directors ("Capital Raising").
- The Capital Raising will permit the Company to meet the direct and indirect costs of the Company buying back the ordinary shares of those shareholders whose holding of Magontec shares is valued at \$250.00 or less assuming a price per share of \$0.015 (being the closing share price of the Company's ordinary shares on Friday 12 June 2020).
- The 18 subscribers to the new shares being issued in terms of the Capital Raising will be issued shares at a price of \$0.013.
- In terms of the requirement of ASX Listing Rule 10.13 the following information is provided.

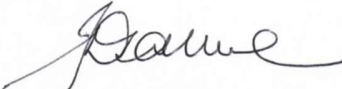
## NOTICE OF ANNUAL GENERAL MEETING

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ASX Listing Rule	Requirement	Response
10.13.1	Name of Person	a) Nicholas Andrews b) Robert Kaye
10.13.2	Applicable rule and why	Persons are Directors of the Company and as such are "related parties"
10.13.3	The number and class of securities to be issued to the person.	a) 1,538,461 fully paid ordinary shares b) 1,538,461 fully paid ordinary shares
10.13.4	Details if securities are not fully paid ordinary securities.	Fully paid
10.13.5	The date or dates on or by which the entity will issue the securities	Friday 7 August 2020
10.13.6	The price or other consideration the entity will receive for the issue.	\$0.013
10.13.7	The purpose of the issue, including the intended use of any funds raised by the issue.	Refer item 3 in this Explanatory Note
10.13.8	Issue intended to remunerate Director?	No
10.13.9	Materials terms of Subscription Agreement	Each of parties a) and b) will subscribe \$20,000 to new fully paid ordinary shares and the Company will issue same shares upon approval by shareholders of this resolution.
10.13.10	Voting exclusion statement.	See Resolution 7 in "Ordinary Business"

**The Board (other than Mr Andrews and Mr Kaye) recommends that shareholders vote in favour of Resolution 7.**

By order of the board.



**J Talbot**

Company Secretary

15 June 2020

**Helpline:** If you have any questions regarding the meeting or proxy voting, please do not hesitate to contact the Company's share registrar

**Boardroom Pty Limited** on 1300 737 760 for Australian shareholders or +61 2 9290 9600 for overseas shareholders.