

Suite 1.03, Level 1  
46A Macleay St  
Potts Point, NSW 2011  
Australia

Ph: +61 2 8005 4109  
Fx: +61 2 9252 8960

21 July 2020

Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney, NSW, 2000

Dear Sirs,

**Magontec Limited – 2020 Annual General  
Meeting Wednesday 29 July 2020 11:00am**

**1. Executive Chairman's Address to Annual General Meeting**

Attached is the Executive Chairman's address to the Company's 2020 AGM.

The slides referred to in the body of the address appear in this document at the foot of the Chairman's address. Both the Chairman's address and slides are also available on the Company's website.

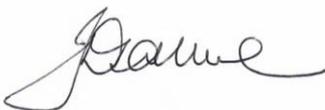
The address may also be viewed in audio visual form at <http://magontec.com/investor-centre/agm2020/>

Shareholders are reminded that as per the timetable at heading **f), sub point 4** in the Executive Chairman's letter dated 25 June 2020 (accompanying the AGM material sent to shareholders) any questions in relation to this address, should be submitted to the Executive Chairman at [Nic.Andrews@magontec.com](mailto:Nic.Andrews@magontec.com) Such questions should be dispatched so as to be received by close of business **Friday 24 July 2020**. Responses to such questions will be delivered in the public forum on the day of the AGM.

**2. Resolutions in Ordinary Business in Notice of AGM**

As per the timetable at heading **f), sub point 1** in the Executive Chairman's letter dated 25 June 2020 (accompanying the AGM material sent to shareholders) any questions in relation to the Resolutions in "Ordinary Business", were required to be lodged by close of business **Friday 17 July 2020**. No questions have been received or matters raised.

Yours sincerely



John Talbot  
**Company Secretary  
Magontec Limited**

# ADDRESS BY EXECUTIVE CHAIRMAN MAGONTEC LIMITED TO ANNUAL GENERAL MEETING 29 JUL 2020

## Slide 1,

Good morning Ladies and Gentlemen and welcome to this Chairman's Address.

My name is Nic Andrews and I serve as the Executive Chairman and CEO of Magontec Limited.

## Slide 2 (Disclaimer)

## Slide 3, Changes to the AGM procedure for 2020

This year we are operating under the challenging circumstances of a coronavirus pandemic, which requires the format of our Annual General Meeting to be changed from previous years.

This presentation - normally delivered before the formal business of the AGM - is being provided today so that shareholders may offer feedback or lodge questions for response at next week's AGM.

## Slide 4, A different AGM procedure

The formal meeting will be held via live audio webinar at 11.00am on Wednesday 29th July 2020.

This year we have taken the opportunity to delay our meeting by two months, so that we might provide a clearer picture of the effects of the pandemic on our businesses. We have altered the process of our Annual General Meeting to reflect a virtual process that:

- minimises physical participation by shareholders but still satisfies legal requirements;
- encourages shareholder participation in electronic form; and
- avoids the necessity of shareholders meeting in a closed (possibly unsafe) and limited environment.

I encourage any shareholders who have questions on the content of this address to submit those questions to me (at email [nic.andrews@magontec.com](mailto:nic.andrews@magontec.com)) by close of business on **Friday 24 July 2020**.

On the day of the AGM, after responding to questions submitted by shareholders, we will consider the formal business of the meeting.

The Resolutions that shareholders will be asked to consider, as part of the formal business of the meeting, were included in the Notice of AGM dispatched to shareholders on 25 June 2020.

As I have noted in a letter accompanying the Notice of AGM, we are making every effort to engage with shareholders as much as possible despite the legal and moral limitations imposed on us.

Shareholders are encouraged to vote on the Resolutions contained in the Notice of Annual General Meeting by way of the proxy voting process. To be valid, your signed proxy voting form must be either lodged, delivered by post or faxed so as to be received by Boardroom Pty Limited by 11:00 am Sydney time on **Monday 27 July 2020**.

Any questions already posed by shareholders in relation to those resolutions, and the Company's answers thereto, were posted on the ASX Companies Announcement platform and the Magontec website with this address.

At 11:00am on the day of the AGM, 29<sup>th</sup> July 2020, the Company will conduct a live audio webinar. In the course of that webinar each of the Resolutions will be addressed. Chairmanship of the meeting will be assumed by myself in relation to Resolutions 1, 2 and 3 and any General Business, the Chairman of the Remuneration and Nominations Committee, Mr Robert Kaye, in relation to Resolutions 4, 5 and 6, and Mr Andre Labuschagne, in relation to Resolution 7. The Chairman at the time will note the voting results on each Resolution and declare the result of that vote.

In today's audio webinar I will make some comments on the Company's financial results and operations for 2019 and the first half of 2020, followed by a comment on the state of our markets and a review of the delayed Qinghai project.

### **Slide 5, 1stQ 2020 & FY 2014-19 Gross Profit & Cash Flow**

Over the last three months, in the Annual Report and the first quarter financial statement, I have provided much detail on the financial and operational status of the company.

The financial result for the 12 months to 31 December 2019 were heavily impacted by non-operational costs associated with the Magontec Qinghai project and lower revenues in the global anodes business, particularly in the second half.

