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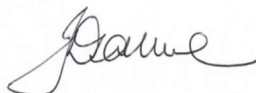
30 August 2019
Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street, Sydney
NSW 2000

Dear Sirs,

Half Year Report - 30 June 2019

Attached is an updated half year report for the period ended 30 June 2019, which includes the signatures on the Auditor's Independence Declaration and the Independent Auditor's Review Report.

Yours sincerely



John Talbot
Company Secretary



Magontec Limited

Half Year Report 2019



Corporate Information and Glossary

1. CORPORATE INFORMATION

The consolidated financial statements of Magontec Limited and its controlled subsidiaries as listed in Note 4.1 herein (collectively, the Group) for the 6 months to 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 28 August 2019. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Securities Exchange under the code "MGL".

2. GLOSSARY OF TERMS REFERRED TO IN THIS REPORT

Formal Name of Entity	Description of Entity	Referred to as
Head office entities		
Magontec Limited	The ultimate parent/holding company of the Group.	Parent Company or MGL
Advanced Magnesium Technologies Pty Limited	Wholly owned subsidiary of Magontec Limited that acts as the administrative operating entity.	Advanced Magnesium Technologies Pty Limited
Varomet Holdings Limited	The holding company that owns the Group's operating businesses at Bottrop (Germany), Xi'an (PRC) and Suzhou (PRC). In turn, Magontec Limited owns all of the ordinary shares issued by Varomet Holdings Limited.	VHL
Operating entities		
Magontec GmbH	The wholly owned entity that owns the Group's operations in Bottrop, Germany.	MAB
Magontec SRL	The wholly owned entity that owns the Group's operations in Santana, Romania.	MAR
Magontec Xi'an Co. Ltd.	The wholly owned entity that owns the Group's operations in Xi'an, PRC.	MAX
Magontec Qinghai Co. Ltd.	The wholly owned entity that owns the Group's operations in Qinghai, PRC.	MAQ
Magontec US LLC	The wholly owned entity that acts as the Group's distributor located in the United States of America.	MAU
Entities where operations have ceased		
Magontec Shanxi Co. Ltd.	The joint venture operations in Jishan, Shanxi Province PRC.	MAY
Magontec Suzhou Co. Ltd.	The wholly owned entity that owns the Group's operations in Suzhou, PRC.	MAS
Major related shareholders and other terms		
Qinghai Salt Lake Magnesium Co. Limited	A subsidiary of Qinghai Salt Lake Industry Co. Limited (a company listed on the Shenzhen Stock Exchange) and a shareholder in MGL to the extent of 28.99% at the date of this report.	QSLM
Straits Mine Management Pty Limited	The company from which MGL acquired the Magontec group of companies on 4 July 2011. SMM remains a 13.06% substantial shareholder of Magontec at the date of this report.	SMM
KWE (HK) Investment Development Co Ltd.	Shareholder in Magontec Limited to the extent of 4.93% at the date of this report. Mr Zhong Jun Li, a director of Magontec Limited is also a director of KWE (HK) Investment Development Co Ltd.	KWE (HK)
People's Republic of China		PRC

3. ROUNDING ERRORS

The tables in this report may indicate apparent errors to the extent of one unit (being \$1,000) in:

- the addition of items comprising total and sub totals; and
- the comparative balances of items from the financial accounts.

Such differences arise from the process of:

- converting foreign currency amounts to two decimal places in AUD; and
- subsequent rounding of the AUD amounts to one thousand dollars.

Financial Highlights

	1H 2019	1H 2018
Gross Profit	\$7.96m	\$7.30m
Gross Profit Margin	11.8%	11.1%
Profit before Tax, unrealised FX and significant items*	\$1.53m	\$0.611m
Reported Net Profit After Tax	\$0.254m	\$0.180m
Underlying NPAT**	\$0.404m	\$(0.145)m
Underlying Operating Cash Flow***	\$2.7m	\$1.6m
Net Debt to Net Debt + Equity	21.9%	21.3%

* The reference to MAQ pre-tax losses disclosed in the prior corresponding period has now been removed from significant items as it is considered part of recurring business.

** Underlying NPAT is defined as Reported Net Profit After Tax excluding unrealised foreign exchange gains and losses.

*** Underlying Operating Cash Flow is defined as Cashflow From Operations excluding working capital movements, interest and tax payments.

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Reporting Highlights

MAGNESIUM ALLOY RECYCLING

- Romanian business returns to profit in 1H 2019
- Total European metal volumes in 1H 2019 are down 6% on 1H 2018 reflecting regional automotive volume declines
- European metals Gross Profit up 11% versus prior corresponding period (PCP), largely due to Romanian recovery
- Nascent recovery in Specialty Metals

PRIMARY MAGNESIUM ALLOYS

- Magontec Qinghai continues to operate on low levels of supply from QSLM, resulting in lower levels of production
- The Magontec Qinghai business unit was loss making in 1H 2019, incurring depreciation (non-cash) of \$651,000 in the period

ANODES (CATHODIC CORROSION PROTECTION - CCP)

- A strong result across CCP: Gross Profit up 15% across all CCP businesses
- Growing market share and expansion to new markets
- Automation and higher volumes leading to lower conversion costs and improved competitiveness

FINANCIAL

- Net Profit After Tax excluding unrealised FX at \$0.404 million, up from a loss of -\$0.145 million in the PCP. Includes \$0.651 million of depreciation and other losses from Qinghai plant
- Gross Profit was up strongly in the CCP businesses but flat to down in the primary and recycling magnesium alloy businesses
- Underlying Operating Cash Flow* rises to \$2.7m, up 64% on PCP
- Net Debt of just \$9.5m and balance sheet cash of \$10.6m reflect lower than forecast working capital requirements

HEALTH, SAFETY & ENVIRONMENT

- Magontec recorded one long-term incident across its four factories in 1H19
- Reduced staff turnover at Romanian plant
- Total group employees currently 412 people, down 10% on PCP. The change reflects the closure of the Magontec Shanxi primary magnesium alloy plant in October 2018. Employee numbers have also risen at Magontec Qinghai.

RESEARCH & DEVELOPMENT

- Magontec will explore Mg extrusion opportunities in a new research project with Monash University, UQ and Baosteel with funding from the Australian Government



* Underlying Operating Cash Flow is defined as Cashflow From Operations excluding working capital movements, interest and tax payments.

Magontec Qinghai Update



Magontec Qinghai produced 4,219 metric tonnes (mt) of primary magnesium alloys in the six months to 30 June 2019. This compares with 2,901mt in the second half of 2018 and just 700mt in the previous corresponding period. Magontec's Qinghai facility was positive at the Gross Profit line for the first half but loss making at the EBIT line.

In April and July of 2019, the Company issued announcements to the ASX and shareholders regarding the status and progress of the Magontec Qinghai plant.

In April, following receipt of a communication from Qinghai Salt Lake Magnesium Co Ltd (QSLM), the contracted supplier of liquid pure magnesium for the Magontec Qinghai primary magnesium alloying plant, we informed the market that supply was likely to be limited in the coming months as QSLM sought to address material quality issues and a critical delivery bottleneck.

In July we further informed the market that our previous expectation, that high volumes of liquid pure magnesium supply would recommence in August, was unlikely to be met.

