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10 May 2016

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

Dear Sirs,

Magontec Limited – Executive Chairman’s Address to 2016 Annual General Meeting to be held on Wednesday 11 May 2016 11:00am

Attached (below) is the content of the Executive Chairman’s address to be delivered at the Company’s 2016 AGM.

The slides referred to in the body of the Executive Chairman’s 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.

Yours sincerely



Mr John Talbot
Company Secretary
Magontec Limited

EXECUTIVE CHAIRMAN'S ADDRESS To 2016 ANNUAL GENERAL MEETING of MAGONTEC LIMITED

Ladies & Gentlemen

The slides that I will show and the text of my presentation are now available on the Magontec and ASX websites. The presentation on the Magontec website also includes an Appendix providing a bit more background information.

Let me start my address by reflecting on the progress that Magontec has made in 2015 and, more generally, over the last three years.

Since 2013, when Magontec signed a Cooperation Agreement with the Qinghai Salt Lake Magnesium Co Ltd (QSLM) and commenced a capital raising process, we have focused our efforts in two areas:

- Preparing for and then constructing the 56,000 mtpa Magnesium Alloy Cast House at Golmud in Qinghai Province; and
- Restoring the competitiveness of existing primary alloy, alloy recycling and magnesium and electronic anode operations in China and Europe.

In 2015 and continuing into the first quarter of 2016 we have advanced considerably towards both these objectives.

At Golmud we have progressed as quickly as events on the ground have allowed. Suffice to say the construction of the electrolytic magnesium smelter by Qinghai Salt Lake Magnesium Limited is a large and complex project. There have been challenges through the construction phase that have caused delays, both in the project itself and in supply of essential utilities to Magontec. This has temporarily constrained our ability to fully commission already installed cast house capacity. I will speak more about the Magnesium Alloy Cast House Project in a moment.

Elsewhere, we have addressed many of the critical issues that challenged our operations in 2013 and 2014. In common with businesses all over the World we operate in highly competitive markets and in a globalised industry. This means that we are often dealing with trade and competition issues that would not arise in a domestic market environment.

The most obvious response is to simply offer the lowest cost and the highest quality product and we have made strenuous efforts to do just that.

But we have also taken the strategic decision to withdraw from markets where non-market or extraordinary trade issues have temporarily eroded our competitiveness and, rather, turn to the development of products that move us away from the commodity end of our industry. This has short-term costs but will improve the overall and longer-term competitiveness and flexibility of our business.

When the Magnesium Alloy Cast House comes on stream it will provide Magontec with access to a much more competitively priced raw material and we intend to use this leverage to re-engage in markets where we have hitherto been unable to compete.

As a result of on-going investment in our primary magnesium alloy and recycling businesses through 2014 and 2015, Magontec is already among the most competitive magnesium alloy and anode production companies in the World. We now have a robust operating platform in both alloys and anodes that will be further strengthened when the Qinghai Cast House project comes on stream.

Over the last two years Magontec has also invested considerable funds and efforts in the development of new magnesium alloys for new applications. These alloys are proprietary to Magontec and target applications in a variety of industrial sectors including automotive, telecommunications and the solar power generating industry.

The combination of these attributes;

- Access to a low cost and low carbon raw material source,
- A competitive production platform and
- New magnesium materials proprietary to Magontec,

represent a formidable arsenal in our battle to be the World's leading magnesium alloy and anode manufacturer by profitability and volume.

Refer Slide 4 at foot of address

I showed this slide last year. It states our two objectives, as I have already described.

At Qinghai we have now invested around 60% of the total capex budget and we expect to complete the project within our expenditure targets.

In a few weeks we will have our first line hot commissioned and by October this year we expect to have 44,000 out of 56,000 mtpa of production capacity hot commissioned.

Our second objective has been to drive costs down to increase competitiveness and raise barriers to entry.

On the right of this slide there is a list of "conversion cost" changes through 2015. These are the costs of converting our raw material, pure magnesium and other alloying materials, to magnesium alloys and anode products. We have made good progress here and plan to make further progress this year.

These improvements arise as a result of the ingenuity of our employees and the investment we have made in restructuring our production units to streamline processes and reduce handling costs.

Refer Slide 5 at foot of address

I want to spend a little time on the 2015 result and the first quarter of 2016 to explain the progress that has been made in the last 15 months.

The rise in gross profit comes from the improvement in conversion costs as well as from a declining raw material cost, which had a positive effect on margins. In 2016 this trend has not been so favourable, indeed pure magnesium prices have increased 25% in the first four months of this year.

As with all results there are swings and roundabouts. We had a much-reduced contribution from “other income” and a very large impairment effect as a result of the closure of the Suzhou recycling factory and negative adjustments arising from a tax audit of the Romanian operations and a management instigated audit of fixed assets in Romania.

In reality while the reported 2015 Net Profit Before Tax was much improved on 2014, these other impacts disguised a considerably better underlying result.

Refer Slide 6 at foot of address

That underlying result is displayed in this chart, which shows the Net Profit Before Tax on the bottom and the various positive and negative contributions such as foreign exchange, doubtful debts in China (which we are still pursuing), the adjustments to the Romanian assets (\$88,000), tax adjustments and penalties as a result of the Romanian tax audit (\$155,000) and Chinese factory closure costs backed out. Adjusting for these contributions, most of which were non-cash, the Net Profit Before Tax would have been \$1.135 million, a \$1.9 million improvement on the result for 2014.

Refer Slide 7 at foot of address

In 2015 the EBIT contributions from both businesses also reflect the strong improvement. In magnesium alloys this came principally from our Chinese activities. In 2016 we expect a further improvement from our European recycling operations where the installation and commissioning of new equipment took longer and was more problematic than we had anticipated.

