HALF YEAR REPORT 2020

Corporate Information and Glossary

1. CORPORATE INFORMATION

The consolidated financial statements of Magontec Limited and its controlled subsidiaries as listed in Note 4.1 herein (collectively, the Group) for the 6 months to 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 August 2020. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Securities Exchange under the code "MGL".

2. GLOSSARY OF TERMS REFERRED TO IN THIS REPORT

Formal Name of Entity	Description of Entity	Referred to as
Head office entities		
Magontec Limited	The ultimate parent/holding company of the Group.	**Parent Company or MGL**
Advanced Magnesium Technologies Pty Limited	Wholly owned subsidiary of Magontec Limited that acts as the administrative operating entity.	**Advanced Magnesium Technologies Pty Limited**
Varomet Holdings Limited	The holding company that owns the Group's operating businesses at Bottrop (Germany), Xi'an (PRC) and Suzhou (PRC). In turn, Magontec Limited owns all of the ordinary shares issued by Varomet Holdings Limited.	**VHL**
Operating entities		
Magontec GmbH	The wholly owned entity that owns the Group's operations in Bottrop, Germany.	**MAB**
Magontec SRL	The wholly owned entity that owns the Group's operations in Santana, Romania.	**MAR**
Magontec Xi'an Co. Ltd.	The wholly owned entity that owns the Group's operations in Xi'an, PRC.	**MAX**
Magontec Qinghai Co. Ltd.	The wholly owned entity that owns the Group's operations in Qinghai, PRC.	**MAQ**
Magontec US LLC	The wholly owned entity that acts as the Group's distributor located in the United States of America.	**MAU**
Entities where operations have ceased		
Magontec Shanxi Co. Ltd.	The joint venture operations in Jishan, Shanxi Province PRC.	**MAY**
Magontec Suzhou Co. Ltd.	The wholly owned entity that owns the Group's operations in Suzhou, PRC.	**MAS**
Major related shareholders and other terms		
Qinghai Salt Lake Magnesium Co. Limited	A subsidiary of Qinghai Salt Lake Industry Co. Limited (a company listed on the Shenzhen Stock Exchange) and a shareholder in MGL to the extent of 28.72% at the 25th of August 2020.	**QSLM**
Straits Mine Management Pty Limited	The company from which MGL acquired the Magontec group of companies on 4 July 2011. SMM remains a 12.94% substantial shareholder of Magontec at the 25th of August 2020.	**SMM**
KWE (HK) Investment Development Co Ltd.	Shareholder in Magontec Limited to the extent of 4.88% at the 25th of August 2020. Mr Zhong Jun Li, a director of Magontec Limited is also a director of KWE (HK) Investment Development Co Ltd.	**KWE (HK)**
People's Republic of China		**PRC**

3. ROUNDING ERRORS

The tables in this report may indicate apparent errors to the extent of one unit (being $1,000) in:

- the addition of items comprising total 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.

Financial Highlights

	1H20	1H19
Gross Profit	**$ 5.92m**	$ 7.96m
Gross Margin (%)	**12.9%**	11.8%
Reported Net Profit/(Loss) After Tax	**($ 0.15m)**	$ 0.25m
Underlying NPAT*	**($ 0.04m)**	$ 0.40m
Underlying Operating Cashflow**	**$ 2.35m**	$ 2.65m
Net Debt to Net Debt + Equity	**27.9%**	21.9%

* Underlying NPAT is defined as Reported Net Profit After Tax excluding unrealised foreign exchange gains and losses

** Underlying Operating Cash Flow is defined as Cashflow From Operations excluding working capital movements, interest and tax payments

Contents

Reporting Highlights

FINANCIAL

- Factory closures due to COVID-19 and higher Qinghai raw material supply costs negatively impacted 1H 2020 profitability
- Cashflow from underlying operations* of $2.35 million, down $0.3 million on the prior corresponding period (pcp)
- Revenues down 32% on pcp, principally driven by lower Mg alloy recycling and primary volumes.
- 1H 2020 Gross Profit down to $5.92 million while Gross Profit margin up from 11.8% in 1H19 to 12.9% in 1H20
- Debt levels largely unchanged from last reporting period: Net Debt to Net Debt plus Equity at 27.9% as at 30 June 2020, Net Debt at $12.2 million and focussed on inventory management and working capital.

CORPORATE

- Minimum Holding buyback completed; shareholder register reduced from 13,166 to approximately 1,900 at a cost to the company of $184,000 excluding implementation costs
- Magontec conducted a private placement to existing shareholders raising $300,000 to fund the Minimum Holding buyback and associated administration costs.

ANODES (CATHODIC CORROSION PROTECTION – CCP)

- Magontec's global CCP business is proving resilient in the current environment; water heater manufacturer volumes have been sustained through the pandemic
- Magontec market share has risen in the PRC and N American markets and is stable in Europe
- Investment in automation and higher volumes have reduced unit production costs.

EUROPEAN METALS

- A strong rise in profitability compared with the prior corresponding period, driven by specialist metals
- Factory closures due to COVID-19 reduced volume of recycled Mg alloy production in Germany and Romania
- Outlook reliant on second half 2020 recovery of European and US automotive industry volumes

CHINESE METALS/MAGONTEC QINGHAI

- The Magontec Qinghai Mg Alloy Cast House continued production at lower levels
- QSLM expects to submit a restructuring plan to debtors in 4Q 2020. This will be followed by a plan for the re-start of the magnesium facility
- Magontec's Chinese metals division lost $342,000 at the EBITDA line in the period, down from EBITDA profit of $458,000 in the prior corresponding period.

HEALTH, SAFETY & ENVIRONMENT

- Magontec recorded four incidents in its European factories in 1H20
- Total group employees have fallen 18% from 409 to 337 reflecting efficiency gains and lower production volume at the Chinese primary Mg alloy facility.

* Cashflow from underlying operations is defined as operating cashflow excluding working capital movements, interest and tax payments.

Financial Summary

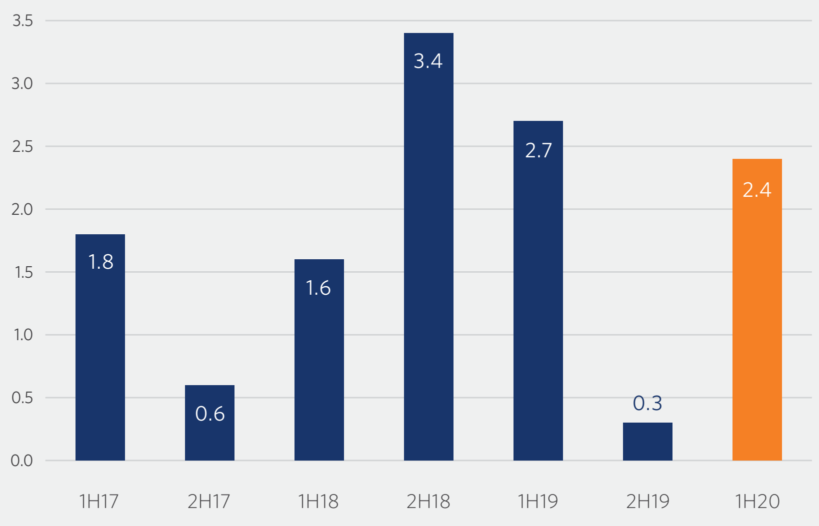
for the 6 months ended 30 June 2020

RECONCILIATION OF SIGNIFICANT ITEMS IN EARNINGS	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'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 govt subsidies	362	–
Add COVID related temporary salary and director fee reductions (EU & HO)	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**
Add/(subtract) unrealised FX gains/(losses)	(105)	(150)
Reported Net Profit After Tax	**(149)**	**254**

During the six months to 30 June 2020, a fall in demand across Magontec's global metal and anodes businesses saw revenue down 31.6% or over $20 million compared with the prior corresponding period. This is mostly the result of the impacts of COVID-19.

