



Magontec Limited

(ASX: MGL)

First Half 2020 - Interim Result

August 2020



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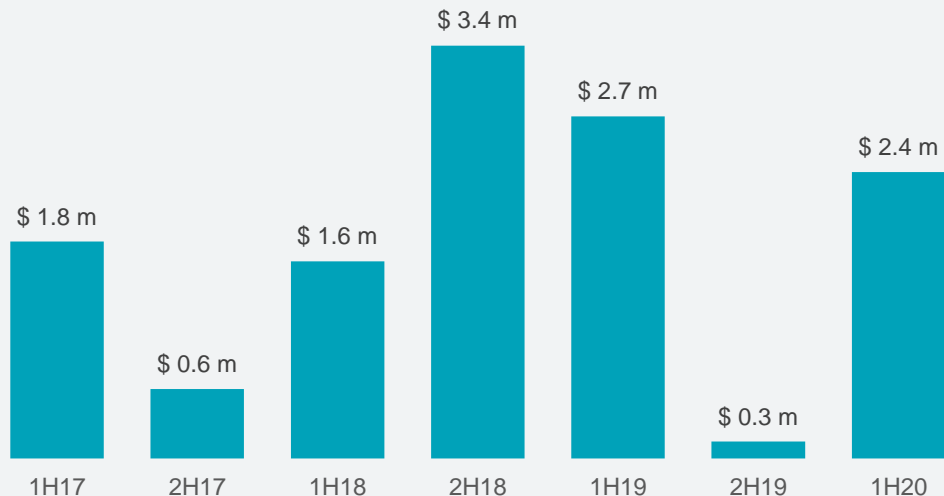
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Magontec Limited – 2020 Half Year Result

Reporting Highlights

Cash flow from underlying operations (A\$)



Underlying Operating Cashflow* of \$2.4 m

- Increased market share, new product earnings contribution, new markets
- Positive impact of temporary salary and director fee reductions, government subsidies



Cathodic Corrosion Protection (Anodes)

- Industry steady through 1H 2020. Magontec volumes above PCP
- 1H 2020 customer factory closures depressed profit in the period under review



PRC Primary Magnesium Alloys

- Magontec Qinghai operating at low levels of supply and production
- Business unit loss making in 1H 2020 and incurred depreciation of \$520,000 in the period



Magnesium Alloy Recycling

- Germany and Romania both profitable at the gross profit line in 1H2020
- Total European volumes down 36% on PCP reflecting automotive volume declines

* Operating cashflow excluding working capital movements, interest and tax payments

2020 Half Year Result Financial Highlights

	6 months to 30-Jun-20	6 months to 30-Jun-19
Gross Profit	\$5.92m	\$7.96m
Gross Profit Margin	12.9%	11.8%
Net Profit Before Tax ex unrealised FX, significant items	(\$0.286m)	\$1.533m
Reported Net Profit After Tax	(\$0.149m)	\$0.254m
Underlying NPAT*	(\$0.044m)	\$0.404m
Underlying Operating Cashflow**	\$2.4m	\$2.7m
Net Debt to Net Debt + Equity	27.9%	21.9%



1H 2020 Gross Profit of \$5.92 million

Lower demand resulting from COVID-19

Volumes recovering, although not at pre-COVID levels



Underlying NPAT of (\$0.044m)*

Includes \$0.52 million of non-cash depreciation from the Magontec Qinghai facility



Underlying operating cash flow remains resilient at \$2.4m **



Net Debt of \$12.2 million, and net debt to net debt + equity ratio of 27.9% as at 30 June 2020

* Reported net profit/loss excluding the effects of unrealised foreign exchange

** Operating cashflow excluding working capital movements, interest and tax payments

2020 Half Year Result

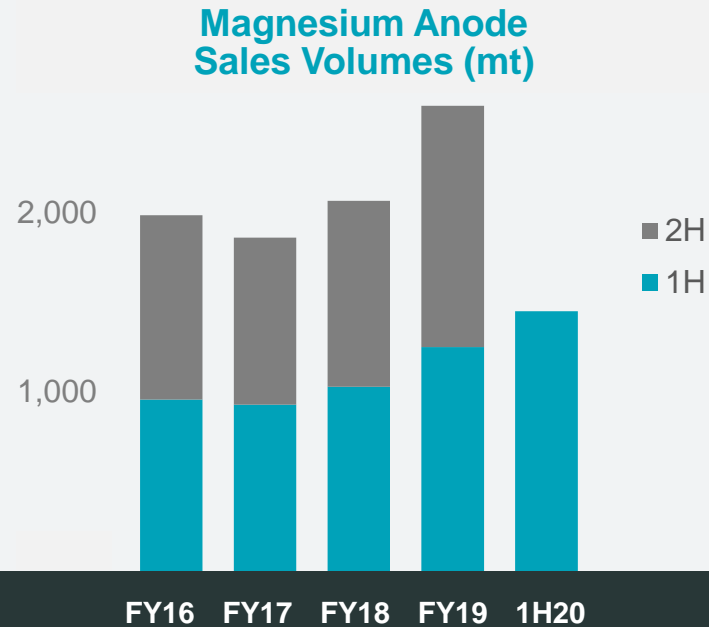
Reconciliation of significant items in earnings