There was a strong improvement in both China and Europe in magnesium anodes and the electronic anodes business continued to grow from an already established position. In 2016 and 2017 we anticipate further improvements from these business units as we continue to invest in new equipment and target new market segments.

Refer Slide 8 at foot of address

Finally I wanted to update you on the progress that we have made in the first quarter. While revenue has declined by 8% the Gross Profit has improved again, up 23% on 2015. The Gross Profit Margin is thus also improved at 12% against 9% this time last year, a good indication of the strengthening nature of our underlying business.

The revenue decline on the previous corresponding period reflects in part a lower price for pure magnesium (our raw material) and in part the closure of the Suzhou recycling facility and the associated reduction in total activity.

Refer Slide 9 at foot of address

Adjusting for the impact of foreign exchange, which is always a big swing factor for Magontec, and other income, the underlying 2016 first quarter improvement in profitability at the EBIT line is about 37%.

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As we look forward to the rest of this year and next, these are the critical issues for Magontec.

In primary magnesium alloys we want to be commissioned and have commenced qualification of our new cast house as quickly as possible. We will be ready to do this from June this year but will have to wait on raw material supply from QSLM.

A cautious approach is warranted as we look forward to the Qinghai electrolytic facility as the commissioning processes for the dehydration and reduction plants, the major pure magnesium manufacturing units, have only just begun and we cannot know what issues may arise in the coming months.

In the meantime we will seek to further improve our conversion costs at our Shanxi primary magnesium alloy production facility and expect to start volume production of AE family alloys this year.

In Europe we anticipate further growth in overall volumes for our two recycling plants, although a growing tendency to ship scrap from Western Europe to the USA is currently negatively impacting volumes in Germany.

Elsewhere in the World we will keep a close eye on future recycling opportunities. While recycling can be a difficult business and is certainly lower margin, it is essential that we offer this service if we are to persuade our customers to adopt magnesium applications in place of aluminium and other metals.

In the anodes business we will continue to invest in automation and expect production economics to be further enhanced as we add volumes in the USA and the Middle East, recover business lost through the GFC and expand our business through new product development.

Refer Slide 11 at foot of address

Moving on to the Magontec Qinghai Magnesium Alloy Cast House Project I want to share with you some recent photos and observations.

Refer Slide 12 at foot of address

As shareholders will recall our partner, QSLM, is building the World's largest electrolytic magnesium smelter at Golmud in Qinghai Province PRC.

The initial capacity will be 100,000 mtpa but in the future QSLM have indicated that they may expand capacity to 450,000 mtpa in the future.

The Qinghai project has been constructed to an environmental 'gold standard'. The CO2 emissions in the manufacture of Qinghai pure magnesium will be lower than for any magnesium ever produced and the commissioning process has commenced.

As you are aware, Magontec has a series of agreements that guarantee our position as the exclusive manufacturer of magnesium alloys at the Qinghai site with an initial production capacity of 56,000 mtpa from our own cast house equipment.

This will provide Magontec with a strong marketing advantage in the years ahead as there is no equivalent magnesium project currently proposed anywhere in the World.

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This is a photo of the site taken at the end of last year. I was in at the site last month and much progress has been made since that time. There are actually four main processing buildings but only three are visible here.

In this picture we can see the dehydration unit on the left. This production receives magnesium and chlorine brine and converts that into magnesium pellets.

The pellets are transferred to the reduction unit, which removes impurities and delivers pure magnesium to the Magontec cast house for alloying and casting into magnesium alloy ingots.

So the material flow is from left to right.

Refer Slide 14 at foot of address

This second photo shows the inside of the Magontec cast house in its current state and the installed casting lines 2, 3 and 4 together with the alloying and holding furnaces.

I realise these pictures can be hard to understand at first glance but I thought it important to show you where some of the capital that we raised two years ago has been invested.

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Finally, in this photo you can see the first of two cooling, stacking and wrapping equipment lines. The second line, for casting belts 3 & 4 will be installed by August and commissioned in October.

In the background is the Control Room. A feature of the Magontec cast house will be the high levels of automation. It will be highly efficient with the annual

production per employee to rise by over 4 times compared with our current facility, itself already an efficient plant compared with its Chinese peers.

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So our timetable currently looks something like this.

The first casting line, together with its ancillary equipment, is now installed and is expected to be hot commissioned in the next few weeks, if not days.

The next two casting lines have been installed and, together with the ancillary equipment, will start commissioning in the third quarter of this year.

The final casting line will be installed in the fourth quarter bringing our total installed capacity by the end of 2016 to 56,000 mtpa.

In the red dotted box on this slide is the planned commissioning timetable for the dehydration and reduction units. These are the responsibility of QSLM.

As I have already remarked, QSLM's plant involve highly complex production units, far more complex than Magontec's cast house. At this stage it is impossible to tell what issues may arise in the commissioning phase of the QSLM plant.

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To finish with I wanted to talk a little more about our research and development activities. As I mentioned at the beginning we have continued to put a big effort into this aspect of our business and we expect to expand our efforts in the years ahead.

Our partners in Qinghai are also very keen to see new magnesium alloys and new applications and we are in the early stages of planning a new R&D centre in China to be manned and funded by both companies.

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I thought it would help to take you through four case studies that show existing applications that use Magontec proprietary alloys and some potential future applications.

The first slide shows the Porsche Panamera valve cover and timing chain case. Porsche chose to use Magontec's AE44 alloy because it offered them a weight reduction of between 32% and 47%, which equates to about 6.5 kilograms.

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In 2015 production of a new gear box housing started at Handtmann, a German Tier 1 die caster, using a new generation of Magontec's AE alloy, AE44-2.

This is a cheaper and higher performing alloy using only 2 rare earth components and offering Audi, the current customer, a 31% or 2 kilogram weight saving per unit of production.