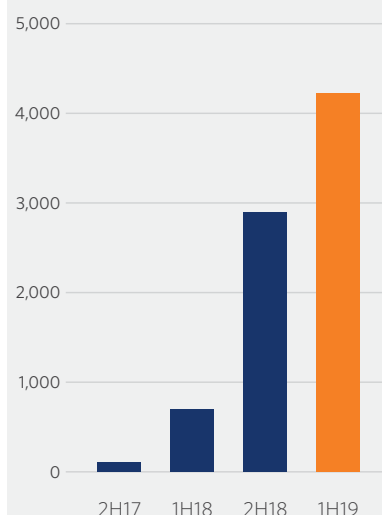
As at the end of August deliveries of liquid pure magnesium from the QSLM facility remain at low levels and the plant continues to source supplementary raw material from third party manufacturers of pure magnesium, which must then be melted prior to consumption.

Under the agreements between Magontec and QSLM there are a variety of commitments entered into by each party relating to the start date of the Qinghai facility and supply undertakings. These commitments have allowed Magontec to continue to operate at the Qinghai plant at low levels of production, albeit on significantly reduced economics, and to continue to fulfil its commitments to customers around the World. Costs associated with melting and transporting raw material are not compensated by QSLM at this time and represent a significant impost.

In the six months to 30 June 2019 the Magontec Qinghai plant produced 4,219 metric tonnes. At full production the plant is designed to produce 5,000 metric tonnes a month.

QSLM has engaged a highly experienced international engineering company, based in China, to undertake a comprehensive maintenance program to address issues that have caused the magnesium complex to run at sub-optimal levels since its commissioning phase in 2017.

**MAGONTEC QINGHAI
PRIMARY MG ALLOY
PRODUCTION VOLUMES (mt)**



Volumes expected to rise towards year end.

This engineering company has conducted a full review of the complex and identified a variety of production and performance issues. It has now been contracted to remediate those issues and to re-start mass production of qualified liquid pure magnesium from October 2019. QSLM has now informed Magontec that it expects production to rise to 25% of plant capacity (rated capacity is 100,000 metric tonnes per annum) by the end of Q4 2019.

Financial Summary

for the 6 months ended 30 June 2019

RECONCILIATION OF SIGNIFICANT ITEMS IN EARNINGS		
	6 months to 30 June 2019 \$'000	6 months to 30 June 2018 \$'000
Net Profit Before Tax, unrealised FX and significant items*	1,533	611
Significant Items Before Tax		
Less non-cash equity expense	(65)	(28)
Less MAQ depreciation (non-cash)	(651)	(507)
Net Profit Before Tax excluding unrealised FX	818	76
Less tax expense	(414)	(221)
Net Profit After Tax before unrealised FX (underlying NPAT**)	404	(145)
Add/(subtract) unrealised FX gains/(losses)	(150)	325
Reported Net Profit After Tax	254	180

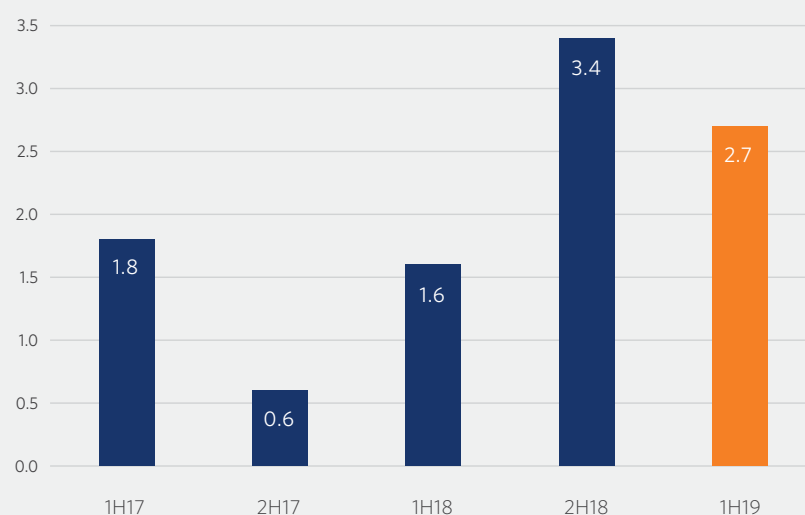
CASHFLOW

Underlying operating cash flow is a key metric that management monitors internally and is defined as operating cash flow before interest, tax payments and working capital movements.

Working capital movements can have a large impact on overall operating cash flow in any given period but are generally only a reflection of timing differences in cash receipts and payments in the metals business, which is working capital intensive.

During the first half of 2019, Magontec generated underlying operating cash flow of \$2.7 million, higher than the prior corresponding period (\$1.6 million) although down on the second half of 2018 due to seasonal effects. This was driven by stronger performances in the anode businesses in both the EU and PRC, while the MAQ business is yet to achieve full operational scale.

CASH FLOW FROM UNDERLYING OPERATIONS (A\$million)



* The reference to MAQ pre-tax losses disclosed in the prior corresponding period has now been removed from significant items as it is considered part of recurring business.

** Underlying NPAT is defined here as reported net profit after tax excluding unrealised foreign exchange gains and losses.

Financial Report

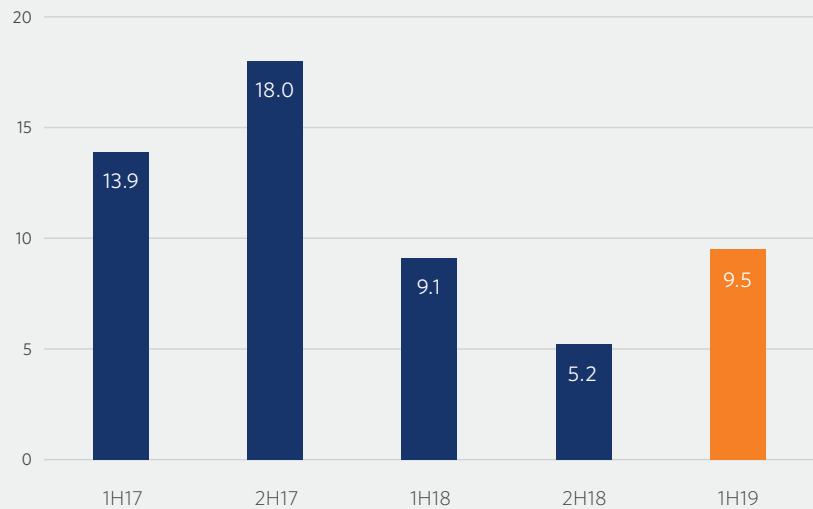
Headline operating cash outflow of \$3.5 million was driven by a \$5.4 million change in working capital arising from timing differences and includes the positive underlying operational cashflow number. As noted in previous reports, this swing represents a return to more normal levels of working capital following the timing benefit received in 2018.

BALANCE SHEET AND BANKING FACILITIES

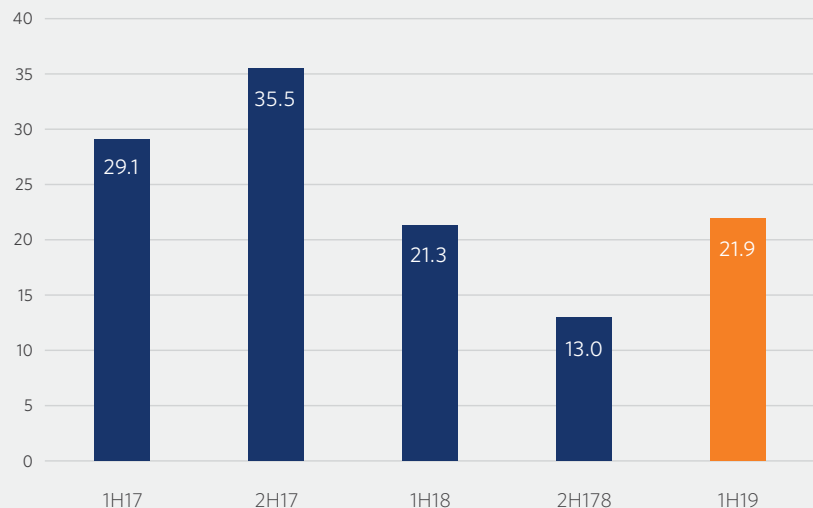
Net debt during the period increased to \$9.5 million as at 30 June 2019 (compared with \$5.2 million as at 31 December 2018) as a result of the rebalance in working capital. Gearing levels remained low compared with historical levels at 21.9% on a net debt to net debt + equity basis (31 December 2018: 13.0%).