Operationally, 2019 was a challenging time for our business. Our Chinese primary magnesium alloy operation, at Golmud in Qinghai province, had made good progress in the 5 months to the end of March 2019. But, at that time, it was left without a local source of raw material when our partner company and supplier, the Qinghai Salt Lake Magnesium Co Ltd (QSLM) suspended operations.

Since April 2019 our Qinghai cast house has been required to source its raw material from alternative suppliers at considerably higher prices than those guaranteed under our agreements.

I will discuss the situation at Qinghai in more detail later in the address, however, suffice to say at this point that the major impact on the 2019 result was derived from losses at the Magontec Qinghai facility and fines levied on the business by the local Golmud authorities.

In the first quarter of 2020 the Group has made a strong start to the year, however in the second quarter sales slowed considerably as the coronavirus pandemic spread to businesses in Europe and North America.

Despite a slowing global economy, Magontec expects to record positive underlying operating cash flow in the first six months of 2020.

### **Slide 6, Performance by sector excluding Qinghai project**

In 2019 the Company's other manufacturing operations; the conversion of scrap into magnesium alloy ingots in Germany and Romania, the production of magnesium and electronic anodes in Germany, Romania and China and the production of specialist metals in Germany, performed in line with the previous year in terms of revenues and volumes; some businesses were slightly ahead and others slightly behind.

In 2019 there were a number of production initiatives implemented to improve efficiency and profitability in Europe and Asia. Many of these initiatives have continued into 2020 and have contributed to Magontec's positive first quarter result.

At the Romanian plant, where Magontec manufactures magnesium alloys and magnesium anodes, production had suffered in recent years from inefficiencies at both the factory and management level. In 2019 a new team at the Santana site addressed these issues and in the first quarter of 2020 the factory enjoyed a further improvement in profitability.

We expected this to continue through the rest of 2020, however customers for both alloys and anodes have reduced offtake through April, May and June due to coronavirus-associated shut-downs. Nonetheless, in Romania we now have an excellent team who will be able to bring this business back to higher levels of activity in the months ahead.

Another important project for Magontec in 2019 was the upgrade program at the Xi'an magnesium anodes factory. Magontec Xi'an was already one of the largest producers of magnesium anodes in China, but the Xi'an factory layout and production equipment required a major investment to improve efficiency so that the business could fully benefit from growing volume throughput.

In August last year the factory was closed as a new extrusion press, CNC machining and other processing equipment were installed. At this location we now have a cutting-edge facility that is competitive in Chinese domestic and export markets.

In Germany the magnesium alloy recycling business has generally performed well in an exceptionally competitive market. As we have discussed in past shareholder communications, over time we have built a suite of specialist metals products that sit alongside the recycling business. These products draw on the skill sets and infrastructure at Magontec's German plant. With the growth of these products through 2019 and 2020, the metals business, broadly focussed on magnesium metal products, is delivering strong returns in more diversified markets.

In each year our production teams and technical experts have sought to improve efficiencies and productivity and in 2020 there are a variety of new projects afoot, each designed to raise margins and profitability.

Unfortunately, the Chinese alloying business (conducted in Qinghai and, in the past, in Shanxi province), has been volatile in terms of revenue and profit. As a new and potentially very large income stream, it has had a large influence on shareholders perceptions of Magontec. By contrast, over the 3 years to 31 December 2019, the global anode business and the European metals businesses have experienced steady growth in revenues, productivity and profitability.

As a stand-alone group Magontec's global anodes and European metals businesses, had 2019 revenues of over \$90m and Gross Profit of \$11.2m, up 4.6% and 10.0% over the last 2 years. In the first quarter of 2020, despite the early effects of the coronavirus in China, these businesses continued to grow.

With the developing European specialist metals division, a feature of the current year, we expected to see Gross Profit and the Gross Profit margin improve again. Unfortunately, the wider effects of the pandemic, and the uncertainty associated with it, are likely to undermine much of that anticipated improvement in 2020.

#### **Slide 7, Global automotive unit sales**

As shareholders will note from previous presentations, Magontec has historically been heavily focussed on the automotive industry; an industry that has experienced a significant decline through the pandemic.

Global automotive sales are currently forecast to fall by 15% in 2020, although most of that decline will likely take place in the 2<sup>nd</sup> quarter. Despite a possible v-shaped recovery in automotive sales, high inventories will likely delay an improvement in production.

The automotive sector remains an important contributor to Magontec Group revenues. The Company sells recycled and primary Mg alloys into this challenging global market. While expectations are for a sharp drop in automotive sales through 2020, this industry is likely to be the recipient of Government largesse in many countries, particularly Germany.

In Europe, the Magontec Mg alloy recycling facilities at Santana in Romania and Bottrop in Germany have suffered from intermittent and uncertain demand and we have closed lines for periods of 1 to 2 weeks through April and May. It has been the good fortune of all manufacturing businesses in Europe that Governments have offered significant financial support packages and encouraged greater workforce flexibility. This has allowed the company to continue to employ and pay staff through a very difficult period.

Magontec's European recycling was profitable in the early part of the year and significantly ahead of the previous corresponding period, in large part reflecting a much-improved performance at the Romanian business. However, in May and June the impact of declining volumes and factory downtime has pushed these business units into losses. The outlook remains uncertain and we cannot say when volumes will return to pre-pandemic levels.