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A very productive research project has focused on lightweight magnesium alloy power tool applications.

There are millions of these engines made each year for a variety of companies around the World and, with our partner, we expect to see production for the first of these applications next year.

In this research project we have also identified some new alloy characteristics that improve mechanical properties through heat treatment.

That has allowed us to submit a proposal to a major electronics firm seeking a lightweight solution for its mobile phone transmission units.

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The critical metric, other than weight, was thermal conductivity.

Our new generation AE alloys have been formulated to match the requirements of our new customer to maximise thermal conductivity as well as die casting and corrosion properties.

In this first chart we compare thermal conductivity performance of Magontec proprietary alloys (in green) with generic magnesium alloys (in grey) and a benchmark aluminium alloy (in purple).

And in this lower chart we compare the corrosion properties of our new foremost alloy candidate with other magnesium alloys and a benchmark aluminium alloy.

For us these are very exciting results and have the potential to open up a variety of new opportunities.

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These include telecom transmission units, consumer electronics, LED lighting, solar inverters and electric vehicles among many others.

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I would like to conclude my remarks by making the following observations.

Magontec has continued to recover its competitiveness in 2015 and, in the absence of an adverse event, we anticipate this will continue in the current year. Certainly our debt levels are now very manageable and we expect them to improve further in the lead-up to and after the commencement of production at Qinghai.

While the Qinghai commissioning process is now underway, I am keen for shareholders to be cautious in their expectations, as this is a complex project and there is scope for delay.

However, when the Qinghai plant does come on stream we expect it to have a very positive effect on Magontec profitability.

Finally, the AE family of alloys offer Magontec a very exciting opportunity to grow the number of applications that can use magnesium alloys, in the automotive industry and many others.

That concludes my remarks on our business and the results for the 2015 year.

Nic Andrews
Executive Chairman
Magontec Limited
10 May 2016

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Presentation to Magontec shareholders
2016 Annual General Meeting

Magontec Limited (MGL)
11 May 2016

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Magontec 2015 review / 2016 outlook



Magontec Qinghai – progress report



Research & Development



Appendix - Magontec & Mg alloys overview

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Magontec 2015 review / 2016 outlook

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Corporate Strategy

The efforts of the company have been directed at executing its key corporate objectives

1 Establish a competitive and reliable raw material source



Magontec Qinghai

- 60% of capex budget invested
- 14k mtpa capacity in June 2016
- 44k mtpa capacity by Oct 2016
- 56k mtpa capacity by end 1Q 2017

2 Drive costs down through investment in automation

- improve competitiveness
- raise barriers to entry



Non-Qinghai capex in 2014/15 = A\$3.1m

Conversion cost reductions:

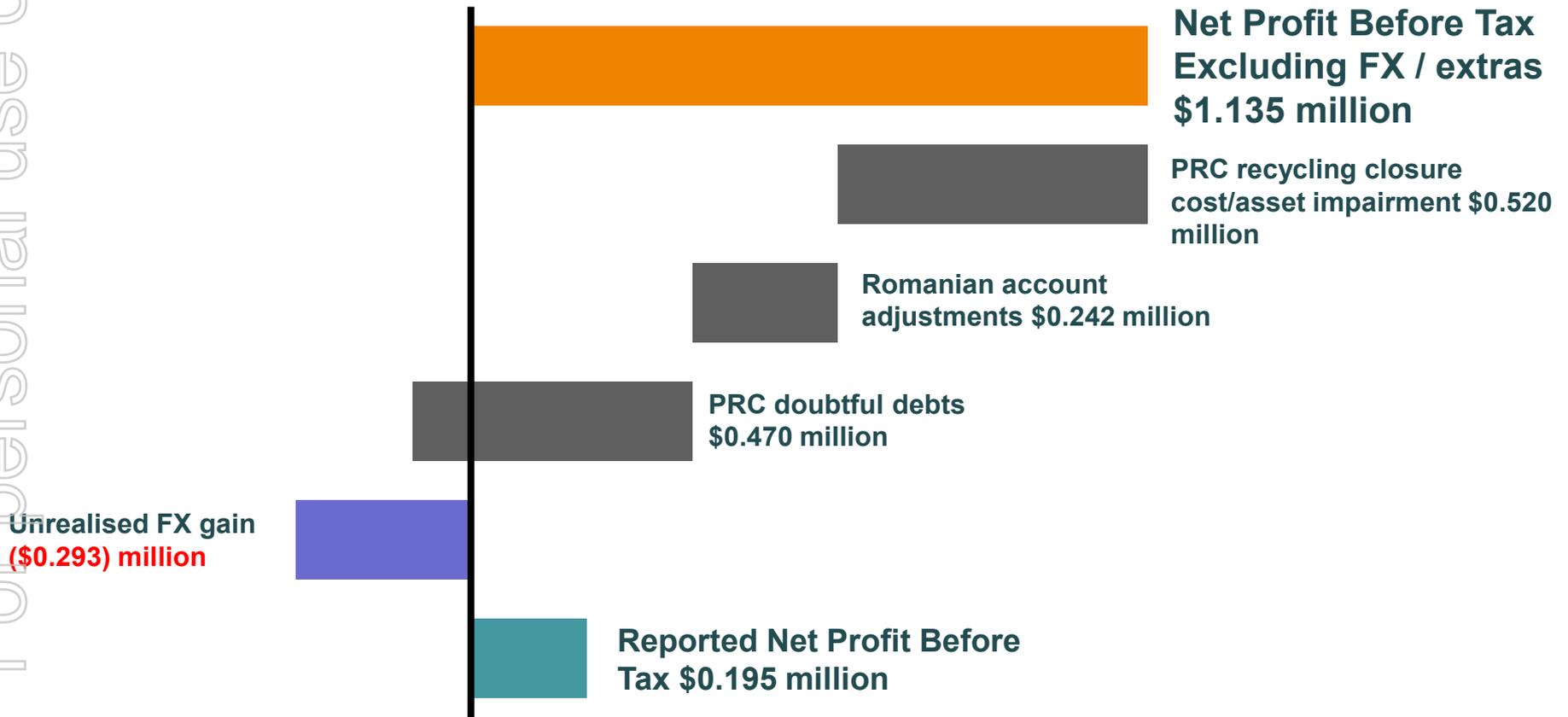
- | | | |
|------------------|-----|----------|
| - Recycling | EU | Down 25% |
| - Primary alloys | PRC | Down 10% |
| - Mg anodes | PRC | Down 30% |
| - Mg anodes | EU | Up 10% |

