

Press release

28 February 2022

MAGONTEC LIMITED announces 2021 annual results FY2021 ANNUAL RESULT

FY2021 was a strong period for Magontec, particularly in the final quarter. All financial indicators were ahead of the previous corresponding period.

- Reported Net Profit After Tax including unrealised foreign exchange gains rose to \$5.0 million (-\$0.7 million in 2020), including \$1.8 million of EBITDA losses and depreciation associated with the group's Qinghai primary Mg alloy facility (MAQ)
- Earnings Per Share rose to 6.5 cents (-0.9¹ cents in 2020)
- Gross Profit rose to \$19.2 million (\$12.2 million in 2020) and the Gross Profit margin rose to 16.7% (12.8% in 2020)
- Underlying Operating Cash Flow² for the period rose to \$10.5 million (\$3.9 million in 2020)
- Debt levels were sharply reduced as of 31 December 2021 at \$6.9 million (\$11.7 million in 2020) and gearing (Net Debt to Net Debt + Equity) fell from 28.8% to 16.0% as of 31 December 2021

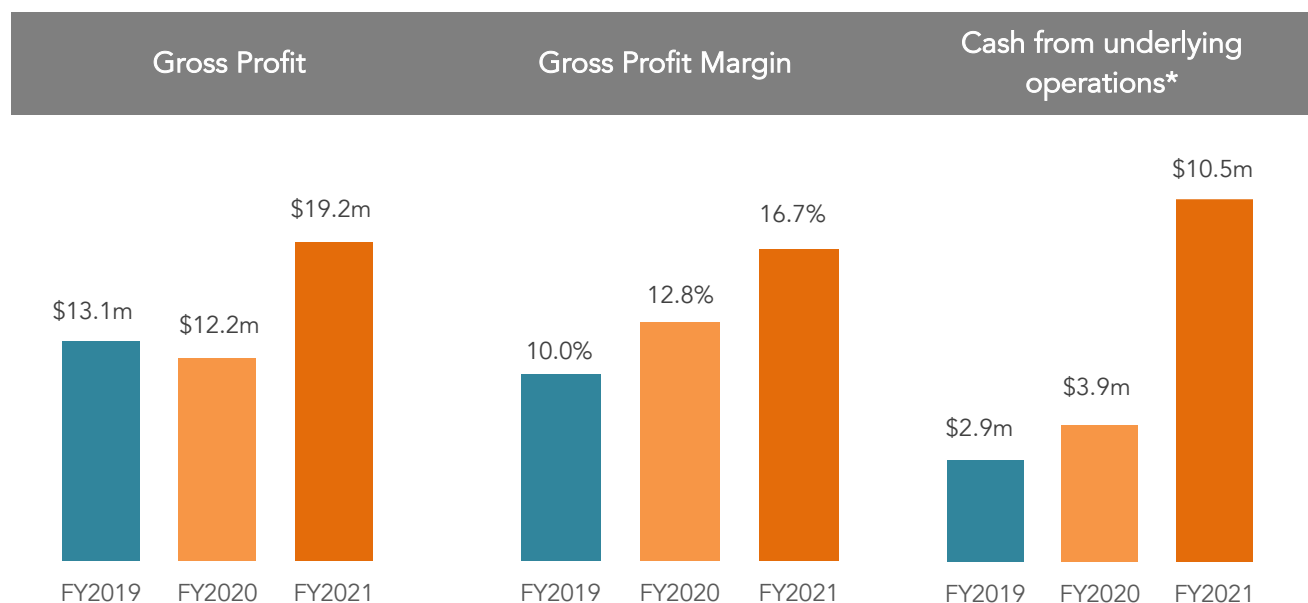
The sharp rise in magnesium prices and interruptions in supply across the magnesium alloy and magnesium anode businesses, had a positive impact on margins. This has continued into the early part of 2022.

