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1 November 2024

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

Quarterly Report to 30 September 2024

This announcement includes commentary with respect to trading for the 9 months to September 2024 and relevant financial information (unaudited).

ENDS

Dean Taylor, Company Secretary of Magontec Limited, has authorised the release of this document to the market on 1 November 2024

Executive Chairman's Quarterly Report
9 months to 30 September 2024 (Unaudited)

3rd Quarter 2024 Overview

- Magontec signs Memorandum of Settlement (MoS) with Qinghai Salt Lake Magnesium (QSLM)
- Net cash position[1] of +$4.6 million as of 30 September 2024
- Net Tangible Assets per share of 57.2 cents as of 30 September 2024
- YTD third quarter 2024 Gross Profit of +$7.7 million
- Working capital[2] of $36.7 million at the end of 3Q24

Magontec has released a separate announcement that explains the MoS. This settlement is conditional on approval by a meeting of QSLM creditors scheduled for 6 November 2024. The effect of the settlement will be the buyback and cancellation of all shares that QSLM hold in Magontec. Their current holding is 22,681,940 fully paid ordinary shares or 28.48% of Magontec Limited's issued capital of 79,643,766 fully paid ordinary shares. This settlement also requires an EGM to be held at which shareholders will be asked to approve the buy back and cancellation of QSLM's shares.

The MoS resolves all outstanding issues between Magontec Limited and QSLM and, through the cancellation of QSLM's shareholding in Magontec, is expected to increase each shareholder's ownership by 39.8% on a proforma basis. On the finalisation of this MoS, Net Tangible Assets per share is expected to rise from 57.2 cents per share to 80 cents per share.

In the third quarter of 2024 the Group recorded Gross Profit of $1.6 million, down from $3.0 million in the previous corresponding period (PCP). Profitability was reduced by both the costs of withdrawing from the Qinghai primary Mg alloy project and a deep downturn in economic activity in Magontec's main Chinese and European markets. Customers in the automotive and hot water appliance industries have experienced sharp declines in demand that echo through the Group's Mg alloy and Cathodic Corrosion Protection businesses.

Earnings at Magontec's Mg alloy recycling activities continue to be affected by low levels of primary Mg alloy sales to European customers. Recycling volumes are closely aligned to prior sales of primary Mg alloy material. Low volumes from Magontec's Chinese activities over recent years have constrained our European scrap supply chain and reduced volumes at our German and Romanian recycling facilities. The Group owns two of the most environmentally compliant and efficient Mg recycling facilities in Europe and is now able to compete more strongly in this sector by developing new primary Mg alloy supply arrangements.

Operational Highlights – 3Q 2024	9 months to 30-Sep-24	9 months to 30-Sep-23	% Change
Gross Profit	+$7.7m	+$17.1m	(55%)
Reported EBITDA excluding MAQ impairment	($1.5m)	+$5.6m	-
Underlying Operating Cashflow*	($0.8m)	+$5.5m	-
Net debt/(net cash)	($4.6m)	($9.3m)	(51%)
Net tangible assets per share (cents)**	57.2	71.8	(20%)

** 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*

[1] *Net cash = bank borrowings on balance sheet net of cash*

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

The Group's CCP (Mg and electronic anode) businesses are weathering a strong downturn in demand for hot water appliances and high inventory levels. While this business remained profitable, lower sales volumes on fixed overheads have negatively impacted earnings through the period under review.

Magontec's balance sheet remains very strong with no net debt and surplus cash of $4.6 million at the end of the period under review. The reduction in cash since the publication of the Interim Report reflects a payment of $5.3 million to the German tax Office, foreshadowed in a prior commentary.

NTA per share was 57.2 cents per share (before the effect of the MoS mentioned above) at the end of the period under review and reflects the non-cash write-off of $3.6 million of assets associated with the Magontec Qinghai cast house.