Magontec Limited – 2015 and 2014 Annual Profit and Loss

(A\$ '000)	CY 2015	CY 2014	% Change
Sales revenue	\$139,758	\$133,283	5%
Cost of sales	(\$126,824)	(\$124,789)	2%
Gross Profit	\$12,934	\$8,495	52%
Gross Profit Margin	9.3%	6.4%	
Other income	\$908	\$1,797	-49%
Impairment of inventory, receivables & other financial assets	(\$881)	(\$247)	257%
Interest expense	(\$1,291)	(\$1,127)	15%
Foreign exchange gain/(loss)	\$771	\$297	160%
Expenses	(\$12,246)	(\$10,648)	15%
Profit/(Loss) before income tax expense	\$195	(\$1,434)	-114%
Income tax (expense)/benefit	(\$150)	(\$230)	-35%
Profit/(Loss) after income tax expense	45	(\$1,664)	-103%

Impact of Extraordinary Items on CY2015 result

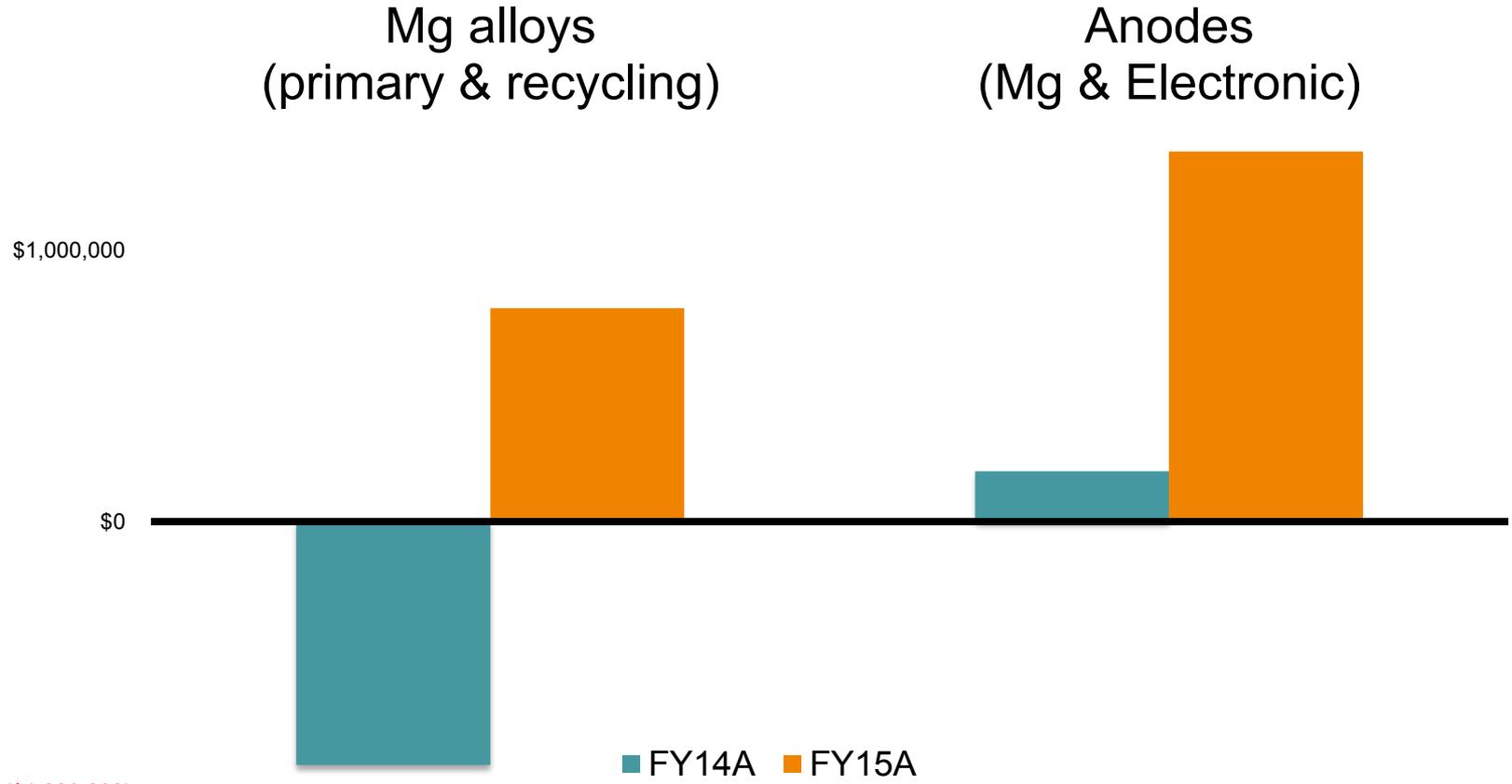
A \$1.9 million improvement in Net Profit Before Tax



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Business unit EBIT - FY14 and FY15 Actual