During the half to 30 June 2019, the company successfully renewed its RMB 20 million facility with the Bank of Communications in China. As at 30 June 2019, the company's borrowing headroom was \$3.3 million across its existing banking facilities in Germany, Romania and China.

NET DEBT (A\$million)



NET DEBT TO NET DEBT + EQUITY (%)



Summary & Outlook

In the six months to 30 June 2019, Magontec Limited recorded a Net Profit After Tax, excluding the impact of unrealised foreign exchange (Underlying NPAT) of \$0.404 million.

This compares with a loss at the Underlying NPAT line of -\$0.145 million in the prior corresponding period (PCP).

Through the period under review the Company carried a total depreciation charge of \$1.6 million, of which \$0.651 million was attributable to the assets at the Magontec Qinghai plant that are operating at well below rated capacity. This, together with the losses currently generated by the Magontec Qinghai primary magnesium alloy plant, causes Underlying NPAT to understate the strength of the improvement in other parts of the business.

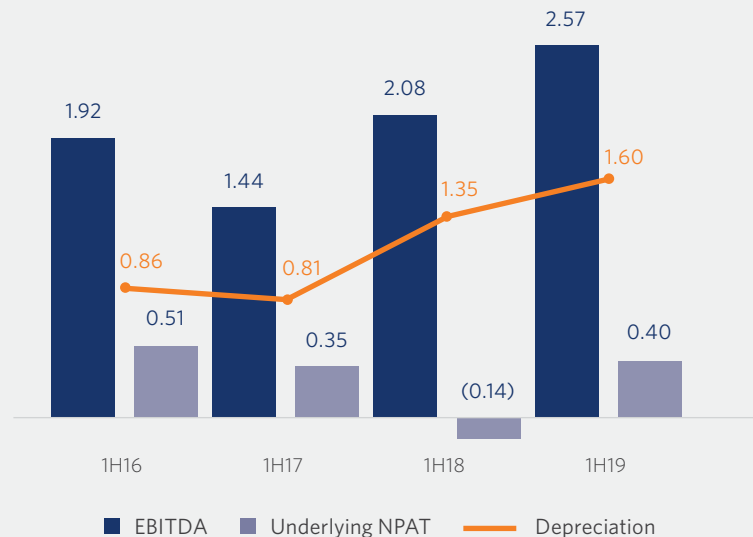
The earnings uplift in the first six months of 2019 was principally driven by volume and margin improvements across the anode businesses and by an improvement in production efficiency at the Romanian plant which comprises both magnesium alloy recycling and magnesium anode manufacturing.

Gross Profit for the half was up 9.0% to \$7.96 million on revenues up 2.7%, driving the Gross Profit Margin up to 11.8% from 11.1% in the PCP.

With the exception of the Magontec Qinghai primary magnesium alloy business, on which there have been two shareholder updates since the first quarter 2019 result commentary, Magontec businesses have performed well in the period under review.

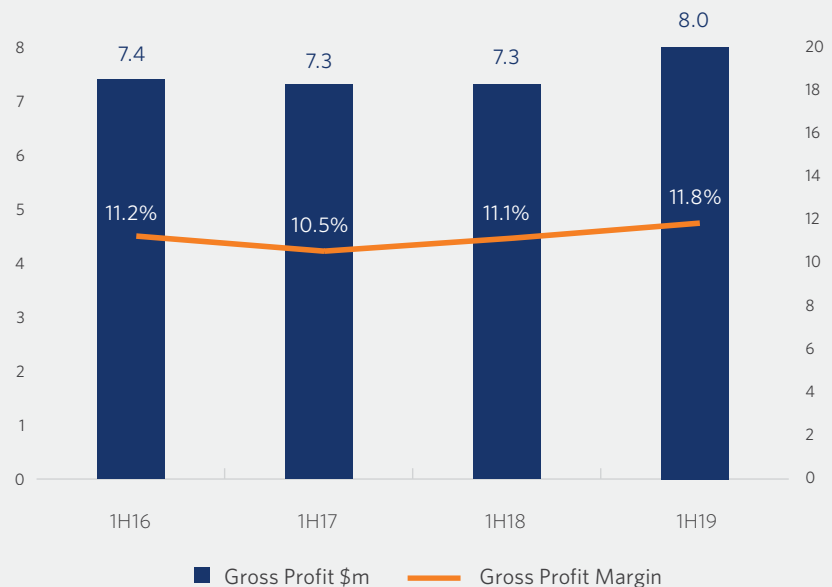
The Company has generated underlying cash flow (cash flow from operations and excluding movements in working capital, interest and tax payments) of \$2.7m, 64% higher than in the first half of 2018.

EBITDA, UNDERLYING NPAT & DEPRECIATION (A\$million)



Rising Depreciation charges are depressing Underlying NPAT

GROSS PROFIT (A\$million)



Gross Profit and Gross Profit Margins continue to rise

Summary & Outlook

As at the end of June 2019 the Company had Net Debt of just \$9.5 million, in line with the prior corresponding period and cash or cash equivalents of \$10.6 million. This low level of debt reflects the lower than forecast primary magnesium alloy production volumes at the Magontec Qinghai facility. As that business gathers momentum excess cash, together with unused credit facilities, will be deployed as working capital.

While a recovery in the volume of liquid pure magnesium supplied from QSLM's facility to the Magontec Qinghai plant would have a strong positive effect on the profitability of the Company and there are a number of efficiency programs under way that will also boost profitability and competitiveness, the outlook for the second half of 2019 and into 2020 appears challenging.

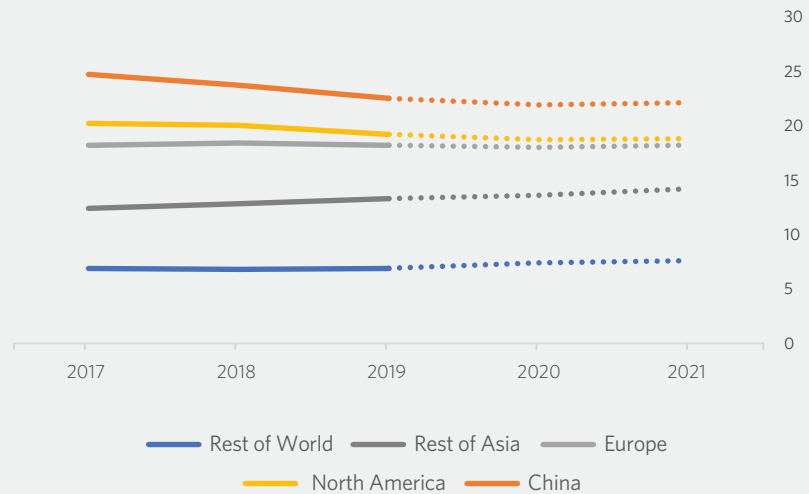
The global automotive sector, which is the single largest customer group by sales, has experienced a slower period in the first six months of 2019, particularly in China, which is the largest market in the World today and has been a critical driver of new volumes in recent years.