Financial Summary

Net Profit analysis of significant items	30-Sep-24 YTD	30-Sep-23 YTD
NPAT ex unrealised FX	**($7,028,401)**	**$2,358,374**
Add back significant items		
+ MAQ EBITDA loss/(gain)	$840,547	($204,954)
+ MAQ depreciation	$450,345	$587,632
+ MAQ impairment	$3,645,214	-
+ MAQ write off of DTA	$192,591	
+ MAQ closure and legal costs to date	$495,618	-
Subtotal MAQ related costs	**$5,624,315**	**$382,678**
+ Long-Term Incentive Plan options accrual (non-cash)	$505,005	$416,355
+ Provision for unforeseen costs (non-cash)	-	$150,000
Subtotal other significant items	**$505,005**	**$566,355**
NPAT ex unrealised FX and significant items	**($899,081)**	**$3,307,407**

For the 9 months to September 2024, the unaudited net loss was $7.0m excluding unrealised FX gains and losses. This included significant items of $5.6m related to the MAQ closure (mostly the non-cash impairment and depreciation of $4.1m in aggregate) and $0.5m related to non-cash LTI accruals. Excluding the significant items above in the table, the September 2024 Year-to-Date result was a net loss of $899,000 after tax.

Underlying operating cashflow[3] was negative -$1.1m in the quarter versus -$0.3 million in the PCP. This included substantial MAQ closure costs including staff redundancy and other closure imposts, as well as the usual Northern Hemisphere seasonal low. The Group has also made a further large tax payment for prior period profits which impacts operating cashflow. Despite these events, Magontec remains in a strong financial position with $4.6 million of net cash[4] as of 30 September 2024.

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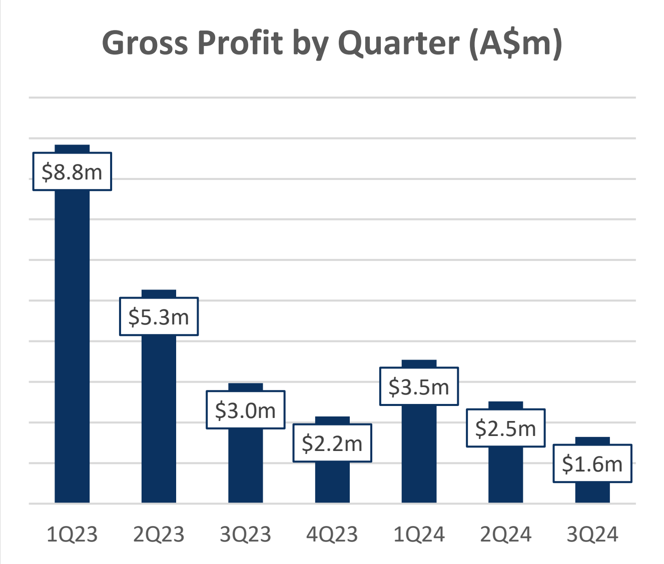
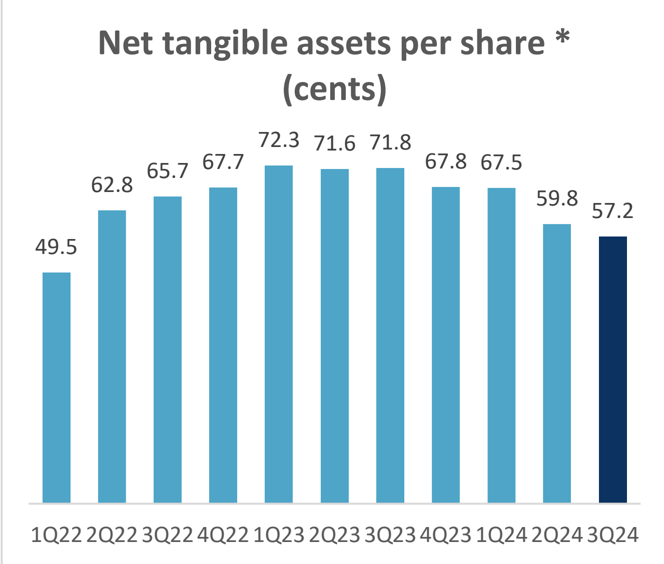
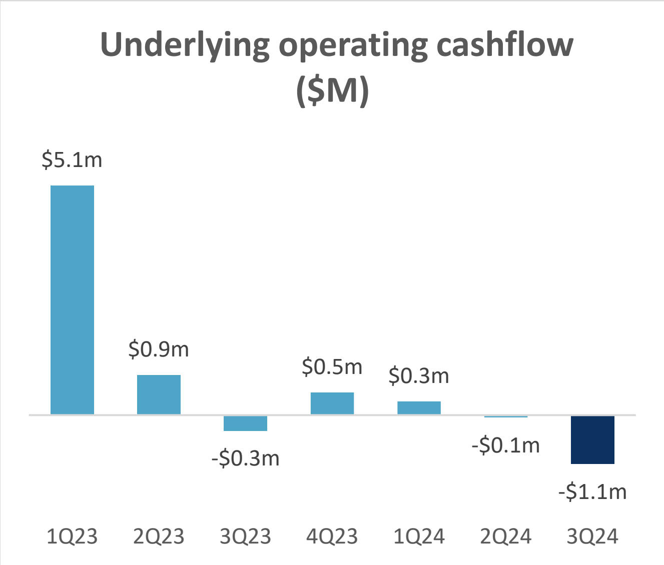
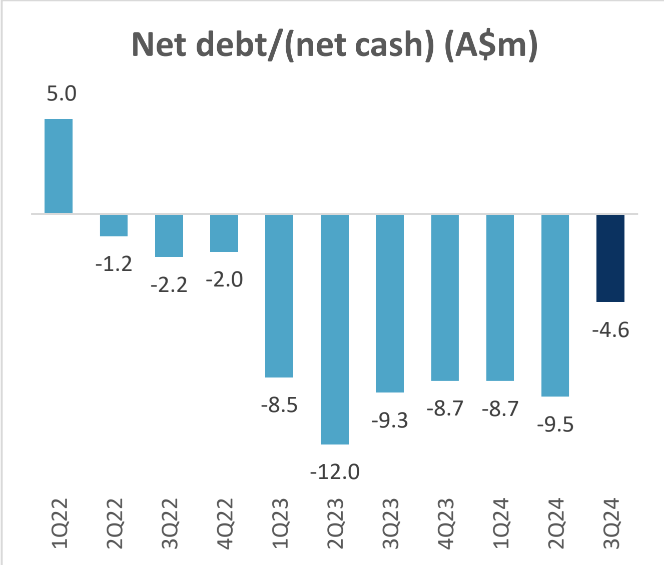
[3] *Underlying Operating Cashflow = Operating Cashflow excluding working capital movements, interest and tax paid*