EBIT contribution improvement in all businesses - particularly PRC alloys and EU Mg anodes (excluding other income and FX effects)



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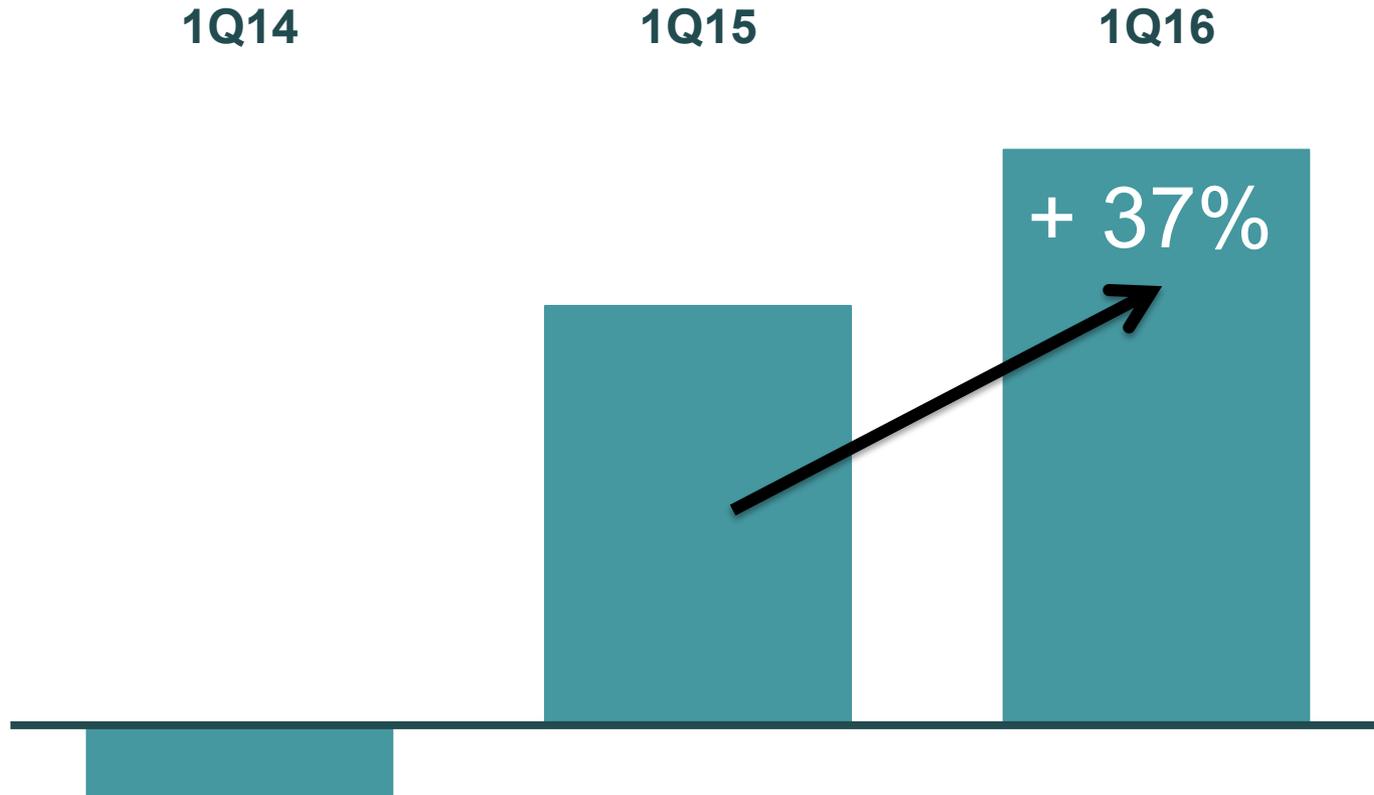
(\$1,000,000)

Magontec Limited – 1Q 2016 v 1Q 2015 Profit and Loss

(A\$ '000)	1Q 2016	1Q 2015	% Change
Sales revenue	\$31,375	\$34,147	-8%
Cost of sales	(\$27,611)	(\$31,079)	-11%
Gross Profit	\$3,764	\$3,068	23%
Gross Profit Margin	12.0%	9.0%	
Other income	\$127	\$43	194%
Impairment	\$0	\$0	
Interest expense	(\$298)	(\$295)	1%
Foreign exchange gain	\$281	\$196	43%
Expenses	(\$3,224)	(\$2,675)	21%
Profit/(Loss) before income tax expense	\$650	\$337	93%
Income tax (expense)/benefit	(\$78)	(\$86)	-9%
Profit/(Loss) after income tax expense	\$571	\$251	128%

Magontec Limited – Reported EBIT change: 2014 - 2016

1Q EBIT profile excluding foreign exchange, impairment and other income



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2016/17 outlook

PRIMARY ALLOYS

- Commission Mg alloy casting lines (MAQ)
- Qualification for commercial supply (MAQ)
- Preparation for increased metal sales volume
- Continued conversion cost reduction
- AE family alloy mass production in China

- On schedule for 44kmtpa in 2016
- Starts after commercial production
- Marketing focus
- Shanxi plant management
- New alloying techniques

RE-CYCLING

- EU recycling – MAQ impact
- German recycling – short-term issues
- N America recycling options
- China/other Asia strategy

- Increase in scrap volumes
- Regional volumes shrinking
- Enhance primary alloy offering
- Recycling requirement

CCP (anodes)

- Production costs declining in PRC
- Development of ICAS in Asia
- ICAS platform technologies

- Automation program in 2016
- US customers/increase volumes
- Demand now rising quickly
- S-Patron, other applications

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Magontec Qinghai – progress report

