

Magontec Limited  
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Potts Point NSW 2011  
Australia  
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31 January 2022

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

Dear Sir, Madam

**Activities Report and Appendix 4C – Quarter Ended 31 December 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 12 months to 31 December 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 31 December 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 31 January 2022.**

*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 12 months to 31 December 2021 (Unaudited)

Operational Highlights – 4Q 2021	12 months to 31-Dec-21 UNAUDITED	12 months to 31- Dec-20 AUDITED	% Change
Gross Profit	+\$19.232m	+\$12.195m	+57.7%
Underlying Operational Cashflow*	+\$10.433m	+\$3.916m	+166.4%
Net debt	\$6.890m	\$11.681m	
Net tangible assets per share (cents)	43.1	33.2	+29.8%

\* Underlying Operational Cashflow = Reported Operating Cashflow excluding working capital movements, interest and tax paid

#### Material Activities

In the fourth quarter of 2021 Magontec experienced strong trading conditions, high levels of positive underlying operating cash flow\* and high profitability.

Unaudited Gross Profit for the quarter ended 31 December 2021 was \$7.6m, bringing Gross Profit for the 2021 financial year to \$19.2m, 58% higher than the previous corresponding period (PCP).

A sharp rise in the price of pure magnesium, the principal raw material for both alloys and anodes, in the latter half of 2021 influences many of the comparative numbers in this commentary. The 2021 fourth quarter average magnesium price was 42% higher than in the third quarter of 2021, and 167% higher than the average price in the first quarter of 2021.

Despite higher raw material prices Magontec's metals and anodes businesses generated Underlying Operational Cashflow\* of \$6.025 million in the fourth quarter. There were strong performances from the European metals business and global Cathodic Corrosion Protection (CCP) activities. Unaudited Underlying Operational Cashflow\* for the year to 31 December 2021 was \$10.4 million, up 166% on the PCP.

Over the quarter working capital requirement rose by \$5.8 million reflecting the volume of business conducted and the impact of higher magnesium prices on the value of inventory and goods in transit. Despite this increase in the cost of carrying finished products, Net Debt increased by just 4.5% during 4Q21, from \$6.6 million to \$6.9 million as of 31 December 2021, reflecting higher profitability in the period under review.

As a result of the rise in earnings in the fourth quarter, Interest Cover (earnings before interest and tax ÷ interest cost) rose to 13.8 times for the year to December 2021, up from 8.4 times for the year to September 2021.

As at the end of December 2021 Net Tangible Assets stand at 43.1 cents per share, up from 33.2 cents per share on 31 December 2020.

Total revenues in the fourth quarter of \$38.2 million brought revenue for the 12 months to 31 December 2021 to \$115.2 million, up 21% on the PCP, but also in part reflecting higher underlying commodity prices.

Markets for CCP products, both magnesium and electronic, were robust. Total magnesium anode volumes in 4Q21 were +24% on 3Q21 and +15% on the PCP (fourth quarter of FY2020). CCP division revenues were also up strongly (impacted by the higher magnesium material price) +32% above third quarter 2021 and +77% above the PCP (4Q2020).

Total metals volumes (Europe, Asia and US) were just 1% higher in the fourth quarter over the third quarter, but down 23% in 4Q21 on the PCP. The drop in volumes occurred in the European business, although a pick-up in spot business generated higher margins. Magontec found itself well positioned to source raw materials and deliver finished goods to European customers through difficult trading conditions in the second half of 2021.

Furthermore, demand remained stronger than normal into the December year-end. Metals division revenues for the quarter (again magnesium price impacted) were +57% over the third quarter and +31% over the previous corresponding period.

Magnesium prices have reduced slightly since the end of the period under review, but continued PRC government intervention in the domestic Chinese coal industry is likely to keep these raw material prices high for some period to come.

At Magontec's Qinghai magnesium alloy cast house, volumes were little changed. We are in regular dialogue with the management of the Qinghai Salt Lake Magnesium (QSLM) company who are responsible for the supply of liquid pure magnesium to Magontec's cast house. Our QSLM partners have confirmed that remediation work on the first of six dehydration units will be completed by May 2022 and expect to begin supply of material to Magontec in the following month. They have also suggested that the other 5 dehydration lines will be remediated shortly thereafter.

As in previous notes we caution that in the last 6 months of 2021 trading conditions were highly favourable. There is some continuation of that trend into the first months of 2022, but the outlook is unclear.

