

Press release

28 February 2020

MAGONTEC LIMITED announces 2019 annual results FY2019 ANNUAL RESULT

Magontec Limited (MGL) announces a Full Year 2019 Net Profit Before Tax (excluding significant items) of \$440,000 compared with a net profit before tax of \$2.27 million in 2018.

The supply of liquid pure magnesium to the Company's Golmud primary magnesium alloy facility was suspended in April. This was the principal cause of the fall in profitability in 2019.

Other business units, including the European metals business and the global Cathodic Corrosion Protection businesses, experienced more stable results.

	12 months to 31-Dec-19 '\$000	12 months to 31-Dec-18 '\$000
Net Profit Before Tax, unrealised FX and significant items	440	2,266
Significant items before tax		
- Less non-cash equity expense	(135)	(78)
- Less MAQ depreciation (non cash)	(964)	(951)
- Less MAQ levies and start up costs	(416)	(101)
- Less doubtful debts expense PRC	-	(32)
Net Profit/(Loss) Before Tax excluding unrealised FX	(1,075)	1,104
- Less tax expense	(267)	(623)
Net Profit/(Loss) After Tax before unrealised FX (underlying NPAT*)	(1,342)	480

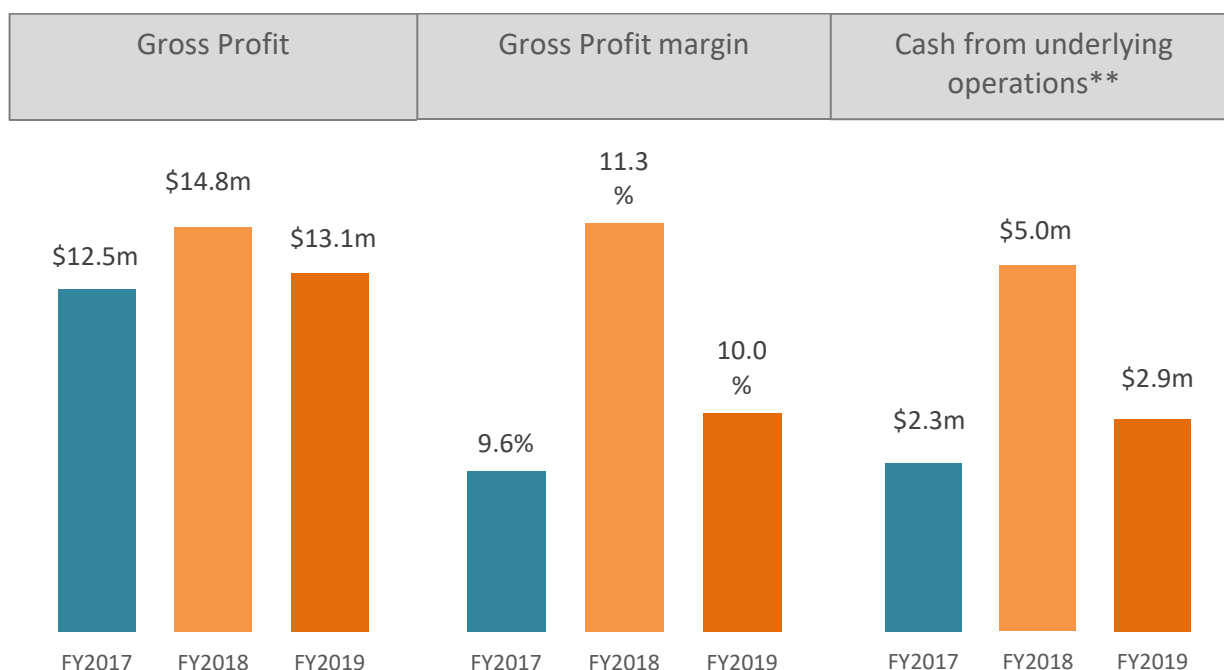
The 2019 Underlying Net Loss After Tax* was \$1.3m, compared with a \$0.5m profit recorded in the previous corresponding period. The FY2019 result is inclusive of \$0.96m of depreciation through its investment in the Magontec Qinghai Magnesium Alloy Cast House. This asset operated at a very low level of capacity through the reporting period.

In 2019 the Company generated \$2.9m of cash from underlying operations** and a Gross Profit of \$13.1m, down 11.4% on the previous corresponding period.

In 2019 the new cast house in Golmud has been the cause of a reversal in momentum gathered in the previous year. Magontec's supplier of liquid pure magnesium raw material, Qinghai Salt Lake Magnesium (QSLM), failed to achieve consistent and reliable production within the electrolytic magnesium facility and it is now idle. Compounding their production issues were growing financial problems associated with debt incurred by QSLM and its parent and the lack of production and sales sufficient to service that debt.

Offsetting these events in part the anodes businesses in Europe and China continue to make positive strides, delivering an overall positive EBITDA in 2019.

FY2019 Financial & Operational Highlights



Magontec Qinghai Magnesium Alloy Cast House

Supply constraints are expected to continue through the first half of 2020

The new owners of the electrolytic magnesium plant are committed to restarting the facility as soon as practicable

Metals Division Magnesium Alloys

The European metals business has continued to grow and diversify its product suite

In 2020 we anticipate a greater contribution from specialist metals

Cathodic Corrosion Protection (Anodes)

Continued investment in new plant and in technology has been the driving force in these businesses in 2019

In the coming 12 months we expect to further grow revenues and profitability.

* Underlying NPAT = Net Profit/(Loss) After Tax excluding unrealised FX gains and losses.

**Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

Outlook

Restoring supply of liquid pure magnesium from QSLM is the central focus for the company in 2020. There are key short-term events involving the restructuring of this company that will have a meaningful impact on Magontec in China. The new owners of QSLM have expressed their desire to re-start the electrolytic magnesium plant as soon as practicable.

Magontec's European magnesium alloy recycling and specialist metals businesses have strong market shares and expect to maintain a prominent position in these markets. Looking forward we see growing competition from regional competitors and scrap volumes leaking out of European markets. Furthermore, the key automotive industry continues to struggle against economic headwinds and, at least in the short-term, is unlikely to experience any joy while the world seeks to contain the Covid-19 virus.

The global anodes business has established itself as the World's leading supplier of magnesium and electronic anodes. Our Chinese and European businesses continued to invest heavily in these assets through 2019 and we look forward to further growth in market share, revenues and profitability 2020.

Nicholas Andrews
Executive Chairman

Contact details: +61 (0) 402 220 077

Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 28 February 2020

To view the FY2019 Magontec Limited Annual Report and for more information on Magontec Limited please visit our website at www.magontec.com



Picture: Qinghai Salt Lake Magnesium Co. Ltd electrolytic magnesium project at Golmud in Qinghai Province PRC. The Magontec Qinghai magnesium alloy cast house is part of this complex.