

# NOTICE OF ANNUAL GENERAL MEETING



This document constitutes the Notice of Meeting for the 2012 Annual General Meeting of Magontec Limited (ACN 010 441 666).

The twenty-ninth Annual General Meeting of Magontec Limited (ACN 010 441 666) (the “Company”, “Magontec” or “MGL”) will be held in the “Kirralaa” room Level 2 of the Grace Hotel 77 York Street (corner York and King Streets) Sydney NSW on Thursday 29 November 2012 at 10.00am (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/annualreports.html>

**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 year ended 30 June 2012 and the related Directors’ Report and Auditor’s Report thereon.”

**ITEM 2: Confirmation of Adoption of 2011 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 confirm the resolution passed at the Annual General Meeting held on 22 November 2011 which adopted the Remuneration Report for the year ended 30 June 2011.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by key management or related parties, or votes made by undirected proxies. 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 3: Adoption of 2012 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 3** “To adopt the Remuneration Report for the year ended 30 June 2012 as set out in the Annual Report for the year ended 30 June 2012.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by key management or related parties, or votes made by undirected proxies. 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: Election of Director (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

**Resolution 4** “That Mr Zhongjun Li, nominated to be a Non Executive Director of the Company on 15 October 2012 by Mr Nicholas Andrews (a shareholder and Executive Chairman of the Company) be 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 Mr Zhongjun Li and KWE (HK) Investment Development Co Limited. 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 5: Election of Director (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

**Resolution 5** “That Mr Kang Min Xie, nominated to be a Non Executive Director of the Company on 16 October 2012 by Mr Nicholas Andrews (a shareholder and Executive Chairman of the Company) be 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 Qinghai Salt Lake Magnesium Limited. 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.

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**ITEM 6: Approval of the Issue of a Second Convertible Loan Note to Straits Mine Management Pty Limited (SMM) (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

- Resolution 6** “That for the purposes of Listing Rule 7.1, and as part of a debt re-organisation arrangement between the Company and SMM, shareholders approve the issue of a Convertible Loan Note (CLN 2) by the Company to SMM for an amount of \$3,500,000 on the terms outlined in the Explanatory Note which terms include
1. an option by SMM, exercisable at any time in the period to and including the day prior to the maturity date, to convert all or a portion of CLN 2 into the relevant portion of ordinary shares in the Company; and
  2. a compulsion upon SMM that if it has not exercised its right to convert (in terms of 1 above) then, at the Maturity Date, the note will automatically convert into the relevant number of ordinary shares in accordance with the formula in the Conversion Ratio.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by SMM and any associate of SMM. 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.

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**ITEM 7: Approval of a Possible Issue of Ordinary Shares to Straits Mine Management Pty Limited (SMM) (ordinary resolution)**

- Resolution 7** “That for the purposes of Listing Rule 7.1, shareholders approve the issue of up to 80,000,000 ordinary shares to SMM on the terms and conditions set out in, the Explanatory Notes.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by SMM and any associate of SMM. 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.

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**ITEM 8: Amendment of Existing Convertible Loan Note Issued to Straits Mine Management Pty Limited (SMM) (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

- Resolution 8** “That the terms of the Convertible Loan Note issued to SMM on 4 July 2011 be amended as foreshadowed in the Explanatory Note that corresponds with this Item”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by SMM and any associate of SMM. 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.

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**ITEM 9: Approval of Issue of Shares to Qinghai Salt Lake Magnesium Limited (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

- Resolution 9** “For the purposes, of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 55,435,784 ordinary shares at an issue price of \$0.03759 per share to Qinghai Salt Lake Magnesium Limited”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Qinghai Salt Lake Magnesium Limited and any associate of those persons. 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.

