

25 November 2013

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

Dear Sirs,

Conversion of Convertible Loan Notes to Ordinary Shares

Magontec is pleased to announce that it has executed an agreement with Straits Mine Management (a wholly owned subsidiary of Straits Resources Limited), the holder of \$6.869m of Convertible Loan Notes (CLN), to convert \$5.908m of these notes to equity.

The agreement with Straits comprises the following undertakings:

- Straits will convert notes equivalent to 112 million shares prior to 15 December 2013. Following conversion Straits' holding in Magontec will rise to 152.536 million shares, equivalent to 19.9% of total issued capital.
- Following the options conversion, and no later than 17th January 2014, Magontec will repay to Straits the outstanding debt of \$2.1 million.
- A condition of the second CLN (CLN2) is that it be adjusted on a pro-rata basis in the event that Magontec issues new shares prior to its conversion or redemption. The Board of Magontec has agreed to extend that adjustment clause to include CLN2 notes converted prior to the exercise of options due to expire on 3 January 2014 based on the issue of shares following exercise.
- Straits will be entitled to nominate the appointment of a non-executive director to the board of Magontec.

This conversion of the CLN's will further improve Magontec's balance sheet, initially reducing total debt (as at 31 October 2013) from A\$20 million to \$15m.

The conversion of the CLNs will reduce Net Debt to Equity to 43% with further falls likely on repayment of the outstanding debt to Straits and conversion of the current option series.

The conversion of the Straits CLNs at this time will offer Magontec's major option holders the flexibility to exercise a greater proportion of their options without breaching takeover and FIRB-imposed limits.

Nicholas Andrews, Executive Chairman of Magontec said "this agreement and the associated debt reduction represents a key milestone for Magontec. The company now presents a very strong balance sheet in preparation for its investment in the Qinghai magnesium cast house. "

Yours sincerely



Nicholas Andrews
Executive Chairman
Magontec Limited

For more information please contact

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