	6 months to 30-Jun-20 '\$000	6 months to 30-Jun-19 '\$000
Net Profit Before Tax, unrealised FX and significant items	(286)	1,533
Significant items before tax		
Less non-cash equity expense	-	(65)
Less MAQ depreciation (non-cash)	(520)	(651)
Add COVID related government subsidies	362	-
Add COVID related temporary salary and director fee reductions	552	-
Net Profit Before Tax excluding unrealised FX	109	818
Less tax expense	(153)	(414)
Net Profit After Tax before unrealised FX (underlying NPAT*)	(44)	404

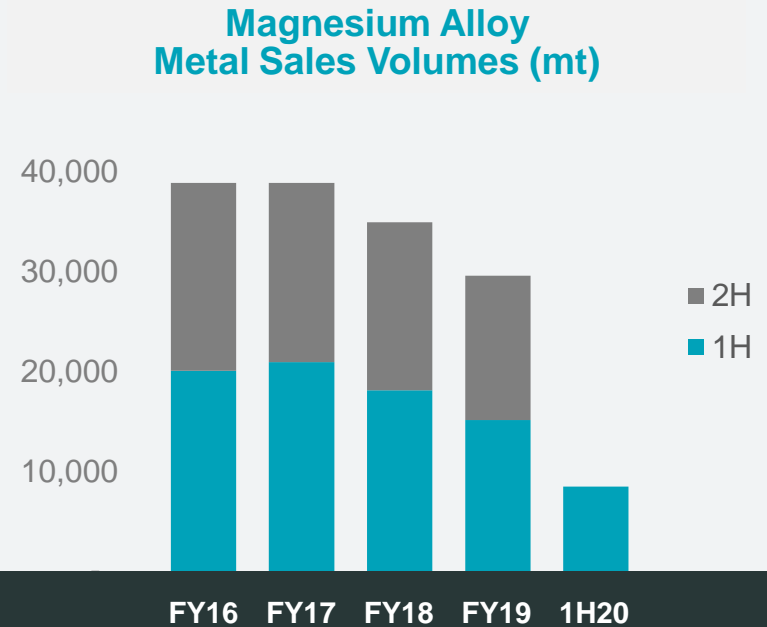
* Reported net profit/loss excluding the effects of unrealised foreign exchange

2020 Interim Year Result - Operations

Magnesium Anode Volumes (CCP)
ahead of Previous Corresponding Period



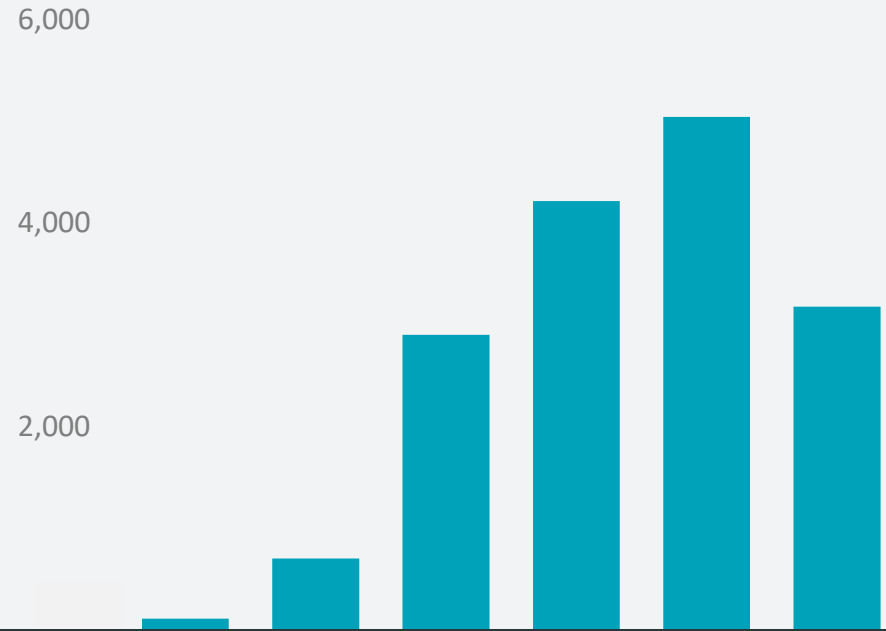
Metal Volumes down due to COVID-19, but recovering into 2H 2020