[4] *Net cash = bank borrowings on balance sheet net of cash*









**3Q23 underlying operating cashflow of -$0.3m was previously reported as -$0.5m in 3Q23 quarterly report – difference not material.*

Strategic Review

Over the last quarter the Board and management have reviewed the Group's on-going operations and activities.

In August and September, the metals businesses in China and Europe have eliminated activities associated with our Qinghai primary Mg alloy production project. This includes full retrenchment of administration and production staff at the project in Golmud and a reduction in other positions in sales and logistics roles focussed on forecast Chinese metals activities.

The closure of the Qinghai project removes a key part of the Group's near-term growth strategy. Under the circumstances Magontec is now forced to review its strategic direction. We have looked closely at all of the Group's operating activities and will continue this process of evaluation in discussions with the Board and shareholders over the coming months. It is the case that Magontec's wider metals business retains a strong and high-quality footprint through its two Mg alloy recycling plants in Germany and Romania. These assets represent around 40% of European installed capacity, produce ultra-low emission Mg alloy products and produce a growing array of generic and other Mg alloy products.

The failure of the Qinghai project to supply primary Mg alloy material over many years has heavily constrained Magontec's European Mg alloy recycling businesses. Primary Mg alloy flows are a critical part of the supply chain for generating recycling volumes. Magontec has, since its earliest days, been the manufacturer of its primary Mg alloy material, first in Europe, then Canada and then, in the period to 2018 when our Shaanxi facility was closed, in China. The failure of the Qinghai project to continue volume supply to our global customers has damaged that traditional business cycle. The closure of the Qinghai project this year allows our European recycling assets to re-focus on alternative supplies of primary material to assist in the generation of future scrap flows. This is a key focus for our business in the immediate period.

Other metals business activities are orientated around the production of specialist metals for the aerospace industry and other higher-specification applications. Over the last 5 years revenues and profitability from this sector have grown strongly. A critical metric for sales into companies that manufacture these higher specification die cast products is long-term reliability and product performance. As Magontec's reputation and portfolio of specialist metals products develops, so the revenues and profitability from these activities continue to grow. These are typically higher margin products and are less vulnerable to cyclical trends.

The European metals business has also developed a series of other products stemming from the recycling process. Sales from these activities are also growing and are likely to generate new revenues and profits through the next 12 months.

Finally, we are seeking to engage with pure Mg manufacturing projects where we may have the opportunity to develop an associated Mg alloy casting activity. Global production of magnesium remains heavily concentrated in China and most non-Chinese customers are keen to see a dilution of Chinese dominance. Our discussions with future partners are centred on addressing this anomaly.