Nic Andrews

Executive Chairman

31 January 2022

## MAGONTEC LIMITED - BUSINESS PROFILE ASX Code: MGL

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

### Magontec activities

- Manufactures Mg alloys from both pure Mg and Mg alloy scrap for supply principally to the motor vehicle industry
- 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	9 months to 30-Sep-21	3 months to 31-Dec-21	12 months to 31-Dec-21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/ (utilised in) underlying operating activities	4,408	6,025	10,433
<b>Net working capital assets</b>			
- Trade and other receivables	1,477	(7,797)	(6,321)
- Inventory	708	(2,518)	(1,810)
- Trade and other payables	(46)	4,560	4,514
Cash generated from/ (utilised in) net working capital assets	2,139	(5,756)	(3,616)
<b>Other operating activities</b>			
- Net Interest paid	(380)	(91)	(471)
- Income tax paid	(442)	(80)	(522)
Cash generated from/ (utilised in) other operating activities	(822)	(171)	(994)
<b>Net Cash generated from/ (utilised in) all operating activities</b>	<b>5,725</b>	<b>98</b>	<b>5,823</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net cash out on purchase/disposal of property, plant & equipment	(471)	(406)	(878)
Group information technology	(9)	0	(9)
Security deposit	(5)	2	(4)
Other including leased assets	65	(19)	46
<b>Net cash provided by / (used in) investing activities</b>	<b>(420)</b>	<b>(424)</b>	<b>(844)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank Debt	(5,907)	599	(5,308)
Net capital raised from issue of securities	-	-	-
Other	(245)	(108)	(353)
<b>Net cash provided by / (used in) financing activities</b>	<b>(6,152)</b>	<b>491</b>	<b>(5,661)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(847)</b>	<b>165</b>	<b>(682)</b>
Foreign exchange effects on total cash flow movement	317	42	359
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,958</b>	<b>4,429</b>	<b>4,958</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,429</b>	<b>4,636</b>	<b>4,636</b>

**Attachment 2**

**APPENDIX 4C**



QUARTERLY UNAUDITED CASH FLOW  
APPENDIX 4C

for the Period Ended 31 December 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")**

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	33,706	118,369
1.2	Payments for		
	(a) research and development	(133)	(462)
	(b) product manufacturing and operating costs	(29,506)	(98,053)
	(c) advertising and marketing	59	(75)
	(d) leased assets	-	-
	(e) staff costs	(1,683)	(7,292)
	(f) administration and corporate costs	(2,484)	(6,260)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	9	35
1.5	Interest and other costs of finance paid	(100)	(506)
1.6	Income taxes paid	(80)	(522)
1.7	Government grants and tax incentives	310	588
1.8	Other (provide details if material)		
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>98</b>	<b>5,823</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	(406)	(878)
	(d) investments	-	-
	(e) intellectual property	0	(9)
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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)	(17)	43
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(424)</b>	<b>(844)</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	4,605	16,905
3.6	Repayment of borrowings	(4,006)	(22,214)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(108)	(353)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>491</b>	<b>(5,661)</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>4,429</b>	<b>4,958</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	98	5,823
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(424)	(844)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	491	(5,661)
4.5	Effect of movement in exchange rates on cash held	42	359
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,636</b>	<b>4,636</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	4,636	4,429
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>4,636</b>	<b>4,429</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 31 December 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 4Q21 were made during the quarter.</p>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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	17,484	13,473																																																						
7.2	Credit standby arrangements																																																								
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7.5	<b>Unused financing facilities available at quarter end</b>	\$ 4,011,288																																																							
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.																																																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #f2f2f2;"> <th colspan="6">Borrowings facilities as at 31 December 2021</th> </tr> <tr style="background-color: #f2f2f2;"> <th style="text-align: left;">Lender</th> <th style="text-align: left;">Maturity</th> <th style="text-align: left;">Interest %</th> <th style="text-align: left;">Limit \$A 000</th> <th style="text-align: left;">Drawn \$A 000</th> <th style="text-align: left;">Security status</th> </tr> </thead> <tbody> <tr> <td>Commerzbank Germany</td> <td>30-Nov-23</td> <td>1.55%</td> <td>5,772</td> <td>2,651</td> <td>Secured</td> </tr> <tr> <td>Commerzbank Germany</td> <td>31-Dec-25</td> <td>1.85%</td> <td>1,565</td> <td>1,565</td> <td>Secured</td> </tr> <tr> <td>Unicredit SA (Romania)</td> <td>28-Feb-22</td> <td>4.49%</td> <td>2,386</td> <td>1,896</td> <td>Secured</td> </tr> <tr> <td>Zheshang Bank China</td> <td>16-Jul-22</td> <td>3.90%</td> <td>5,413</td> <td>5,413</td> <td>Secured</td> </tr> <tr> <td colspan="3"><b>Total borrowings on balance sheet</b></td> <td><b>15,136</b></td> <td><b>11,526</b></td> <td></td> </tr> <tr> <td>Postbank (factoring)</td> <td>31-Dec-21</td> <td>0.95%</td> <td>2,348</td> <td>1,947</td> <td></td> </tr> <tr> <td colspan="3"><b>Total facilities</b></td> <td><b>17,484</b></td> <td><b>13,473</b></td> <td></td> </tr> </tbody> </table>			Borrowings facilities as at 31 December 2021						Lender	Maturity	Interest %	Limit \$A 000	Drawn \$A 000	Security status	Commerzbank Germany	30-Nov-23	1.55%	5,772	2,651	Secured	Commerzbank Germany	31-Dec-25	1.85%	1,565	1,565	Secured	Unicredit SA (Romania)	28-Feb-22	4.49%	2,386	1,896	Secured	Zheshang Bank China	16-Jul-22	3.90%	5,413	5,413	Secured	<b>Total borrowings on balance sheet</b>			<b>15,136</b>	<b>11,526</b>		Postbank (factoring)	31-Dec-21	0.95%	2,348	1,947		<b>Total facilities</b>			<b>17,484</b>	<b>13,473</b>	
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<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)	98
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,436
8.3	Unused finance facilities available at quarter end (item 7.5)	4,011
8.4	Total available funding (item 8.2 + item 8.3)	<b>8,447</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  <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>	N/A
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?  <div style="border: 1px solid black; padding: 5px; min-height: 40px;">           Answer: N/A         </div>	

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:** 31 January 2022

**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.