

## Press release

26 February 2021

### MAGONTEC LIMITED announces 2020 annual results FY2020 ANNUAL RESULT

Over the last 12 months Magontec has recorded good progress across its anode and metals businesses in Europe and China despite the effects of COVID-19 and the burden of the loss-making primary Mg business at Qinghai.

Global magnesium anode sales volumes grew 17% during the year.

The metals businesses (excluding Magontec Qinghai) posted gross profit up 32% on sales volumes lower by 29%. This reflects the COVID-19 slowdown in volume magnesium recycling activities and continued growth in sales of specialist alloys.

Magontec's primary magnesium alloy business continues to operate at lower levels. Our partner and supplier of raw material, QSLM, is expected to announce the next steps in its restructuring process and plans for the future of the project in the coming weeks.

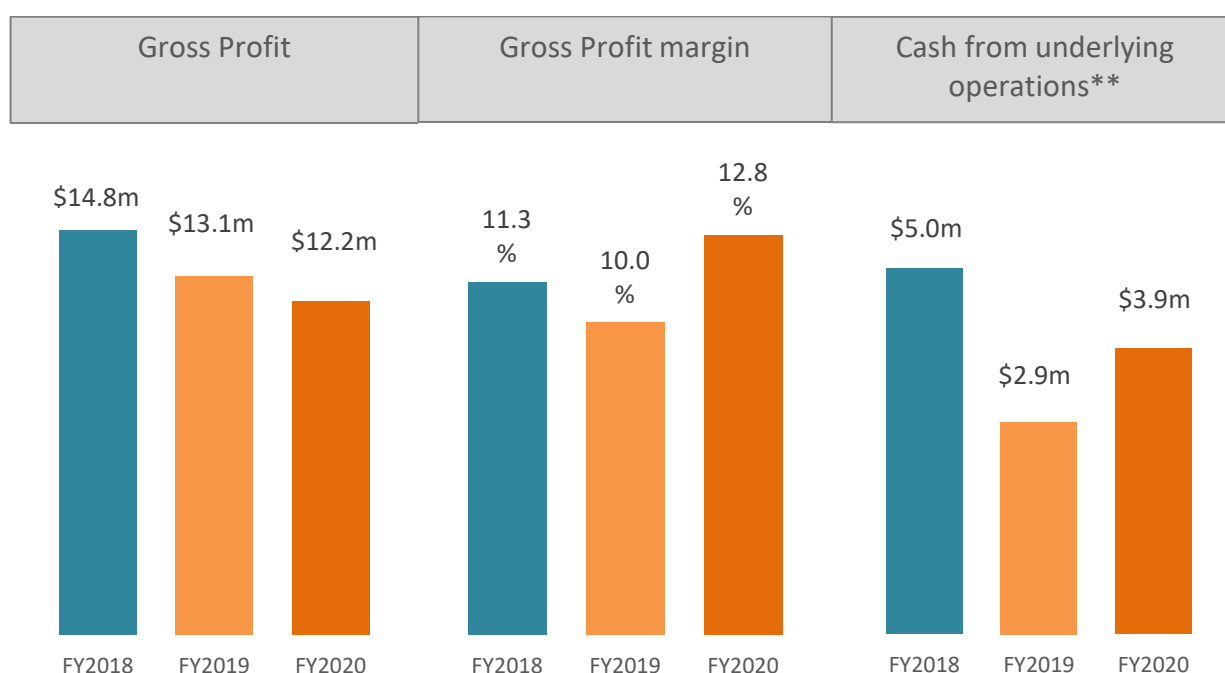
	12 months to 31-Dec-20 '\$000	12 months to 31-Dec-19 '\$000
<b>Reported Net Profit Before Tax and Significant Items</b>	<b>(912)</b>	<b>411</b>
<b>Significant items before tax</b>		
- Less non-cash equity expense	118	(135)
- Less MAQ depreciation (non-cash)	(1,013)	(964)
- Less MAQ levies and start-up costs	-	(416)
- Add back COVID related govt subsidies	669	
- Add back temporary COVID related salary reductions	923	-
<b>Reported Net Profit/(Loss) Before Tax</b>	<b>(214)</b>	<b>(1,103)</b>
- Less tax expense	(502)	(267)
- Add back unrealised FX losses	429	28
<b>Net Profit/(Loss) After Tax excluding unrealised FX (Underlying NPAT*)</b>	<b>(288)</b>	<b>(1,342)</b>

The 2020 Underlying Net Loss After Tax\* was \$0.29m, compared with a loss of \$1.34m recorded in the previous corresponding period. In the FY2020 result displayed above, subsidies and salary adjustments associated with the COVID-19 pandemic have been identified to enable a direct comparison.

As in 2019, depreciation of the Magontec Qinghai Magnesium Alloy Cast House investment represented a \$1.0m non-cash impost on the company's NPAT while at the EBITDA level the primary magnesium alloy business lost \$0.44m.

In 2020 the Company generated \$3.9m of cash from underlying operations\*\*, up 35% on the previous corresponding period, and Gross Profit of \$12.2m, down 7% on the previous corresponding period, but at a higher overall margin of 12.8%. Declines in total revenue and Gross Profit are the result of reduced volumes at the company's primary magnesium alloy business at Qinghai and Mg alloy recycling operations in Europe.

## FY2020 Financial & Operational Highlights



### Magontec Qinghai Magnesium Alloy Cast House

Raw material supply constraints are expected to continue through 2021.

Magontec continues to await the announcement of the QSLM restructure.

### Metals Division Magnesium Alloys

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

In 2021 we anticipate initial earnings contributions from new metals business activities

### Cathodic Corrosion Protection (Anodes)

Continued investment in new plant and technology has been the driving force in these businesses over the past 2 years

Global markets offer further opportunity for these products in 2021

\* 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

Magontec came to the end of 2020 in a strong position, particularly considering the negative effects of COVID-19. The company has lower levels of debt and diverse and profitable operating businesses in Europe and China.

In the coming 12 months we anticipate steady CCP volumes and reduced recycling volumes in Europe. Overall, the shift to higher margin products is likely to remain a feature of our business, at least until the Qinghai facility is operating at higher output.

In the near-term we expect to bring news of our plans for the restart of production of primary magnesium alloys manufactured from liquid pure magnesium supplied by QSLM. The timing of this event is contingent on the conclusion of the QSLM restructuring process, an event that is outside of our control. However, recommencement of production at the Qinghai magnesium smelter according to the contractual arrangements would place Magontec in a very strong position in the global magnesium industry and significantly enhance the Company's profitability.

Nicholas Andrews  
Executive Chairman

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**Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 26 February 2021**

To view the FY2020 Magontec Limited Annual Report and for more information on Magontec Limited please visit our website at [www.magontec.com](http://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.