MAGONTEC Limited
ABN 51 010 441 666

Registered office
Suite 1.03, 46A Macleay Street
Potts Point, Sydney NSW 2011
T: +612 8084 7813

31 October 2023

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

Quarterly Report to 30 September 2023

This announcement includes commentary with respect to trading for the 9 months to September 2023 and relevant financial information (unaudited).

ENDS

Nicholas Andrews, Executive Chairman and Chief Executive Officer of Magontec Limited, has authorised the release of this document to the market on 31 October 2023

Investor enquiries

Kirsten Thomson

Symbol Strategic Communications

E: magontec@symbolstrategic.com.au

Media enquiries

Louise Watson

Symbol Strategic Communications

E: magontec@symbolstrategic.com.au

Executive Chairman's Quarterly Report
9 months to 30 September 2023 (Unaudited)

3rd Quarter 2023 Overview

- Average 3Q magnesium price down -7.4% on PCP
- YTD third quarter 2023 underlying operating cash flow* of +$5.5 million
- Net cash of +$9.3 million as of 30 September 2023
- Net Tangible Assets per share of 71.8 cents as of 30 September 2023, up 9% on 3Q 2022
- YTD third quarter 2023 Gross Profit of +$17.1 million, down -47% on PCP
- Interim Dividend of 0.6 cents per share (unfranked) to be paid on 31 October 2023
- Working capital[1] of $44.6 million at the end of 3Q23, down $4.8 million on the PCP

Magontec generated Gross Profit of $3.0 million in the quarter to September 2023, down from $5.7 million in the previous corresponding period. Operating conditions were challenging in the period under review as demand for the Company's key products suffered from industrial action in the USA, changes to global supply chain dynamics and the effects of rising interest rates on home building activity in all markets.

At the end of the third quarter of 2023 Magontec retains a robust financial position. The Company has a strong balance sheet with $9.3 million of net cash and YTD positive Underlying Operating Cashflow* of $5.5 million.

Operational Highlights – 3Q 2023	9 months to 30-Sep-23	9 months to 30-Sep-22	% Change
Gross Profit	+$17.1m	+$32.5m	(47%)
Reported EBITDA	+$5.6m	+$24.9m	(78%)
Underlying Operating Cashflow*	+$5.5m	+$24.3m	(77%)
Net debt/(net cash)	($9.3m)	($2.2m)	+ 316%
Net tangible assets per share (cents)**	71.8	65.7	+ 9%

** Underlying Operating Cashflow = Operating Cashflow excl. working capital movements, interest and tax paid*
*** Net tangible assets include deferred tax assets and exclude AASB 16 right of use lease assets*

Net Profit analysis of significant items	30-Sep-23 YTD	30-Sep-22 YTD
NPAT ex unrealised FX	**$2,358,374**	**$14,922,419**
Add back significant items		
+ MAQ EBITDA loss/(gain)	($204,954)	($369,439)
+ MAQ depreciation, post tax (non-cash)	$587,632	$585,014
+ Long-Term Incentive Plan options accrual (non-cash)	$416,355	$398,758
+ Provision for unforeseen costs (non-cash)	$150,000	$150,000
Subtotal	**$949,032**	**$764,333**
NPAT ex unrealised FX and significant items	**$3,307,407**	**$15,686,752**

[1] *Working capital = Receivables + Inventory + Prepayments - Payables*

Financial Summary

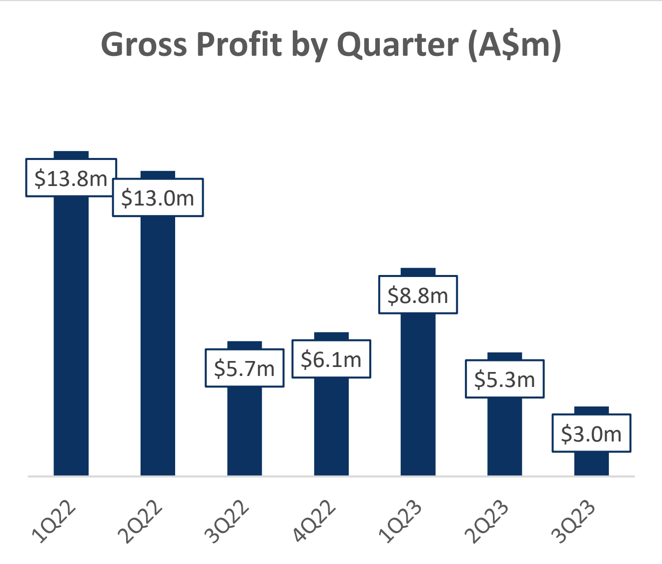
Underlying operating cashflow[2] was negative $0.5m in the quarter versus $3.1 million in the PCP. An $8.2m change in working capital flows for YTD third quarter 2023 resulted in a net cash position of $9.3 million as of 30 September 2023, reflecting lower average magnesium prices and the cumulative effect of longer-term contracts expiry.