Net profit before tax (excluding unrealised FX) for the 6 months to 30 June 2020 was positive due to the strong contribution of the specialist metals business in EU, salary and director fee reductions in the EU and Head Office businesses and the receipt of COVID related government subsidies across the group. The result also included $520,000 of non-cash depreciation charges associated with the MAQ facility which is yet to achieve operating scale.

CASH FLOW FROM UNDERLYING OPERATIONS (A$million)**



* Underlying NPAT is defined here as reported net profit after tax excluding unrealised foreign exchange gains and losses.

** Cashflow from underlying operations is defined as operating cashflow excluding working capital movements, interest and tax payments.

Financial Summary

continued

CASHFLOW

Cashflow from underlying operations is one of the key metrics that management monitors internally, and is defined as operating cash flow before interest, tax payments and working capital movements. For Magontec, working capital movements can have a large impact on overall operating cash flow in any given period, but are generally only a reflection of timing differences in cash receipts and payments in the metals business, which is working capital intensive.

During the first half of 2020, Magontec generated cashflow from underlying operations of $2.35 million, which was much improved on the difficult trading experienced in the second half of 2019 albeit lower than the prior corresponding period ($2.65 million). This half also included a $189,000 positive adjustment due to AASB 16 Leases.

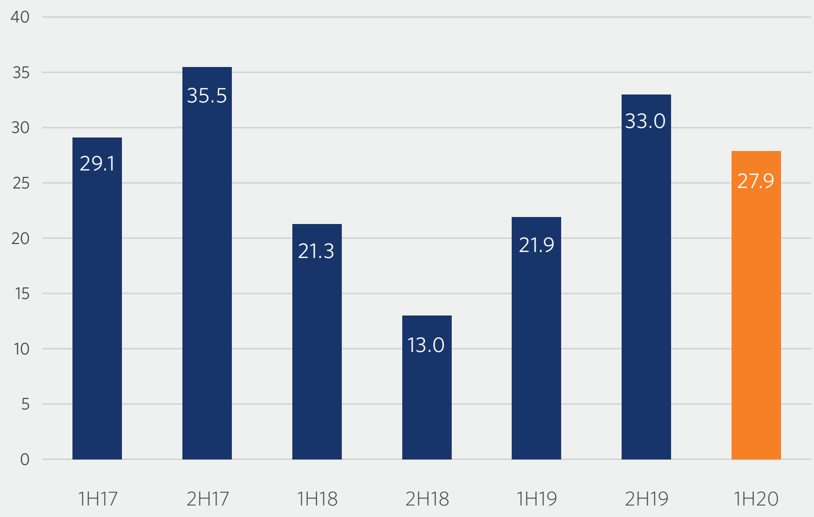
Headline operating cash inflow of $3.9 million was driven mostly by a $2 million favourable swing in working capital. As at 30 June 2020, metal inventory levels in the PRC business in particular remain high but management expects this will return to lower levels.

BALANCE SHEET AND BANKING FACILITIES

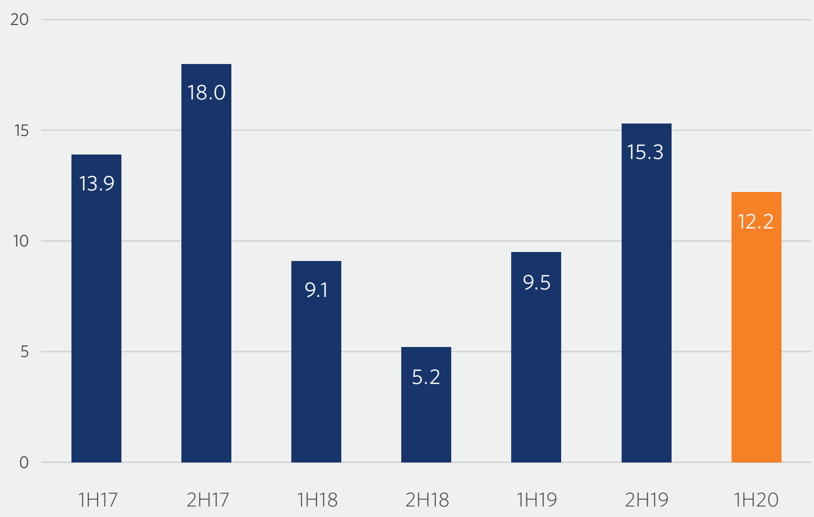
Net debt during the period decreased to $12.2 million as at 30 June 2020 (compared with $15.3 million as at 31 December 2019) as a result of the rebalance in working capital and the positive underlying operating cash result. Gearing as at 30 June 2020 was 27.9% on a net debt to net debt + equity basis (31 December 2019: 33.0%), broadly in line with historical levels.

During the half to 30 June 2020, the company repaid the RMB 20 million facility from the Bank of Communications in China. Post balance date, the PRC business has obtained a new facility for a higher limit of RMB 23 million from ZheShang Bank at a more favourable interest rate. As at 30 June 2020, the company's borrowing headroom was $1.4 million across its existing banking facilities in Germany and Romania.

NET DEBT TO NET DEBT + EQUITY (%)



NET DEBT (A$million)



Summary & Outlook

Through the six months to 30 June 2020 Magontec continued to enjoy strong cash flow from its manufacturing operations in China and Europe.

The Company generated $2.35 million in cashflow from underlying operations*, $0.3m lower than in the prior corresponding period (pcp), despite intermittent suspension of operations associated with the COVID-19 pandemic.

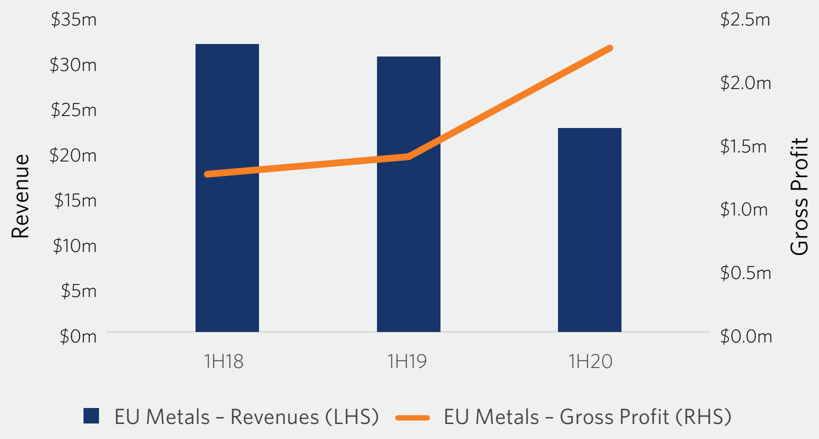
The stop-start nature of business in the first half of 2020 for Magontec factories and customers caused sales to fall 32% compared to the prior corresponding period. Gross Profit was also down, by 26%, although the margin on sales was up sharply from 11.8% to 12.9%.

Net Profit, excluding unrealised movements in foreign exchange, was reduced to -$44,000 in the period under review.

