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31 July 2020

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

Dear Sirs,

**Appendix 4C – Quarter Ended 30 June 2020**

In this letter are –

- Attachment 1 – Unaudited Cash Flow Statement for the 6 months to 30 June 2020
- Attachment 2 – Unaudited Appendix 4C cash flow report for the quarter ended 30 June 2020


Attachment 1 is presented in the format that appears in the Company's half year and annual reports and is prepared on a basis consistent with the recognition and measurement requirements of accounting standards.

Attachment 2 is presented in the format required by Paragraph 4.7B of Chapter 4 of the ASX listing rules.

Given the Company's report for the half year ended 30 June 2020 will be released on or prior to 31 August 2020, no supplementary accounting data and Executive Chairman's report are included in this report.

It is reiterated that all data presented in this report is unaudited.

Yours sincerely



**Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 31 July 2020.**

**Rounding**

The data in this report may indicate apparent errors to the extent of one unit (being \$1,000) in the addition of items comprising totals 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.

# Attachment 1

## UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement			
Source: Magontec Limited Consolidated Management Accounts			
\$000	3 months to 31-Mar-20	3 months to 30-Jun-20	6 months to 30-Jun-20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/ (utilised in) underlying operating activities	1,776	573	2,350
<b>Net working capital assets</b>			
- Trade and other receivables	4,813	5,491	10,304
- Inventory	(1,464)	(1,089)	(2,553)
- Trade and other payables	1,037	(6,779)	(5,742)
- Other	41	(44)	(3)
Cash generated from/ (utilised in) net working capital assets	4,427	(2,421)	2,007
<b>Other operating activities</b>			
- Net Interest paid	(182)	(96)	(278)
- Income tax paid	(56)	(166)	(222)
Cash generated from/ (utilised in) other operating activities	(238)	(262)	(500)
<b>Net Cash generated from/ (utilised in) all operating activities</b>	<b>5,966</b>	<b>(2,109)</b>	<b>3,856</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net cash out on purchase/disposal of property, plant & equipment	(161)	(228)	(389)
Group information technology	(15)	12	(3)
Security deposit	71	(118)	(47)
Other including leased assets	-	(132)	(132)
<b>Net cash provided by / (used in) investing activities</b>	<b>(105)</b>	<b>(466)</b>	<b>(571)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank Debt	(2,555)	(3,087)	(5,642)
Net capital raised from issue of securities	-	260	260
Other	-	(8)	(8)
<b>Net cash provided by / (used in) financing activities</b>	<b>(2,555)</b>	<b>(2,834)</b>	<b>(5,390)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,305</b>	<b>(5,410)</b>	<b>(2,105)</b>
Foreign exchange effects on total cash flow movement	646	(505)	142
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,303</b>	<b>8,254</b>	<b>4,303</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8,254</b>	<b>2,340</b>	<b>2,340</b>

**Attachment 2**

**APPENDIX 4C**



# QUARTERLY UNAUDITED CASH FLOW APPENDIX 4C

for the Period Ended 30 June 2020

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Magontec Limited

**ABN**

51 010 441 666

**Quarter ended ("current quarter")**

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	23,555	59,933
1.2 Payments for		
(a) research and development	(126)	(219)
(b) product manufacturing and operating costs	(23,566)	(49,985)
(c) advertising and marketing	(13)	(74)
(d) leased assets	-	-
(e) staff costs	(1,745)	(3,789)
(f) administration and corporate costs	(519)	(2,188)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	34
1.5 Interest and other costs of finance paid	(117)	(312)
1.6 Income taxes paid	(166)	(222)
1.7 Government grants and tax incentives	567	678
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,109)</b>	<b>3,856</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(228)	(389)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	12	(3)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(250)	(178)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(466)</b>	<b>(571)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	260	260
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	3,936	4,276
3.6	Repayment of borrowings	(7,023)	(9,918)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(8)	(8)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(2,834)</b>	<b>(5,390)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>8,254</b>	<b>4,303</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,109)	3,856
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(466)	(571)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,834)	(5,390)
4.5	Effect of movement in exchange rates on cash held	(505)	142
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,340</b>	<b>2,340</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,340	8,254
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,340</b>	<b>8,254</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**Explanation**

During the quarter ended 30 June 2020, there were no payments for purchase of pure Mg from the Qinghai Salt Lake Magnesium Co Ltd.

<b>7. Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	16,939	15,578
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		

7.5	<b>Unused financing facilities available at quarter end</b>	<b>\$ 1,360,175</b>
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

<b>Borrowings facilities as at 30 June 2020</b>					
<b>Lender</b>	<b>Maturity</b>	<b>Interest %</b>	<b>Limit \$A 000</b>	<b>Drawn \$A 000</b>	<b>Security status</b>
Commerzbank Germany	30-Sep-20	1.55%	11,041	9,809	Secured
ING Romania	Open	4.2%	4,714	4,711	Secured
<b>Total borrowings on balance sheet</b>			<b>15,756</b>	<b>14,520</b>	
Postbank (factoring)	30-Nov-20	1.06%	1,183	1,058	
<b>Total facilities</b>			<b>16,939</b>	<b>15,578</b>	

In 2Q20, the company repaid the Bank of Communications Loan in China of RMB 20 million. Subsequently a new loan is expected to be obtained for a similar amount and on similar or improved terms.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	-2,109
8.2 Cash and cash equivalents at quarter end (Item 4.6)	+2,340
8.3 Unused finance facilities available at quarter end (Item 7.5)	+1,361
8.4 Total available funding (Item 8.2 + Item 8.3)	+3,701
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1.6</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The June 2020 net operating cash of -\$2.1m outflow included a -\$2.4m outflow from changes in working capital. Excluding the change in working capital gives a net cash operating inflow of +\$311k.

For Magontec, working capital is relatively high (\$30 million+) compared with sales and earnings, and our customer base is highly concentrated. Although movements in working capital will impact the headline operating cash number, this is generally a reflection of timing differences rather than underlying cash generated from earnings.

It is expected that the company will continue to generate positive net operating cash flows (excluding working capital changes) for the remainder of the year assuming no unforeseen developments.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The company is expected to finalise a new banking facility in China shortly to replace the Bank of Communications loan of RMB 20 million that was repaid in April 2020.

In addition, the PRC business had notes receivable of RMB 14.4 million (~A\$2.9 million) contained within its debtors account, which can be redeemed for cash at a small discount should the need arise.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes. As explained above:

- The June 2020 quarter headline operating cash outflow of -\$2.1 million was impacted by working capital changes of -\$2.4 million which are only a reflection of timing differences. Excluding this net operating cash was +\$311k.
- In addition to \$1.36 million of headroom under our existing EU facilities, the China business has access to ~A\$2.9 million of notes receivable (redeemable at a discount immediately) as well as an expected bank facility renewal of the RMB 20 million facility (~\$4 million) anticipated to be finalised shortly.



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: Nicholas Andrews, Executive Chairman  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.