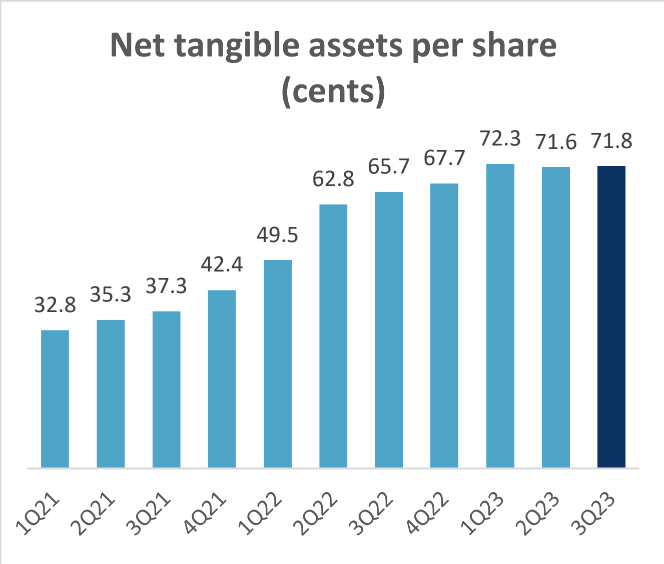
Net tangible assets[3] rose marginally from 71.6 cents per share at 30 June 2023 to 71.8 cents per share at 30 September 2023.

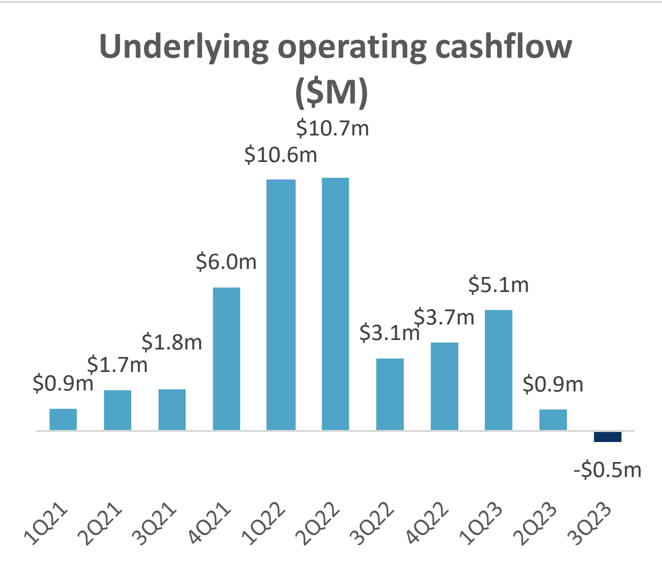
Inventory in the European business remains high due to the slowdown in sales relative to production in Germany. We expect this to reduce over time, although that will depend on how quickly demand recovers in the coming months.

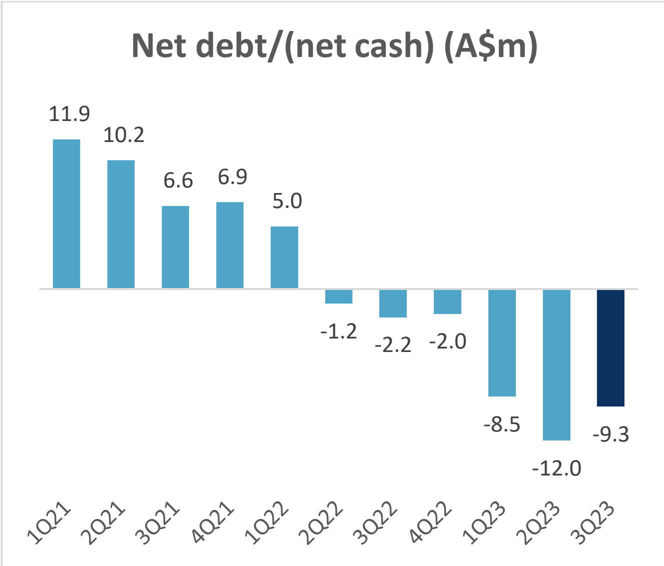
Changes in Gross Profit and volumes at the divisional level were:

- YTD third quarter 2023 CCP (magnesium and powered anodes) Gross Profit down -15% and volumes down -6% on PCP
- YTD third quarter 2023 Metals Gross Profit down -75% and volumes down -17% versus PCP.