#### **Slide 8, The changing shape of Magontec's profit**

In 2020 the automotive industry will be less important to the company without high-volume production at the Magontec Qinghai primary magnesium alloy cast house. Historically Magontec's automotive focus has been most pronounced at the revenue level with 72% of Group sales going to the automotive industry in 2019.

While we don't know what the final split will be in 2020, looking at the business **excluding** the Magontec Qinghai cast house in 2019 may provide some indication.

In 2019, sales to the automotive sector **excluding** the Qinghai cast house were 59% of total revenues, while sales to the Hot Water sector were 32%, with 9% from 'Other', which includes non-automotive Specialist Metals.

At the Gross Profit level 2019 Group sales to the automotive sector generated just 35% of Gross Profit including the Magontec Qinghai cast house and 20% **excluding** that facility.

2019 sales to the Hot Water industry, Specialist Metals and Other non-automotive customers contributed 65% of Gross Profit rising to 80% **excluding** the Magontec Qinghai facility.

So, in the current year, when the cast house at Qinghai will see minimal volume throughput, profit will be largely derived from non-automotive sectors.

### **Slide 9, The Hot Water industry**

The largest of these sectors is the Hot Water industry. As we foreshadowed in the March Quarter report, major hot water tank manufacturers in Europe, China and the USA have stalled in the last few weeks as population lock downs and factory closures have disrupted supply chains.

In Europe and China, our businesses experienced lower call-off levels from time to time through March and April and reduced production volumes through some of this period. However, to date, we have largely been able to match Magontec production to customer demand by extending public holiday closures and reducing overtime and accumulated leave.

In short, the impact of the pandemic on Magontec's global anodes operations has been less dramatic than for many businesses; the first factory stoppage came in China in late January and extended through to early March. By the second week in March our Chinese operations were back to higher levels, although not at 100% of budgeted production.

The initial block to a return to full production was a shortage of component supplies to our own factory. In the following weeks our customers reassessed their own requirements and re-set volumes and prices. The effect in China has been negative, but in the five months to the end of May 2020 the Chinese Mg anode business has been profitable at the EBIT line and, due to new contracts, sales volumes have actually been higher than over the same period in 2019.

In Europe, hot water tank manufacturers moved into a period of factory closures and lower offtake in March and April, just as our Chinese customers were emerging from lockdown. The overall European experience has been a more pronounced economic downturn, however production volumes at European hot water plants have held up well and volumes of Mg anodes delivered from Magontec plants to our regional customers, in the period to the end of May 2020, have been only 5% lower than in the previous corresponding period.

There are a number of factors that are providing underlying support to the hot water tank business at this time:

- The new-build housing market is recovering quickly as the lockdowns are lifted and this represents about 20% of global hot water tank demand;
- The hot water tank replacement market, 80% of total demand, is partly driven by changing environmental standards, particularly in Europe, which require the installation of up-graded hot water systems and is often heavily subsidised.
- More fundamentally, hot water tanks are not a consumer item; they are a household necessity. If a tank fails it must be replaced immediately.

In addition to these underlying factors, government financial support packages for the home building sector are likely to be a key plank of economic stimulus strategies in Magontec's largest markets.

Based on conversations with our customers, we expect Magontec's global anode sales to be down between 5% and 10% in 2020, assuming there is no significant second wave of COVID-19 through the second half of the year.

As at the end of July our largest customers are all back in production, albeit at low season levels. There appear to be no large inventory overhangs and the transmission of end-user demand to anode production is likely to be relatively quick.

The core of Magontec at this time is its anode manufacturing business. It is a high-volume business with relatively high gross profit margins.

We have consistently grown this business in Asia, Europe and North America and our factories are among the largest and most competent suppliers to the global hot water tank manufacturing industry.

### **Slide 10, QSLM committed to re-starting magnesium project**

I want to talk now about the Magnesium Alloy Cast House project in Qinghai province, PRC. This is a large project that has been stalled for some months. Despite the problems that our partners in Qinghai have encountered, it remains a project with great potential.

Last week the creditors of the Qinghai Salt Lake Magnesium Co Ltd were expected to agree a restructuring plan that would release the company to re-commence production.

That decision has now been delayed and, as yet, we have not been able to properly examine any plans that QSLM have developed. We understand that these plans are contingent on QSLM sourcing new funding to remediate and re-start the dehydration and electrolysis plants, which have now been lying idle for over a year.

While I have not been able to visit the site at Golmud in Qinghai province since January this year, our Chinese Non-Executive director, Mr Li Zhong Jun, has recently made the trip to Golmud to meet with QSLM.

In all of the discussions we have had with the management of QSLM and with the new owners of the asset, we have been assured that Magontec's position as the exclusive manufacturer of Mg alloys at that site is secure. Indeed, we have been consistently assured of the importance that QSLM places on the relationship with Magontec, a reflection of our unique ability to take immediate delivery of pure magnesium to our Qinghai cast house and sell magnesium alloys into global markets.

A final point on this important project. The Qinghai Government and other Chinese state agencies have invested, via QSLM, over ¥40 billion (A\$8 billion) into this project. This includes investment in the wider industrial park, much of which relies on products derived from the dehydrated salt brine that is also the source of magnesium intended for Magontec's magnesium alloy cast house.

While there have been considerable delays in the stable running of the facility, the scope of the project and its environmental credentials can now be realised for a relatively modest sum. On this basis we believe that the State authorities in Qinghai will find a path to re-starting production.