From 2018 to 2020 Chinese automotive sales are forecast to fall around 8%, North American sales by 6.5% and Western European sales by 5%. In the smaller markets of Eastern Europe, Latin America and other parts of Asia, sales are expected to be steady to higher.

Elsewhere in the automotive sector there have been a number of profit warnings in the first six months of 2019 and evidence of OEMs and suppliers reducing global footprint and curtailing expansion plans.

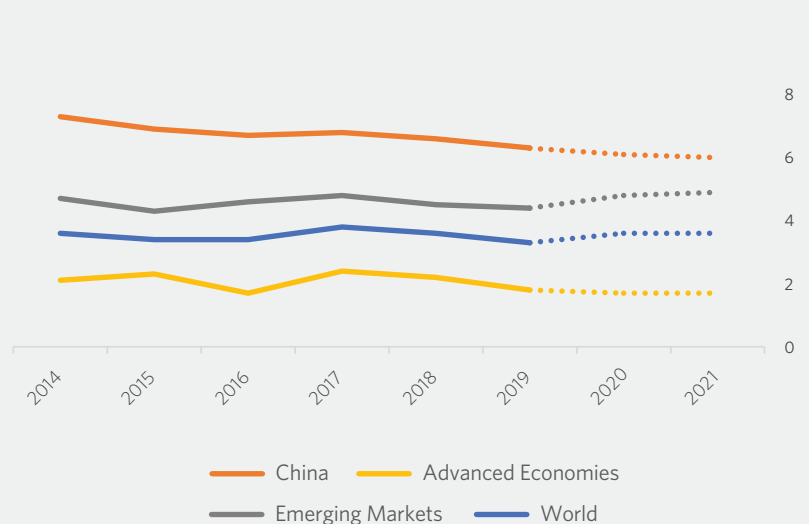
The generally softer trends in consumer growth in the major economies are likely to impact sales of other consumer goods as well as automobiles. Magontec's other major product line is cathodic corrosion protection products. These are part of the global supply chain for the water heater industry that is also likely to be impacted by slower consumer spending in the key markets of Europe, the USA and China.

GROWTH TRENDS AND FORECASTS IN MAJOR AUTOMOTIVE MARKETS (units, millions)



Automotive sales are slowing in the largest markets

REAL GDP GROWTH (Annual percent change)



Economic growth forecast to slow in Advanced Economies and China

While Magontec looks ahead to an improving underlying business driven by management initiatives and investment in new productivity programs, the general outlook is one of caution.

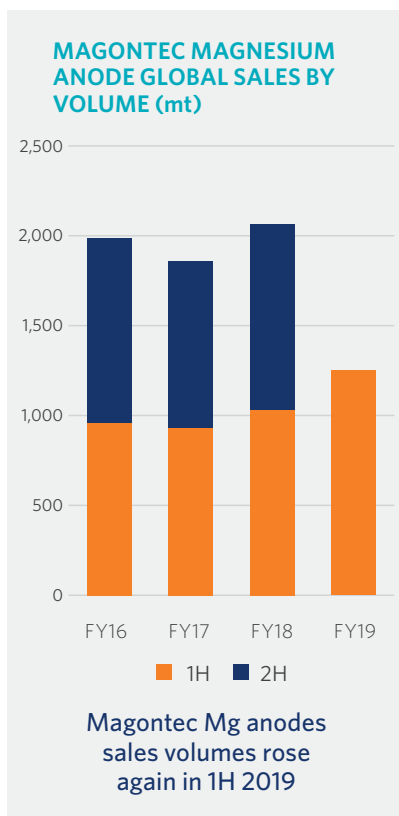
Operations Report

Magnesium and electronic anodes

Cathodic Corrosion Protection - (CCP)

Magontec CCP businesses have enjoyed stronger conditions in the first half of 2019, largely the result of improved manufacturing performances. Overall volumes are also higher than in the PCP, particularly in China, bringing unit costs down through the period.

While the CCP sector remains highly competitive with numerous producers of similar products in China and Europe, Magontec continues to hold a strong footing in this sector.



In Europe sales volumes for magnesium anode products were slightly lower than PCP and prices to customers have remained steady in the last six months, as they have over the last four years. While the reduction in unit manufacturing costs has been in part the result of an improvement in labour issues that previously afflicted the Romanian manufacturing plant, there have also been contributions from the introduction of larger and more complex casting machines and investment in new processing equipment bringing greater automation to the production process. Over the second half and into 2020 the capex program for the Romanian facility will see the installation of additional plant designed to further streamline production.

Markets for the European Mg anode business are extremely diverse across the EU, the Middle East and occasionally further afield. The outlook for the water heater industry, the principal consumer of magnesium anodes, tends to track housing formation and economic growth. While unit production costs have driven profitability in the first half, slowing economies among the major European countries are likely to present challenges in the second half.

The electronic anodes business has also enjoyed a rise in volumes and earnings in the first six months of 2019. Over the last two years this product has grown its customer base in North America and Europe as increasingly sophisticated water and home heating systems opt for a product that prolongs product life and offers more complex water management options.

This product is also well established in the solar water heating industry. While there has been significant demand volatility as governments around the World introduce and remove subsidies for renewable energy products, the likely long-term trend here is for further growth in demand from this sector.

Across both magnesium and electronic anodes Magontec's European business has experienced revenue growth of 7.6% and Gross Profit growth of 21.7% in the period under review.

In China magnesium anode volumes are up nearly 40% on the PCP, the result of rising sales into North American markets. Late in the first half of 2019 the Xi'an factory installed a new magnesium anode extrusion press and new processing equipment that will likely further improve average unit production costs in the second half of 2019.

The Chinese magnesium anode business experienced a 31.8% lift in revenues in the first six months of 2019 over PCP and Gross Profit up 3.9%.

The outlook for the second half, while seasonally a stronger period, nonetheless appears challenging as expectations for sales growth are likely to be in line with a weaker Chinese market and flagging US demand.

Metals Businesses

Magnesium alloy manufacturing activities

With the closure of the Chinese primary magnesium alloy manufacturing and recycling plant in Shanxi Province in the 4th quarter of 2018, the remaining activities in the metal business, other than the new primary magnesium alloy plant in Qinghai Province, which is dealt with separately, are now concentrated in Europe.

These are magnesium alloy recycling businesses located in Bottrop, Germany and at Santana in Romania servicing the European automotive and power tool magnesium alloy die casting industry.

The Romanian plant experienced labour issues that severely impacted profitability in 2017 and 2018. In the last six months management have successfully addressed many of these problems and the magnesium alloy recycling business has experienced a marked improvement in production costs and a more stable employee environment.

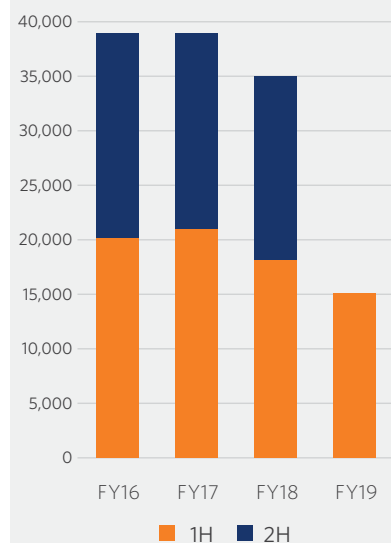
European magnesium alloy scrap volumes continue to be competitively sought while regional automotive sales volumes have been falling. The extent of that slowing is perhaps not yet fully exposed as production and model releases in the last quarter of 2018 were heavily influenced by the effect of changes in vehicle certification processes.

