

Magontec Limited  
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Australia  
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28 July 2021

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

Dear Sir, Madam

**Activities Report and Appendix 4C – Quarter Ended 30 June 2021**

In this announcement are –

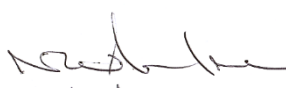
**1. Activities Report**

- Providing relevant comment in satisfaction of Magontec's reporting obligations as a "Commitments Test Entity" in terms of ASX Listing Rule 1.3 and ASX Guidance Note 23 para 6
- Attachment 1 – Unaudited Cash Flow Statement for the 6 months to 30 June 2021 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.

**2. Appendix 4C**

- Attachment 2 – Unaudited Appendix 4C cash flow report for the quarter ended 30 June 2021 presented in the format required by ASX Listing Rule 4.7B.

Yours sincerely



**Nicholas Andrews, Executive Chairman of Magontec Limited has authorised the release of this document to the market on 28 July 2021.**

**Notes**

*All data presented in this report is unaudited. 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.*

## **Executive Chairman's Activities Report**

### **Magontec Limited (ASX: MGL)**

#### **Quarterly Activities Report for the 3 months to 30 June 2021 (Unaudited)**

##### **Material Activities**

In the quarter to 30 June 2021 Magontec continued to grow its overall business, with revenue up 55% over the prior corresponding period (pcp). This brought total revenues for the 6 months to 30 June 2021 to \$51 million (unaudited), up 11% on the pcp.

In this first half of 2021 the company's businesses stand in comparison with a period in which the effects of the COVID pandemic were most pronounced, while there were no significant changes to the Magontec business.

Unaudited Underlying Operating Cash\* for the quarter was \$1.8 million, bringing the total for the half to 30 June 2021 to \$2.7 million, up 16.8% over the pcp. As at 30 June 2021, Net Debt decreased to \$10.2 million (30 June 2020: \$12.2 million) and the ratio of Net Debt to Net Debt + Equity was 24.8% (30 June 2020 27.9%). Lower debt levels are working capital related and largely reflect lower inventory levels in European magnesium alloy recycling.

The global Cathodic Corrosion Protection (CCP) business (magnesium and electronic anodes) continued to grow. Against PCP global Mg anode volumes shipped were up 12.9% for the half and revenues for all CCP products rose 19.6%.

In the metals business the Qinghai plant, where the coronavirus in the first quarter of 2020 was particularly impactful, experienced a recovery in volumes during the second quarter. This business continues to operate at low levels of production and without direct supply from the adjacent QSLM electrolytic smelter. The overall metals business (primary and recycled magnesium alloys plus specialist metals) recorded volumes up 92% in the quarter and 27% in the half over pcp across both the PRC and EUR.

On 6<sup>th</sup> August 2021 the Company will hold an Extraordinary General Meeting to consider a proposal to consolidate the shares of Magontec on a 1 for 15 basis. Shareholders are encouraged to vote on this resolution via submission of the supplied proxy voting form. Physical attendance at this meeting is discouraged due to the current COVID lockdown in Sydney. The company has made arrangements for shareholders to attend and address the meeting via a virtual meeting app. Please contact the Company Secretary at [john.talbot@magontec.com](mailto:john.talbot@magontec.com) if you wish to avail yourself of this option.

Nic Andrews

Executive Chairman  
28 July 2021

*\*Underlying Operating Cash is defined as Operating Cashflow excluding working capital movements, interest and tax paid*

## ABOUT MAGONTEC LIMITED

ASX Code: MGL

**Magontec is a leading manufacturer of magnesium alloys and Cathodic Corrosion Protection (magnesium and electronic anode) products**

### Magontec activities

- Converts pure Mg, alloying elements and Mg alloy scrap into Mg alloy ingots
- Casts and extrudes Mg alloys into anodes for supply to the global water heater industry
- Manufactures specialty metals for defence, aerospace and motor racing industries
- Distributes products through a global sales network to customers in Europe, Asia-Pacific and North America

### Magontec assets

- World's greenest primary Mg alloy producer at Qinghai PRC
- Premier Mg alloy recycling assets in Europe
- A portfolio of proprietary magnesium alloys and an active R&D program
- Mg & electronic anode manufacturing facilities in Europe and China
- CCP/anode product development and research laboratory

### Magontec profile

- A leading global magnesium alloy manufacturer and sales organisation
- A pioneer in the field of magnesium alloys and anode products
- Vast experience in production and development of new Mg alloys and anode applications