For the time being, this means that Magontec's Qinghai plant will continue to operate at lower levels. In the first 5 months of 2020 the cast house, which has a capacity of 60,000 metric tonnes per annum, produced 2,600 metric tonnes using raw material sourced from pure magnesium manufacturers across northern China.

Each month we continue to supply our customers, and we maintain and operate the equipment at Qinghai in preparation for the re-commencement of volume production at QSLM. Furthermore, we continue to fully depreciate the \$10 million invested in the Magnesium Alloy Cast House.

In its current configuration this business operates at a loss, largely the result of costs associated with bringing raw material into the Qinghai facility and sending finished product out to customers.

Because of the remote location of the plant this cost was guaranteed by QSLM under the original agreements between the parties and the sum owing from QSLM to Magontec currently stands at

over \$3.8 million. This represents an outstanding claim that Magontec will seek to reconcile in its future dealings with QSLM.

In the meantime, we have reduced production at Qinghai to a minimal level and will maintain that until we better understand QSLM's plans for the project. Obviously, we are keen to see the new plans as well as the timetable for production and supply of pure magnesium to the Magontec Qinghai cast house furnaces. We have asked our partners at QSLM to make those available to us as soon as possible.

### **Slide 11, Summary (1)**

Finally, a few concluding points:

The company has made progress in a number of areas over the last 18 months, despite the stalled project at Qinghai.

The anode and recycling businesses are market leaders and the efforts of management and technical staff, through the introduction of new processes and procedures.

These businesses are as well placed as they can be for the challenges of COVID-19 and the economic uncertainty of 2020.

### **Slide 12, Summary (2)**

We have taken action in recent weeks to tidy up the company's share register, which had over 13,000 different shareholdings, over 12,000 of which held less than \$250 worth of shares. By acquiring the shares of these smaller, legacy shareholdings, the company will save in future years on communication and administration costs.

### **Slide 13, Summary (3)**

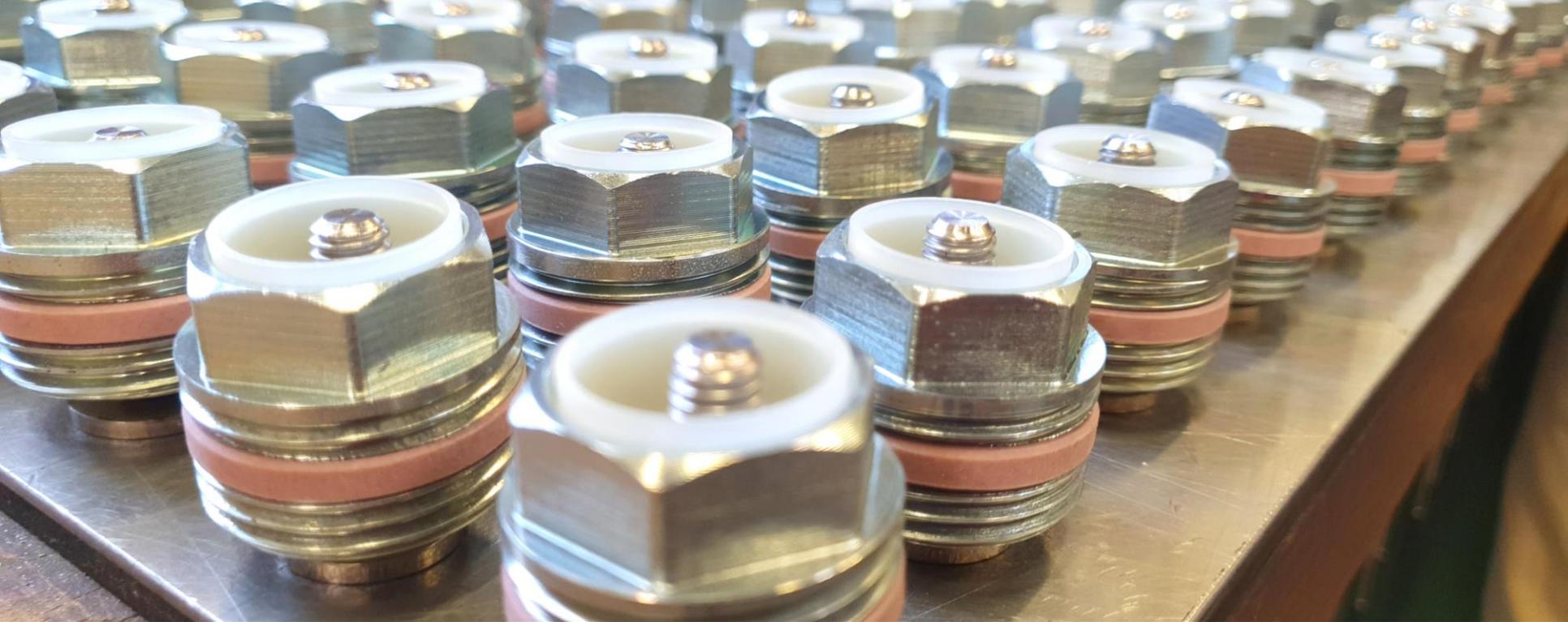
Finally, it is the case that Magontec's underlying businesses have performed well and, on a cash basis are generating steady returns. The burden of maintaining and depreciating the Magontec Qinghai facility to a great extent obscures the strength of these other businesses. They were strongly positive in terms of underlying cash generation in 2019 and remain so through the first 5 months of 2020.