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

[3] *Net tangible assets include deferred tax assets and exclude AASB 16 right of use lease assets*

Summary

Magontec retains a robust financial position, has a strong balance sheet with $9.3 million of net cash as of 30 September 2023, 3Q 2023 YTD positive Underlying Operating Cashflow of $5.5 million and will pay an Interim Dividend of 0.6 cents per share (unfranked) on 31 October 2023.

Operationally the business is cycling through a period of lower demand in both key product groups, and that is reflected in lower levels of profitability. Magontec's operations have also experienced a period of business interruption in Romania and at the Xi'an factory as essential construction and repair activities were undertaken.

We do not see an immediate prospect for a return to higher profitability in the fourth quarter, however the Company's assets and business activities are well placed to benefit from an uptick in activity in the automotive and hot water sectors when economic and geopolitical headwinds abate. Our assets in Europe and China have performed well over this difficult period and with fewer interruptions as we enter the fourth quarter, are beginning to generate improved returns.

Magontec's production base has continued to diversify and as we enter the 2024 year we expect to see additional revenues from rising activity levels in non-class one magnesium products and from diversification into new anode products.

Through the year we have continued to review corporate opportunities. We have identified particular activities that fit well with Magontec's existing operations and we have been in conversations with the owners of these assets. Unfortunately, agreement on valuation has proven hard to achieve. As noted elsewhere in this commentary, the re-commencement of liquid pure magnesium flow from our partner company, Qinghai Salt Lake Magnesium (QSLM), to Magontec's primary magnesium alloy cast house remains the most prospective profit enhancement action and is expected to have a trickle-down effect across the Company's magnesium alloy recycling and magnesium anode manufacturing activities.

Operations Commentary

In the three months to 30 September 2023 Magontec's operations have struggled against weakening demand in its key markets, the automotive and hot water appliance sectors. Essential maintenance activities that brought production to a temporary halt at the group's Romanian factory, also impacted Group performance metrics in the third quarter.

In the 12-months to the end of the 1st quarter of 2023, US and European markets for magnesium anodes and recycled magnesium alloys performed very strongly. In the two quarters to the end of September 2023 markets have slowed, prices have reduced for many products, supply chains have become congested and inventories have risen at both the automotive customer and the parts manufacturers. These trends are reflected in Magontec's third quarter revenue and profitability.

Outlook

Operationally Magontec has experienced revenue and earnings deflation in the period following the magnesium price extremes of 2021 and 2022. Global magnesium product supply chains have been radically altered in some markets and the value of processing low grade magnesium scrap material has largely evaporated for the time being. In the fourth quarter we do not anticipate any substantive uptick in revenues or profitability. The December trading period for metals and CCP products is seasonally slow, and with so many geopolitical and economic uncertainties we expect our customers to remain cautious.

As we have indicated in past reports, the re-commencement of the QSLM electrolytic facility at Golmud in Qinghai province is a critical event for our wider magnesium alloy and magnesium anode businesses. Our partner company and shareholder, QSLM, have made several recent public pronouncements on their plans for the Qinghai magnesium facility. They continue to work hard on bringing this electrolytic magnesium facility back online. We will be visiting the site at Golmud in the next few days and will, as usual, keep shareholders updated on progress.