Magontec Qinghai Project

The Qinghai Magnesium Project nears completion

Qinghai Salt Lake Magnesium Co Ltd are building

- 100,000 mtpa capacity electrolytic magnesium smelter using technology acquired from Norsk Hydro
- World's most environmentally friendly Mg project
- Commissioning now underway

Magontec has signed 3 agreements with QSLM

- Magontec Qinghai will have 56,000 mtpa magnesium alloy production capacity
- Exclusive Mg alloy manufacturer
- An Off-take Price Agreement
- An Operating Agreement
- A 10+10 year Lease Agreement

Dehydration units

Reduction

Cast house



Material flow

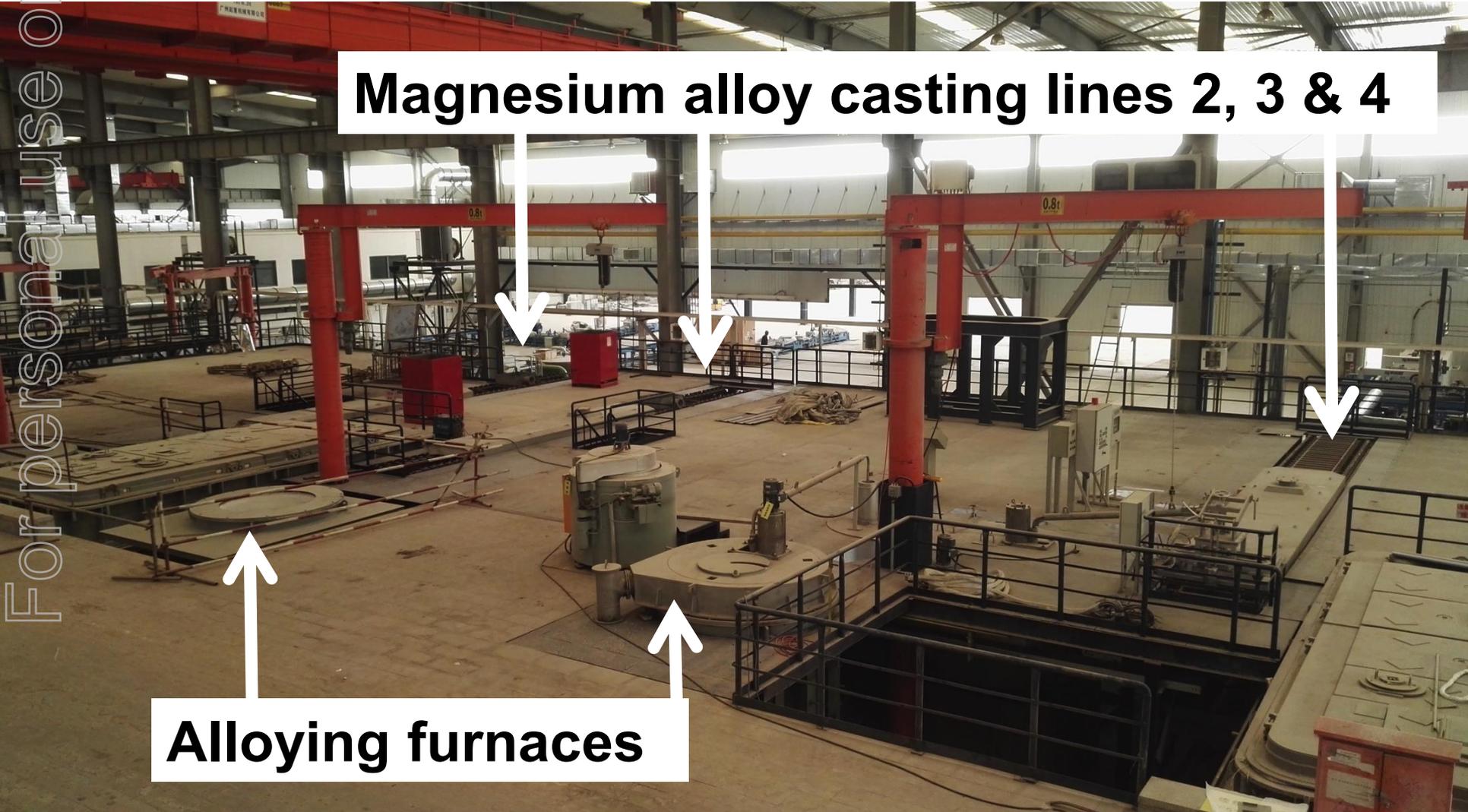
Magontec Qinghai Project

- 3 Magontec casting lines installed by June 2016 (44k mtpa capacity)
- 4th casting line in 4Q 2016

Magnesium alloy casting lines 2, 3 & 4

Alloying furnaces

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Magontec Qinghai Project

- Cooling, polishing and stacking units



Qinghai timetable – Magontec and QSLM – current estimate

Q1	Magontec Phase A equipment acquired and on-site (Line 1 – 14k mt)	2015
Q3	Magontec Phase A equipment installation	
Q1	Magontec Phase A ‘cold’ commissioning	2016
Q1	Magontec Phase B equipment arrives on site (lines 3 & 4 – 28k mt)	
Q2	Magontec Phase A ‘hot’ commissioning	
Q2	QSLM Dehydration units & electrolysis cell house completion	
Q2	QSLM Commissioning phase for dehydration and electrolysis commences	QSLM (partner) activity
Q4/1	QSLM Commercial production from dehydration & electrolytic cell house	
Q3/4	Magontec Phase B ‘cold’ & ‘hot’ commissioning	2017
Q4/1	Qualification by Magontec customers commences	
Q4	Magontec Phase C equipment installation	
Q1	Magontec Qinghai production capacity 56,000mtpa	2017

