

Office 10 Level 8
139 Macquarie St
Sydney NSW 2000
Australia
Ph: 61 2 8231 7085
Fax: 61 2 9252 8960

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

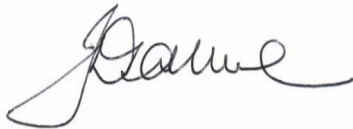
Dear Sirs,

3 December 2013

Letter to All Holders of Magontec Limited Listed Options

The attached letter (dated 28 November 2013) was yesterday dispatched to all holders of Magontec Limited listed options.

Yours Sincerely



John Talbot
Company Secretary

LETTER TO MAGONTEC OPTION HOLDERS

28 November 2013

We write to you as the registered holder of listed options (**Options**) in Magontec Limited (**Magontec** or **Company**).

The Options were issued to you following your participation in the Magontec Rights Issue announced in December 2012 (**Rights Issue**).

Each Option entitles holders to subscribe for one new share in Magontec at an exercise price of 2 cents each, being a discount of 1.1 cents to the share price of 3.1 cents at close of business on 28 November 2013 or a discount of 35.48% to the share price prevailing at 28 November 2013.

This letter is to advise you that the Options will expire on 5pm AEDT on 3 January 2014, and to encourage you to take advantage of this opportunity to acquire shares in the Company.

The courses of action open to you as a holder of Options are:

- (a) exercise all or some of your Options. Documentation and payment must be received by the Company no later than 5pm AEDT on 3 January 2014;
- (b) sell your Options. Quotation of the Options will cease trading at the close of trade on ASX on Tuesday, 24 December 2013; or
- (c) do nothing. If you do not take any action to exercise your Options on or prior to 3 January 2014, the Options will expire and your rights to purchase shares at 2 cents each will lapse.

An Option conversion form is attached to this letter. If you wish to exercise your Options, you have the option of effecting payment in one of the two ways described in the attached form "Application for Shares on Exercise of Options". If you pay via Payment Option1 (BPay) you do not need to complete the application form.

The Company provides the following information in accordance with the ASX Listing Rules:

- (a) the total number of outstanding Options as at the date of this letter is 438,186,832;
- (b) each outstanding Option entitles the holder to receive, on exercise, one single fully paid ordinary share in the Company. If all of the outstanding Options are exercised, 438,186,832 fully paid ordinary shares will be issued;
- (c) the exercise price of the Options is 2 cents per Option;
- (d) the due date for payment of the exercise price is 5pm AEDT on 3 January 2014;

- (e) if payment is not received by 5pm AEDT on 3 January 2014, your Options will expire with no value and no further entitlement will exist;
- (f) official quotation of Options on the ASX will cease trading at the close of trade on ASX on Tuesday, 24 December 2013;
- (g) the closing price of fully paid ordinary shares in the Company on 28 November 2013 was 3.1 cents;
- (h) the highest and lowest market prices of shares in the Company in the three months immediately prior to the date of this notice were:
 - (i) highest – 3.1 cents on 28 November 2013;
 - (ii) lowest – 2.0 cents on 6 September 2013; and
- (i) no underwriting agreement exists in relation to the Options at this time.

Why is Magontec raising additional capital?

The Prospectus issued by Magontec last year provided investors with information on our new project in Qinghai Province PRC. In June 2012 the Company entered into an agreement with the Qinghai Salt Lake Magnesium Company (**QSLM**) to build and operate a magnesium alloy cast house.

The Magontec cast house will have a production capacity of 56,000 metric tonnes per annum and will stand adjacent to the Qinghai electrolytic magnesium smelter, the largest and cleanest smelter in China. The capital required for the acquisition of equipment was raised under the Rights Issue. So that Magontec can finance working capital required for this enterprise we are also seeking additional funds by way of the exercise of Options.

QSLM and other substantial shareholders own about 78% of the Options. On Monday 25 November 2013 the Company announced that Straits Mine Management Pty Limited (**SMM**) will convert its current holding of Convertible Loan Notes (**CLN**) into shares. As a result of this conversion, our major shareholders will be able to exercise more Options than would otherwise have been the case. Details of SMM's conversion of the CLNs, can be found on our website at www.magontec.com – click on

- “Investor Relations” at top right;
- then on “ASX Announcements” in the left hand pane; and
- then on “25-Nov-2013 MGL: Conversion of Convertible Loan Notes by Straits”.

How is Magontec performing?

In the period since the rights issue the Company has published quarterly updates on its operational performance. We also published our Interim report (for the half year ended 30 June 2013) in September this year. These reports can also be found on our website and on the ASX website.

Throughout 2013 the Company has incurred costs associated with restructuring its magnesium anode business, relocating the European magnesium anode business from Germany to Romania and bringing a new primary alloy manufacturing plant on-stream in Shanxi Province, PRC.

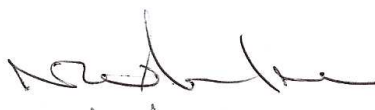
This has impacted profitability through the last 12 months but provides Magontec with a platform for growth prior to the anticipated commencement of production at the new Qinghai facility.

From Qinghai, Magontec expects to manufacture up to 56,000 metric tonnes per annum of magnesium alloys; double the current level of primary alloy production. Under the agreements with Qinghai, Magontec will acquire liquid magnesium metal directly from an electrolytic furnace. The volume, quality and price of this material are expected to restore Magontec's competitiveness in this growing global market segment.

What is the outlook for magnesium alloys?

The major consumer of magnesium alloys is the automotive industry. Manufacturers constantly search for lighter weight applications to lower CO2 emissions. Through the expansion of existing applications using generic alloys, and the development of new applications using Magontec proprietary alloys, we expect to see demand for magnesium alloys grow more quickly in the coming years. The Australian metals research firm, Clarke & Marron, estimate that the magnesium industry will experience compound annual growth rates of around 7% in the period from 2013 to 2021. Furthermore, the global automotive industry continues to grow rapidly in Asia and is recovering in America and Europe.

For Magontec to participate to its full capacity in this developing market the firm requires a strong balance sheet and the ability to access working capital. By exercising the Options granted under the Rights Issue, Option holders will be lowering their average cost of entry and providing additional financial support to Magontec at a critical time in its history.



Kind regards
Nicholas Andrews
Executive Chairman