The salient features of this 2020 Interim Result are the strong growth in volumes and profitability of Magontec's specialist metals business driving a higher European metals division Gross Profit, the steady performance of the global magnesium (Mg) anodes businesses and the continuing absence of local raw material supply at Qinghai. Electronic anodes recorded sharply lower revenues compared to pcp due to a supply timing issue and were not COVID related.

As a result of supply constraints Magontec Qinghai's Magnesium Alloy Cast House (MACH) continues to operate at reduced production levels. However, it remains a key asset and opportunity for the Company and retains the capacity to become a strong earnings contributor.

EUROPEAN METALS
REVENUE & GROSS PROFIT



Despite a lengthy delay in the re-commencement of raw material supply from Qinghai Salt Lake Magnesium Co Ltd (QSLM), Magontec continues to fully depreciate its $10 million investment in the MACH at the Qinghai site.

The cash operating loss and full allowance for asset depreciation at the MACH reduced group earnings for Magontec's Chinese metals business (the manufacture of primary Mg alloys and trading in associated scrap material) in the first half of 2020 with EBITDA falling to -$342,000. This is in large part because, in the period since 1 April 2019, pure Mg raw material has been sourced at higher than planned costs from third party suppliers. In the prior corresponding period, Magontec's Chinese metals business made a positive EBITDA contribution of $458,000. This was in spite of sub-optimal operating conditions at the MACH in the first quarter of 2019 when QSLM supplied low levels of pure Mg raw material, much of it expensive-to-process solid material and not in liquid form.

Magontec expects to continue to operate at the MACH in anticipation of a re-commencement of raw material supply and a return to profitable operations. In the intervening period the cost of maintaining this operation in readiness for a re-start is currently around $55,000 per month. There are further comments on the Magontec Qinghai MACH operations later in this report.

The Company's net debt remains at comfortable levels; $12.2 million as at 30 June 2020. Together with shareholder equity, this debt is used to fund working capital associated with inventory and debtors. Net Debt to Net Debt plus Equity currently sits at 27.9%, down from 33% in the previous reporting period. This lower level of debt reflects reduced production volumes, specifically in the high volume/lower margin primary and recycling magnesium metals activities in China and Europe.

* Cashflow from underlying operations is defined as operating cashflow excluding working capital movements, interest and tax payments.

Summary & Outlook

continued

In the period since 30 June 2020 Magontec's Chinese business has negotiated new loan arrangements with Zheshang Bank, a Hong Kong listed entity, offering greater borrowing headroom and flexibility and at an average interest rate of 3.8%. In Europe the Company's principal banking partner is Commerzbank, who have provided Magontec with a borrowing base facility for many years. The interest rate on this European facility is currently 1.55%.

In June the Company launched a Minimum Shareholder buyback program. This closed on 6th August and, as a result, 11,245 shareholders who held less than $250 worth of shares were able to divest these parcels at a nil transaction cost. This long tail of shareholders is largely associated with the Stanwell primary magnesium project (abandoned in the early 2000s) – a project undertaken many years ago by a former management group. The buyback program will reduce the costs of running the Company and discharge a legacy group of shareholders, many of whom had lost contact with Magontec. Following this register consolidation Magontec now has approximately 1,900 shareholders.

For the first time, the Interim 2020 report records data on the source of the energy that Magontec uses at its factories around the World. In the past we have noted the high level of renewables that are used to power the new cast house at Golmud in Qinghai province. But it is also the case that renewables make up a large component of our energy needs in other jurisdictions. Currently renewables make up 88% of energy needs in Qinghai, 60% (including 11% from nuclear power) in Germany, 65% in Romania and 12% for the Xi'an plant in Shaanxi province, PRC.

Through this difficult period Magontec has maintained the confidence of its customers, bankers and staff. It has sustained its market shares in European magnesium metal recycling and grown volumes and profitability in the global Cathodic Corrosion Protection (CCP / anodes) market. The immediate future for all companies is clouded by the COVID-19 pandemic and the potential for new waves of the virus to reverse the current improving trend in business conditions. However, Magontec is learning to live and survive in this paradigm and has a major revenue stream that is proving highly resilient.

On a weighted basis across the group Magontec uses 64% non-carbon sources (renewable and nuclear) for its global energy requirements.

Magontec energy source by factory

Factory	Renewable	Nuclear	Carbon
Golmud, PRC	88%	-	12%
Bottrop, Germany	49%	11%	40%
Santana, Romania	48%	17%	35%
Xi'an, PRC	12%	-	88%

Operations Report

With the release of the Executive Chairman's report to the 2020 Annual General Meeting, held this year on 29 July, there is little additional information available for shareholders in this August 2020 Interim Result release.

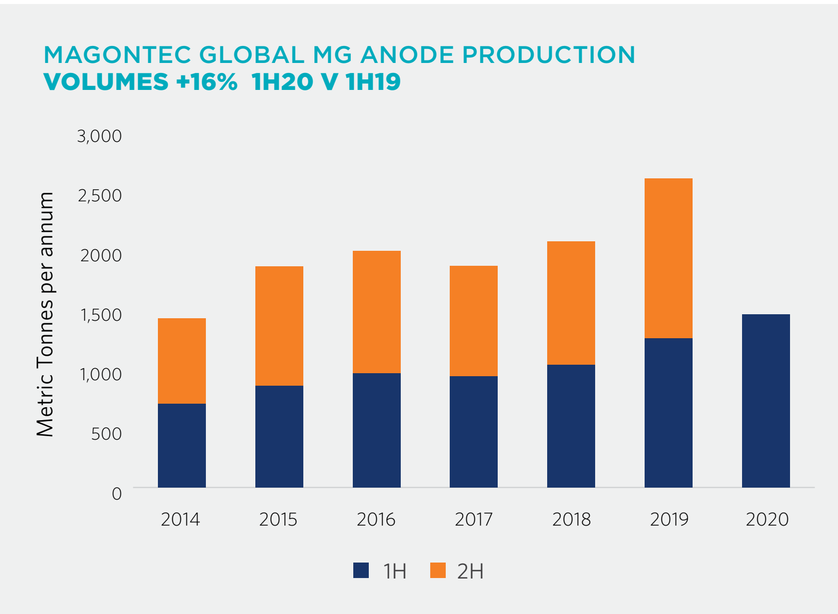
The COVID-19 pandemic, and associated economic shutdowns, have impacted all of Magontec's businesses. While Government supports have greatly assisted the Company through the period, there has been unavoidable dislocation, increased costs and reduced profits across the Company.

Despite the stop-start nature of our operations in the period under review, plant management and team leaders have efficiently stood-down and re-started production on a number of occasions. In the six months to 30 June there were 4 accidents at the Company's Romanian and German Mg alloy recycling plants (2 each). All employees were able to return to work within a short-time period and actions have been taken to address workplace safety issues where appropriate and possible.

Overall staff numbers in production and administration have fallen by 18% in the six months to the end of June 2020. Most of this reduction has been in Magontec's Chinese plants reflecting increased plant efficiency from investment in new equipment in the Xi'an Mg anodes factory and a reduction in overall staffing levels at the Qinghai facility.

Cathodic Corrosion Protection (CCP – anodes)

Despite the operating limitations imposed on Magontec's global CCP business by the COVID-19 pandemic, the magnesium (Mg) and electronic anodes businesses have performed well through the period under review.



Demand from hot water tank manufacturers, the principal customer, has been less impacted by the coronavirus than other businesses. It is an essential product, not a consumer item.

Factory closures in China in the first quarter and Europe and the US in the second quarter of 2020 did impact delivery schedules, however overall industry demand recovered quickly as factories re-opened.