Magontec Qinghai primary magnesium alloy production



Magontec Qinghai Production (mt)

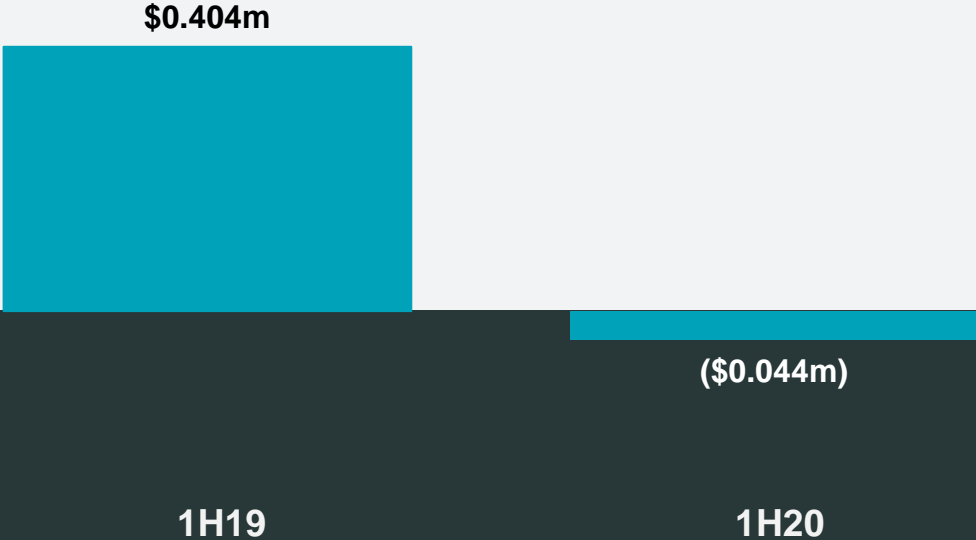


- Supply of liquid pure Mg from adjacent smelter halted since 1 April 2019
- Magontec Qinghai cast house metal production volumes constrained by temporary supply hiatus

- Magnesium alloy ingot supply to customers maintained throughout this period
- QSLM expected to announce magnesium smelter restart before 2020 year-end

2020 Half Year Result
Underlying Net Result* $-\$0.44\text{m}$ in 1H 2020 despite COVID impact

Underlying Net Profit After Tax * (\$M)



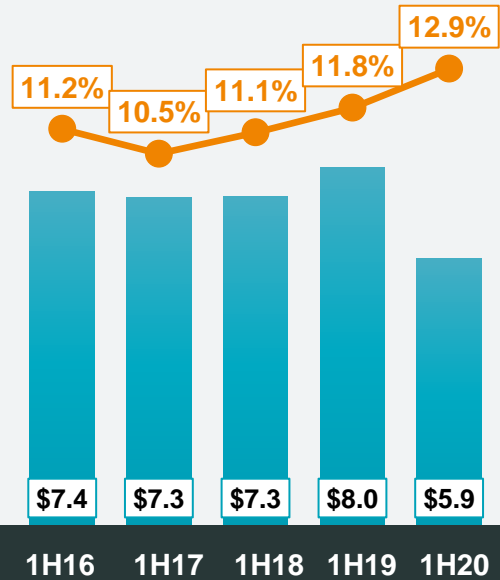
• Reported net profit/loss excluding the effects of unrealised foreign exchange

2020 Half Year Result

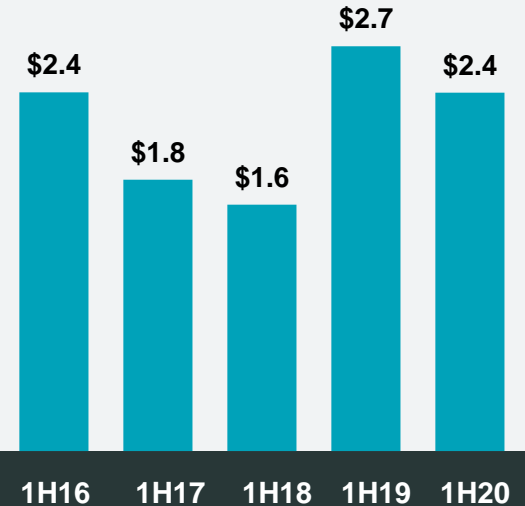
Margin expansion from Specialist Metal sales and resilient Underlying Operating Cashflow despite headwinds