### **Slide 14, Submission of Questions**

Before I finish, I would like to take this opportunity to thank Magontec staff and Board members for their efforts through this distressing time. Staff in Europe, Head Office and the Board of Magontec, have taken significant cuts in remuneration since the end of March. At times like these a business discovers the true nature of its worth and purpose: Magontec employees have worked hard to help the company overcome these challenges and their efforts are much appreciated.

As I said at the beginning of this presentation, shareholders who would like a clarification on any of the points raised here or who have a question they would like answered, should write to me at: [nic.andrews@magontec.com](mailto:nic.andrews@magontec.com) by close of business **Friday 24 July 2020** and I will address those issues collectively at the beginning of the AGM audio webinar on the 29<sup>th</sup> July.

Thank you.



**Magontec Limited – Executive Chairman's Address**

**(ASX: MGL)**

**2020 Annual General Meeting**

Nicholas Andrews  
21 July 2020

# Disclaimer

This Presentation has been prepared by Magontec Limited (ABN 30 147 131 977) (Magontec or the Company). This Presentation contains summary information about Magontec and its activities current as at the date of this Presentation. The information in this Presentation is of a general background nature and does not purport to be complete or to comprise all the information that a shareholder or potential investor in Magontec may require in order to determine whether to deal in Magontec shares. It should be read in conjunction with Magontec's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.asx.com.au](http://www.asx.com.au). This document is not a prospectus or a product disclosure statement under the Corporations Act (Cth) 2001 (Corporations Act) and has not been lodged with the Australian Securities and Investments Commission (ASIC).

## Not investment or financial product advice

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Magontec shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek financial, legal and taxation advice appropriate to their jurisdiction. Magontec is not licensed to provide financial product advice in respect of Magontec shares. Cooling off rights do not apply to the acquisition of Magontec shares.

## Financial data

All dollar values are in Australian dollars (A\$) unless stated otherwise and financial data is presented within the financial year end of 31 December 2019 unless stated otherwise. Any pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

## Past performance

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## Future performance

This Presentation contains certain "forward-looking statements". The words "expect", "should", "could", "may", "will", "predict", "plan", "scenario", "forecasts", "anticipates", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with the Company and the industry (including those set out below) which may affect the accuracy of the forward-looking statements. The Company does not undertake any obligation to release publicly any revisions to any forward looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## Investment Risk and other risks

Investment in Magontec shares is subject to investment and other known and unknown risks, some of which are beyond the control of Magontec Limited, including risk factors associated with the industry in which Magontec operates and risks specific to Magontec, such as: construction, development and operational risk associated with the Golmud Plant, fluctuations in magnesium alloy prices and exchange rates, risks associated with operating in China, financing risks, market price and demand risk and other risks generally relating to security investments.

## Not an offer

This document may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Securities in the Company have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States unless the securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration.

To the maximum extent permitted by law, Magontec and its respective advisers and affiliates, directors, officers and employees:

Make no representation or warranty, express or implied, as to the accuracy, reliability or completeness of information in the presentation; and

Exclude and disclaim all liability, for any expenses, losses, damages or costs incurred by you as a result of your participation in the proposed offering and the information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence of otherwise.



# Welcome to the Magontec Limited Annual General Meeting



## Changes to the AGM procedure for 2020



# Magontec 2020 AGM

A different AGM procedure:



## Date of 2020 AGM: Wednesday 29<sup>th</sup> July

- Live Audio Webinar: Formal AGM business presentation
- shareholder participation in electronic form
  - avoids meeting in a closed or limited environment
  - participation details on Magontec website

## Questions on Chairman's Address

- Send to: [nic.andrews@magontec.com](mailto:nic.andrews@magontec.com) by COB 24<sup>th</sup> July 2020
- responses on 29<sup>th</sup> July at formal AGM webinar

## AGM Voting process

- signed proxy voting form must be either
- lodged / delivered by post / faxed

Must be received by Boardroom Pty Limited by

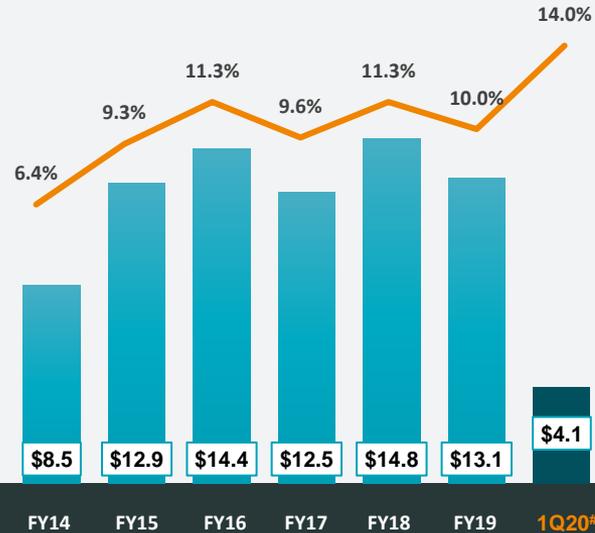
- **11:00 am Sydney time on Monday 27 July 2020.**