Mg anodes volumes supplied to customers from Magontec plants at Xi'an in China and Santana in Romania grew by over 16% compared with the prior corresponding period. Today Magontec is one of the world's largest manufacturers of Mg anodes and the effect of rising volumes can be seen in improving production efficiency metrics and Company profits. Including electronic anodes Magontec is, by some margin, the largest and most diversified supplier of CCP devices to the global hot water industry.

Diversification of supply source and the ability to make a variety of different products are likely to become more sought-after attributes for CCP suppliers to the worlds hot water tank manufacturers. The US Government has introduced a 25% tariff on imports of Chinese anodes, the principal source of supply to US-based hot water manufacturers. Unique among anode manufacturers, Magontec has established and proficient manufacturing facilities in both China and Europe.

Metals (Primary and recycled Mg alloys and specialist metals)

Together with ongoing supply issues at the stalled Qinghai magnesium project, the impact of the COVID-19 pandemic sharply reduced metals output from all three Magontec magnesium alloy plants in the six months to 30 June 2020.

In the second quarter (April, May and June), there were intermittent factory closures in every region. Magontec's Romanian Mg alloy recycling factory was closed for the entire month of April and endured other periods of downtime in May and June. In Germany, Magontec's Mg alloy recycling activity was reduced by around 50% from the end of March to the end of June with several periods of complete closure lasting for a week or more in each month of the second quarter.

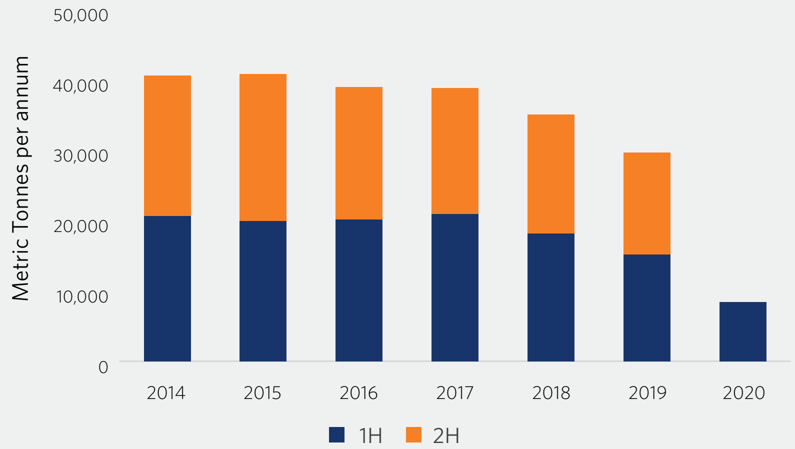
In China, where the Magontec Qinghai MACH plant continues production of primary Mg alloys without supply from the adjacent QSLM smelter, volumes were also at reduced levels through this period reflecting lower levels of demand for primary Mg alloys in the Chinese and international die casting industries as well as raw material supply issues.

In July and August there has been a slow recovery in demand for Magontec's Mg alloy products, reflecting a more rapid recovery in automotive sales in the major markets.

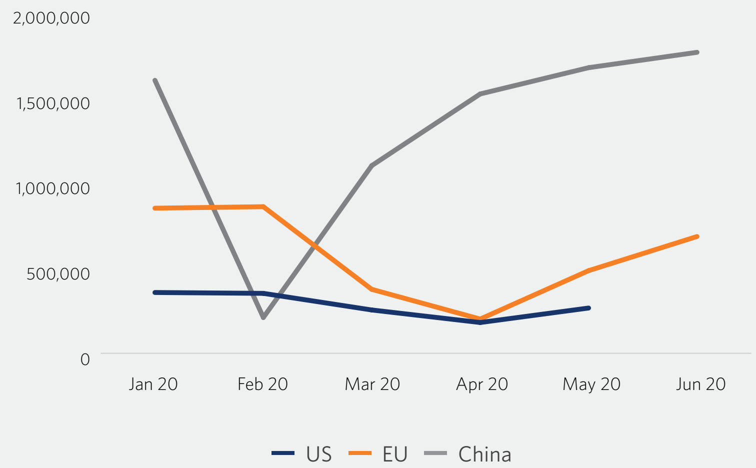
Absent a significant second wave of COVID-19, this recovering trend in automotive sales will likely continue to boost underlying demand for Mg alloy deliveries to Magontec's customers in Europe and North America through the second half of 2020.

A bright spot for the Magontec metals business has been the growth in the specialist metals sector, based at the German factory at Bottrop. While earnings from traditional recycling activities have been depressed in the period under review, specialist metals earnings have grown strongly. These products are targeted at non-automotive niche markets. In 2020 Magontec is establishing itself as a reliable alternative supplier to specialist metals customers all over the world.

MAGONTEC GLOBAL MG ALLOY PRODUCTION
COVID-19 CLOSURES AND QINGHAI RAW MATERIAL SUPPLY LIMITATIONS REDUCED OUTPUT IN 1H20



AUTO REGISTRATIONS: 1 JAN 2020 - 30 JUNE 2020
VOLUMES RECOVERING IN MAJOR MARKETS



Magontec Qinghai

At the Magnesium Alloy Cast House facility in Qinghai province PRC, Magontec continues to produce primary Mg alloys for sale into Chinese domestic and international markets.

As noted earlier in this report, this business is not currently profitable given the absence of raw material supply from the adjacent Qinghai magnesium smelter. However, Magontec continues to look to the future and the re-start of the QSLM magnesium facility. Our sales teams in China and Europe continue to offer primary Mg alloy products to the Company's global customer base and intend to continue this practice through to the resumption of supply of liquid pure Mg from the QSLM furnaces.

Magontec Qinghai primary Mg alloy product remains the Worlds greenest magnesium alloy with over 88% of the energy required to operate the MACH sourced from hydro, solar and wind renewable energy suppliers. By contrast Magontec's Chinese competitors continue to offer products that are heavily reliant on very high CO2 emission processes, around three-to-four times the emissions from the Qinghai facility according to a new survey of global magnesium industry emissions produced by the DLR (German Aerospace Centre, Institute of Vehicle Concepts).

In the fourth quarter of 2020 we expect our partners, the Qinghai Salt Lake Magnesium Co Ltd to present a new plan for the magnesium smelter and associated industries. The province of Qinghai and various state entities have invested around ¥45 billion in the wider Qinghai project that was commissioned in 2018. By the end of the first quarter of 2019 the accumulated debt burden caused the ultimate owner, Qinghai Salt Lake Industries Co Ltd (QSLIC) to seek a restructuring of its debts. QSLIC has now written off the debts associated with the project and divested itself of QSLM. The magnesium project business is now largely debt free and has become a subsidiary of a new state-owned entity, Qinghai Huixin Co Ltd.

The new corporate entity is currently undertaking a capital raising to fund the re-start of the wider magnesium project, including the downstream processes that consume the chlorine gases produced from the electrolysis plant that also produces liquid pure magnesium. It is our current understanding that the immediate cost of the re-start and re-commissioning of the magnesium facility will be in the order of A$150 - 200 million; a relatively small sum compared to the capital already expended on the project.

QSLM are due to present their plan for a corporate re-structure in October this year. Before the end of 2020 Magontec expects to be able to disclose to shareholders the likely timetable for the re-commencement of liquid pure Mg to the MACH.