Furthermore, a number of limited-edition models appear to have returned to higher levels of production, marginally increasing the demand for specialty alloys in the second quarter. With the unknowable effects of Brexit on the horizon, the US threatening trade disputes across the globe and slowing economies in China and the larger Western markets, the outlook for the second half is, at best, uncertain.

Overall EU magnesium alloy volumes, including recycled product, specialty alloys and primary product traded into Europe from Magontec's Chinese factory, were a little over 5% lower than the PCP. This compares with unusually high 1H 2018 volumes in Germany and reflects the recovery in Romanian volumes in the six months under review as production performance improved. Gross Profit for the European metals business was up 11% in the half reflecting both the sharp improvement in Romania and a stronger performance from the specialty metal business.

The absence of higher volumes of primary magnesium alloy materials from the new Chinese plant has also weighed on the European metals business.

MAGONTEC MAGNESIUM ALLOY GLOBAL SALES BY VOLUME (mt)



Magontec Mg alloy sales volumes are lower as Chinese volumes from the Magontec Qinghai plant fails to reach expected levels

These businesses anticipate both new sales volumes to European customers from the Chinese factory and a positive impact on local recycling volumes as Magontec regains a share of the 60,000 metric tonne per annum European primary magnesium alloy import market. This market is largely closed to the company at this time in the absence of QSLM higher volumes of pure magnesium supply to the Magontec Qinghai Magnesium Alloy Cast House.

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Directors' Report

The Directors of Magontec Limited ('the Company' or 'MGL') submit herewith the financial report for the half-year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

- | | |
|--|---------------------------|
| - Mr Nicholas Andrews (Executive Chairman) | |
| - Mr Kang Min Xie (Non-Executive Director) | Re-appointed 10 May 2018 |
| - Mr Shun Li (Alternate Director to Mr Kang Min Xie) | Appointed 25 October 2017 |
| - Mr Zhong Jun Li (Non-Executive Director) | Re-appointed 10 May 2018 |
| - Mr Atul Malhotra (Independent Director) | Appointed 10 May 2019 |
| - Mr Robert Kaye (Independent Director) | Re-appointed 17 May 2017 |
| - Mr Andre Labuschagne (Non-Executive Director) | Re-appointed 10 May 2019 |

Review of Operations

For the six months ended 30 June 2019 the consolidated profit after tax from continuing operations was - \$254,219

For the six months ended 30 June 2018 the consolidated profit after tax from continuing operations was - \$179,700

Corporate

The 36th annual general meeting of the Company was held on 10 May 2019.

As at the date of this report, the composition of the committees of the Board are as follows.

Remuneration and Appointments Committee

- Chairman: Robert Kaye (Independent Director)
- Atul Malhotra (Independent Director)
- Li Zhongjun (Non-Executive Director)

Finance, Audit & Compliance Committee

- Chairman: Atul Malhotra (Independent Director)
- Xie Kangmin (Non-Executive Director)
- Andre Labuschagne (Non-Executive Director)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by S307C of the *Corporations Act 2001* is set out on page 12.

This Report is made in accordance with a resolution of the Directors.



Nicholas Andrews
Executive Chairman

28 August 2019

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

The Board of Directors
Magontec Limited
Suite 1.03, 46A Macleay St
Potts Point NSW 2011

Dear Board Members,

In accordance with the requirements of section 307C of the Corporations Act 2001, we hereby declare, that to the best of our knowledge and belief, during the half-year ended 30 June 2019 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Camphin Boston
Chartered Accountants

A handwritten signature in black ink, appearing to read "G S Boston", with a horizontal line underneath.

Greg Boston
Lead Audit Partner

Sydney

Dated this 28th day of August 2019

Camphin Boston
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Independent Auditor's Review Report

to the members of Magontec Limited



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MAGONTEC LIMITED

Report on the Half-Year Financial Report

Auditor's Opinion

We have reviewed the accompanying half-year financial report of Magontec Limited and Controlled Entities, which comprises the consolidated balance sheet as at 30 June 2019, consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

In our opinion:

The half-year financial report of Magontec Limited and its controlled entities is in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The directors of Magontec Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls to enable the preparation of the half-year financial report that provides a true and fair view and is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Magontec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Camphin Boston
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Independent Auditor's Review Report

continued



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Camphin Boston
Chartered Accountants

A handwritten signature in black ink, appearing to read "G S Boston", with a stylized flourish underneath.

Greg Boston
Partner

Level 5, 179 Elizabeth Street, Sydney NSW 2000

Dated: 28th August 2019

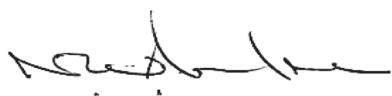
Directors' Declaration

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that there is no intention or necessity to close the current operations or cease trading within twelve months from the date of this report;
- b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity

Signed in accordance with a resolution of the Directors pursuant to s. 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Nicholas Andrews', with a stylized flourish at the end.

Nicholas Andrews
Executive Chairman

Sydney, 28 August 2019

Consolidated Comprehensive Income Statement

for the half-year ended 30 June 2019

	Note	6 months to 30 Jun 2019 \$'000	6 months to 30 Jun 2018 \$'000
Sale of goods	4.3	67,251	65,483
Cost of sales	4.3	(59,293)	(58,183)
Gross profit		7,959	7,300
Other income	10	143	98
Interest expense		(297)	(327)
Impairment of inventory, receivables & other financial assets		(9)	27
Travel accommodation and meals		(463)	(529)
Research, development, licensing and patent costs		(172)	(156)
Promotional activity		(57)	(54)
Information technology		(188)	(136)
Personnel*		(3,962)	(3,611)
Depreciation & amortisation		(335)	(293)
Office expenses		(276)	(326)
Corporate		(1,587)	(1,952)
Foreign exchange gain/(loss)		(87)	358
Profit/(Loss) before income tax expense/benefit from continuing operations		668	400
Income tax (expense)/benefit		(414)	(221)
Profit/(Loss) after income tax expense/benefit from continuing operations		254	180
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement			
Exchange differences taken to reserves in equity - translation of overseas entities		(200)	756
Other Comprehensive Income - that will not emerge in the Profit and Loss Statement			
Movement in various actuarial assessments		(562)	0
Total Comprehensive Income		(508)	935

	Note	6 months to 30 Jun 2019	6 months to 30 Jun 2018
Earnings/(Loss) per share from continuing operations			
Basic (cents per share)	9	0.022 cents	0.016 cents
Diluted (cents per share)	9	0.021 cents	0.015 cents

* Personnel costs only includes non production administration staff. This increased during the period compared with the pcg mainly due to a change in the salary mix, with administration headcount stable on a like for like basis.

Notes to the financial statements are included on pages 20 to 27.