	12 months to 31-Dec-21 '\$000	12 months to 31-Dec-20 '\$000
Reported Net Profit Before Tax and Significant Items	7,724	338
Significant items before tax		
- Less non-cash equity expense	(237)	118
- Less MAQ depreciation (non cash)	(917)	(1,013)
- Less MAQ Primary Alloy EBITDA losses	(891)	(821)
- Add back Romanian VAT legal win	468	-
- Add back COVID related govt subsidies	-	669
- Add back temporary COVID related salary reductions	-	923
Reported Net Profit/(Loss) Before Tax	6,147	215
- Less tax expense	(1,722)	(502)
Net Profit/(Loss) After Tax excluding unrealised FX (Underlying NPAT)	4,426	(288)
- Add back unrealised FX gains / (losses)	582	(429)
Reported Net Profit/(Loss) After Tax	5,008	(717)

¹ Adjusted to reflect the 15 for 1 share consolidation in August 2021

² Cash from underlying operations = reported operating cashflow less working capital movements, interest and income tax payments

FY2021 Financial & Operational Highlights



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

Magontec Qinghai Magnesium Alloy Cast House	<p>The Qinghai cast house continued to lose money in 2021</p> <p>QSLM has indicated that the supply of liquid pure Mg may recommence in the second half of 2022</p> <p>Resupply from QSLM would return this business unit to profitability</p>
Metals Division Magnesium Alloys	<p>European Mg alloy recycling and specialist metals business performed strongly in 2021</p> <p>The resumption of primary Mg alloy sales to European customers is expected to boost opportunities for recycling volumes in 2022</p>
Cathodic Corrosion Protection (Anodes)	<p>The global CCP business grew strongly in 2021</p> <p>Volumes of Mg anodes rose 8.4% and are expected to rise again in 2022</p> <p>Electronic anode revenues also grew in Europe and the USA</p>

Over the last ten years Magontec has established itself as a leading manufacturer of electronic and magnesium Cathodic Corrosion Protection (CCP) products and systems. In 2021 these businesses made a particularly strong contribution.

Combined magnesium alloy recycling and magnesium anode production facilities in China and Europe allowed Magontec to source raw material for its magnesium CCP products through a period of sharply rising prices and extreme global supply chain disruption.

Magontec's primary magnesium alloy project in Qinghai province PRC (MAQ) has continued to operate at low levels. Our Chinese partner, Qinghai Salt Lake Magnesium Co Ltd (QSLM), has indicated that supply of liquid pure magnesium to this facility may become available again in the second half of 2022.

The resumption of liquid pure magnesium supply to the MAQ facility would transform the economics of this primary magnesium alloy cast house. At full production, which is not expected in FY22, and at current Chinese pure magnesium prices (¥45,000/A\$10,000 per tonne as at the end of February 2022), revenues from this facility may rise to over A\$500 million. QSLM has indicated that one dehydration line may commence production in 3Q 2022, capable of producing over 16,000 tonnes of liquid pure magnesium per annum.

Continued high magnesium prices and constrained supply chains have seen the conditions of the last quarter of 2021 continue into the first months of 2022. While these beneficial conditions are unlikely to continue past the first quarter of 2022, they have allowed Magontec to build additional market share in high volume businesses in Europe, China and North America, as well as in some smaller markets, and to reduce Group debt in FY2021 by \$4.8 million.

In a period of elevated raw material pricing, access to working capital has been a critical factor in Magontec's ability to grow output and supply finished goods in a complex trading and financial environment. It remains a key area of focus. As noted in the Annual Report, the Group has \$4.0 million of headroom against its existing bank facilities and strong banking relationships in all the regions in which it manufactures products.

Market share and financial gains made over the 12 months to 31 December 2021, together with a continued broadening of revenue streams into specialist metals and magnesium derivative activities, will help to sustain our business and open opportunities for growth and investment in 2022.

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 28 February 2022

To view the FY2021 Magontec Limited Annual Report and for more information on Magontec Limited please visit our website at www.magontec.com

Annual Report 2021



Magontec Limited