Financial Report

Directors' Report

The Directors of Magontec Limited ('the Company' or 'MGL') submit herewith the financial report for the half-year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

– Mr Nicholas Andrews (Executive Chairman)	
– Mr Kang Min Xie (Non-Executive Director)	Re-appointed 10 May 2018
– Mr Shun Li (Alternate Director to Mr Kang Min Xie)	Appointed 25 October 2017
– Mr Zhong Jun Li (Non-Executive Director)	Re-appointed 10 May 2018
– Mr Atul Malhotra (Independent Director)	Appointed 10 May 2019
– Mr Robert Kaye (Independent Director)	Re-appointed 29 July 2020
– Mr Andre Labuschagne (Non-Executive Director)	Re-appointed 10 May 2019

Review of Operations

For the six months ended 30 June 2020 the consolidated (loss) after tax from continuing operations was - ($149,233)

For the six months ended 30 June 2019 the consolidated profit after tax from continuing operations was - $254,219

Corporate

The 37th annual general meeting of the Company was held on 29 July 2020.

As at the date of this report, the composition of the committees of the Board are as follows.

Remuneration and Appointments Committee

- Chairman: Robert Kaye (Independent Director)
- Atul Malhotra (Independent Director)
- Li Zhongjun (Non-Executive Director)

Finance, Audit & Compliance Committee

- Chairman: Atul Malhotra (Independent Director)
- Xie Kangmin (Non-Executive Director)
- Andre Labuschagne (Non-Executive Director)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by S307C of the *Corporations Act 2001* is set out on page 12.

This Report is made in accordance with a resolution of the Directors.

Nicholas Andrews
Executive Chairman

25 August 2020

Auditor’s Independence Declaration

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

The Board of Directors
Magontec Limited
Suite 1.03, 46A Macleay St
Potts Point NSW 2011

Dear Board Members,

In accordance with the requirements of section 307C of the Corporations Act 2001, we hereby declare, that to the best of our knowledge and belief, during the half-year ended 30 June 2020 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Camphin Boston
Chartered Accountants

G S Boston

Greg Boston
Lead Audit Partner

Sydney

Dated this 27th of August 2020

Camphin Boston
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Level 5, 179 Elizabeth Street
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Independent Auditor's Review Report

to the members of Magontec Limited

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MAGONTEC LIMITED

Report on the Half-Year Financial Report

Auditor's Opinion

We have reviewed the accompanying half-year financial report of Magontec Limited and Controlled Entities, which compromises the consolidated balance sheet as at 30 June 2020, consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

In our opinion:

The half-year financial report of Magontec Limited and its controlled entities is in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The directors of Magontec Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls to enable the preparation of the half-year financial report that provides a true and fair view and is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described; we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year on that date; and complying with Accounting Standard AASB 134; Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Magontec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independent Auditor's Review Report

continued

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Camphin Boston
Chartered Accountants

Greg Boston
Partner

Level 5, 179 Elizabeth Street, Sydney NSW 2000

Dated: 27th of August 2020

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Directors' Declaration

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that there is no intention or necessity to close the current operations or cease trading within twelve months from the date of this report;

b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity

Signed in accordance with a resolution of the Directors pursuant to s. 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Nicholas Andrews
Executive Chairman

25 August 2020

Consolidated Comprehensive Income Statement

for the half-year ended 30 June 2020

	Note	6 months to 30 Jun 2020 $'000	6 months to 30 Jun 2019 $'000
Sale of goods	4.3	45,982	67,251
Cost of sales	4.3	(40,061)	(59,293)
Gross profit		**5,920**	**7,959**
Other income	10	738	143
Interest expense		(324)	(297)
Impairment of inventory, receivables & other financial assets		1	(9)
Travel accommodation and meals		(184)	(463)
Research, development, licensing and patent costs		(219)	(172)
Promotional activity		(63)	(57)
Information technology		(155)	(188)
Personnel		(3,789)	(3,962)
Depreciation & amortisation		(381)	(335)
Office expenses		(215)	(276)
Corporate		(1,285)	(1,587)
Foreign exchange gain/(loss)		(41)	(87)
Profit/(Loss) before income tax expense/benefit from continuing operations		4	668
Income tax (expense)/benefit		**(153)**	**(414)**
Profit/(Loss) after income tax expense/benefit from continuing operations		(149)	254
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement			
Exchange differences taken to reserves in equity – translation of overseas entities		165	(200)
Other Comprehensive Income - that will not emerge in the Profit and Loss Statement			
Movement in various actuarial assessments		229	(562)
Total Comprehensive Income		**244**	**(508)**

	Note	6 months to 30 Jun 2020	6 months to 30 Jun 2019
Earnings/(Loss) per share from continuing operations			
Basic (cents per share)	9	(0.013) cents	0.022 cents
Diluted (cents per share)	9	(0.012) cents	0.021 cents

Notes to the financial statements are included on pages 20 to 28.

Consolidated Balance Sheet

as at 30 June 2020

	Note	30 Jun 2020 $'000	31 Dec 2019 $'000
Current assets			
Cash and cash equivalents	7	2,340	4,303
Trade & other receivables	11.1	18,200	26,029
Inventory		26,636	24,863
Other		421	596
Total current assets		**47,596**	**55,791**
Non-current assets			
Other receivables		357	350
Property, plant & equipment		20,788	21,661
Deferred Tax Asset		2,740	2,371
Intangibles		3,527	3,618
Total non-current assets		**27,413**	**28,001**
TOTAL ASSETS		**75,009**	**83,792**
Current liabilities			
Trade & other payables	11.2	13,129	17,065
Bank Borrowings	13	14,520	19,616
Provisions		1,424	1,577
Total current liabilities		**29,074**	**38,258**
Non-current liabilities			
Other Payables		299	385
Bank Borrowings	13	–	–
Provisions		14,094	14,110
Total non-current liabilities		**14,392**	**14,495**
TOTAL LIABILITIES		**43,466**	**52,752**
NET ASSETS		**31,543**	**31,039**
Equity attributable to members of MGL			
Share capital	6	59,167	58,907
Reserves	12	4,613	4,220
Accumulated (losses)/profits		(32,237)	(32,088)
Total equity		**31,543**	**31,039**

Notes to the financial statements are included on pages 20 to 28.

Consolidated Statement of Changes In Equity

for the half-year ended 30 June 2020

	Share Capital									
	Ordinary $'000	Options Valuation $'000	Retained Earnings $'000	FCTR[1] $'000	Capital Reserve $'000	Actuarial Reserve $'000	Expired Options Reserve $'000	Share Issue Reserve $'000	Minority Interests $'000	Total Equity $'000
Balance 1 Jan 20	58,907	-	(32,088)	3,251	2,750	(3,672)	1,637	254	-	31,039
Profit/(Loss) attributable to members of parent entity	–	–	(149)	–	–	–	–	–	–	(149)
Profit/(Loss) attributable to minority interests	–	–	–	–	–	–	–	–	–	–
Other [1]	–	–	–	–	–	–	–	–	–	–
Comprehensive income	–	–	–	165	–	229	–	–	–	393
Expired Options	–	–	–	–	–	–	–	–	–	–
Issue of shares	260	–	–	–	–	–	–	–	–	260
Minority share capital	–	–	–	–	–	–	–	–	–	–
Balance 30 Jun 20	59,167	-	(32,237)	3,416	2,750	(3,444)	1,637	254	-	31,543
for the Half-Year Ended 30 June 2019										
Balance 1 Jan 19	58,907	-	(30,709)	3,970	2,750	(2,383)	1,637	120	463	34,754
Profit/(Loss) attributable to members of parent entity	–	–	254	–	–	–	–	–	–	254
Profit/(Loss) attributable to minority interests	–	–	–	–	–	–	–	–	–	–
Other [2][3]	–	–	(8)	–	–	–	–	–	(463)	(471)
Comprehensive income	–	–	–	(200)	–	(562)	–	–	–	(763)
Expired Options	–	–	–	–	–	–	–	–	–	–
Issue of shares	–	–	–	–	–	–	–	65	–	65
Minority share capital	–	–	–	–	–	–	–	–	–	–
Balance 30 Jun 19	58,907	-	(30,463)	3,769	2,750	(2,945)	1,637	184	-	33,839

(1) FCTR = Foreign Currency Translation Reserve
(2) Other in Retained Earnings relates to IFRS16 transition adjustments to opening retained earnings in the half year ended 30 June 2019
(3) Other in Minority Interest relates to the closure of Magontec Shanxi Co Ltd during the half year ended 30 June 2019

Notes to the financial statements are included on pages 20 to 28.