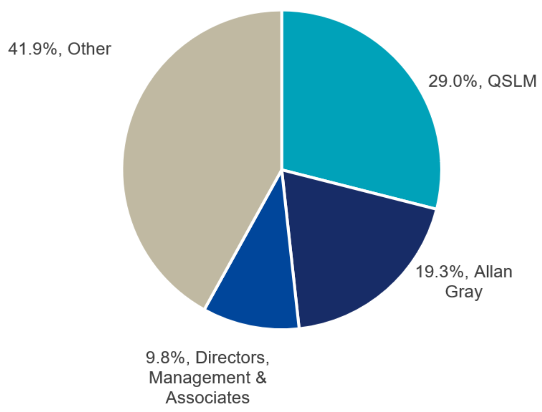
Nic Andrews
Executive Chairman
31 October 2023

Magontec Limited Market Information

ASX Code: MGL	Total	Per Share
Ordinary shares on issue	78,310,543	
Book value of net assets (unaudited) – 30 Sep 2023	**$59.2 million**	**75.7 cents/share**
Market capitalisation[1]	**$36.0 million**	**46.0 cents/share**
Net debt/(cash) – 30 September 2023	($9.3 million)	
Enterprise value	**$26.7 million**	
LTM[2] EBITDA to 30 September 2023	$8.0 million	
LTM[2] Reported NPAT to 30 Sep 2023	**$2.1 million**	**2.7 cents/share**
Performance rights on issue 30 September 2023	*8,955,793*	

1 Based on share price of $0.46 as at 30 October 2023 (intraday)
2 LTM = Last 12 Months

Shareholder Structure 30 September 2023



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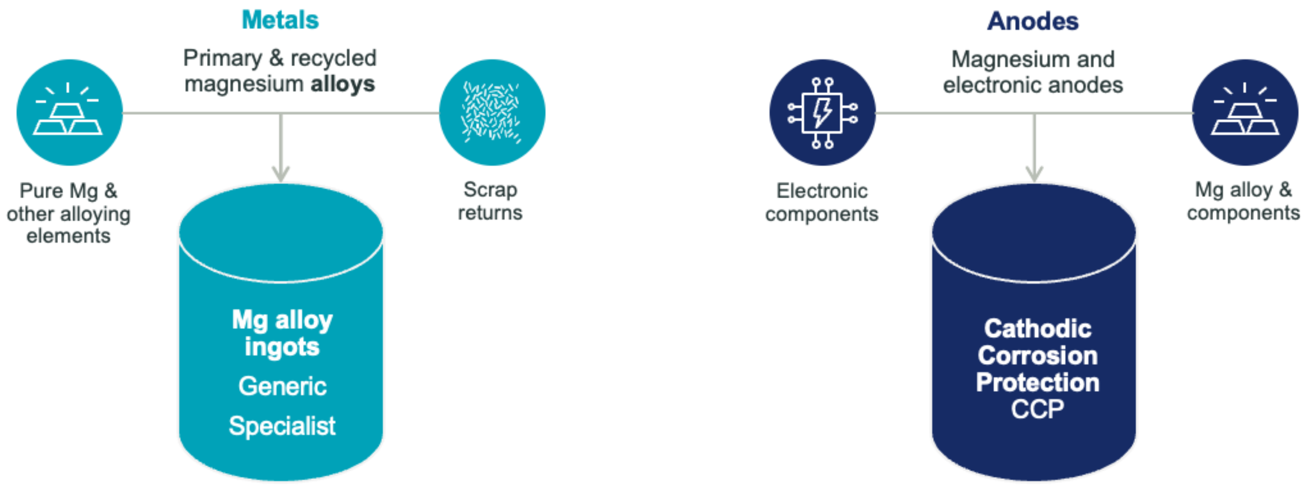
Manufacturing Activities – Magnesium Metals and Cathodic Corrosion Protection

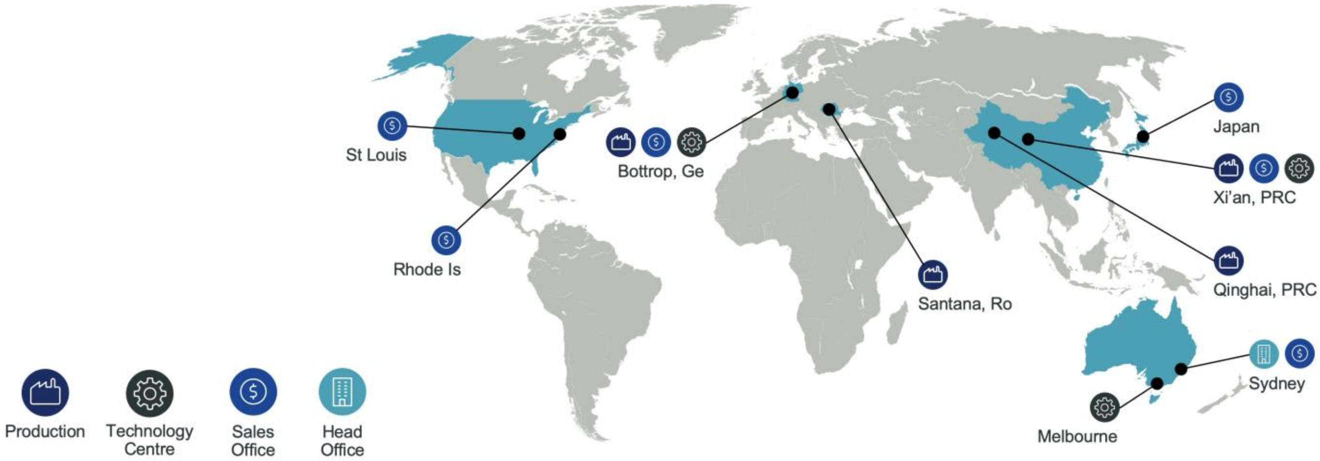
Manufacture of Mg alloys from pure Mg and Mg alloy scrap supplying the global die casting industry