Through 2025 our metals strategy will be focussed on restoring recycling volumes and continuing to develop revenue streams in alternative metals activities in a region of the world where Magontec has first class assets with low operating costs and highly experienced production and sales staff.

Magontec's CCP businesses (Mg and electronic anodes) are traversing a demand trough as economic activity in Europe and China continues to ebb. In Europe, the Middle East and North America our market shares have remained stable while in China aggressive discounting and ad hoc regional government subsidy schemes are supporting uneconomic competitors at the expense of more efficient industry participants. We are working hard to counter this trend, bringing on new customers and finding new markets in non-Chinese jurisdictions. Our Mg anode manufacturing facility in Xi'an is a high-volume producer of both Mg and other anodes. While we have reduced staffing levels and other costs and have remained profitable at the EBIT level over the 9 months to the end of September, it is difficult to forecast when the industry will revert to the underlying economics of production. We have reduced overheads in Xi'an through August and September and continue to focus production efficiencies to restore profitability and compete more aggressively in this difficult market environment.

Our Romanian and Chinese Mg anode manufacturing assets are strong competitors in their regions and our expectation is that market fundamentals will reassert themselves in the months ahead and reward our investment programs and efficiency initiatives. Magontec's electronic anode product has also seen revenues and profits decline through 2024, entirely the result of lower levels of production at water heater manufacturing plants. Heat pump appliances, the most ubiquitous application for our electronic anode, has experienced both economic headwinds and a reduction in Government subsidies that were aimed at climate abatement initiatives. Both trends are expected to move back in Magontec's favour through 2025.

Magontec continues to review corporate opportunities as they arise. The Group is oriented around two businesses, the water heater appliance manufacturing industry and the Mg alloy die casting industry while the central feature of our business is the manufacture of magnesium products for both customer groups.

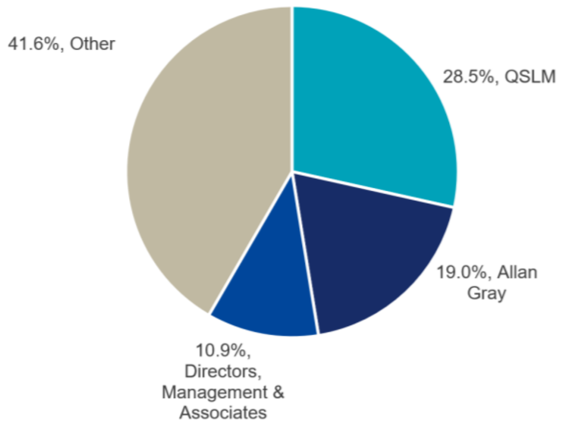
Over the last 5 years we have sought to dilute business reliance on the more commoditised activities, Mg anodes and generic Mg alloys, and develop complimentary business streams that are related to these core activities and leverage similar skills and overhead structures, but are focussed on higher margin products in less volatile market sectors. Some of these new activities and products have no Mg content but deliver through the same or similar supply chains, others are niche Mg activities that leverage Magontec's magnesium handling expertise and manufacturing certification status.

Nic Andrews
Executive Chairman
1 November 2024

Magontec Limited Market Information

ASX Code: MGL	Total	Per Share
Ordinary shares on issue	79,643,766	
Book value of net assets – 30 September 2024	**$48.8 million**	**61.3 cents/share**
Market capitalisation[1]	**$15.9 million**	**20.0 cents/share**
Net debt/(cash) – 30 September 2024	($4.6 million)	
Enterprise value	**$11.3 million**	
LTM[2] Adjusted EBITDA to 30 Sep 2024	$0.4 million	
Performance rights on issue 30 Sep 2024	*9,888,481*	