Consolidated Cash Flow Statement

for the year ended 30 June 2020

	6 months to 30 Jun 20 $'000	6 months to 30 Jun 19 $'000
Cash flows from operating activities		
Profit before taxation	4	668
Adjustments for:		
– Non-cash equity expense	–	65
– Depreciation & amortisation	1,585	1,601
– Foreign currency effects	105	150
– Other non-cash items	656	170
Cash generated from/(utilised in) underlying operating activities	2,350	2,654
Movement in working capital balance sheet accounts		
– Trade and Other Receivables	10,304	(5,526)
– Inventory	(2,553)	627
– Trade and Other Payables	(5,742)	(504)
– Other	(3)	18
Cash generated from/(utilised in) working capital accounts	2,006	(5,385)
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets	4,356	(2,730)
– Net Interest paid	(278)	(257)
– Income tax paid	(222)	(526)
Cash generated from/(utilised in) other operating activities	3,856	(3,513)
Cash flows from investing activities		
Net cash out on purchase/disposal of property, plant & equipment	(389)	(786)
Group Information Technology software	(3)	(128)
Security Deposit	(47)	157
Other	(132)	(135)
Net cash provided by/(used in) investing activities	(571)	(891)
Cash flows from financing activities		
Proceeds from borrowings	4,276	9,909
Repayment of borrowings	(9,918)	(7,837)
Net capital raised from issue of securities	260	–
Other	(8)	–
Net cash provided by financing activities	(5,390)	2,073
Net increase/(decrease) in cash and cash equivalents	(2,105)	(2,331)
Foreign exchange effects on total cash flow movement	142	55
Cash and cash equivalents at the beginning of the reporting period	4,303	12,889
Cash and cash equivalents at the end of the reporting period	2,340	10,612

Notes to the financial statements are included on pages 20 to 28.

Notes to the Condensed Financial Statements

for the half-year ended 30 June 2020

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual report for the year ended 31 December 2019.

Basis of preparation

This report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Costs are based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the 30 June 2020 half-year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 31 December 2019.

2. SIGNIFICANT TRANSACTIONS AND MATERIAL ITEMS

Aside from those referred to in the Executive Chairman's report in this report and the relevant comparative period reports, there were no material factors affecting the financial statements of the economic entity for the current and comparative period.

2.1 Call Options for the Issue of the Company's Shares

There are no options on issue as at the reporting date.

2.2 Income Tax Expense/Benefit

Tax losses previously disclosed in the 31 December 2019 Annual Report encompass Magontec Limited and its Australian controlled entities. The tax benefit corresponding to these losses is not recognised as an asset in the accounts. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation in the various foreign jurisdictions in which the Group operates.

3. DIVIDENDS

No dividend was declared or recommended during the 6 months ended 30 June 2020 (6 months ended 30 June 2019: no dividend declared or recommended). The balance of the franking account at 30 June 2020 was $nil (30 June 2019: $nil).

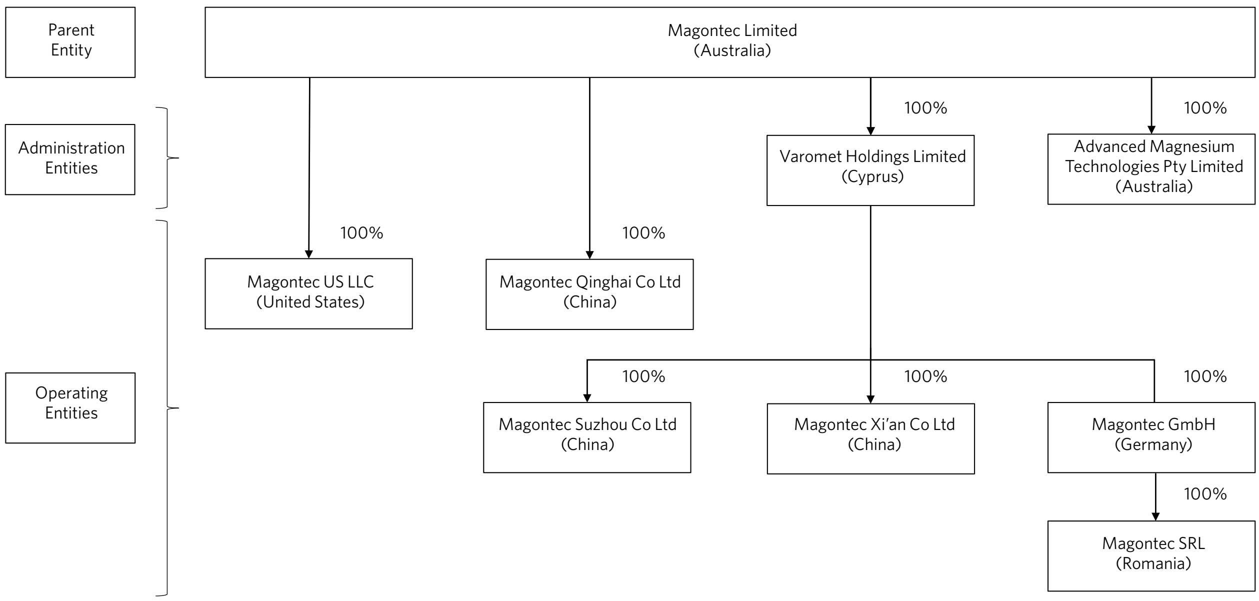
Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING

4.1 Corporate Structure as at 30 June 2020

Magontec Limited Corporate Structure



4.2 Identification of Reportable Segments

The consolidated entity comprises the entities as described in Note 4.1.

In respect of the period to 30 June 2020, segment information is presented in respect of the three main departments within the company as described in the chart at Note 4.1 above.

- 'Admin Units' = Magontec administrative entities performing a Head Office function comprising -
  Magontec Limited (Australia);
  Advanced Magnesium Technologies Pty Limited (Australia); and
  Varomet Holdings Limited (Cyprus).

- 'EUR' = Magontec operating entities in Europe and North America comprising -
  Magontec GmbH (Germany);
  Magontec SRL (Romania); and
  Magontec LLC (United States).

- 'PRC' = Magontec operating entities in People's Republic of China comprising -
  Magontec Xi'an Co. Ltd. (China);
  Magontec Qinghai Co. Ltd. (China); and
  Magontec Suzhou Co. Ltd. (China).

During the 6 months to 30 June 2019, Magontec Shanxi Co. Ltd. (China) was closed. Closure procedures with respect to Magontec Suzhou Co. Ltd. (China) are still ongoing.