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# NOTICE OF ANNUAL GENERAL MEETING



**ITEM 10(a): Approval of Issue of Securities to Executives of the Group (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

**Resolution 10(a) “For the purpose of Listing Rules 10.14 shareholders approve the issue of Securities to Executives of the Company’s Wholly Owned Subsidiaries on the terms and conditions set out in the Explanatory Notes.”**

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who is eligible to participate in the issue and any associate of those persons and a director, except one who is ineligible to participate in any employee incentive scheme in relation to the Company. 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.

Note: Approval allows acquisitions of securities by a director or directors, and persons connected with them, up to the maximum number specified in the notice of meeting.

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**ITEM 10(b): Change of Terms of Issue of Shares to Messrs Andrews and Talbot (ordinary resolution)** (Refer to “Explanatory Notes” at the foot of this notice)

**Resolution 10(b) “For the purpose of Listing Rule 10.15 Ordinary shares issued to Messrs Andrews in 2011 (3,584,101) and Talbot in 2011 (3,584,101) will only vest at the earlier of successful commissioning of the Company’s plant at Golmud and 30 June 2014 and will be forfeited if the relevant executive resigns or his employment is terminated by the Company “for cause” on or before 30 June 2014”**

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Messrs Andrews and Talbot and any associate of those persons. 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.

## 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 Tuesday 27 November 2012 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 7, 207 Kent Street, 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 10:00 am Sydney time on Tuesday 27 November 2012 being not less than 48 hours before the time for holding the meeting.

## EXPLANATORY NOTES

### ITEM 1: Financial Report and Directors’ and Audit Report

The *Corporations Act 2001* (Cth) requires that the Financial Report, including the Directors’ Declaration for the year ended 30 June 2012 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: Confirmation of Adoption of 2011 Remuneration Report (advisory only resolution)**

The resolution proposed at Item 2 of the agenda for the Annual General Meeting held on 22 November 2011 was ambiguous. It referred to the Remuneration Report for the year ended 30 June 2010 whilst referencing the Annual Report for the year ended 30 June 2011. The minutes of the Annual General Meeting held on 22 November 2011 summarised the discussion in relation to Item 2 (Remuneration Report) of the 2011 agenda as follows.

“To address ambiguity in the wording of this resolution (incorrect reference to the Remuneration Report for the year ended 30 June 2010) the Chairman stated that, for the purpose of clarity, it is intended that the Annual General Meeting for 2012 will contain two resolutions in relation to adoption of the remuneration report - one resolution in respect of the remuneration report for 2011 and another for the remuneration report for 2012.

After the resolution had been moved and seconded, and discussions allowed, it was then resolved to adopt the Remuneration Report.”

The proposed resolution confirms adoption of the 2011 Remuneration Report.

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## **ITEM 3: Adoption of 2012 Remuneration Report (advisory only resolution)**

Shareholders are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report 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 3.**

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## **ITEM 4: Election of Director (ordinary resolution)**

Mr Li was initially appointed to the Board of the Company on 31 August 2009. In terms of clause 11.4(a)(i) of the Company's constitution Mr Li's current tenure as a Director ceases as at the date of this AGM.

He has been nominated (by Mr Nicholas Andrews) to continue to act a Director. A copy of that nomination is provided in the 2012 AGM material dispatched to shareholders.

Mr Li is the principal shareholder of KWE (HK) Investment Development Co Limited (KWEHK) a substantial shareholder of Magontec Limited. Mr. Li graduated from Wuhan University of Technology. He worked in the auto industry (manufacturing design) for 10 years. For more than 13 years he has owned and operated a metal recycling business (with a focus on magnesium). His experience and knowledge of the China metals market and understanding of the business practices in China will be an important adjunct to the Company as it gears up for the commencement of the project at Golmud and its co-operation agreement with Qinghai Salt Lake Magnesium Limited.

**The Board (other than Mr Zhongjun Li) recommends that shareholders vote in favour of Resolution 4.**

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## **ITEM 5: Election of Director (ordinary resolution)**

Mr Xie has been nominated (by Mr Nicholas Andrews) to act a Director of the Company. A copy of that nomination is provided in the 2012 AGM material dispatched to shareholders.