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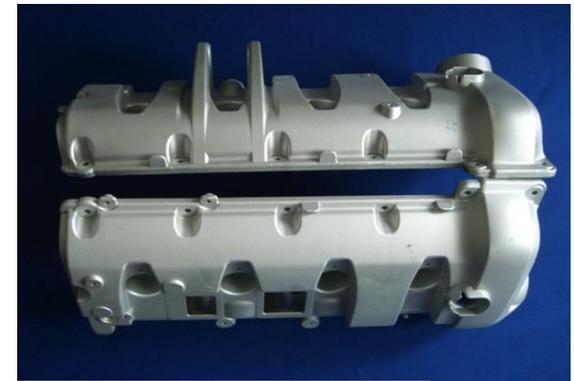
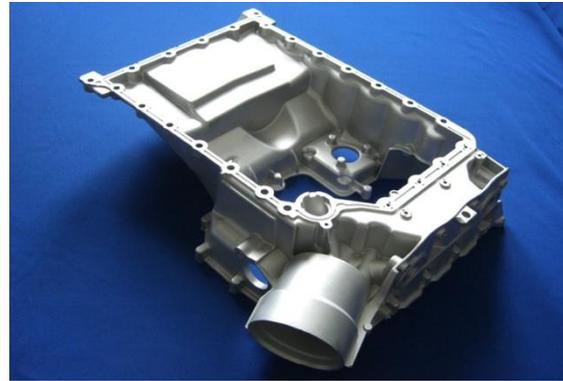
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Research & Development

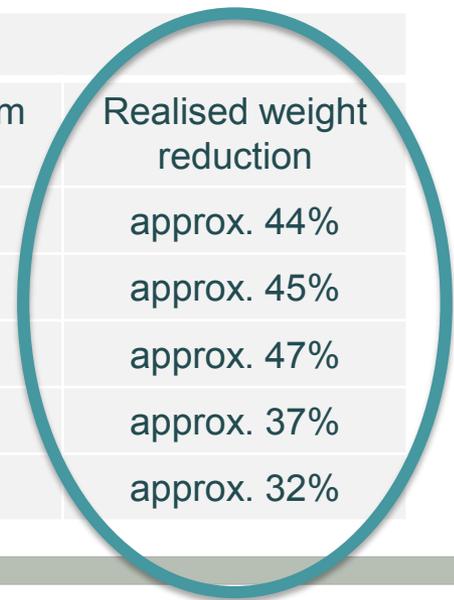
Case study 1 - Porsche Panamera component evaluation



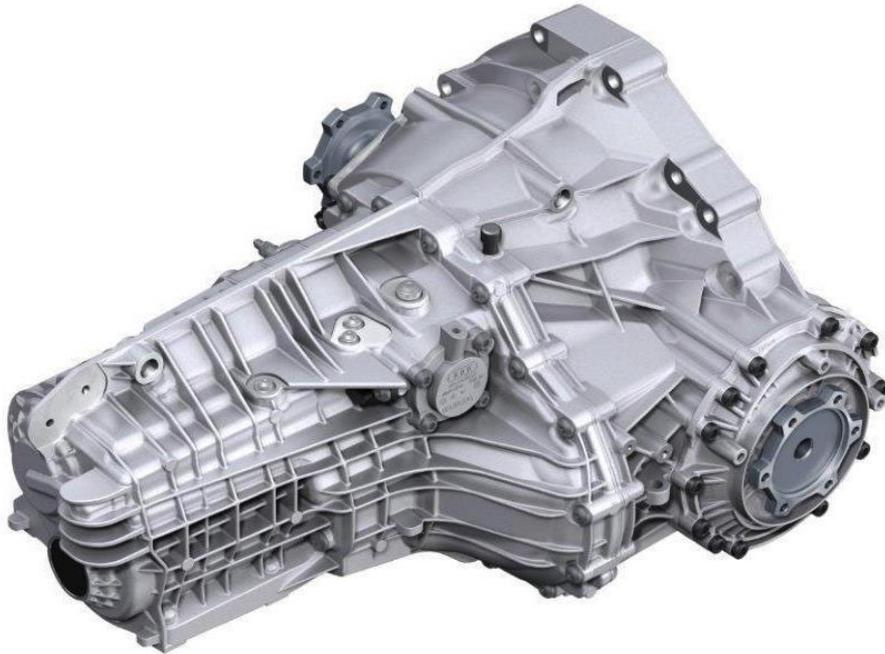
PORSCHE

Weight reduction, comparison

Component	Weight of aluminium component	Weight of magnesium component	Realised weight reduction
Valve cover cyl. 1 - 4	2.87 kg	1.60 kg	approx. 44%
Valve cover cyl. 5 - 8	2.44 kg	1.35 kg	approx. 45%
Timing-chain case	3.89 kg	2.07 kg	approx. 47%
Oil housing 2WD	5.60 kg	3.51 kg	approx. 37%
Supporting bracket	0.66 kg	0.45 kg	approx. 32%



Case study 2 - Intermediate Housing ML 262



- 6-speed manual transmission, petrol & diesel up to 260Nm
- First use in Audi A6
- Cast by Handtmann in Germany