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (continued)

4.3 Segment Information – Comprehensive Income

	6 months to 30 June 2020				6 months to 30 June 2019			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 Total	$'000 Admin	$'000 EUR	$'000 PRC	$'000 Total
Sale of goods	–	31,225	15,140	46,365	–	40,603	27,241	67,843
Less Inter-company sales				(383)				(592)
Net Sales	**–**	**31,225**	**15,140**	**45,982**	**–**	**40,603**	**27,241**	**67,251**
Cost of sales	–	(25,998)	(14,447)	(40,444)	–	(34,714)	(25,170)	(59,885)
Less Inter-company sales				383				592
Net Cost of Sales	**–**	**(25,998)**	**(14,447)**	**(40,061)**	**–**	**(34,714)**	**(25,170)**	**(59,293)**
Gross Profit	**–**	**5,227**	**693**	**5,920**	**–**	**5,888**	**2,070**	**7,959**
Other income	38	127	574	738	12	6	125	143
Interest expense	–	(195)	(128)	(324)	(1)	(176)	(119)	(297)
Impairment of inventory, receivables & other financial assets	1	–	–	1	–	(9)	–	(9)
Travel accommodation and meals	(10)	(82)	(91)	(184)	(68)	(185)	(210)	(463)
Research, development, licensing and patent costs	(5)	(107)	(107)	(219)	(38)	(23)	(112)	(172)
Promotional activity	–	(63)	–	(63)	(2)	(56)	–	(57)
Information technology	(5)	(128)	(22)	(155)	(5)	(117)	(66)	(188)
Personnel	(437)	(2,467)	(885)	(3,789)	(538)	(2,468)	(956)	(3,962)
Depreciation & Amortisation	(21)	(292)	(68)	(381)	(21)	(262)	(53)	(335)
Office expenses	(35)	(146)	(33)	(215)	(40)	(169)	(68)	(276)
Corporate	(204)	(748)	(333)	(1,285)	(304)	(746)	(537)	(1,587)
Foreign exchange gain/(loss)	138	(103)	(77)	(41)	(22)	(127)	61	(87)
Profit/(Loss) before income tax expense	**(541)**	**1,023**	**(478)**	**4**	**(1,026)**	**1,557**	**136**	**668**
Income tax expense	–	(291)	138	(153)	–	(426)	12	(414)
Profit/(Loss) after income tax expense/benefit including discontinued operations	**(541)**	**732**	**(340)**	**(149)**	**(1,026)**	**1,131**	**148**	**254**
Other Comprehensive Income								
Movement in various actuarial assessments	–	229	–	229	–	(562)	–	(562)
Exchange differences taken to reserves in equity – translation of overseas entities	73	(34)	126	165	26	(154)	(72)	(200)
Total Comprehensive Income	**(468)**	**927**	**(214)**	**244**	**(1,000)**	**415**	**76**	**(508)**

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (continued)

4.4 Segment Information – Balance Sheet

	30 Jun 20 $'000 Admin	30 Jun 20 $'000 EUR	30 Jun 20 $'000 PRC	30 Jun 20 $'000 Total	31 Dec 19 $'000 Admin	31 Dec 19 $'000 EUR	31 Dec 19 $'000 PRC	31 Dec 19 $'000 Total
Segment Assets								
Gross Segment assets	48,421	46,177	33,377	127,975	48,172	47,644	39,379	135,194
Adjustments								
Eliminations								
– Inter-Coy Loans	(34,534)	(4,568)	(2,927)	(42,029)	(34,663)	(3,671)	(2,708)	(41,042)
– Investment in subsidiaries	(15,392)	–	–	(15,392)	(15,392)	–	–	(15,392)
– Other	4,986	(136)	(394)	4,456	5,153	326	(449)	5,031
As per Consolidated Balance Sheet	**3,482**	**41,472**	**30,055**	**75,009**	**3,270**	**44,300**	**36,222**	**83,792**
Segment Liabilities								
Gross Segment liabilities	28,222	39,126	17,296	84,644	27,839	41,922	22,966	92,727
Eliminations								
– Inter-Coy Loans	(27,967)	(2,759)	(11,231)	(41,957)	(27,619)	(2,549)	(10,772)	(40,939)
– Other	396	180	202	779	419	280	266	965
As per Consolidated Balance Sheet	**652**	**36,547**	**6,267**	**43,466**	**640**	**39,653**	**12,460**	**52,752**
Net assets	**2,830**	**4,925**	**23,788**	**31,543**	**2,630**	**4,647**	**23,762**	**31,039**

5. CONTINGENT ASSETS & LIABILITIES

With respect to contingent assets and liabilities, these are unchanged compared with those disclosed in the Annual Report at 31 December 2019 as at the date of this report. Based on the latest information available, the matter on MAR VAT is expected to go to trial in 2021.

6. SHARE CAPITAL

	30 Jun 2020 $'000	31 Dec 2019 $'000
Opening balance of share capital attributable to members of MGL	58,907	58,907
Issue of shares related to private placement	260	–
Various costs associated with issue of shares	–	–
Share capital on issued ordinary shares 1,160,073,475 (2019: 1,140,073,483)	59,167	58,907
Share capital attributable to members of MGL	59,167	58,907
Share capital attributable to minority interest	–	–
Total share capital	59,167	58,907

During the half, a total of 19,999,992 shares were issued in a Private Placement to existing shareholders for consideration of $259,999.90 in order to meet the direct and indirect costs of the Small Holdings buyback announced to the ASX on Monday 15 June 2020.

Notes to the Condensed Financial Statements

continued

7. RECONCILIATION OF CASH

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	6 months to 30 Jun 20 $'000	6 months to 30 Jun 19 $'000
Cash and cash equivalents at the beginning of the reporting period	4,303	12,889
Net cash (used)/generated in operating activities	3,856	(3,513)
Net cash provided by/(used in) investing activities	(571)	(891)
Net cash provided by/(used in) financing activities	(5,390)	2,073
Foreign exchange effects on total cash flow movement	142	55
Cash and cash equivalents at the end of the reporting period	2,340	10,613

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the balance date, the following two events occurred:

1. The Group implemented a Minimum Shareholding Buyback as advised to the ASX on 11 August 2020. This resulted in 12,225,591 shares being cancelled for consideration of $183,390.
2. During July 2020, the Group drew down the first RMB 20 million of a new RMB 23 million facility that has been agreed with Zheshang Bank in China. The interest rate on the facility is approximately 3.8% per annum with a term to maturity of 1 year.

There are no other matters subsequent to the end of the financial half year that have, or may, significantly affect the Group's operations, the results of those operations, or the state of the Group's affairs that have not been disclosed elsewhere in this report.