## 1Q 2020 & FY 2014-19 Gross Profit & Cash Flow

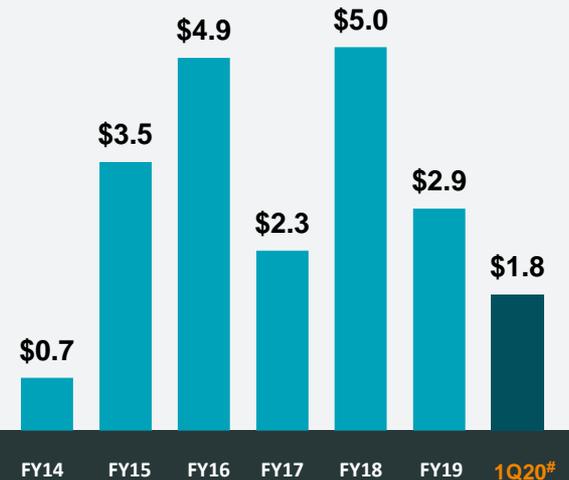
- Reversal expected in 3 months to 30 June 2020 (Second Quarter)
- Underlying Operating Cashflow to remain positive in 1H 2020



### Gross Profit (\$M) and GP margin



### Underlying Operating Cashflow (\$M)\*

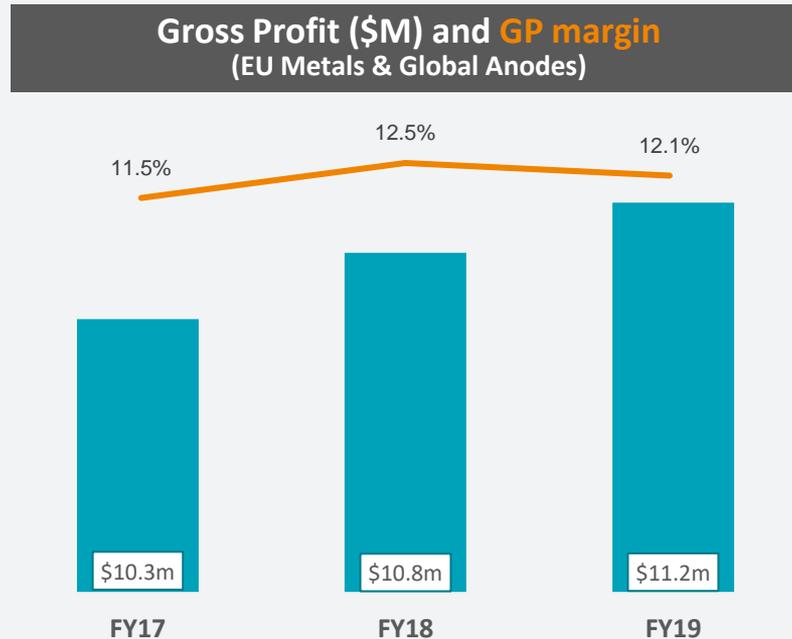


\* Operating cashflow excluding working capital movements, interest and tax payments

# Unaudited

## Performance by sector **excluding Qinghai project**

- Qinghai project masks underlying growth in European Metals and Global Anodes



### Anodes

- Global reach
- New markets
- New investment at Xi'an
  - Cost reduction
  - Increased competitiveness

