

GOVERNING DOCUMENT FOR THE SHORT AND LONG-TERM INCENTIVE REMUNERATION PLAN FOR THE MAGONTEC GLOBAL MANAGEMENT GROUP – 2020 Shareholder Approved Plan (Per 2021 EGM 6 August 2021)

1. Background

By Resolution 5 of the 2017 AGM, shareholders approved the **Magontec Global Management Group Incentive Plan** encompassing short-term incentive (STI) and long-term incentive (LTI) components. The plan so approved was referred to as the “**2017 Shareholder Approved Plan**”. Those rules governing the original **2017 Shareholder Approved Plan** were subsequently amended by resolution 6 at the 2019 AGM.

2. New Rules to Govern the Magontec Global Management Group Incentive Plan

New rules to govern the Magontec Global Management Group Incentive Plan were introduced under Resolution 5 of the 2020 Annual General Meeting held on 29 July 2020. These rules are referred to as the “**2020 Shareholder Approved Plan**” and are described at heading 3i and 3ii respectively below.

3. Principles of the 2020 Shareholder Approved Plan

i. Short Term Incentive (STI)

- a. The STI **2020 Shareholder Approved Plan** has a commencement date of 1 January 2021 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% to <=12.00%	Then the MODIFIED POOL is this % of the excess of Actual NOPAT over Budget NOPAT	25%
	> 12.00% to <=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.
- 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.

ii. LTI

- a. The LTI **2020 Shareholder Approved Plan** has a commencement date of 1 January 2021 and annually thereafter up to and including 1 January 2023.
- b. The LTI performance period is the three-year period from the relevant commencement date.

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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 o. and p. 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 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;
 - ii. in the event the Board of the Company accepts a takeover offer (being the acquisition of control over the voting shares) of the Company and recommends to shareholders that the offer be accepted, fully vest immediately upon dissemination of that recommendation (deemed for the purpose of this paragraph to be the date of the takeover offer) by conversion into ordinary shares as per the formula in paragraph p.; and
 - iii. may not be transferred, assigned or novated except with the approval of the Board.
- 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 o. and p. 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 *2020 Shareholder Approved Plan* mean the same persons as those described at paragraph i.j.1 & 2 (being those Eligible Executives defined for the purpose of the STI).
- h. Any additional persons who become entitled to participate in the LTI *2020 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 an Eligible Executive 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 50% 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 –
 - 1. the greater of the market value of Magontec ordinary shares on the same date and \$0.03 in relation to the Performance Period commencing 1 January 2021; and
 - 2. the greater of the market value of Magontec ordinary shares on the same date and the market value adopted at the commencement date of the immediately prior 3-year LTI performance period in relation to subsequent Performance Periods; 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 Executive at commencement of 3-year LTI period	
2	50% * amount in step 1	Paragraph ii. j. i.
3	Relevant share price at commencement of 3-year LTI period	Paragraph ii. j. ii. 1 & 2
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. Performance Rights on issue prior to 1 January 2021 will,
 - i. to 31 December 2020 be administered under the rules applying at that date; and
 - ii. after 31 December 2020 be administered under the rules contained in this document.
 Performance Rights to be issued on or after 1 January 2020 will be determined in number, and administered according to, the rules contained in this document.
- m. No entitlement to Performance Rights accrues to the Eligible Executive until an appropriate confirmation from the Company has been received by the Eligible Executive.

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- n. Details of any Performance Rights issued under the LTI *2020 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 *2020 Shareholder Approved Plan* was obtained under ASX Listing Rule 10.14.

o. Vesting of Performance Rights as Magontec Ordinary Shares at the End of the Performance Period

Subject to paragraph ii q ii, an Eligible Participant’s Performance Rights may convert to Magontec ordinary shares at the end of the Performance Period, dependent upon evaluation against a two-tier performance measure as follows –

i. Tier 1 – Key Performance Indicators (Performance at the Eligible Executive’s Individual Level):

1. The Eligible Participant’s performance is rated against multiple KPIs prescribed for that individual by the Board.
2. The KPI’s will tend to emphasise objective measures.
3. The Eligible Participant’s performance on each KPI is scored according to a scale – “below target”, “at target” and “above target”.
4. The Eligible Participant’s aggregate score on the KPIs is calculated (but cannot exceed 100%).
5. The aggregate score is multiplied by 30% with the resultant percentage being that proportion of Performance Rights that (subject to paragraph ii q ii) may convert to Magontec ordinary shares.
6. In algebraic form. the entitlement can be expressed as –

$$OS^1 = PR * KPI * 30\%$$

Where:

OS¹ = Number of Magontec Limited ordinary shares into which Performance Rights convert in relation to the Tier 1 Standard

PR = Number of Performance Rights in paragraph ii.k.

KPI = The aggregate score achieved by the Eligible Participant for the KPI Standard (at 3.ii,o,i. 4).

