

Magontec Limited
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25 July 2022

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 2022

In this announcement are –

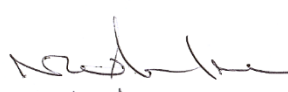
1. Activities Report

- 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 2022 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 2022 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 25 July 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

Quarterly Activities Report for the 6 months to 30 June 2022 (Unaudited)

Material Activities

In the six months to 30 June 2022 Magontec generated \$21.3 million in cash flow from underlying operations*, up from \$2.7 million in the previous corresponding period (PCP). After movements in working capital, tax and interest costs, the company recorded net cash from all operating activities of +\$8.9 million in the period under review.

In this first half of 2022 the Group's magnesium manufacturing activities continued to benefit from high magnesium prices. In the period under review the average magnesium price per tonne was 11.4% higher than in the second half of 2021 and 125% higher than in the first half of 2021. At the beginning of the second half of 2022 the price of magnesium has fallen 50% from its 31 December 2021 price to ¥24,500 per tonne.

Magontec's supply agreements with many of its primary magnesium anode and magnesium alloy customers are re-set on a quarterly basis and reflect prices in a prior period. In the Mg alloy recycling business prices are more reflective of current markets, providing some protection for supply agreements through a volatile pricing period.

Compared to the previous corresponding period revenues rose 84.4% to \$93.8 million and Gross Profit 247% to \$26.8 million, with strong contributions from Magontec's European-based magnesium alloy recycling activities and global magnesium and electronic anode (CCP) businesses.

In addition to a boost from underlying commodity prices, Magontec's CCP business continued to grow its global market share while magnesium alloy volumes from Chinese and European operations were below the pcg.

While gross bank debt fell by \$8.4 million in the first half, the balance date coincided with the rollover of a Chinese facility of \$5.4 million that has been partially re-drawn in the first weeks of the second half. The high price of magnesium raw material has maintained working capital at historically high levels throughout the period under review. As lower magnesium prices flow through to inventory costs, net debt levels are likely to further reduce in the second half of 2022.

As at the end of June 2022 Net Tangible Assets stand at 62.8 cents per share, up from 42.4 cents per share as of 31 December 2021 and 35.3 cents per share as of 30 June 2021.

In the six months under review there was no commercial activity at QSLM's Qinghai magnesium electrolytic plant and no supply to Magontec's adjacent magnesium alloy cast house. QSLM, our partner at the Qinghai facility, have told us that the first dehydration line is operating satisfactorily and is producing qualified feedstock for the electrolytic process. As at the end of July no electrolytic cells have yet been brought back into production and Magontec has been given no guidance on re-commencement liquid pure magnesium supply to its magnesium alloy cast house.

Nic Andrews
Executive Chairman
25 July 2022

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

Attachment 1

UNAUDITED STATEMENT OF CASH FLOWS AND BALANCE SHEET

Unaudited Consolidated Cash Flow Statement			
Source: Magontec Limited Consolidated Management Accounts			
\$000	3 months to 31-Mar-22	3 months to 30-Jun-22	6 months to 30-Jun-22
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (utilised in) underlying operating activities	10,568	10,683	21,251
Net working capital assets			
- Trade receivables & other current assets	(1,536)	4,985	3,448
- Inventory	(9,716)	(4,975)	(14,691)
- Trade payables & other current liabilities	3,401	(2,663)	737
Cash generated from/ (utilised in) net working capital assets	(7,852)	(2,654)	(10,506)
Other operating activities			
- Net Interest paid	(131)	(164)	(294)
- Income tax paid	(35)	(1,502)	(1,537)
Cash generated from/ (utilised in) other operating activities	(166)	(1,665)	(1,831)
Net Cash generated from/ (utilised in) all operating activities	2,551	6,363	8,914
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash out on purchase/disposal of property, plant & equipment	(294)	(426)	(720)
Group information technology	-	-	-
Security deposit	(457)	262	(195)
Net cash provided by / (used in) investing activities	(751)	(164)	(915)
CASH FLOW FROM FINANCING ACTIVITIES			
Bank Debt	(1,846)	(6,385)	(8,232)
Cashflow from leasing activities	(88)	(101)	(189)
Net cash provided by / (used in) financing activities	(1,934)	(6,486)	(8,421)
Net increase / (decrease) in cash and cash equivalents	(135)	(287)	(422)
Foreign exchange effects on total cash flow movement	(178)	201	23
Cash and cash equivalents at the beginning of the period	4,636	4,323	4,636
Cash and cash equivalents at the end of the period	4,323	4,237	4,237