Mr Xie is a member of the Chinese Communist Party. He holds a Bachelor of Engineering (Mining) degree from Chongqing University. Mr Xie's recent work background is shown below.

- Prior to Feb 2002 - Secretary of the General Communist party and Deputy General Manger of Qinghai Salt Lake Technology Co., Ltd.
- Feb 2002 – Dec 2007 General Manager of Qinghai Salt Lake Development Co., Ltd.
- Dec 2007 – May 2008 Deputy General Manager and Member of the Communist Party committee of Qinghai Salt lake Industry Co., Ltd.
- May 2008 – March 2011 Vice President of Qinghai Salt Lake Industry Co., Ltd
- April 2009 – March 2011 Director of Qinghai Salt Lake Industry Co., Ltd
- April 2011 – present Vice President of Qinghai Salt Lake Industry Co., Ltd

Qinghai Salt Lake Industry Co., Ltd is the parent company of Qinghai Salt Lake Magnesium Limited (QSLM). QSLM is a shareholder in Magontec Limited and the Company with whom Magontec Limited has entered into a Co-operation agreement in relation to the proposed alloy production facility at Golmud in Qinghai province PRC.

**The Board recommends that shareholders vote in favour of Resolution 5.**

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## ITEM 6: Approval of the Issue of a Second Convertible Loan Note to SMM (ordinary resolution)

Upon acquisition by the Company on 4 July 2011 of the Magontec group of companies from SMM, an amount of \$12,855,603 was owing to SMM under a Loan Agreement.

- a) On 8 September 2011 an amount of \$640,405 was repaid to SMM.
- b) On 22 August 2012 an amount of \$899,954 was paid by the Company to SMM in satisfaction of interest due to 4 July 2012.
- c) As at 22 August 2012 an amount of \$12,215,198 remained outstanding to SMM.

SMM has agreed “in principle” to re-organise this debt as follows.

- d) The Company will reduce the debt owing to SMM by the amount of \$2,000,000 within 5 days following the allotment date of shares under an equity raising to be conducted by Magontec Limited (the details of which are yet to be determined by the Board).
- e) Upon this reduction being effected then, in the period on and after 5 July 2012 the residual debt (\$10,215,198) will attract no interest.
- f) The Company will issue Convertible Loan Note 2 (CLN 2) to SMM with the following principal terms
  - i. **Compulsory Conversion:** If SMM has not exercised its right to convert CLN 2 then, at the Maturity Date, the note will automatically convert into the number of ordinary shares of MGL in accordance with the formula in the Conversion Ratio.
  - ii. **Optional Conversion:** SMM may elect to convert at any time in the period to and including the day prior to the maturity date a portion or all of its notes into the relevant portion of the number of ordinary shares of MGL.
  - iii. **Conversion Price:** The price at which shareholders will subscribe for shares under an equity raising to be conducted by the Company.
  - iv. **Conversion Ratio:** CLN 2 will convert into the number of ordinary shares of MGL determined by the formula –  

$$\text{Face Value} \div \text{Conversion Price} + \text{additional ordinary shares to compensate for any dilution resulting from the issue of ordinary shares in the period after the date of the second convertible loan note to the date of its conversion.}$$
  - v. **Interest rate:** Zero
  - vi. **Face Value:** \$3,500,000.
  - vii. **Issue Date:** Within 5 business days following the date of Shareholder Approval of the issue of CLN2.
  - viii. **Maturity Date:** the date 3 years after the Issue Date.
  - ix. **Note Holder Redemption:** SMM may require the Company to redeem the notes at any time for Face Value in the period from six months prior to the Maturity Date to and including the day prior to the Maturity Date. The ability to redeem CLN 2 under this provision lapses in the event of sale of CLN 2 by SMM.
  - x. **Ranking:** The note will rank equally with all other unsecured creditors.
  - xi. **Security:** Nil
- g) Subject to the debt reduction of \$2,000,000 (in d) and issue of CLN 2, SMM will agree to reduce the Company’s liability to \$2,100,046.
- h) The Company will agree to repay the amount outstanding (\$2,100,046) on or before 31 December 2014.
- i) In the event Shareholder Approval to the issue of the CLN 2 is not obtained then the terms of the existing Loan Agreement remain in place but with the following amendments acknowledged in a supplementary document to the Loan Agreement.
  - The amount outstanding under the Loan Agreement as at the date Shareholder Approval has been denied by MGL shareholders is acknowledged by the Parties to be \$10,215,198.
  - The interest rate regime specified in the Loan Agreement would continue to apply to the residual loan from the date Shareholder Approval has been denied.