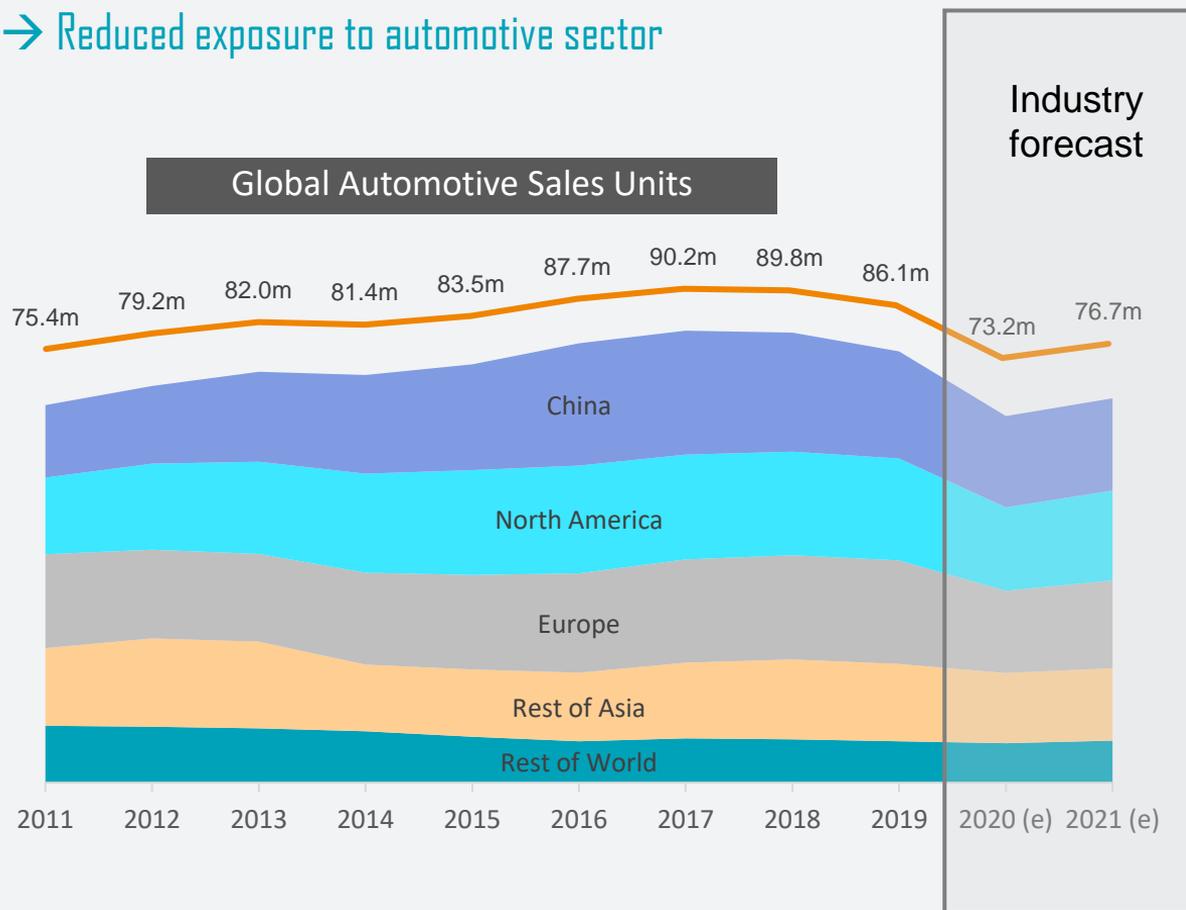


### European Metals

- New products
- Trend to higher margins
- Productivity improvements

# Global automotive unit sales 2011 - 2019 and 2020/2021 forecast

→ Reduced exposure to automotive sector



## 2020 global sales

- down -15%



## Modest recovery in 2021

- ~ +5%



## Magontec exposure reduced

- 35% of gross profit in 2019
- ~22% of gross profit in 2020 year-to-end May

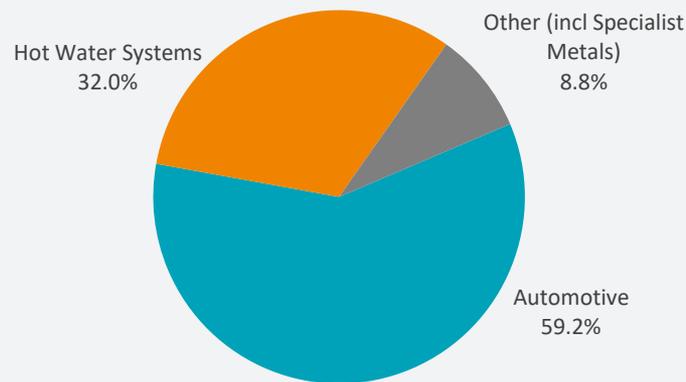


## Yearly auto sales estimates

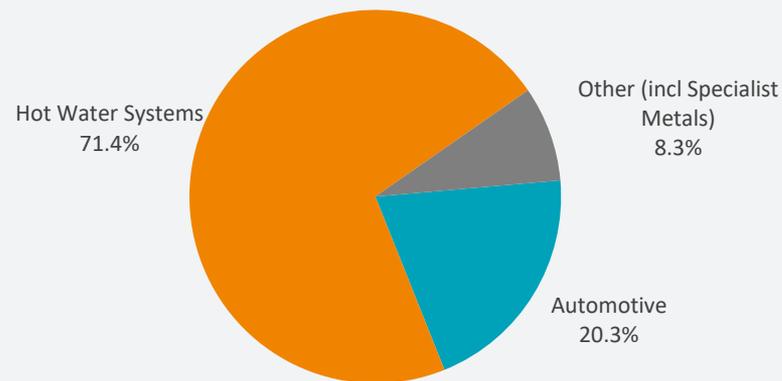
	Decline in 2020	Decline from peak (2017)
Global	-15%	-19%
China	-15%	-26%
North America	-18%	-20%
Europe	-21%	-20%
Asia ex-China	-9.1%	-7%

## The changing shape of Magontec's profit - FY 2019 Revenue and Gross Profit EXCLUDING Chinese primary magnesium alloys

Exposure to end customer industries by Revenue  
(excluding PRC primary Mg alloys)



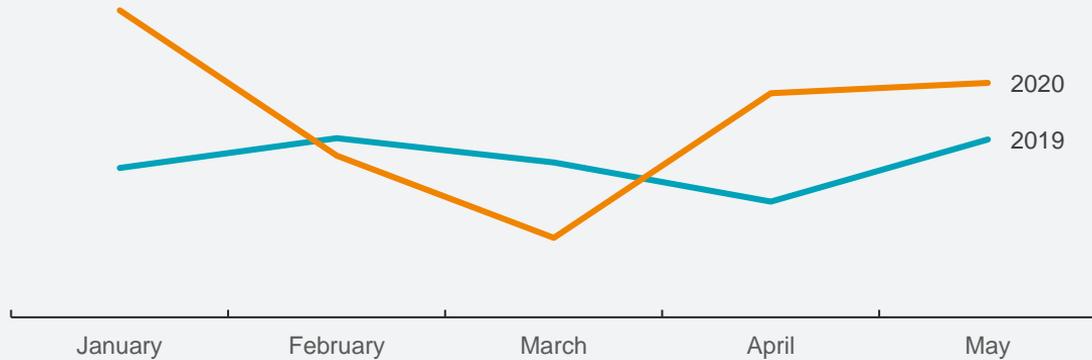
Exposure to end customer industries by Gross Profit  
(excluding PRC primary Mg alloys)