30% = the ascribed weighting of the KPI measure in the LTI.

ii. Tier 2 – Share Price Performance (Performance at the Group Level):

1. Share price performance targets are set at the commencement of each 3-year Performance Period.
2. The share price targets will be approved by the Board and set at four levels –

	Share Price Target Level Description	Proportion of Performance Rights Converting to Shares
1	Below Threshold	0%
2	Threshold	25% to 49%
3	Target	50% to 99%
4	Stretch	100%

3. Performance Rights held by the Eligible Participant may (subject to paragraph ii p ii) convert to Magontec ordinary shares depending upon where the share price at the end of the Performance Period fits in relation to the Target Levels.
4. In calculating the number of Magontec ordinary shares into which the Performance Rights will convert, the prima facie entitlement will be increased by the effect of dilution arising from new Magontec ordinary shares being issued on and from the commencement date and to and including the end date of the relevant Performance Period with resultant grossed up entitlement then reduced by any share entitlement due under the Tier 1 Standard so that an entitlement to Magontec ordinary shares under the Tier 2 Standard is only at the margin (ie the extent to which an entitlement under the Tier 2 Standard exceeds any entitlement due under the Tier 1 Standard).
5. An entitlement to Magontec ordinary shares under the Tier 2 Standard is only at the margin ie the extent to which an entitlement under the Tier 2 Standard exceeds any entitlement due under the Tier 1 Standard.
6. In algebraic form. the entitlement can be expressed as –

$$OS^2 = PR * [OS^3 / OS^4] * P - OS^1$$

Where:

OS² = To the extent OS² is positive, the number of Magontec Limited ordinary shares into which Performance Rights convert.

PR = Number of Performance Rights in paragraph ii.k.

OS³ = Aggregate number of Magontec Limited ordinary shares on issue at the end date of the relevant 3-year LTI performance period

OS⁴ = Aggregate number of Magontec Limited ordinary shares on issue at commencement of the relevant 3-year LTI performance period

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P = the relevant percentage applied as a result of the share price performance at the end of the Performance Period per the scale at the second dot point at paragraph ii o ii

p. Vesting of Performance Rights Upon Takeover Offer

If, at the date of a takeover offer (described at paragraph ii.d.ii.) the Performance Rights have not lapsed or vested, then the number of Performance Rights held by an Eligible Participant at the date of the takeover offer will vest for nil consideration as Magontec ordinary shares (subject to the requirements of paragraph q) to the extent determined by the formula below –

$$OS^5 = PR * [OS^3 / OS^4]$$

Where:

OS⁵ = The number of Magontec Limited ordinary shares into which Performance Rights convert.

PR = Number of Performance Rights in paragraph ii.k. held by the Eligible Participant

OS³ = Aggregate number of Magontec Limited ordinary shares on issue at the date of the takeover offer

OS⁴ = Aggregate number of Magontec Limited ordinary shares on issue at commencement of the relevant 3-year LTI performance period

q. General

- i. Where the number of Magontec ordinary shares calculated as per the formulae in paragraphs o. and p. is not a whole number, the number will be rounded down to the next whole number.
- ii. Any entitlement to Magontec ordinary shares in terms of paragraph ii o ii, may be taken by the Eligible Executive in the form of cash;
 1. at a 40% discount to the value that would have otherwise been paid in shares; and
 2. upon the approval of the Board
- iii. Any entitlement to Magontec ordinary shares arising as a result of satisfaction of the performance standards at ii o, 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.
- iv. The Magontec ordinary shares to be issued in terms of the formulae in paragraphs o. and p. will be issued at the 10-day VWAP on the date of issue of the ordinary shares.
- v. The **LTI Amount** is equal to the number of Magontec ordinary shares as per the formulae in paragraphs o. and p. multiplied by the 10-day VWAP on the date of issue of the ordinary shares.

1. LTI Performance Period 1 January 2019 to 31 December 2021

a. Share Price Performance Standards - Table 1

Performance Level	Share Price		% of Performance Rights vesting		
Below threshold	Share price <	\$0.984		0.00%	
	Share price =	\$0.984		25.00%	
Threshold range	Share price >	\$0.984	Pro rata	25.00% plus 0.06% for each 0.01 cent share price is over	\$0.984
	Share price <	\$1.384			
Target range	Share price =	\$1.384	Pro rata	50.00%	
	Share price >	\$1.384		50.00% plus 0.11% for each 0.01 cent share price is over	\$1.384
	Share price <	\$1.845			
Stretch	Share price >=	\$1.845		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

2. LTI Performance Period 1 January 2020 to 31 December 2022

Share Price Performance Standards - Table 2

Performance Level	Share Price		% of Performance Rights vesting		
Below threshold	Share price <	\$0.984		0.00%	
	Share price =	\$0.984		25.00%	
Threshold range	Share price >	\$0.984	Pro rata	25.00% plus 0.06% for each 0.01 cent share price is over	\$0.984
	Share price <	\$1.384			
Target range	Share price =	\$1.384	Pro rata	50.00%	
	Share price >	\$1.384		50.00% plus 0.11% for each 0.01 cent share price is over	\$1.384
	Share price <	\$1.845			
Stretch	Share price >=	\$1.845		100.00%	

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

3. LTI Performance Period 1 January 2021 to 31 December 2023

Share Price Performance Standards - Table 3

Performance Level	Share Price		% of Performance Rights vesting				
Below threshold	Share price < \$0.450					0.00%	
	Share price = \$0.450					25.00%	
Threshold range	Share price > \$0.450	Pro rata	}	25.00% plus	0.37% for each	0.01 cent share price is over	\$0.450
	Share price < \$0.518						
Target range	Share price = \$0.518					50.00%	
	Share price > \$0.518	Pro rata	}	50.00% plus	0.64% for each	0.01 cent share price is over	\$0.518
	Share price < \$0.596						
Stretch	Share price >= \$0.596					100.00%	

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