MAGONTEC

ACN 010 441 666

MAGONTEC LIMITED

Annual Report

2023

Global Locations and Activities

Contents

Authorisation:
Nicholas Andrews, Executive Chair of Magontec Limited has authorised the release of this document to the ASX on 27 February 2024.

A summary of the Group's corporate governance practices including the Corporate Governance Statement discussing adherence to the Australian Securities Exchange's Fourth Edition "Corporate Governance Principles and Recommendations" can be located at www.magontec.com under the Investor Centre section.

Executive Chair's Letter

Over the last three years we have been reminded that markets can move abruptly.

As the pandemic began to recede in 2021, magnesium prices experienced an extraordinary surge that lifted earnings for all magnesium material suppliers.

This continued for nearly 20 months and fundamentally changed the underlying economics of the industry while it lasted. Traditionally lower margin products became more profitable and new sales opportunities emerged.

In the second half of 2022 the surge abated and by the second quarter of 2023 prices and margins had largely returned to where they started.

Magontec's financial position transformed and de-risked

What did not change was the very positive financial position that Magontec established in that period. Six quarters of strong earnings and robust cash flow transformed the Group's balance sheet. At the beginning of 2021 Magontec's net debt stood at $11.7m on net working capital[1] of $31.7 million. At the end of 2023 Magontec had net cash of $8.7 million on net working capital of $42.6 million, a $20.4 million improvement. In 2021 Magontec commenced the year with net tangible assets per share of 32.5 cents. At the end of 2023 net tangible assets per share were 67.8 cents, a rise of 109%.

Because the Group is now in a much stronger financial position, an inaugural dividend of 1.2 cents per share (unfranked) was paid with respect to 2022. This has been maintained through 2023 and a 0.6 cent per share dividend (unfranked) will be paid for the six months to 31 December 2023, bringing the total 2023 dividend to 1.2 cents per share (unfranked).

By any measure Magontec has been financially de-risked and is in a strong position to look at opportunities for growth.

Actively looking for non-organic growth opportunities

As I have discussed in previous notes to shareholders, for some period we have been actively seeking avenues to expand. Hitherto our targets have been excessively priced or unattainable for other reasons. This process is ongoing, and we will continue to approach potential acquisition and growth targets with the same rigour and focus on value.

1 Net Working Capital = Receivables + Inventory + Prepayments - Payables

Continuing positive cashflow

Despite lower prices for our volume Mg alloy products and broadly lower levels of activity, Magontec's underlying cash generation[2] in 2023 was still a relatively strong $6.1 million, albeit down from $28 million in the exceptional year of 2022. Through the year net cash on the balance sheet rose from $2.0 million to $8.7 million. Net tangible assets per share remained stable at 67.8 cents as at 31 December 2023.

Market and Operational Performance

Over the 9 months to 31 December 2023 our businesses have encountered more difficult markets in most sectors. The turn in the economic cycle through 2022 and 2023, as interest rates rose and consumer activity declined, was keenly felt in all OEM supplier industries. Magontec and its customers held inventories that matched expected demand levels. When demand declined, inventories rose sharply as offtake volumes reduced.

Through the latter part of 2023 Magontec was exposed to inventory congestion through its supply chain into major customers in the automotive, power tool and hot water appliance industries. In some instances, the drop off in demand has been quite abrupt, in others there has been a slower decline. Suffice to say that at the end of 2023 we find our activities in Europe and China at a lower ebb.

At the end of 2023 Magontec's inventories were still higher than current business activity levels require and given a steady market in 2024, we could expect working capital to fall again and further boost cash reserves.

While the second half of 2023 was slower in both key businesses, it was also impacted by one-off events that reduced output and profitability. In Romania we closed the magnesium metal recycling factory through the northern summer months to replace the roof and upgrade other parts of the facility. As anyone who has visited a magnesium melting environment will know, battling corrosion is a constant process.

In China at our Xi'an magnesium anode facility, we also endured a four-week production and profit hiatus as the entire facility was upgraded with new equipment to increase automation levels and raise production capacity to around 4,000 metric tonnes per annum.

Across all our businesses, including the high-volume Mg alloy and Mg anode production units, powered anodes and specialist metals units, there has been considerable activity through the year to upgrade and expand. While this activity is driven in part by the need to renew and replace equipment, it is also driven by the desire to diversify away from a historical dependency on traditional lower margin and higher volume businesses and move into higher margin and less cyclical activities.