The effect of CLN 2 on the capital structure of the Company is dependent upon the “Conversion Price” including any gross up for the effects of dilution. Table 1 in this note shows the potential number of shares to be issued under various scenarios for the “Conversion Price”. The potential number of shares to be issued at conversion ignores any gross up to compensate for any effect of dilution to the date of conversion.

Conversion Price Assumptions	Conversion Price	Potential Number of Shares Issued
50% below “Benchmark Price”	\$0.0145	172,413,793
“Benchmark Price” = Share price close of business 19 October 2011	\$0.0290	86,206,897
50% above “Benchmark Price”	\$0.0435	57,471,264

**The Board recommends that shareholders vote in favour of Resolution 6.**

## ITEM 7: Approval for a Possible Issue of Ordinary Shares to Straits Mine Management Pty Limited (ordinary resolution)

A precursor to the debt re-organisation structure in Item 6 is the reduction of the SMM debt by \$2,000,000 via the proceeds of an equity raising to be conducted by the Company (refer point d of the Explanatory Note at Item 6). The Company wishes to have the option to achieve this reduction (wholly or partially) via the issue of shares to SMM (refer Resolution 7). The debt re-organisation arrangements are yet to be fully

documented and having the option to achieve the necessary \$2,000,000 debt reduction via a combination of cash payment and ordinary shares will provide the Company with maximum flexibility to satisfy balance sheet and cash management objectives.

If, in the detailed negotiation of the debt re-organisation arrangements, the parties agree that the \$2,000,000 debt reduction, or part thereof, be achieved via the issue of ordinary shares, then such shares will be issued at a price equal to the 10 day volume weighted average price of MGL shares in the period to the day of execution of the formal debt re-organisation arrangements.

Any ordinary shares issued to SMM in terms of this approval will not exceed 80,000,000 on the assumption the relevant 10 day VWAP is not less than \$0.025 per share. The Company will be able to issue ordinary shares under this approval to the extent of 80,000,000 notwithstanding the relevant VWAP is less than \$0.025 per share. Any shares issued in terms of this approval will be issued within three months of the date of shareholder approval. However, the arrangements with SMM are likely to be concluded by 31 December 2012 and any shares issued at the conclusion date.

**The Board recommends that shareholders vote in favour of Resolution 7.**

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**ITEM 8: Amendment of Existing Convertible Loan Note Issued to Straits Mine Management Pty Limited (SMM) (ordinary resolution)**

On 4 July 2011 the Company issued a Convertible Loan Note (referred to as CLN 1) for \$3,368,047 to Straits Mine Management Pty Limited (SMM) for the balance of the purchase price due in respect of the Company's acquisition of the Magontec group of companies. At the 2011 AGM (Item 6 of the 2011 Notice of Annual General Meeting) shareholders approved the terms of issue of CLN 1.

The current terms of CLN 1 require SMM to convert all of the notes into shares of the Company (at a price of \$0.055 per share) on the earlier of

- the anniversary date (4 July 2012); and
- the date on which an exit event occurs (essentially, a sale or wind up of Magontec Limited).