9. CALCULATION OF EARNINGS/(LOSS) PER SHARE

		Half-year ended 30 Jun 20	Half-year ended 30 Jun 19
Earning/(Loss) per share:			
Profit/(Loss) attributable to members of the parent entity	1	($149,233)	$254,219
Average shares on issue for the period	2	1,141,721,834	1,140,073,483
Total average vested options (Refer NOTE 2.1)	3	53,961,013	55,847,905
Basic Earnings/(Loss) per share (cents per share)	1 ÷ 2 x 100	(0.013)	0.022
Diluted Earnings/(Loss) per share (cents per share)	1 ÷ (2 + 3) x 100	(0.012)	0.021

10. OTHER INCOME IN COMPREHENSIVE INCOME STATEMENT

	6 months to 30 Jun 20 $'000	6 months to 30 Jun 19 $'000
Interest revenue	34	38
Government grants	338	88
Government grants COVID related	362	-
Write back of provisions and other adjustments	2	5
Other	3	12
	738	143

Notes to the Condensed Financial Statements

continued

11. TRADE RECEIVABLES AND PAYABLES

11.1 Current Trade and Other Receivables

	30 Jun 2020 $'000	31 Dec 2019 $'000
Trade receivables [(1)]	13,517	19,803
Allowance for doubtful debts	(454)	(285)
	13,063	19,518
Net GST/VAT recoverable	1,930	2,389
Security deposits	128	83
Other receivables due to operating entities	3,065	4,031
Other	14	9
	5,137	6,511
Total receivables	18,200	26,029

(1) Trade receivables represent 53.5 days sales at 30 Jun 20 (57.3 days sales at 30 Jun 19)

11.2 Current Trade and Other Payables

	30 Jun 2020 $'000	31 Dec 2019 $'000
Trade creditors [(1)]	10,094	14,849
Other creditors and accruals	3,035	2,215
	13,129	17,065

(1) Trade creditors represent 45.9 days cost of goods sold at 30 Jun 20 (48.7 days cost of goods sold at 30 Jun 19)

11.3 Related Party Disclosures

During the 6 months ended 30 June 2020, the Group made payments to the extent of $40,000 for purchases of raw material from its substantial shareholder Qinghai Salt Lake Magnesium Co Limited (30 June 2019: $8.0m). There are no balances outstanding as at 30 June 2020.

Outstanding balances are on an interest free basis, unsecured and settlement will occur in cash. No guarantees have been provided or received with respect to related party balances.

Notes to the Condensed Financial Statements

continued

11.4 Leases

Pursuant to AASB 16 Leases, the Group recognises a right of use lease asset at inception in the Property, Plant & Equipment caption on the balance sheet, which includes equipment and vehicles as well as a corresponding lease liability in the Current and Non Current Provisions provisions on the balance sheet. This is calculated as being the future value of lease payments discounted at the relevant incremental borrowing rate.

The right of use asset is depreciated on a straight-line basis per the term of the lease. The lease liability is unwound over the term of the lease, with interest expense recorded in the income statement.

a Right of use assets

The movement in the right of use assets balance during the 6 months to 30 June 2020 is summarised below.

RIGHT OF USE ASSETS SUMMARY	30 Jun 2020 $'000	31 Dec 2019 $'000
Amount recognised at inception on adoption of AASB 16		1,397
Less accumulated depreciation in retained earnings		(942)
Opening balance	695	455
Add new leased assets	44	615
Depreciation charge	(183)	(375)
FX movements	14	–
Closing balance	570	695

b Lease liabilities

The movement in total lease liabilities during the 6 months to 30 June 2020 is presented below.

LEASE LIABILITY SUMMARY	30 Jun 2020 $'000	31 Dec 2019 $'000
Opening balance	699	463
Add new lease liabilities	44	615
Less unwind of lease liabilities	(181)	(379)
FX movements	14	–
Closing balance	577	699

LEASE LIABILITY SPLIT – CURRENT AND NON CURRENT	30 Jun 2020 $'000	31 Dec 2019 $'000
Lease liabilities recognised in the balance sheet		
Current	278	314
Non Current	299	385
Total lease liabilities recognised in the balance sheet	577	699

Notes to the Condensed Financial Statements

continued

12. RESERVES

	30 Jun 2020 $'000	31 Dec 2019 $'000
Capital reserve		
Balance at beginning of financial year [1]	2,750	2,750
Balance at end of financial year	**2,750**	**2,750**
Foreign currency translation reserve		
Balance at beginning of financial year	3,251	3,969
Movement in VHL Consolidated accounts	165	(718)
Balance at end of financial year	**3,416**	**3,251**
Actuarial Reserves		
Balance at beginning of financial year	(3,672)	(2,383)
Deferred tax assets	(113)	635
Employee pensions	341	(1,925)
Balance at end of financial year	**(3,444)**	**(3,672)**
Expired Options Reserve		
Balance at beginning of financial year	1,637	1,637
ESOP options expiry	–	–
Balance at end of financial year	**1,637**	**1,637**
Share Issue Reserve		
Balance at beginning of financial year	254	120
Issue of ordinary shares on conversion of rights	–	–
Fair value of performance rights issued for future periods	–	135
Balance at end of financial year	**254**	**254**
Total reserves	**4,613**	**4,220**
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	165	(718)
Movement in various actuarial assessments	229	(1,289)
Total Other Comprehensive Income	**393**	**(2,007)**

Notes

(1) The **capital reserve** is a historical reserve from 2002 that arose after calculation of the outside equity interest in the (as it then was) Australian Magnesium Investments Pty Ltd consolidated entity.

The **foreign currency translation reserve** is a result of translating overseas subsidiaries from their functional currency to the presentation currency of Australian dollars.

The **expired options reserve** captures the balance of unexercised options on their expiry date from the appropriate share capital account.

The **actuarial reserve** represents the cumulative amount of actuarial gains/(losses) on the Group's unfunded defined benefit pension obligation as well as movements in deferred tax assets and financial instruments that need to be recognised in "Other comprehensive income" (OCI).

Note on employee pensions

During the period, employee pensions liability was reduced by $229,000 net of tax due to a change in the discount rate based on an updated actuarial methodology implemented on the external benchmark used by the company. This is reflected in the actuarial reserves above.

Notes to the Condensed Financial Statements

continued

13. BORROWINGS

	30 Jun 2020 $'000	30 Jun 2020 Maturity Date	30 Jun 2020 Interest pa (1)	31 Dec 2019 $'000	31 Dec 2019 Maturity Date	31 Dec 2019 Interest pa (1)
Bank & Institutional Borrowings						
Magontec GmbH (Bank Loan) (2)	9,809	30 Sep 20	1.55%	11,008	30 Sep 20	1.55%
Magontec GmbH (Factoring Facility)	1,058	30 Nov 20	1.06%	925	30 Nov 20	1.06%
Magontec SRL (Working Capital Facility) (3)	4,711	Open	4.20%	4,523	Open	5.04%
Magontec Xi'an Limited (Bank Loan)	–	28 Apr 20	4.79%	4,086	28 Apr 20	4.79%
Total Bank Borrowings	15,578			20,542		
Current Borrowings						
Bank borrowings as above (excluding factoring facility)	14,520	Various	Various	19,616	Various	Various
Bank borrowings as above (excluding factoring facility)	14,520			19,616		
Non-Current Borrowings						
Bank borrowings as above	–	–	–	–	–	–
Total Non-Current borrowings	–			–		

(1) Interest rate is the rate that applied at the end of the relevant reporting period and is expressed as compounding annually in arrears.

(2) These borrowings are secured by a charge over MAB's trade debtors to the extent of €322,000 ($524,000) and inventory of €3,450,000 ($5,625,000).

(3) These borrowings are secured by a charge over MAR's trade debtors and inventory to the extent of RON 14,841,000 ($5,004,000).

Magontec GmbH Bank Loan with Commerzbank

Magontec GmbH's EUR 15 million facility with Commerzbank is due to expire on 30 September 2020 and the company remains in discussion with the bank regarding the terms of the refinancing.

The Group remains confident of the ongoing support of Commerzbank due to the strong historical relationship with the bank over several years. Commerzbank has reconfirmed its written interest in considering an application (in due course and without commitment) to extend the facility beyond its current maturity date.

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