In addition to the generic magnesium alloys produced for the automotive and power tool industries, we also produce rising volumes of specialist magnesium alloys for the aerospace industry and for emerging casting technologies that are expected to open supply opportunities for new magnesium alloy products. In China we have also developed new production capacity for alternative anode production.

By developing new product lines and entering new markets, many of them relatively small at this time, we have been able to start building a more robust earnings base that we plan to further develop in the year ahead.

Consistent strategy

While broadening our suite of related magnesium operating activities has been profitable and offers avenues for future growth, Magontec's central strategic initiative remains the development of a high volume, low emission primary magnesium alloy production capacity at Golmud in Qinghai province PRC.

Up until 2018 we manufactured primary magnesium alloys at a plant in Shanxi province. As part of our agreement with Qinghai Salt Lake Magnesium Co Ltd (QSLM) we closed that plant and shifted our efforts to the new factory adjacent to their 100,000 metric tonne per annum electrolytic magnesium facility.

Qinghai Salt Lake Magnesium Co Ltd (QSLM)

A series of technical and corporate issues, as well as COVID, have delayed the supply of liquid pure magnesium to our magnesium alloying plant over the last few years. However, QSLM's remediation team have worked steadily through 2023 and have made significant progress in addressing the key technical issues that have stalled the production process.

In a letter to the Board of Magontec dated 20 February 2024, Mr Xing Cai Li repeated his comments from November last year that "qualified pure magnesium products will be produced in the second half of 2024".

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

As frustrating as this long delay has been for both management and shareholders, no other comparable project has emerged in another location around the world. The QSLM facility is constructed and awaits commissioning. It will have very low CO2 emissions by comparison with its competitors in the global magnesium production industry at a time when our customers are increasingly focused on environmental provenance.

When production recommences and Magontec can offer low emission Qinghai magnesium alloys to customers in China, Japan, Canada, Mexico and Europe, we expect to find ready markets for a definitively superior product. Selling Mg alloys into Europe will also have the effect of filling the Magontec Mg alloy supply pipeline. That pipeline leads directly through our magnesium alloy recycling activities in Germany and Romania where volumes have declined since we closed our Shanxi province primary magnesium alloy factory and reduced primary Mg alloy exports to Europe.

Cathodic Corrosion Products – Anodes

Magontec's other business is the production and supply of cathodic corrosion products to the hot water appliance industry. This business includes the supply of magnesium and powered anodes. Magnesium anodes establish a galvanic current between the anode and the steel tank while the powered anode is a much more sophisticated technology with an impressed current from a mains power supply.

The hot water appliance industry is present in every developed and developing market around the world. Around 80% of the product supplied by the industry is sold as a replacement for tanks that have passed their use by date. The other 20% are supplied to the new build industry.

Image: Magontec Mg alloy recycling factory, Santana, Romania

Over the last few years, we have seen a rapid shift in focus towards heat pump devices that are environmentally more efficient and play a growing role in climate abatement programs in Europe and North America. Heat pumps are generally more expensive than conventional water heaters and require a higher anode specification (longer lasting), usually a powered anode. Magontec is a leading manufacturer of powered anodes and has been a strong beneficiary of this trend, particularly in Europe over the last few years. In the coming 10 years we think this product will experience continued strong growth.

In the last quarter of 2023 and perhaps for the first half of 2024, the inventory cycle for the magnesium and powered anodes has reduced offtake and profitability for the product. Despite this short-term lull, the hot water appliance industry has an enviable long-term growth trajectory with momentum in both new home construction (there is a shortage across most developed countries) and from the rapidly developing switch to environmentally acceptable heat pump products.

Looking to the future

Magontec's CCP businesses in China and Europe are well poised to benefit from this growth with new factory capacity in China and new powered anode product development in Germany positioning Magontec as an industry leader for customers in Europe and North America.

At Magontec we have an experienced and stable Board that includes a wide variety of skills. These include relevant industry experience, legal experience and knowledge acquired over many years of serving on the Boards of other listed companies. We also have two Chinese directors who are closely associated with the magnesium industry in that country, one of whom is the senior officer of Magontec's largest shareholder QSLM. I would like to take the opportunity to thank my fellow directors for their hard work and advice through the year.