Consolidated Balance Sheet

as at 30 June 2019

	Note	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Current assets			
Cash and cash equivalents	7	10,612	12,889
Trade & other receivables	11.1	26,956	23,525
Inventory		23,763	24,404
Other		373	373
Total current assets		61,704	61,191
Non-current assets			
Other receivables		331	952
Property, plant & equipment	11.4	22,045	22,488
Deferred Tax Asset		2,016	1,675
Intangibles		3,670	3,657
Total non-current assets		28,062	28,771
TOTAL ASSETS		89,765	89,962
Current liabilities			
Trade & other payables	11.2	20,518	21,544
Bank Borrowings	13	8,879	7,462
Provisions	11.4	2,130	3,277
Total current liabilities		31,527	32,283
Non-current liabilities			
Bank Borrowings	13	11,212	10,633
Provisions	11.4	13,087	12,293
Other		100	-
Total non-current liabilities		24,400	22,926
TOTAL LIABILITIES		55,927	55,209
NET ASSETS		33,839	34,754
Equity attributable to members of MGL			
Share capital	6	58,907	58,907
Reserves	12	5,395	6,093
Accumulated (losses)/profits		(30,463)	(30,709)
Equity attributable to minority interests			
Share capital	6	-	463
Reserves	12	-	-
Accumulated (losses)/profits		-	-
Total equity		33,839	34,754

Notes to the financial statements are included on pages 20 to 27.

Consolidated Statement of Changes In Equity

for the half-year ended 30 June 2019

	Share Capital		Retained Earnings \$'000	FCTR ⁽¹⁾ \$'000	Capital Reserve \$'000	Actuarial Reserve \$'000	Expired Options Reserve \$'000	Share Issue Reserve \$'000	Minority Interests \$'000	Total Equity \$'000
	Ordinary \$'000	Options Valuation \$'000								
Balance 1 Jan 19	58,907	-	(30,709)	3,969	2,750	(2,383)	1,637	120	463	34,754
Profit/(Loss) attributable to members of parent entity	-	-	254	-	-	-	-	-	-	254
Profit/(Loss) attributable to minority interests	-	-	-	-	-	-	-	-	-	-
Other ^{(2) (3)}	-	-	(8)	-	-	-	-	-	(463)	(471)
Comprehensive income	-	-	-	(200)	-	(562)	-	-	-	(763)
Expired Options	-	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	65	-	65
Minority share capital	-	-	-	-	-	-	-	-	-	-
Balance 30 Jun 19	58,907	-	(30,463)	3,769	2,750	(2,945)	1,637	184	-	33,839

for the Half-Year Ended 30 June 2018

Balance 1 Jan 18	58,907	-	(31,485)	2,814	2,750	(2,346)	1,637	41	463	32,782
Profit/(Loss) attributable to members of parent entity	-	-	180	-	-	-	-	-	-	180
Profit/(Loss) attributable to minority interests	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	756	-	-	-	-	-	756
Expired Options	-	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	28	-	28
Minority share capital	-	-	-	-	-	-	-	-	-	-
Balance 30 Jun 18	58,907	-	(31,306)	3,570	2,750	(2,346)	1,637	70	463	33,745

(1) FCTR = Foreign Currency Translation Reserve

(2) Other in Retained Earnings relates to AASB 16 transition adjustments to opening retained earnings in the half year ended 30 June 2019

(3) Other in Minority Interest relates to the closure of Magontec Shanxi Co Ltd during the half year ended 30 June 2019

Notes to the financial statements are included on pages 20 to 27.

Consolidated Cash Flow Statement

for the half-year ended 30 June 2019

	6 months to 30 Jun 19 \$'000	6 months to 30 Jun 18 \$'000
Cash flows from operating activities		
Profit before taxation	668	400
Adjustments for:		
- Non-cash equity expense	65	28
- Depreciation & amortisation	1,601	1,348
- Foreign currency effects	150	(325)
- Other non-cash items	170	165
Cash generated from/(utilised in) underlying operating activities	2,654	1,617
Movement in working capital balance sheet accounts		
- Trade and Other Receivables	(5,526)	5,260
- Inventory	627	(943)
- Trade and Other Payables	(504)	5,730
- Other	18	(97)
Cash generated from/(utilised in) working capital accounts	(5,385)	9,950
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets	(2,730)	11,567
- Net Interest paid	(257)	(299)
- Income tax paid	(526)	(1,119)
Cash generated from/(utilised in) other operating activities	(3,513)	10,148
Cash flows from investing activities		
Net cash out on purchase/disposal of property, plant & equipment	(786)	(661)
Group Information Technology software	(128)	(245)
Security Deposit	157	(19)
Other	(135)	141
Net cash provided by/(used in) investing activities	(891)	(785)
Cash flows from financing activities		
Proceeds from borrowings	9,909	5,725
Repayment of borrowings	(7,837)	(8,420)
Net cash provided by financing activities	2,073	(2,696)
Net increase/(decrease) in cash and cash equivalents	(2,331)	6,668
Foreign exchange effects on total cash flow movement	55	178
Cash and cash equivalents at the beginning of the reporting period	12,889	2,309
Cash and cash equivalents at the end of the reporting period	10,612	9,155

Notes to the financial statements are included on pages 20 to 27.

Notes to the Condensed Financial Statements

for the half-year ended 30 June 2019

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual report for the year ended 31 December 2018.

Basis of Preparation

This report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Costs are based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the 30 June 2019 half-year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 31 December 2018 apart from the first time implementation of AASB 16 Leases during this period which is disclosed in the Notes to the Accounts. Apart from this, there are no other material changes to the Group's accounting policies.

2. SIGNIFICANT TRANSACTIONS AND MATERIAL ITEMS

Aside from those referred to in the Executive Chairman's report in this report and the relevant comparative period reports, there were no material factors affecting the financial statements of the economic entity for the current and comparative period.

2.1 Call Options for the Issue of the Company's Shares

There are no call options on issue as at the reporting date.

2.2 Income Tax Expense/Benefit

Tax losses previously disclosed in the 31 December 2018 Annual Report encompass Magontec Limited and its Australian controlled entities. The tax benefit corresponding to these losses is not recognised as an asset in the accounts. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation in the various foreign jurisdictions in which the Group operates.

3. DIVIDENDS

No dividend was declared or recommended during the 6 months ended 30 June 2019 (6 months ended 30 June 2018: no dividend declared or recommended). The balance of the franking account at 30 June 2019 was \$nil (30 June 2018: \$nil).

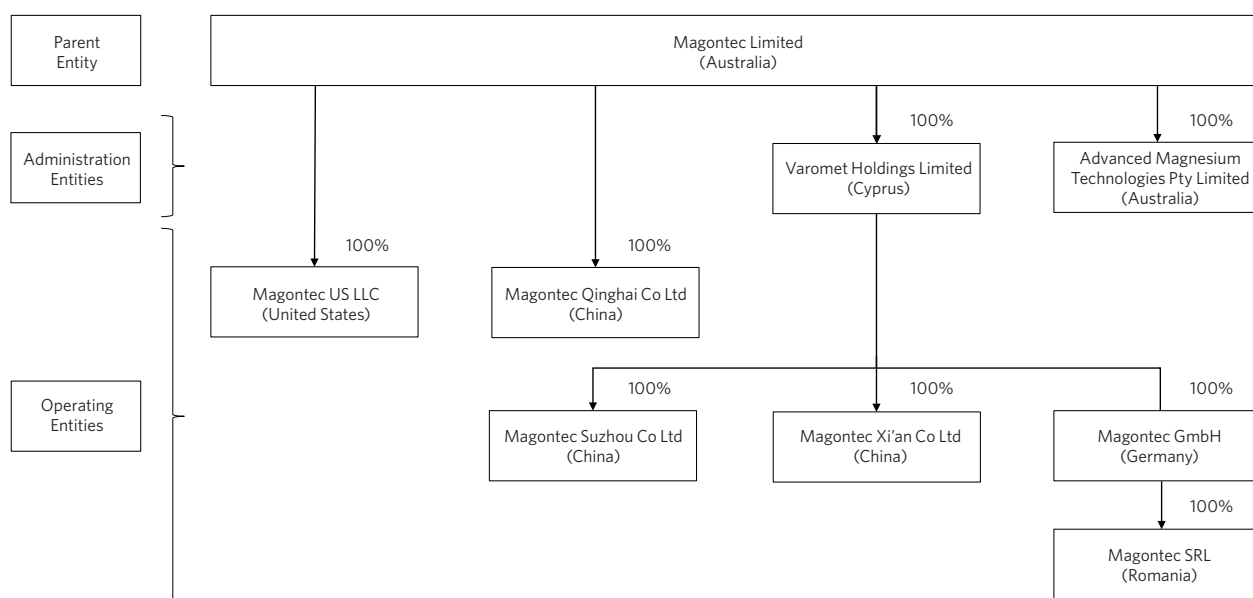
Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING

4.1 Corporate Structure as at 30 June 2019

Magontec Limited Corporate Structure



4.2 Identification of Reportable Segments

The consolidated entity comprises the entities as described in Note 4.1.