Manufacture of Mg and electronic anodes supplying the global water heater industry



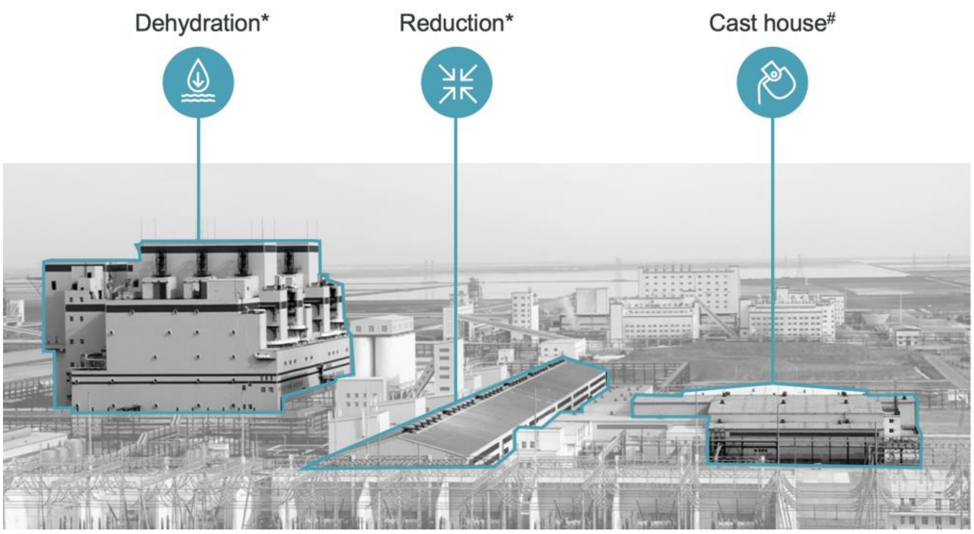
Global Manufacturing & Distribution Platform

A leading global magnesium alloy and Cathodic Corrosion Protection (anode) manufacturing and sales organisation



Qinghai electrolytic magnesium smelter complex

Emerging growth in 'green' magnesium at World's largest low emission electrolytic facility



Agreements

- Lease Agreement 10 + 10 Year option
- 56,000 mtpa supply
- Mg alloys exclusivity
- Off Take Price formula

* Qinghai Salt Lake Magnesium Co Ltd assets # Magontec Qinghai Primary Magnesium Alloy Cast House

Attachment 1

UNAUDITED COMPREHENSIVE INCOME STATEMENT AND BANK BORROWING SUMMARY TO 30 SEPTEMBER 2023

Unaudited Consolidated Comprehensive Income Statement Source: Magontec Limited Management Accounts		
$000	**9 months to 30-Sep-23**	**9 months to 30-Sep-22**
Sale of goods	78,491	125,737
Cost of sales	(61,419)	(93,256)
Gross profit	**17,072**	**32,482**
Other income	624	483
Interest expense	(390)	(504)
Impairment	(950)	-
Travel accommodation and meals	(615)	(340)
Research & development	(976)	(438)
Promotional activity	(76)	(121)
Information technology	(308)	(285)
Personnel	(6,757)	(6,844)
Depreciation & Amortisation	(540)	(444)
Office expenses	(460)	(422)
Corporate and other	(3,260)	(2,662)
Foreign exchange gain/(loss)	(369)	1,406
Profit/(Loss) before tax	**2,996**	**22,312**
Income tax (expense)/benefit	(1,602)	(6,517)
Profit/(Loss) after tax	**1,394**	**15,795**
Other comprehensive income		
Exchange differences taken to equity	1,836	210
Movement in actuarial assessments and other OCI	138	1,718
Total comprehensive income	**3,368**	**17,722**