Over the years Magontec has developed an increasingly sophisticated Board oversight process that reviews the static and dynamic risks of the Group and, through management, has developed a range of policies that ensure that the Group is compliant in all its operating and financial activities and prepared for future compliance requirements. In the coming years there will be increasingly onerous environmental requirements for all companies to understand their Scope 1, 2 and 3 emissions among other initiatives in the regions in which we operate.

While our key strategic initiative is yet to fully engage, Magontec has a developing suite of small and large enterprises that service growing global industries. The Group has a strong balance sheet, cash reserves and positive cash flow. In 2024 we look forward to our patience and focus being rewarded by the commencement of the Qinghai project. At the same time we continue to pursue other significant objectives that will enhance financial returns, some of which we hope to be able to share with stakeholders in the near future.

Nicholas Andrews
Executive Chair

Chief Financial Officer's Report


Derryn Chin

Key financial overview

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000	% chg
Equity and Earnings			
Gross Profit	**19,224**	**38,595**	**(50.2%)**
Gross Margin (%)	18.8%	24.3%	
Reported EBITDA	**5,470**	**27,263**	**(79.9%)**
Reported Net Profit After Tax	**466**	**16,515**	**(97.2%)**
Net Profit After Tax excluding unrealised FX	**1,746**	**17,818**	**(90.2%)**
Return on Equity (%)	0.8%	35.7%	
Return on Invested Capital (%)	1.9%	35.3%	
Net tangible assets per share (cents)	67.8	67.9	(0.1%)
Earnings per share (cents)	0.6	21.5	
Dividend declared per share (cents, unfranked)	1.2	1.2	
Borrowings			
Net debt/(net cash)	(8,717)	(1,964)	343.9%
Net debt to net debt + equity (%)	(18.2%)	(3.6%)	
Cashflow			
Reported Operating Cashflow	11,396	10,746	6.0%
Underlying Operating Cashflow*	6,145	28,030	(78.1%)
Free Cashflow (excluding working capital movements)**	(1,792)	23,211	(107.7%)

* Underlying Operating Cashflow = Operating Cashflow excluding working capital movements, interest and tax paid
** Free Cashflow (excluding working capital movements) = Operating Cashflow excluding working capital movements, interest paid, tax paid and net capital expenditure on PP&E and intangible assets

Highlights

Earnings and cashflow

- **Net Profit After Tax of $1.7 million excluding unrealised FX** for the year to 31 December 2023 (31 December 2022: $17.8 million).
- **Operating cashflow for the year to 31 December 2023 was $11.4 million.** (31 December 2022: $10.7 million). This was mainly driven by cash released from working capital following the lower pure Mg price in 2023.
- **2023 saw falling return on capital and return on equity** in line with the lower earnings profile.

Balance sheet and capital management

- Following the earnings uplift in the prior year, the balance sheet remains in a net cash position. **The Group's net cash position improved year on year to $8.7 million as at 31 December 2023** (31 December 2022: net cash $2.0 million).
- **Net tangible assets per share were 67.8 cents as at 31 December 2023** (31 December 2022: 67.9 cents per share).
- **Dividend for the December 2023 half declared of 0.6 cents per share** (unfranked). This brings the dividend to 1.2 cents per share (unfranked) for the full year to 31 December 2023.

Financial Results

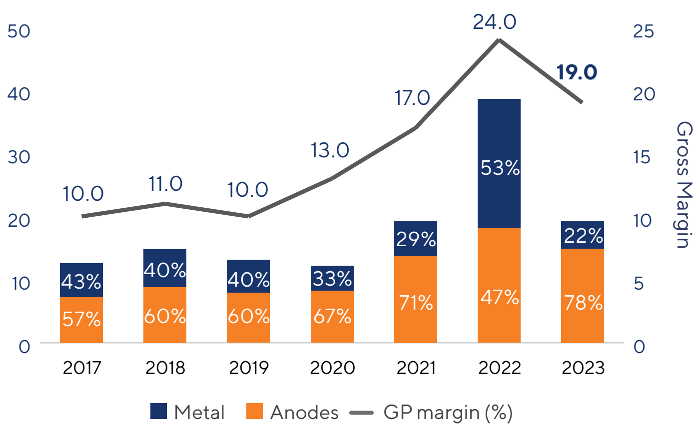
Net profit for the year to 31 December 2023 was $1.7 million excluding unrealised FX. This was down on the prior corresponding period reflecting inter alia a decline in pure Mg prices from record high levels in 2022.

