



Limited

## NOTICE OF ANNUAL GENERAL MEETING

This document constitutes the Notice of Meeting for the 2016 Annual General Meeting of Magontec Limited (ACN 010 441 666).

The thirty-third Annual General Meeting of Magontec Limited (ACN 010 441 666) (the “Company”, “Magontec” or “MGL”) will be held in the “Kirrallaa” room Level 2 of the Grace Hotel 77 York Street (corner York and King Streets) Sydney NSW on Wednesday 11 May 2016 at 11.00 am (Sydney time). The Annual Report is available for viewing on the Company’s web site at the following web address: <http://mgl.live.irmau.com/IRM/content/AnnualReport/2015/>

The business to be dealt with at the Meeting is:

### ORDINARY BUSINESS

**ITEM 1: Financial Report, Directors’ Report and Auditor’s Report** (Refer “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 2015 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 2015.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by key management personnel or their closely related parties. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, and the Chair has received express authority to vote undirected proxies as the Chair decides.

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

**Resolution 3** “That Mr Willie Andre Labuschagne, who is retiring and standing for re-election in accordance with clause 12.3(b)(iv) of the Constitution of the Company, and being eligible, is re-elected as a Non-Executive Director of the Company, effective from the close of the Annual General Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Straits Mine Management Pty Ltd. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**ITEM 4: Refresh Approval of additional 10% Placement Facility under Listing Rule 7.1 (special resolution)** (Refer to “Explanatory Notes” at the foot of this Notice)

**Resolution 4** To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

**“That, for the purpose of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of additional Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, for the purpose and on the terms set out in the Explanatory Statement.”**

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who may participate in the issue of Equity Securities under the Additional 10% Placement Facility and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on this resolution by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## 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 9 May 2016 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, 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 9 May 2016 being not less than 48 hours before the time for holding the meeting.

## EXPLANATORY NOTES

### ITEM 1: Financial Report and Directors' Report and Auditor's Report for the twelve-month reporting period ended 31 December 2015.

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 2015** 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 2015 (advisory only resolution)

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 2015** is to be adopted. Shareholders should note, however, that this is an "advisory only" resolution, which does not bind the Directors of the Company.

**The Board recommends that shareholders vote in favour of Resolution 2.**

### ITEM 3: Re-election of Director – Mr Willie Andre Labuschagne (ordinary resolution)

Mr Willie Andre Labuschagne was initially appointed to the Board of the Company by Directors on 22 January 2014. He was subsequently elected to the Board by shareholders as a Non-Executive Director at the Annual General Meeting on 29 May 2014.

Clause 12.3 of the Company's Constitution states -

#### **"12.3 Retirement and election of Directors**

- (a) A Director must not hold office without re-election:
- (i) past the third annual general meeting following the Director's appointment or last election; or
  - (ii) for more than three years, whichever is the longer.
- (b) There must be an election of Directors at each annual general meeting of the Company. This can be satisfied by one or more of the following so long as the maximum number of Directors under article 12.1 is not exceeded:
- (i) a person standing for election as a new Director having nominated in accordance with article 12.6;

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(ii) any Director who was appointed under article 12.7 standing for election as a Director;

(iii) any Director who is retiring at the end of the annual general meeting due to the tenure limitation in article 12.3(a), standing for re-election; or

(iv) if no person or Director is standing for election or re-election in accordance with paragraphs (i), (ii) or (iii), then the Director who has been a Director the longest without re-election must retire and stand for re-election. If two or more Directors have been a Director the longest and an equal time without re-election, then in default of agreement, the Director to retire will be determined by ballot.”

Mr Labuschagne will retire and stand for re-election at the meeting in accordance with clause 12.3(b)(iv) above. Under clause 12.6 (a) of the Constitution, the resolution to appoint Mr Labuschagne is not required to be preceded by a shareholder nomination.

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

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### ITEM 4: Refresh Approval of additional 10% Placement Facility under Listing Rule 7.1 (special resolution)

#### 4.1 Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities of up to 10% of its issued ordinary share capital through placements over a 12 month period following the entity’s annual general meeting (**Additional 10% Placement Facility**). The Additional 10% Placement Facility is in addition to the Company’s 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less, as at the time of the entity’s annual general meeting. The Company is an eligible entity as at the time of this Notice of Annual General Meeting and is expected to be an eligible entity as at the time of the Annual General Meeting.

This resolution seeks Shareholder approval to enable the Company to issue Equity Securities under the Additional 10% Placement Facility throughout the 12 months after the Annual General Meeting. The effect of this resolution will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period as set out below.

This resolution is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that the Company may issue under the Additional 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.2(b) of this Notice of Annual General Meeting below). The Company is seeking a mandate to issue securities under the Additional 10% Placement Facility to enable the Company to pursue its growth strategy and to act quickly as potential business opportunities arise.

#### 4.2 Regulatory Requirements

In compliance with the information requirements of Listing Rule 7.3A, Shareholders are advised of the following information:

(a) **Minimum Issue Price**

Equity securities issued under the Additional 10% Placement Facility must be in the same class as an existing class of quoted Equity Securities of the Company. As at the date of this Notice of Annual General Meeting, the Company has on issue one class of Equity Securities, namely Ordinary Fully Paid Shares.