- "Hot Water" industry sales account for 32% of Revenue and 71% of Gross Profit
- "Automotive" industry sales account for 59% of Revenue and 20% of Gross Profit
- "Other" sales – including Speciality Metals - at 9% and rising on higher Gross Profit margins

## The Hot Water industry Magontec's largest customer by Gross Profit

Mg Anode Unit Sales Volumes  
5 Months to 31 May



### Critical industry

- a sanitary product
- new environment standards / subsidised
- ALL homes and businesses require a hot water system



### Hot Water demand profile

- 20% new buildings
- 80% replacement



### Factory closures

- Intermittent March to May
- Re-opening from June
- Recovering to higher level



## QSLM committed to re-starting magnesium project - Magontec expects Mg raw material to flow again

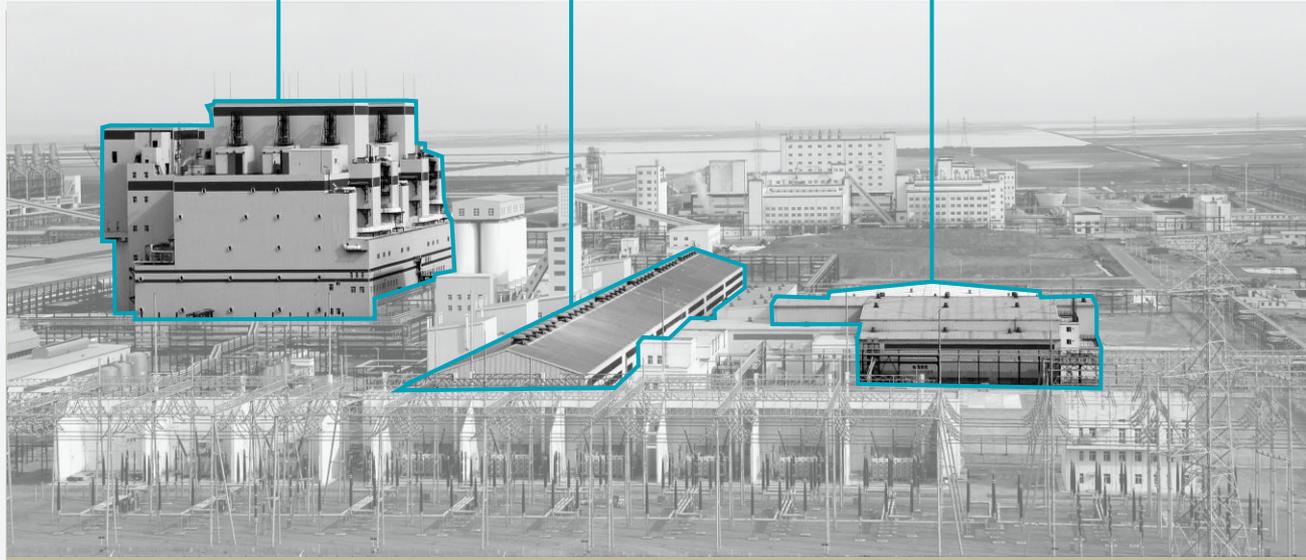
Dehydration



Reduction



Cast house



**Magontec Qinghai**  
PRC primary Mg alloys

- QSLM restructuring plan delayed due to COVID-19
- QSLM remains committed to Magontec
- MGL/QSLM Agreements remain in force
- No QSLM re-start in 2020
- QSLM's project remediation costs a fraction of original capital investment
- QSLM facilities operating at minimal output levels in 2020
- MAQ financial loss sustainable at this time
- MGL opportunity at Qinghai remains considerable

## Summary



- Mg anodes: Market leader in Europe, Asia & America
  - Hot water a resilient business in difficult times



- Mg alloys: Strong position in Europe
  - Automotive exposure a challenge in 2020



ASX Listed

MGL.AX

## Summary



- Mg anodes: Market leader in Europe, Asia & America
  - Hot water a resilient business in difficult times



- Mg alloys: Strong position in Europe
  - Automotive exposure a challenge in 2020



- Register consolidation
  - Reducing costs of managing the company



ASX Listed

MGL.AX

## Summary



- Mg anodes: Market leader in Europe, Asia & America
  - Hot water a resilient business in difficult times



- Mg alloys: Strong position in Europe
  - Automotive exposure a challenge in 2020



- Register consolidation
  - Reducing costs of managing the company



- Cash generation: Positive in 1H 2020
  - Underlying businesses strong and consistent



ASX Listed

MGL.AX



Thank you for your time today

Questions to: [nic.andrews@magontec.com](mailto:nic.andrews@magontec.com) by COB 24th July 2020

Annual General Meeting to be held at 11.00am on 29<sup>th</sup> July 2020

- See Magontec website for details ([www.magontec.com](http://www.magontec.com))

Proxy votes must be lodged by 11:00 am Sydney time on Monday 27 July 2020

Magontec Limited – Annual General Meeting  
(ASX: MGL)

21 July 2020