As part of the debt re-organisation arrangements described in Item 6, it is proposed that the conversion terms of CLN 1 be amended as follows:

"All (but not some only) of the Notes held by the Noteholder (SMM) must, unless those Notes have been, or are to be, converted under a Conversion Notice, be redeemed on the earlier of:

1. 1 July 2014; and
2. the date on which an exit event occurs."

**The Board recommends that shareholders vote in favour of Resolution 8.**

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**ITEM 9: Approval of Issue of Shares to Qinghai Salt Lake Magnesium Limited (ordinary resolution)**

On 21 June 2012 Magontec Limited issued 55,435,784 ordinary shares to Qinghai Salt Lake Magnesium Limited (QSLM) as part of the arrangements described in the Company's release dated 20 June 2012 and released to the market 21 June 2012. Full details of the shares issued to QSLM are given in the Attachment to that release. The proceeds of the issue form part of the overall funding required by MGL to meet the capital expenditure on plant and equipment for the cast house operations at Golmud.

This resolution seeks shareholder ratification of the issue of 55,435,784 ordinary shares on 21 June 2012 at an issue price of \$0.03759 per share, with a value of \$2,083,831. The shares so issued were ordinary shares that ranked pari passu with other ordinary shares.

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12-month period which amount to more than 15% of the company's ordinary securities on issue at the commencement of that period without shareholder approval.

The exception to this rule contained in Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 if subsequently approved by shareholders, thereby "refreshing" the Company's ability to issue shares within the 15% limit, and restoring the Company's ability to make placements within that limit (if that is thought desirable) without the need for shareholder approval.

While the shares described in this Resolution 9 were issued within the 15% limit, the Company seeks shareholder ratification of the issue of those shares for the purpose of Listing Rule 7.4, so that the Company's ability to issue securities will be "refreshed" and it will have flexibility to issue further securities should the need or opportunity arise.

**The Board recommends that shareholders vote in favour of Resolution 9.**

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## ITEM 10(a): Approval of Issue of Securities to Executives of the Group

At the 2011 Annual General meeting of the Company held on 22 November 2011 and in terms of Resolution 8(a) shareholders approved a plan – referred to as the Executives Securities Issue Plan (ESIP) - for the issue of shares to Executives of the Company and its wholly owned subsidiaries. The ESIP provided for three components.

1. Short term rewards.
2. Retention rights scheme – a scheme designed to ensure the retention of five key executives within the Magontec group of companies upon its acquisition by the former Advanced Magnesium Limited. Retention Rights entitlements are equivalent to one-year’s salary (prevailing as at the date of the 2011 AGM) for each of these executives. Shares issued under this scheme are linked to the profitability of MGL over the next four years and will be priced at the 10-day VWAP of the Company’s shares in the period prior to the date of grant of each award as follows:
  - o a minimum award of 10% was made on the day following the 2011 AGM;
  - o dependent on profitability of the Company, additional awards will be made on each of 1 July 2012, 1 July 2013, and 1 July 2014 but in any event a minimum award of 10% of the total award will be made on each of these dates; and
  - o any residual Retention Rights outstanding on 1 July 2015 will be awarded on that date.
3. Long term incentive scheme.

Table 1 in this note identifies the executives eligible to participate in the ESIP.

**Table 1 – Eligible Participants in Executives Securities Issue Plan**

Eligible Participants 2011	Eligible Participants 2012	Position In Company
Nicholas William Andrews	Nicholas William Andrews	Executive Chairman
John David Talbot	John David Talbot	CFO and Company Secretary
Guenter Franke		Chief Operating Officer
Christoph Klein-Schmeink	Christoph Klein-Schmeink	GM Sales & Marketing
Martin Tauber	Martin Tauber	Project Manager
Patrick Look	Patrick Look	CFO Magontec GmbH
Xunyou Tong	Xunyou Tong	GM Magontec China

At the same meeting in 2011 shareholders approved the issue of a certain number of shares under the ESIP. Shares so issued are shown in Table 2 in this note.