The issue price of Equity Securities issued under the Additional 10% Placement Facility must not be lower than 75% of the VWAP for securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

i. the date on which the Equity Securities are issued; or

(ii) the date on which the price of Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.

(b) **Dilution**

As at the date of this Notice of Annual General Meeting, the Company has 1,127,311,901 Shares on issue. If Shareholders approve this resolution the Company will have the capacity to issue a maximum of approximately 112,731,190 Equity Securities under the

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Additional 10% Placement Facility in accordance with Listing Rule 7.1A.

The precise number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the following formula:

**(A x D) – E**

- A is the number of fully paid shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - (b) plus the number of partly paid shares that became fully paid in the 12 months;
  - (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4;
  - (d) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

If this resolution is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below to the extent Shareholders do not receive any Shares under such issues. There is a risk that:

- i. the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- ii. the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new investment,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice of Annual General Meeting.

The below table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

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Variable "A" in Listing Rule 7.1A.2	Issue price	Dilution		
		\$0.0250 Base Issue Price	\$0.0125 50% decrease in Base Issue Price	\$0.0375 50% increase in Base Issue Price
<b>Current Variable A</b>				
1,127,311,901	Shares issued	112,731,190	112,731,190	112,731,190
		New Shares	New Shares	New Shares
Shares	Funds raised	\$2,818,280	\$1,409,140	\$4,227,420
<b>50% increase in current Variable A</b>				
1,690,967,852	Shares issued	169,096,785	169,096,785	169,096,785
		New Shares	New Shares	New Shares
Shares	Funds raised	\$4,227,420	\$2,113,710	\$6,341,129
<b>100% increase in current Variable A</b>				
2,254,623,803	Shares issued	225,462,380	225,462,380	225,462,380
		New Shares	New Shares	New Shares
Shares	Funds raised	\$5,636,560	\$2,818,280	\$8,454,839

**The table has been prepared on the following assumptions:**

1. The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Facility.
2. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
3. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
4. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The Base Issue Price is \$0.025, being the closing price of the Shares on ASX on 28 March 2016.

(c) **Details of all issues of Equity Securities in the 12 months Preceding the Meeting**

The Company obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting on 8 May 2015 for the issue of Equity Securities, and the following Equity Securities were subsequently issued:

Issued To	Date of Issue	No. of Shares Issued	Issue Price	Issued in Terms of
Martin Tauber	12 May 15	5,256,468	\$0.0150	Under the Company's Executives Securities Issue Plan and in terms of Resolution 10(a) of the 2012 Annual General Meeting.
Xunyou Tong	12 May 15	6,329,620	\$0.0150	
Total shares issued (A)		11,586,088		
Total shares on issue on 11 May 2015 (B)		1,115,725,813		
Percentage A is of B		1.038%		

(d) **Issue Period**

If Shareholders approve this resolution, the Company will have a mandate to issue Equity Securities under the Additional 10% Placement Facility under Listing Rule 7.1A from the date of the Annual General Meeting until the earlier of the following to occur:

- i. the date that is 12 months after the date of the Annual General Meeting; and
- ii. the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(referred to as "the **Additional 10% Placement Period**").

The Company will only issue Equity Securities under the Additional 10% Placement Facility during the Additional 10% Placement Period. Further, the approval under this resolution for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2, a significant change to the nature or scale of activities; or Listing Rule 11.2 (disposal of main undertaking).

**NOTICE OF ANNUAL GENERAL MEETING****(e) Purpose of Issues**

The Company may seek to issue the Equity Securities for the following purposes:

- i. non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- ii. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), and/or general working capital.

The Company will provide further information at the time of issue of any Equity Securities under the Additional 10% Placement Facility in compliance with its disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A.

**(f) Allocation Policy**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Placement Facility. The identity of the persons to whom Equity Securities will be issued will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- i. the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issues in which existing security holders can participate;
- ii. the effect of the issue of the Equity Securities on the control of the Company;
- iii. the financial situation and solvency of the Company; and
- iv. advice from corporate, financial and broking advisers (if applicable).

The persons to whom Equity Securities will be issued under the Additional 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders.

Further, if the Company is successful in acquiring new investments, it is likely that the persons to whom Equity Securities will be issued under the Additional 10% Placement Facility will be the vendors of the new investments.

The persons to whom Equity Securities will be issued under the Additional 10% Placement Facility will not include related parties of the Company.

**(g) Voting exclusion statement**

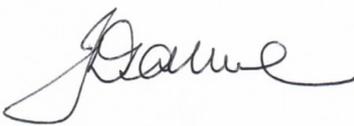
A voting exclusion statement for Resolution 4 is included in the Notice of Annual General Meeting preceding this Explanatory Statement.

At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. Accordingly, the proposed persons to whom any Equity Securities may be issued under the Additional 10% Placement Facility are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in a possible issue (as is the case in respect of any Equity Securities issued under the Additional 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

**Board Recommendation**

**The Board believes that the Additional 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Board unanimously recommend that Shareholders approve Resolution 4.**

By order of the board.



**J Talbot**  
Company Secretary  
28 March 2016

**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.