Shareholder Structure 30 September 2024

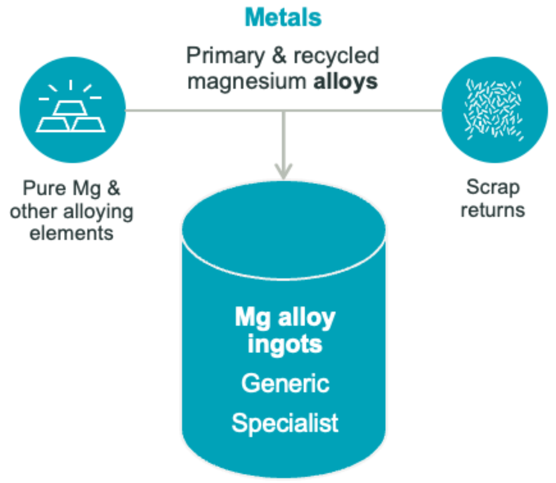


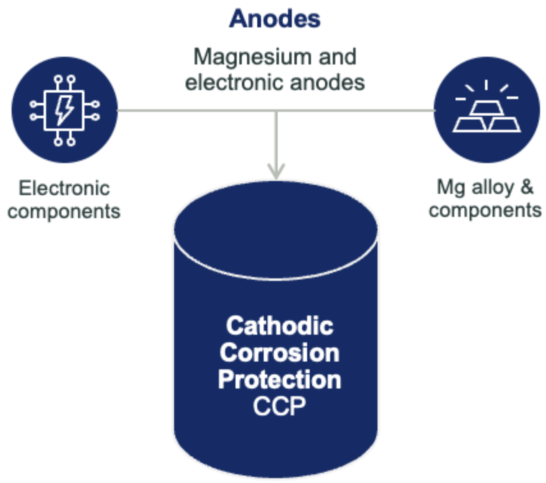
1 Based on share price of $0.20 as at 28 October 2024 (close)
2 LTM = Last 12 Months, excluding $5.6m of PRC impairment and other MAQ related closure and settlement costs

Manufacturing Activities – Magnesium Metals and Cathodic Corrosion Protection

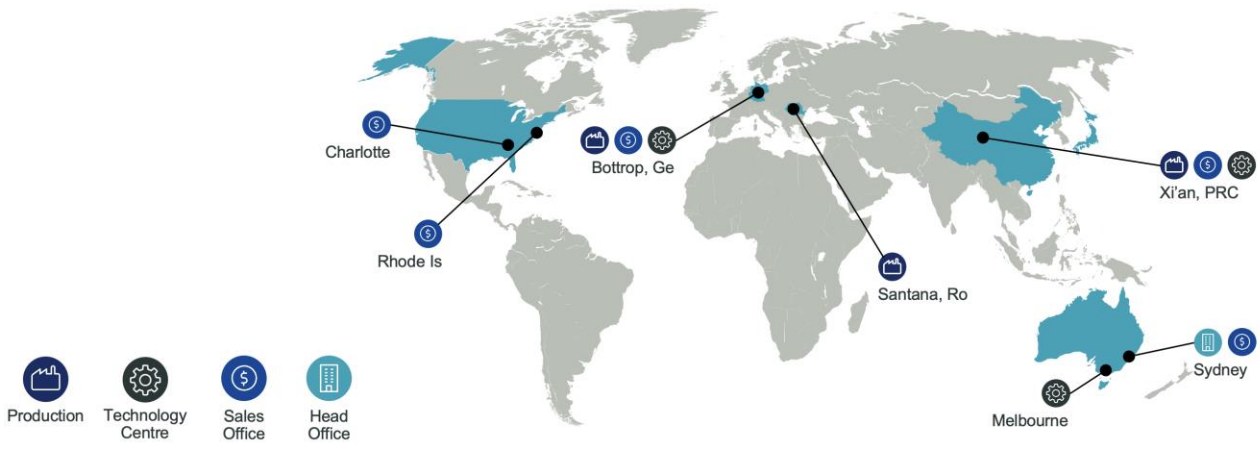
Manufacture of Mg alloys from pure Mg and Mg alloy scrap supplying the global die casting industry

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





Global Manufacturing & Distribution Platform



Attachment 1

UNAUDITED COMPREHENSIVE INCOME STATEMENT AND BANK BORROWING SUMMARY TO 30 SEPTEMBER 2024

Unaudited Consolidated Comprehensive Income Statement Source: Magontec Limited Management Accounts		
$000	**9 months to 30-Sep-24**	**9 months to 30-Sep-23**
Sale of goods	58,062	78,491
Cost of sales	(50,347)	(61,419)
Gross profit	**7,715**	**17,072**
Other income	852	624
Interest expense	(260)	(390)
Impairment	(3,680)	(950)
Travel accommodation and meals	(536)	(615)
Research & development	(630)	(976)
Promotional activity	(88)	(76)
Information technology	(270)	(308)
Personnel	(6,875)	(6,757)
Depreciation & Amortisation	(452)	(540)
Office expenses	(374)	(460)
Corporate and other	(2,683)	(3,260)
Foreign exchange gain/(loss)	(132)	(369)
Profit/(Loss) before tax	**(7,414)**	**2,996**
Income tax (expense)/benefit	(54)	(1,602)
Profit/(Loss) after tax	**(7,468)**	**1,394**
Other comprehensive income		
Exchange differences taken to equity	(519)	1,836
Movement in actuarial assessments and other OCI	35	138
Total comprehensive income	**(7,952)**	**3,368**