In addition to the weaker macro environment, the 2023 year also saw significant disrupting factors including:

- Closure of the PRC anodes factory in Xi'an in April and most of May to allow for the installation of new equipment and utilities.
- Production shutdown in Romania to allow for roof repair during the Northern Hemisphere summer.
- Lower delivered recycling volumes from a major customer in Europe throughout most of the year.

Correspondingly, Gross Profit in 2023 of $19.2 million was below the prior corresponding period ($38.6 million). The 2023 Gross Profit margin of 18.8% was also lower than in 2022 (24.3%). As can be seen on the gross profit by segment chart, the reversion on Metals Gross Profit was a key driver of this result.

Gross Profit (A$m) by Segment and GP margin (%)



Balance Sheet and Working Capital

During the 12 months to 31 December 2023, net assets increased slightly to $56.6 million (31 December 2022: $56.1 million). The bridge across the page shows a $6.8 million increase to the net cash position, mostly driven by the release of cash tied up in working capital.

Working capital

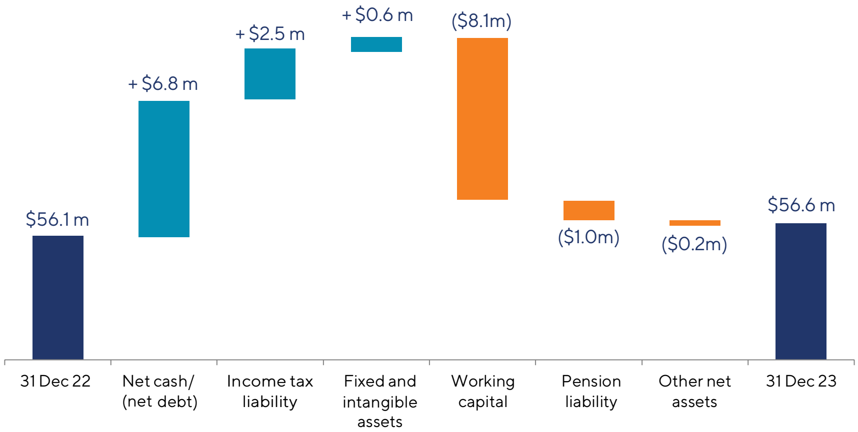
Working capital requirement (as shown in the table below) has decreased over the year in line with the falling pure Mg price, standing at $42.6 million as at 31 December 2023 (31 December 2022: $50.7 million).

Compared with the decrease in receivables and payables over the course of the year, the inventory balance remains relatively high due to elevated stock levels in our European business (which makes up most of the inventory). Weak demand in EU markets for all products has slowed the process of unwinding this inventory and the Group made a write down of $1.25 million to bring the cost of inventory down to its assessed net realisable value as at 31 December 2023. Although the cash and banking position is comfortable enough to support this elevated inventory level, the optimisation of this will remain a key focus for the Group in the coming months.

Dividend and DRP Participation

The Board has declared a dividend of 0.6 cents per share (unfranked) for the 6 months ended 31 December 2023. Although participation in the Dividend Reinvestment Plan decreased in the June 2023 half, the balance sheet of the Group remained in a net cash position.