Unaudited Consolidated Balance Sheet		
Source: Magontec Limited Management Accounts		
\$000	As at 30-Jun-22	As at 31-Dec-21
Cash & cash equivalents	4,237	4,636
Trade & other receivables	24,287	21,317
Inventory	37,898	23,689
Other	1,151	8,840
Total Current Assets	67,573	58,482
Property, plant & equipment	17,089	17,753
Intangible assets	3,127	3,241
Deferred tax assets	2,317	2,720
Other	306	316
Total Non-Current Assets	22,839	24,030
Total Assets	90,411	82,512
Trade & other payables	16,775	17,570
Bank borrowings	2,458	7,309
Provisions	7,838	3,491
Total Current Liabilities	27,070	28,370
Other payables	336	255
Bank borrowings	619	4,217
Provisions	10,545	13,395
Total Non-Current Liabilities	11,500	17,867
Total Liabilities	38,570	46,237
Net Assets	51,841	36,275
Equity attributable to members of MGL		
Share capital	58,918	58,918
Reserves	6,921	5,153
Accumulated (losses)/profits	(13,998)	(27,796)
Total equity	51,841	36,275

Attachment 2

APPENDIX 4C



QUARTERLY UNAUDITED CASH FLOW APPENDIX 4C

for the Period Ended 30 June 2022

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 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	50,693	105,590
1.2	Payments for		
	(a) research and development	(199)	(290)
	(b) product manufacturing and operating costs	(39,186)	(87,191)
	(c) advertising and marketing	(42)	(89)
	(d) leased assets	-	-
	(e) staff costs	(1,968)	(3,965)
	(f) administration and corporate costs	(1,361)	(3,401)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	9
1.5	Interest and other costs of finance paid	(168)	(303)
1.6	Income taxes paid	(1,502)	(1,537)
1.7	Government grants and tax incentives	92	92
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	6,363	8,914
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(426)	(768)
	(d) investments		
	(e) intellectual property		
	(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	-	49
	(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)	262	(195)
2.6	Net cash from / (used in) investing activities	(164)	(915)

3.	Cash flows from financing activities		
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	903	3,711
3.6	Repayment of borrowings	(7,288)	(11,943)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(101)	(189)
3.10	Net cash from / (used in) financing activities	(6,486)	(8,421)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,323	4,636
4.2	Net cash from / (used in) operating activities (item 1.9 above)	6,363	8,914
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(164)	(915)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,486)	(8,421)
4.5	Effect of movement in exchange rates on cash held	201	23
4.6	Cash and cash equivalents at end of period	4,237	4,237

5.	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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,237	4,323
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,237	4,323

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
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>Explanation</p> <p>Payments of \$60,000 in director fees for 2Q22 were made during the quarter.</p> <p>During the quarter ended 30 June 2022, there were no payments for purchase of pure Mg from the Qinghai Salt Lake Magnesium Co Ltd.</p>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	15,604	4,926
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		10,678
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 2022					
Lender	Maturity	Interest %	Limit \$A 000	Drawn \$A 000	Security status
Commerzbank Germany	30-Nov-23	1.55%	8,321	(518)	Secured
Commerzbank Germany	31-Dec-23	1.85%	1,137	1,137	Secured
Unicredit SA (Romania)	28-Feb-23	7.67%	3,844	2,458	Secured
Zheshang Bank China*	16-Jul-22	3.90%	-	-	Secured
Total facilities			13,302	3,077	
Commerzbank (factoring)	28-Feb-25	1.20%	2,302	1,849	
Total facilities			15,604	4,926	

*The PRC Zheshang Bank Facility of RMB 25 million was repaid on 20th June 2022. This facility was renewed for 1 year to the extent of RMB 31 million with an average interest rate of 3.5%. Subsequent to 30th June 2022, RMB 16 million was drawn on this new facility.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	6,363
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,237
8.3	Unused finance facilities available at quarter end (item 7.5)	10,678
8.4	Total available funding (item 8.2 + item 8.3)	14,916
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<p><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></p>	

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: 25 July 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.