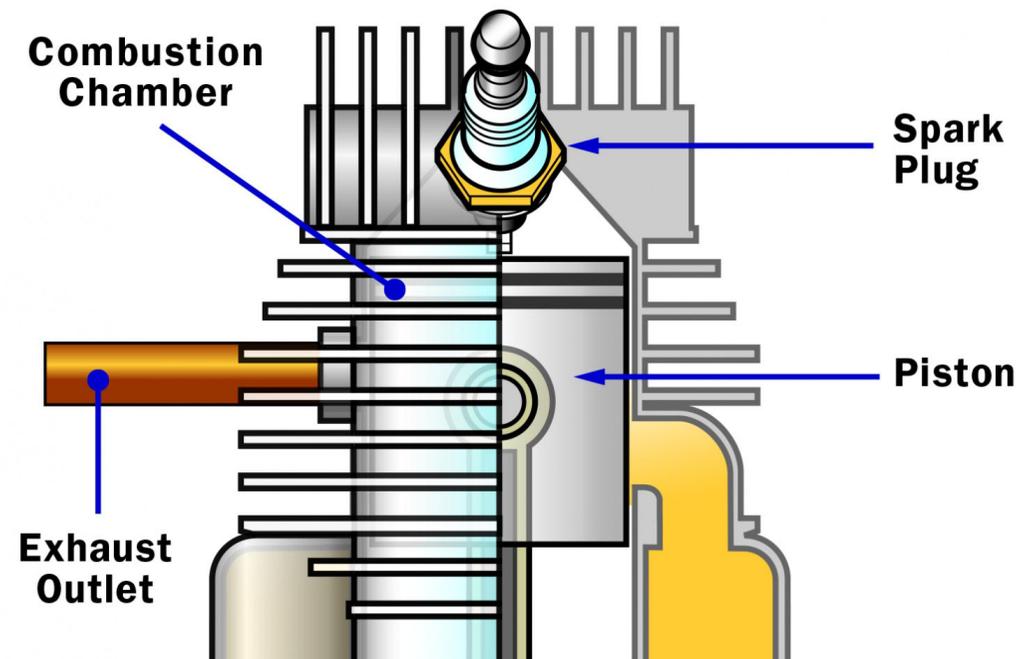
Weight reduction, comparison

	Weight of aluminium component	Weight of magnesium component	Realised weight reduction
Transmission cover	6.45 kg	4.45 kg	approx. 31%

Case study 3 – Power tool engine components

High temperature strength for engine components

- 3-year project funded by Australian Government, Magontec and OEM
- Objective to develop components for lightweight engine parts
- Development likely to have relevance to other applications
- First products likely in 2017/18



Case study 4 – High Conductivity Alloys

Magontec AE family alloys finding new applications

Magontec's 'MMA' alloys have

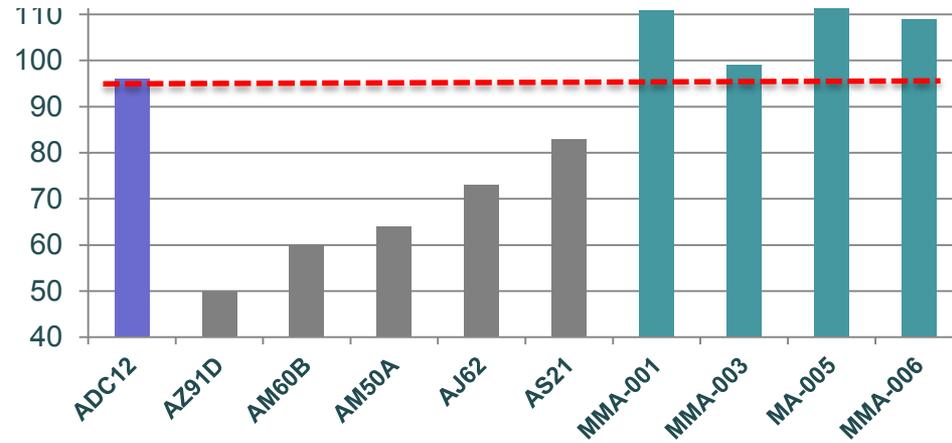
Higher thermal conductivities than conventional Mg alloys, equivalent or higher than ADC12 Al alloy

Excellent casting properties that allow thin wall diecasting and complex components

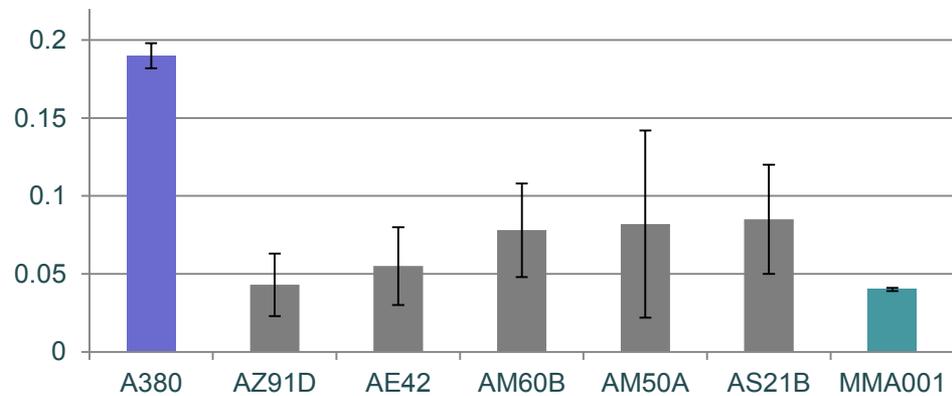
Corrosion resistance better than benchmark Mg alloy AZ91D.

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Thermal conductivity W/(mK)



Corrosion rate (mg/cm².day)



Actual and potential application that require thermal conductivity

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Telecom applications



Solar inverters



LED lights



Consumer electronics applications



Electric vehicles



Summary

- Magontec has
 - recovered competitiveness in its key industries
 - manageable debt levels likely to reduce further as Qinghai project comes on stream
 - is now stable and poised for earnings growth
- Magontec Qinghai magnesium alloy cast house project will be completed this year
 - Supply agreements with Qinghai partner beneficial to MGL economics
 - Will transform MGL profitability
- ‘AE family’ alloys gaining growing acceptance in the automotive industry, spreading to telecommunications and electronics
 - A shift away from generic alloys will improve Mg alloy economics
 - On going R&D generating new opportunities