# Attachment 1

## UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement			
Source: Magontec Limited Consolidated Management Accounts			
\$000	3 months to 31-Mar-21	3 months to 30-Jun-21	6 months to 30-Jun-21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/ (utilised in) underlying operating activities	935	1,811	2,746
<b>Net working capital assets</b>			
- Trade and other receivables	(2,788)	(417)	(3,205)
- Inventory	1,974	475	2,449
- Trade and other payables	(540)	579	39
- Other	-	-	-
Cash generated from/ (utilised in) net working capital assets	(1,354)	637	(717)
<b>Other operating activities</b>			
- Net Interest paid	(84)	(85)	(169)
- Income tax paid	(82)	(130)	(212)
Cash generated from/ (utilised in) other operating activities	(166)	(214)	(381)
Net Cash generated from/ (utilised in) all operating activities	(585)	2,233	1,648
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net cash out on purchase/disposal of property, plant & equipment	(55)	(170)	(225)
Group information technology	(9)	(0)	(9)
Security deposit	59	(18)	41
Other including leased assets	(9)	(80)	(89)
Net cash provided by / (used in) investing activities	(15)	(267)	(282)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank Debt	(730)	(3,348)	(4,078)
Net capital raised from issue of securities	-	-	-
Other	(2)	(4)	(6)
Net cash provided by / (used in) financing activities	(732)	(3,352)	(4,084)
Net increase / (decrease) in cash and cash equivalents	(1,332)	(1,387)	(2,718)
Foreign exchange effects on total cash flow movement	47	72	119
Cash and cash equivalents at the beginning of the period	4,958	3,674	4,958
Cash and cash equivalents at the end of the period	3,674	2,359	2,359

**Attachment 2**

**APPENDIX 4C**



QUARTERLY UNAUDITED CASH FLOW  
APPENDIX 4C

for the Period Ended 30 June 2021

## 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 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	27,148	51,881
1.2	Payments for		
	(a) research and development	(142)	(235)
	(b) product manufacturing and operating costs	(21,758)	(43,516)
	(c) advertising and marketing	(5)	(10)
	(d) leased assets	-	-
	(e) staff costs	(1,735)	(3,684)
	(f) administration and corporate costs	(1,061)	(2,433)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	12
1.5	Interest and other costs of finance paid	(88)	(181)
1.6	Income taxes paid	(130)	(212)
1.7	Government grants and tax incentives	-	26
1.8	Other (provide details if material)		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>2,233</b>	<b>1,648</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(170)	(225)
	(d) investments		
	(e) intellectual property	(0)	(9)
	(f) other non-current assets		

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)	(98)	(48)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(267)</b>	<b>(282)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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	1,362	2,318
3.6	Repayment of borrowings	(4,710)	(6,396)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(4)	(6)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(3,352)</b>	<b>(4,084)</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>3,674</b>	<b>4,958</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,233	1,648
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(267)	(282)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,352)	(4,084)
4.5	Effect of movement in exchange rates on cash held	72	119
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,359</b>	<b>2,359</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	2,359	3,674
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>2,359</b>	<b>3,674</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	60
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p><b>Explanation</b></p> <p>During the quarter ended 30 June 2021, there were no payments for purchase of pure Mg from the Qinghai Salt Lake Magnesium Co Ltd.</p> <p>Payments of \$60,000 in director fees for 2Q21 were made during the quarter.</p>		



7.	<b>Financing facilities</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>	<b>Total facility amount at quarter end \$A’000</b>	<b>Amount drawn at quarter end \$A’000</b>
7.1	Loan facilities	20,683	14,812
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>	\$ 5,870,819	
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.		

Borrowings facilities as at 30 June 2021					
Lender	Maturity	Interest %	Limit \$A 000	Drawn \$A 000	Security status
Commerzbank Germany	30-Nov-23	1.55%	6,378	1,346	Secured
Commerzbank Germany	31-Dec-21	2.55%	1,186	1,186	Secured
Commerzbank Germany	31-Dec-25	1.85%	1,581	1,581	Secured
ING Romania	Open	3.45%	4,493	4,346	Secured
Zheshang Bank China	09-Jul-21	3.80%	4,751	4,132	Secured
<b>Total borrowings on balance sheet</b>			<b>18,390</b>	<b>12,591</b>	
Postbank (factoring)	31-Dec-21	0.95%	2,293	2,221	
<b>Total facilities</b>			<b>20,683</b>	<b>14,812</b>	

The ING Romania facility will be replaced with a new facility from UniCredit SA on improved terms in July 2021. It is anticipated that the Zheshang Bank China facility will also be renewed on similar or improved terms to those stated above for 1 year.

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	<b>2,233</b>
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,359
8.3	Unused finance facilities available at quarter end (item 7.5)	5,871
8.4	Total available funding (item 8.2 + item 8.3)	<b>8,230</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		

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

8.6.1 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: N/A

8.6.2 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: N/A

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

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### 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:** 28 July 2021

**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.