**Table 2 – Shares Issued Under Executives Securities Issue Plan To 30 June 2012**

Name	Date of Issue	Price At Which Issued	No. Of Ordinary Shares Issued	Component of ESIP
Nicholas William Andrews	02-Dec-11	\$0.055802	3,584,101	Short term rewards
John David Talbot	02-Dec-11	\$0.055802	3,584,101	Short term rewards
Guenter Franke	02-Dec-11	\$0.055802	536,615	Retention rights scheme
Christoph Klein-Schmeink	02-Dec-11	\$0.055802	280,503	Retention rights scheme
Christoph Klein-Schmeink	08-Dec-11	\$0.055802	7,317	Retention rights scheme
Martin Tauber	02-Dec-11	\$0.055802	283,538	Retention rights scheme
Patrick Look	02-Dec-11	\$0.055802	170,741	Retention rights scheme
Xunyou Tong	02-Dec-11	\$0.055802	284,520	Retention rights scheme
Total shares issued			8,731,436	

As shown in Table 3 in this note it is proposed that an additional tranche of ordinary shares be issued under the Retention Rights component of the ESIP equivalent to 20% of salaries prevailing as at the date of the 2011 AGM.

# NOTICE OF ANNUAL GENERAL MEETING



**Table 3**

Name	Position In Company	Maximum Amount of Issue <sup>(1)</sup>	Securities To Be Issued Not Exceeding <sup>(1)</sup>	Issue Price	Date Securities To Be Issued
C. Klein-Schmeink	GM Sales & Marketing	\$33,714	1,348,571	10-day VWAP of the Company's shares in the period prior to the date of issue	Within 5 business of the date of approval of issue
M. Tauber	Project Manager	\$33,212	1,328,503		
P. Look	CFO Magontec GmbH	\$20,000	800,000		
X. Tong	GM Magontec China	\$33,333	1,333,333		
		\$120,259	4,810,407		

**Notes**

1 For the purpose of calculating the maximum number of securities to be issued and maximum total value of the issue the following is assumed -

- exchange rates of AUD1 = EUR0.70 and AUD1 = RMB6.; and
- an issue price of \$0.025.

Details of any securities issued under the ESIP will be published in each annual report of the entity relating to a period in which the securities have been issued, and that approval for the issue of securities was obtained under listing rule 10.14. Any additional persons who become entitled to participate in this scheme after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under listing rule 10.14.

Additional information as required by Listing Rule 10.15A is summarised below

	Under Short Term Rewards	Retention Rights	Long Term Incentive	Total Shares Issued
Securities previously issued	7,168,202	1,563,234	Nil	8,731,436
Loan arrangements associated with acquisition	Nil	Nil	Nil	
Date of issue of securities the subject of this resolution	Nil	Within 2 weeks of shareholder approval	Nil	

Additionally, because of the importance of the Company's senior executive staff to the successful implementation of the strategically important Golmud project, all shares issued under all components of the plan to all senior executives (including those shares issued in 2011) will vest at the earlier of

- successful commissioning of the group's plant at Golmud; and
- 30 June 2014.

Once vested the shares will not be escrowed.

**The Board recommends that shareholders vote in favour of Resolution 11(a).**

**ITEM 10(b): Change of Terms of Issue of Shares to Messrs Andrews and Talbot (ordinary resolution)**

All shares issued under the plan to Messrs Andrews and Talbot in 2011 will vest at the earlier of

- successful commissioning of the group's plant at Golmud; and
- 30 June 2014.

Additionally, the shares will be forfeited if the relevant executive resigns, or his employment is terminated by the Company "for cause" on or before 30 June 2014.

**The Board (other than Mr Andrews) recommends that shareholders vote in favour of Resolution 11(b).**

By order of the board.

**J Talbot**  
Company Secretary  
29 October 2012

**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.