COGS included $1.57m of depreciation in the 9 months to 30 Sep 2024 (9 months to Sep 2023: $1.66m)

Borrowings facilities					
Lender	**Maturity**	**Interest %**	**Limit $A 000**	**Drawn $A 000**	**Security status**
Commerzbank Germany	30-Nov-26	5.26%	10,267	1,001	Secured
Unicredit SA (Romania)	28-Feb-25	7.30%	2,585	1,300	Secured
Zheshang Bank China*	6-Aug-24	2.35%	6,373	-	Secured
Total borrowings on balance sheet			**19,225**	**2,300**	
Commerzbank (factoring)	28-Feb-25	4.91%	754	659	
Total facilities			**19,978**	**2,959**	

Attachment 2

UNAUDITED BALANCE SHEET

Unaudited Consolidated Balance Sheet Source: Magontec Limited Management Accounts		
$000	**As at 30-Sep-24**	**As at 31-Dec-23**
Cash & cash equivalents	6,894	13,136
Trade & other receivables	11,685	16,043
Inventory	29,341	32,805
Other	1,973	532
Total Current Assets	**49,893**	**62,516**
Property, plant & equipment	12,870	17,786
Intangible assets	3,030	2,977
Deferred tax assets	1,536	1,582
Other	266	307
Total Non-Current Assets	**17,702**	**22,652**
Total Assets	**67,595**	**85,168**
Trade & other payables	6,274	6,751
Bank borrowings	2,300	4,418
Provisions	(228)	6,691
Total Current Liabilities	**8,346**	**17,860**
Other payables	151	221
Bank borrowings	-	-
Provisions	10,295	10,440
Total Non-Current Liabilities	**10,446**	**10,661**
Total Liabilities	**18,792**	**28,521**
Net Assets	**48,803**	**56,647**
Equity attributable to members of MGL		
Share capital	59,718	59,524
Reserves	14,686	15,255
Accumulated (losses)/profits	(25,601)	(18,133)
Total equity	**48,803**	**56,647**

Attachment 3

UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement Source: Magontec Limited Consolidated Management Accounts			
$000	6 months 30-Jun-24	3 months to 30-Sep-24	9 months to 30-Sep-24
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from underlying operating activities	**251**	**(1,087)**	**(836)**
Net working capital assets			
- Trade receivables & other current assets	667	1,585	2,252
- Inventory	1,395	1,848	3,243
- Trade payables & other current liabilities	1,028	(1,232)	(204)
Cash generated from/ (utilised in) net working capital assets	**3,090**	**2,201**	**5,291**
- Net Interest paid	(3)	(34)	(37)
- Income tax paid	(810)	(5,740)	(6,550)
Cash generated from/ (utilised in) other operating activities	**(813)**	**(5,774)**	**(6,587)**
Net Cash generated from/ (utilised in) all operating activities	**2,528**	**(4,660)**	**(2,132)**
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash out on purchase/disposal of PP&E	(1,058)	(425)	(1,483)
Group information technology	(109)	(3)	(112)
Security deposit	23	147	170
Other	38	1	39
Net cash provided by / (used in) investing activities	**(1,106)**	**(281)**	**(1,387)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	(385)	-	(385)
Bank Debt	(3,197)	1,148	(2,048)
Cashflow from leasing activities	(129)	(63)	(192)
Other	(11)	11	-
Net cash provided by / (used in) financing activities	**(3,722)**	**1,096**	**(2,626)**
Net increase / (decrease) in cash and cash equivalents	**(2,300)**	**(3,845)**	**(6,145)**
Foreign exchange effects on total cash flow movement	6	(103)	(97)
Cash and cash equivalents at the beginning of the period	**13,136**	**10,842**	**13,136**
Cash and cash equivalents at the end of the period	**10,842**	**6,894**	**6,894**