



MAGONTEC Limited  
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1 November 2024

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

Dear Sir/Madam,

### **Memorandum of Settlement with QSLM**

#### **Agreement to buy back and cancel 22.68m MGL shares held by QSLM representing 28.48% of MGL shares on issue**

Magontec Limited and Qinghai Salt Lake Magnesium Co Limited (QSLM) signed a Memorandum of Settlement (MoS) dated 31 October 2024 that addresses and resolves outstanding issues between the two companies.

The MoS is contingent on acceptance by a meeting of QSLM creditors and court approval of the resolutions of that meeting. The creditors meeting is scheduled to take place on 6 November 2024 in Xining, Qinghai province PRC, and court approval of the meetings resolutions is expected shortly thereafter.

On acceptance of the MoS by the creditors of QSLM and the Xining, PRC court, Magontec will notify shareholders of its intention to hold an Extraordinary General Meeting. At that EGM shareholders will be asked to approve the buyback and cancellation of shares held by QSLM in Magontec Limited.

#### **Summary of the terms of the MoS**

##### **Memorandum of Settlement Summary**

- MGL agrees to swap all its current and future potential claims against QSLM for all the MGL FPO shares held by QSLM.
- All debts payable to QSLM by Magontec and its subsidiaries, are cancelled.
- MGL agrees to transfer ownership of all fixed assets owned by its Qinghai subsidiary, Magontec Qinghai Co Ltd, to QSLM for zero cash consideration.
- Each party agrees to irrevocably waive all rights of action, objection or arbitration and to withdraw all claims.
- Mr Li Xing Cai, the representative of QSLM on the Board of MGL, will resign and the right to further QSLM Board representation will expire



## Effect of buyback and cancellation

MGL:AX has issued capital of 79,643,766 Fully Paid Ordinary (FPO) shares as at the date of this release. Subject to shareholder approval at an EGM, to be called immediately after the conditions precedent to the MoS have been met, issued capital will reduce by 22,681,940 FPO shares, representing 100% of the shares held by QSLM in Magontec Limited. QSLM is currently Magontec's largest shareholder with 28.48% of the issued FPOs.

Proforma Effect of Buyback and Cancellation on Net Tangible Assets per Share		
Shares on Issue	1 November 2024	79,643,766
Shares held by QSLM	1 November 2024	22,681,940
Shares on Issue	After EGM* (buyback and cancel)	56,961,826
NTA per Share	30 September 2024	57.2 cents**
NTA per Share	After EGM (buyback and cancel)	80.0 cents

\*To be held as soon as possible after ratification of creditors meeting by PRC court  
\*\* Unaudited

## Background

In 2012 and 2014 Magontec and QSLM entered into several Agreements that, inter alia, committed Magontec to the construction and operation of a magnesium alloy cast house at Golmud in Qinghai province and committed QSLM to the production and sale to Magontec of low emission pure magnesium from its electrolytic magnesium smelter under construction on the same site.

In the intervening period QSLM has been through a process of restructuring and by July of 2024 its electrolytic magnesium smelter had been unable to commence production or supply Magontec's cast house facility under the terms of the Agreements. Through this period, and because of the abrupt termination of the Agreements by QSLM, several claims have arisen between the two parties.

Both parties indicated a desire to affect a speedy resolution of these issues without resorting to lengthy and expensive legal processes in Australia or China. This MoS satisfies those objectives.

This notice follows on from a release made on 26 July 2024 notifying shareholders of QSLM's actions and the purported termination of the agreements between the two parties.

Nicholas Andrews

CEO and Executive Chairman

**Dean Taylor, Company Secretary of Magontec Limited has authorised the release of this document to the market on 1 November 2024.**