Gross Profit (\$M) and GP margin



Underlying Operating Cashflow (\$M)*



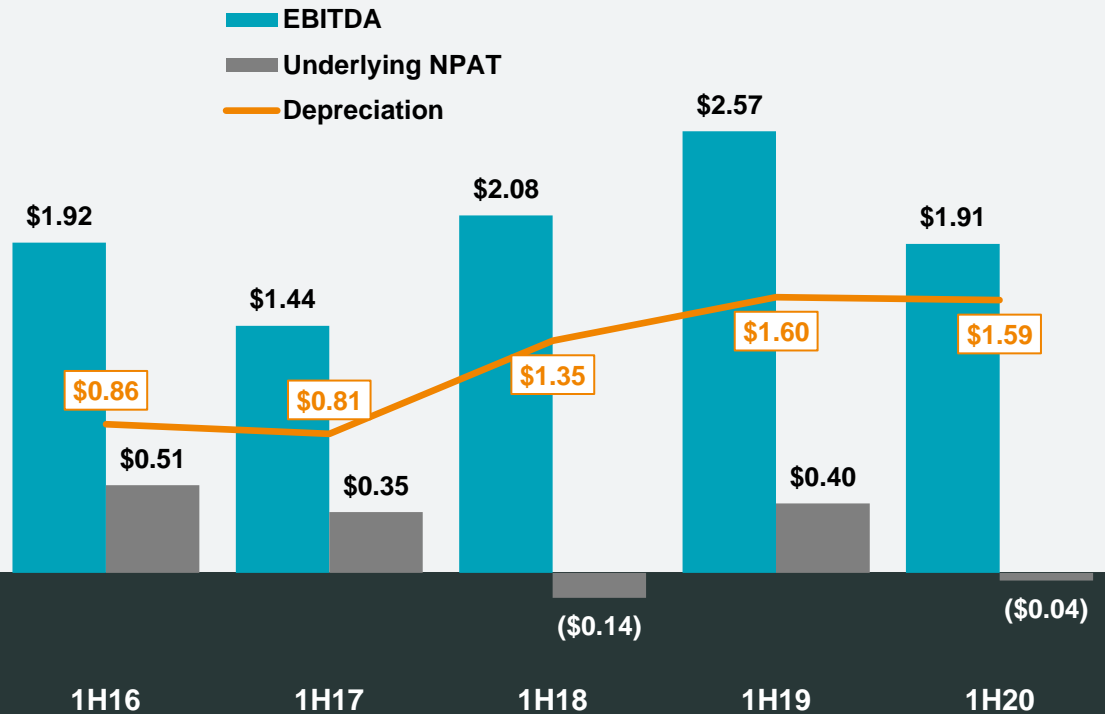
* Operating cashflow excluding working capital movements, interest and tax payments

2020 Half Year Result

EBITDA and Underlying NPAT trend relatively stable



EBITDA, Underlying NPAT and Depreciation (\$M)



Qinghai electrolytic magnesium smelter complex (Golmud)