In respect of the period to 30 June 2019, segment information is presented in respect of the three main departments within the company as described in the chart at Note 4.1 above.

- 'Admin Units' = Magontec administrative entities performing a Head Office function comprising -
Magontec Limited (Australia);
Advanced Magnesium Technologies Pty Limited (Australia); and
Varomet Holdings Limited (Cyprus).
- 'EUR' = Magontec operating entities in Europe and North America comprising -
Magontec GmbH (Germany);
Magontec SRL (Romania); and
Magontec LLC (United States).
- 'PRC' = Magontec operating entities in People's Republic of China comprising -
Magontec Xi'an Co. Ltd. (China);
Magontec Qinghai Co. Ltd. (China); and
Magontec Suzhou Co. Ltd. (China).

During the 6 months to 30 June 2019, Magontec Shanxi Co. Ltd. (China) was closed. Closure procedures with respect to Magontec Suzhou Co. Ltd. (China) are still ongoing.

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (continued)

4.3 Segment Information - Comprehensive Income

	6 months to 30 June 2019				6 months to 30 June 2018			
	\$'000 Admin	\$'000 EUR	\$'000 PRC	\$'000 Total	\$'000 Admin	\$'000 EUR	\$'000 PRC	\$'000 Total
Sale of goods	-	40,603	27,241	67,843	-	40,911	25,476	66,387
Less Inter-company sales				(592)				(904)
Net Sales	-	40,603	27,241	67,251	-	40,911	25,476	65,483
Cost of sales	-	(34,714)	(25,170)	(59,885)	-	(35,812)	(23,275)	(59,087)
Less Inter-company sales				592				904
Net Cost of Sales	-	(34,714)	(25,170)	(59,293)	-	(35,812)	(23,275)	(58,183)
Gross Profit	-	5,888	2,071	7,959	-	5,099	2,201	7,300
Other income	12	6	125	143	16	55	27	98
Interest expense	(1)	(176)	(119)	(297)	-	(139)	(188)	(327)
Impairment of inventory, receivables & other financial assets	-	(9)	-	(9)	-	-	27	27
Travel accommodation and meals	(68)	(185)	(210)	(463)	(42)	(239)	(248)	(529)
Research, development, licensing and patent costs	(38)	(23)	(112)	(172)	(12)	(49)	(95)	(156)
Promotional activity	(2)	(56)	-	(57)	(2)	(53)	-	(54)
Information technology	(5)	(117)	(66)	(188)	(16)	(94)	(26)	(136)
Personnel	(538)	(2,468)	(956)	(3,962)	(512)	(2,144)	(955)	(3,611)
Depreciation & Amortisation	(21)	(262)	(53)	(335)	-	(172)	(121)	(293)
Office expenses	(40)	(169)	(68)	(276)	(47)	(226)	(53)	(326)
Corporate	(304)	(746)	(537)	(1,587)	(339)	(1,001)	(612)	(1,952)
Foreign exchange gain/(loss)	(22)	(127)	61	(87)	493	48	(182)	358
Profit/(Loss) before income tax expense	(1,026)	1,557	136	668	(460)	1,085	(225)	400
Income tax expense	-	(426)	12	(414)	-	(270)	50	(221)
Profit/(Loss) after income tax expense/benefit including discontinued operations	(1,026)	1,131	148	254	(460)	815	(175)	180
Other Comprehensive Income								
Movement in various actuarial assessments	-	(562)	-	(562)	-	-	-	-
Exchange differences taken to reserves in equity - translation of overseas entities	26	(154)	(72)	(200)	1	183	571	756
Total Comprehensive Income	(1,000)	415	76	(508)	(459)	998	396	935

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (continued)

4.4 Segment Information - Balance Sheet

	30 Jun 19 \$'000 Admin	30 Jun 19 \$'000 EUR	30 Jun 19 \$'000 PRC	30 Jun 19 \$'000 Total	31 Dec 18 \$'000 Admin	31 Dec 18 \$'000 EUR	31 Dec 18 \$'000 PRC	31 Dec 18 \$'000 Total
Segment Assets								
Gross Segment assets	55,336	51,096	41,686	148,118	55,016	44,127	45,976	145,120
Adjustments								
Eliminations								
- Inter-Coy Loans	(41,327)	(3,535)	(2,154)	(47,016)	(41,173)	(2,554)	(1,538)	(45,264)
- Investment in subsidiaries	(15,392)	-	-	(15,392)	(15,392)	-	-	(15,392)
- Other	4,615	44	(603)	4,055	4,401	(14)	1,112	5,499
As per Consolidated Balance Sheet	3,232	47,605	38,929	89,765	2,852	41,559	45,551	89,962
Segment Liabilities								
Gross Segment liabilities	33,690	43,920	24,459	102,069	32,630	37,327	28,428	98,385
Eliminations								
- Inter-Coy Loans	(33,428)	(2,797)	(10,752)	(46,977)	(32,346)	(2,180)	(10,662)	(45,188)
- Other	448	35	352	836	-	-	2,011	2,011
As per Consolidated Balance Sheet	710	41,158	14,059	55,927	285	35,147	19,777	55,209
Net assets	2,522	6,447	24,870	33,839	2,567	6,412	25,774	34,754

5. CONTINGENT ASSETS & LIABILITIES

With respect to contingent assets and liabilities, these are unchanged compared with those disclosed in the Annual Report at 31 December 2018 as at the date of this report. Based on the latest information available, the matter on MAR VAT is expected to go to trial in 2021.

6. SHARE CAPITAL

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Opening balance of share capital attributable to members of MGL	58,907	58,907
Issue of shares to Executives of Magontec Limited	-	-
Various costs associated with above issues	-	-
Share capital on issued ordinary shares 1,140,073,483 (2018: 1,140,073,483)	58,907	58,907
Share capital attributable to members of MGL	58,907	58,907
Share capital attributable to minority interest	-	463
Total share capital	58,907	59,370

During the 6 months to 30 June 2019, Magontec Shanxi Co. Ltd. (China) was closed, leading to the unwind of the associated minority interest.