COGS included $1.66m of depreciation in the 9 months to 30 Sep 2023 (9 months to Sep 2022: $1.61m)

Borrowings facilities					
Lender	**Maturity**	**Interest %**	**Limit $A 000**	**Drawn $A 000**	**Security status**
Commerzbank Germany	30-Nov-23	5.13%	8,330	-	Secured
Commerzbank Germany	31-Dec-23	1.85%	206	206	Secured
Unicredit SA (Romania)	28-Feb-24	7.83%	2,779	1,332	Secured
Zheshang Bank China*	6-Jun-24	3.00%	6,626	3,206	Secured
Total borrowings on balance sheet			**17,941**	**4,743**	
Commerzbank (factoring)	28-Feb-25	4.78%	1,930	1,564	
Total facilities			**19,871**	**6,308**	

MAGONTEC

Attachment 2

UNAUDITED BALANCE SHEET

Unaudited Consolidated Balance Sheet Source: Magontec Limited Management Accounts		
$000	**As at 30-Sep-23**	**As at 31-Dec-22**
Cash & cash equivalents	14,070	11,259
Trade & other receivables	13,741	24,797
Inventory	35,581	35,928
Other	1,301	2,017
Total Current Assets	**64,693**	**74,001**
Property, plant & equipment	18,400	17,099
Intangible assets	2,984	3,059
Deferred tax assets	1,563	1,830
Other	289	334
Total Non-Current Assets	**23,236**	**22,322**
Total Assets	**87,928**	**96,323**
Trade & other payables	6,027	12,026
Bank borrowings	4,743	9,295
Provisions	7,754	9,259
Total Current Liabilities	**18,525**	**30,580**
Other payables	634	254
Bank borrowings	-	-
Provisions	9,515	9,360
Total Non-Current Liabilities	**10,149**	**9,614**
Total Liabilities	**28,674**	**40,195**
Net Assets	**59,254**	**56,129**
Equity attributable to members of MGL		
Share capital	59,449	59,174
Reserves	17,009	15,554
Accumulated (losses)/profits	(17,205)	(18,599)
Total equity	**59,254**	**56,129**

Attachment 3

UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement Source: Magontec Limited Consolidated Management Accounts			
$000	**6 months to 30-Jun-23**	**3 months to 30-Sep-23**	**9 months to 30-Sep-23**
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (utilised in) underlying operating activities	**5,984**	**(465)**	**5,519**
Net working capital assets			
- Trade receivables & other current assets	7,840	4,292	12,132
- Inventory	3,059	(893)	2,166
- Trade payables & other current liabilities	(2,638)	(3,411)	(6,049)
Cash generated from/ (utilised in) net working capital assets	**8,261**	**(12)**	**8,249**
Other operating activities			
- Net Interest paid	(200)	(82)	(282)
- Income tax paid	(2,573)	(579)	(3,152)
Cash generated from/ (utilised in) other operating activities	**(2,772)**	**(661)**	**(3,434)**
Net Cash generated from/ (utilised in) all operating activities	**11,472**	**(1,139)**	**10,334**
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash out on purchase/disposal of property, plant & equipment	(1,421)	(1,468)	(2,889)
Group information technology	(75)	(15)	(90)
Security deposit	(26)	(48)	(74)
Other	59	0	60
Net cash provided by / (used in) investing activities	**(1,463)**	**(1,531)**	**(2,994)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	(180)	-	(180)
Bank Debt	(5,680)	1,119	(4,561)
Net capital raised from issue of securities	-	-	-
Cashflow from leasing activities	(95)	(58)	(153)
Net cash provided by / (used in) financing activities	**(5,955)**	**1,061**	**(4,894)**
Net increase / (decrease) in cash and cash equivalents	**4,055**	**(1,608)**	**2,446**
Foreign exchange effects on total cash flow movement	105	259	365
Cash and cash equivalents at the beginning of the period	**11,259**	**15,419**	**11,259**
Cash and cash equivalents at the end of the period	**15,419**	**14,070**	**14,070**