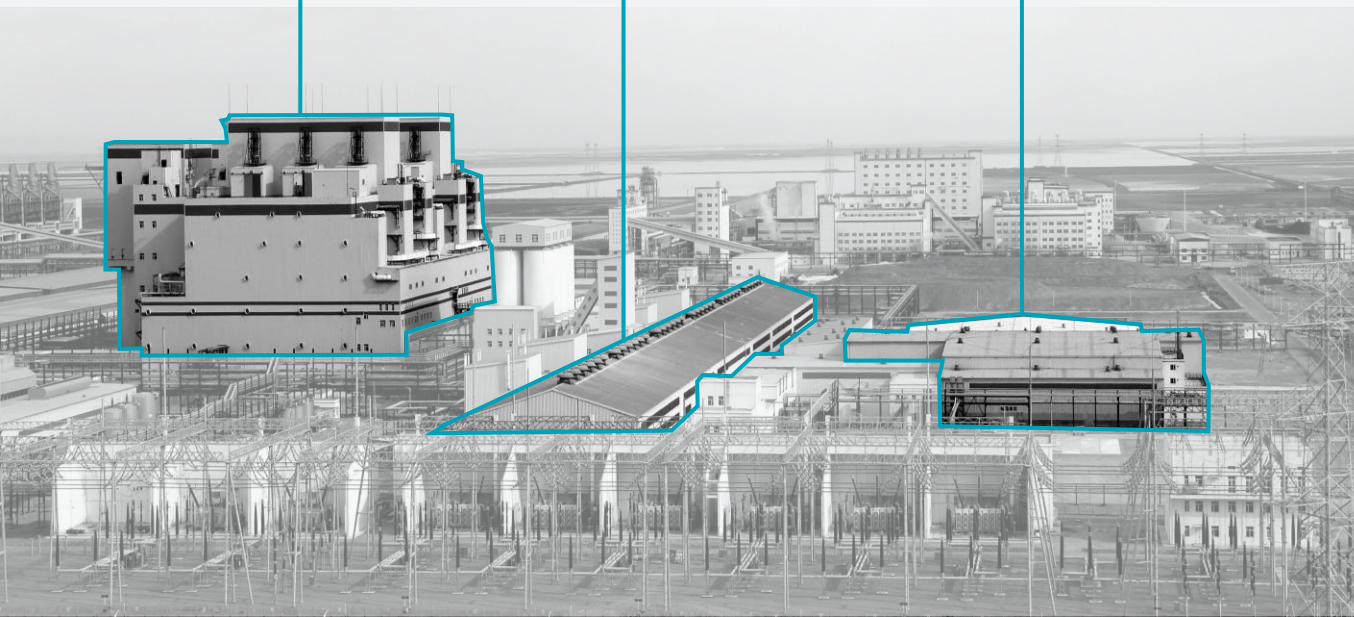
Dehydration



Reduction



Cast house



Magontec Qinghai

MGL operates a magnesium alloy cast house at Golmud in Qinghai Province PRC



Agreements

Supply of 56,000 mtpa*
Exclusive Mg alloy rights
Fixed off-take price metrics
Lease (10+10 years)

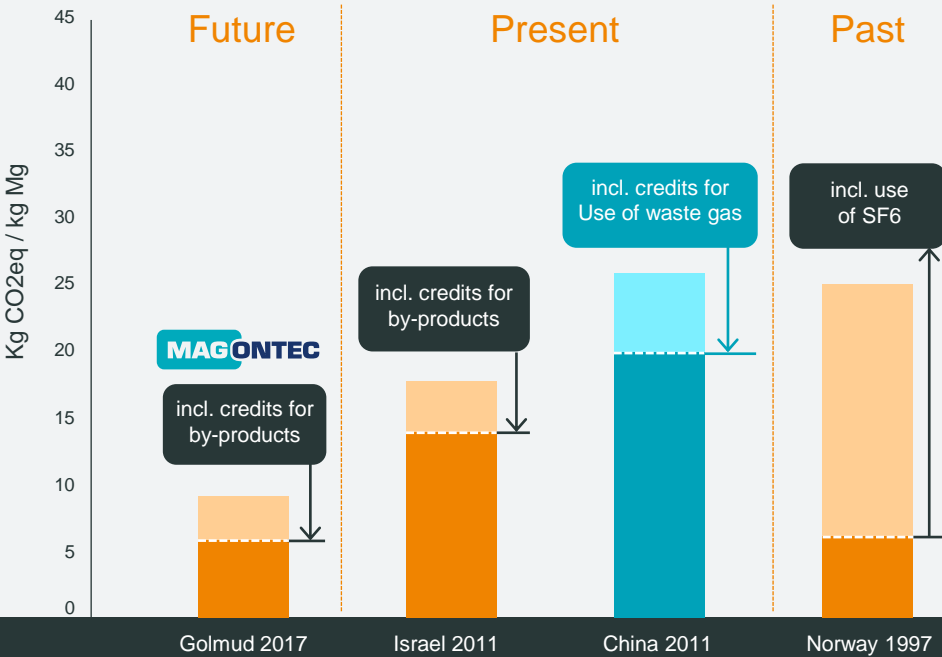


Production

4* Mg alloy cast lines
85% renewable energy
Future growth options

* Supply of pure magnesium from QSLM plant currently suspended. Cast house operations continue under interim supply arrangements

Magontec Qinghai manufactures the World's lowest CO₂ magnesium alloys*



Electrolysis

Pidgeon process

*German Aerospace Institute of Vehicle Concepts survey on CO₂ emissions from magnesium smelters around the World

Magontec has recycling and manufacturing facilities in China, Germany and Romania



Production



Sales Office



Technology Centre



Cast House Project



Headquarters

Magontec's corporate transformation
creates an exceptional platform for growth



Steady underlying
cash flow from
operations



Resilient earnings
stream from CCP
businesses



Growing
profitability from
Specialist Metals



A commitment to
"Green"
magnesium




ASX Listed






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