Notes to the Condensed Financial Statements

continued

7. RECONCILIATION OF CASH

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	6 months to 30 Jun 19 \$'000	6 months to 30 Jun 18 \$'000
Cash and cash equivalents at the beginning of the reporting period	12,889	2,309
Net cash (used)/generated in operating activities	(3,513)	10,148
Net cash provided by/(used in) investing activities	(891)	(785)
Net cash provided by/(used in) financing activities	2,073	(2,696)
Foreign exchange effects on total cash flow movement	55	178
Cash and cash equivalents at the end of the reporting period	10,612	9,155

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date, the Magontec Qinghai plant underwent an environmental inspection on 31 July 2019. This resulted in a fine of RMB 1m (A\$208k) due to the lack of appropriate certification for use of a certain alloying input. This fine was subsequently paid. An additional RMB 1m (A\$208k) fine was also levied with respect to obtaining a Final Environmental Approval Certificate. However, at the date of this report, this is subject to an appeal process being initiated by the Group.

9. CALCULATION OF EARNINGS/(LOSS) PER SHARE

		Half-year ended 30 Jun 19	Half-year ended 30 Jun 18
Earning/(Loss) per share:			
Profit/(Loss) attributable to members of the parent entity	1	\$254,219	\$179,700
Average shares on issue for the period	2	1,140,073,483	1,140,073,483
Total average vested options (Refer Note 2.1)	3	55,847,905	61,573,312
Basic Earnings/(Loss) per share (cents per share)	$1 \div 2 \times 100$	0.022	0.016
Diluted Earnings/(Loss) per share (cents per share)	$1 \div (2 + 3) \times 100$	0.021	0.015

10. OTHER INCOME IN COMPREHENSIVE INCOME STATEMENT

	6 months to 30 Jun 19 \$'000	6 months to 30 Jun 18 \$'000
Interest revenue	38	28
Government grants	88	-
Write back of provisions and other adjustments	5	14
Other	12	56
	143	98

Notes to the Condensed Financial Statements

continued

11. TRADE RECEIVABLES AND PAYABLES

11.1 Current Trade and Other Receivables

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Trade receivables ⁽¹⁾	21,285	16,882
Allowance for doubtful debts	(335)	(512)
	20,950	16,370
Net GST/VAT recoverable	2,045	1,188
Security deposits	50	41
Derivatives fair value adjustment	-	-
Other receivables due to operating entities	3,910	5,927
Other	-	-
	6,005	7,155
Total receivables	26,956	23,525

(1) Trade receivables represent 57.3 days sales at 30 Jun 19 (49.4 days sales at 30 Jun 18)

11.2 Current Trade and Other Payables

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Trade creditors ⁽¹⁾	15,947	13,463
Other creditors and accruals	4,571	8,081
	20,518	21,544

(1) Trade creditors represent 48.7 days cost of goods sold at 30 Jun 19 (39.6 days cost of goods sold at 30 Jun 18)

11.3 Related Party Disclosures

During the 6 months ended 30 June 2019, the Group made payments to the extent of \$8.0m for purchases of raw material from its substantial shareholder Qinghai Salt Lake Magnesium Co Limited.

A further balance of \$1.6 million was also owing to Qinghai Salt Lake Magnesium Co Limited as at 30 June 2019, which was subsequently paid post balance date. This amount was captured in the creditors and accruals caption on the balance sheet.

Outstanding balances are on an interest free basis, unsecured and settlement will occur in cash. No guarantees have been provided or received with respect to related party balances.

11.4 Leases

From 1 January 2019, the Group adopted AASB 16 Leases. Pursuant to this standard:

The company used the modified retrospective approach, whereby transition entries have been taken to opening retained earnings (net negative impact of \$8,000 on retained earnings).

The Group recognises a right of use lease asset at inception in the Property, Plant & Equipment caption on the balance sheet, which included equipment and vehicles as well as a corresponding lease liability in the Current and Non Current Provisions captions on the balance sheet. Subsequently:

The right of use asset is depreciated on a straight-line basis per the term of the lease

The lease liability is unwound over the term of the lease, with interest expense recorded in the income statement

	\$'000s
At balance date, the net value of the right of use asset was:	309
At balance date, the lease liability recorded in the balance sheet was:	314

Notes to the Condensed Financial Statements

continued

12. RESERVES

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Capital reserve		
Balance at beginning of financial year ⁽¹⁾	2,750	2,750
Balance at end of financial year	2,750	2,750
Foreign currency translation reserve		
Balance at beginning of financial year	3,969	2,814
Movement in VHL Consolidated accounts	(200)	1,155
Balance at end of financial year	3,769	3,969
Actuarial Reserves		
Balance at beginning of financial year	(2,383)	(2,346)
Derivatives	-	-
Deferred tax assets	186	12
Employee pensions	(749)	(50)
Other	-	-
Balance at end of financial year	(2,945)	(2,383)
Expired Options Reserve		
Balance at beginning of financial year	1,637	1,637
ESOP options expiry	-	-
Balance at end of financial year	1,637	1,637
Share Issue Reserve		
Balance at beginning of financial year	120	41
Issue of ordinary shares on conversion of rights	-	-
Fair value of performance rights issued	65	78
Balance at end of financial year	184	120
Total reserves	5,395	6,093
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity - translation of overseas entities	(200)	1,155
Movement in various actuarial assessments	(562)	(38)
Total Other Comprehensive Income	(763)	1,117

Notes

- (1) The **capital reserve** is a historical reserve from 2002 that arose after calculation of the outside equity interest in the (as it then was) Australian Magnesium Investments Pty Ltd consolidated entity.
The **foreign currency translation reserve** is a result of translating overseas subsidiaries from their functional currency to the presentation currency of Australian dollars.
The **expired options reserve** captures the balance of unexercised options on their expiry date from the appropriate share capital account.
The **actuarial reserve** represents the cumulative amount of actuarial gains/(losses) on the Group's unfunded defined benefit pension obligation as well as movements in deferred tax assets and financial instruments that need to be recognised in "Other comprehensive income" (OCI).

Notes to the Condensed Financial Statements

continued

13. BORROWINGS

	30 Jun 2019	30 Jun 2019	30 Jun 2019	31 Dec 2018	31 Dec 2018	31 Dec 2018
	\$'000	Maturity Date	Interest pa ⁽¹⁾	\$'000	Maturity Date	Interest pa ⁽¹⁾
Bank & Institutional Borrowings						
Magontec GmbH (Bank Loan) ⁽²⁾	11,212	30 Sep 20	1.55%	10,633	30 Sep 20	1.55%
Magontec GmbH (Hire Purchase Facility)	-	-	-	41	31 Dec 18	2.50%
Magontec GmbH (Factoring Facility) ⁽³⁾	663	30 Nov 19	1.34%	1,466	30 Nov 19	1.34%
Magontec SRL (Working Capital Facility) ⁽⁴⁾	4,732	Open	4.84%	3,294	Open	4.84%
Magontec Xi'an Limited (Bank Loan)	4,148	28 Apr 20	4.79%	4,127	1 Apr 19	5.22%
Total Bank Borrowings	20,755			19,561		
Current Borrowings						
Bank borrowings as above (excluding factoring facility)	8,879	Various	Various	7,462	Various	Various
Bank borrowings as above (excluding factoring facility)	8,879			7,462		
Non-Current Borrowings						
Bank borrowings as above	11,212	30 Sep 20	1.55%	10,633	30 Sep 20	1.55%
Total Non-Current borrowings	11,212			10,633		

(1) Interest rate is the rate that applied at the end of the relevant reporting period and is expressed as compounding annually in arrears.

(2) These borrowings are secured by a charge over MAB's trade debtors to the extent of €1,994,000 (\$3,227,000) and inventory of €3,922,000 (\$6,350,000).

(3) This facility is set off against trade debtors, and thus is not shown in 'Borrowings' on the balance sheet.

(4) These borrowings are secured by a charge over MAR's trade debtors and inventory to the extent of RON 15,962,000 (\$5,471,000).



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