Magontec Limited Net Asset Bridge Analysis 12 months to 31 December 2023



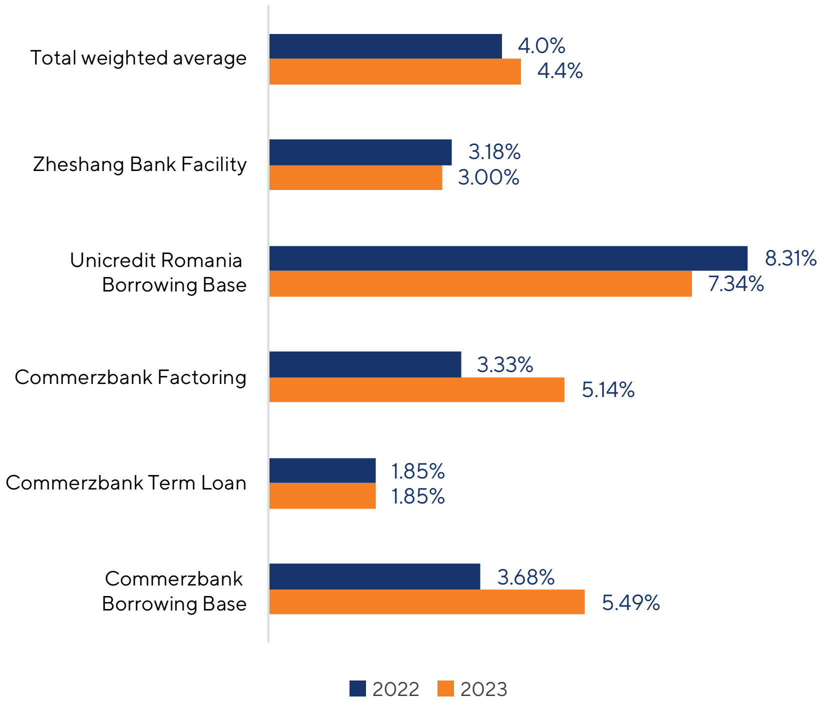
Balance Sheet Summary

	31 Dec 2023	31 Dec 2022	% chg
Net cash/(net debt)	8,717	1,964	343.8%
Working capital	42,630	50,715	(15.9%)
Pension liability	(10,048)	(9,024)	11.3%
Fixed and intangible assets	20,763	20,158	3.0%
Income tax liability	(5,448)	(7,963)	(31.6%)
Other net assets	34	279	(87.8%)
Net assets	**56,647**	**56,129**	**0.9%**

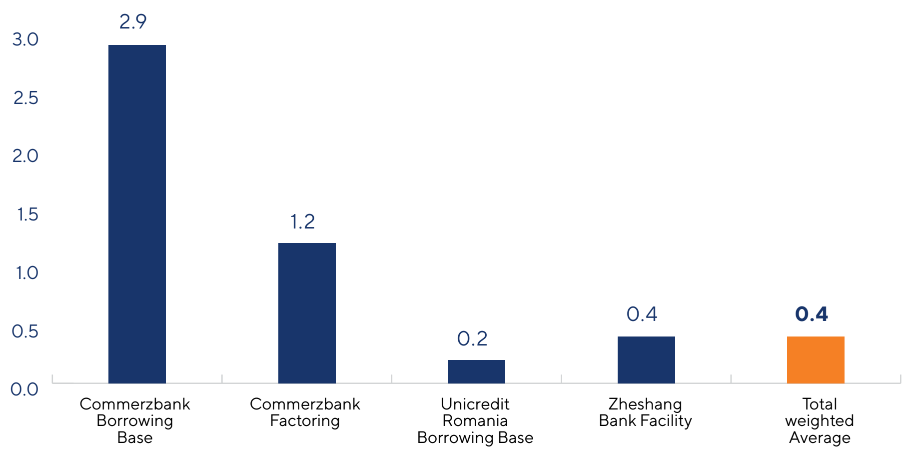
Working Capital Summary

	31 Dec 2023	31 Dec 2022	% chg
Trade and other receivables	16,043	24,797	(35.3%)
Prepayments and other current assets	532	2,017	(73.6%)
Inventory	32,805	35,928	(8.7%)
Trade and other payables	(6,751)	(12,026)	(43.9%)
Net assets	**42,630**	**50,715**	**(15.9%)**

Bank Borrowing Interest Rate Profile (%)



Bank Borrowings Maturity Profile (Years to maturity as at 31 December 2023)



Banking

The weighted average estimated interest rate as at 31 December 2023 for the group increased slightly over the year to 4.4% (31 December 2022: 4.0%). A key factor impacting this calculation is that the relatively low cost Magontec Xi'an bank facility from Zheshang Bank was only drawn to the extent of RMB 15 million as at 31 December 2023, compared with RMB 31 million as at 31 December 2022. Overall, the Group's relatively low borrowings have continued to provide an offset against the impact of rising interest rates.

In Germany, the Borrowing Base Facility was renewed until 30 November 2026 to the extent of EUR 10 million, an increase on the previous limit of EUR 7.5 million. Magontec maintains a strong working relationship with Commerzbank and the facility renewal provides the Group with working capital certainty for at least another 3-year period.

Both the Romanian (Unicredit) and Xi'an (Zheshang) bank facilities are available on 12-month terms. The relatively stable operating results of both entities means that the Magontec Romania Unicredit Facility has been extended for a further 12 months through to February 2025 and similarly we anticipate the Magontec Xi'an Zheshang facility will be renewed on or before June 2024.

Letter from the Chair of the Remuneration Committee

Robert Kaye

On behalf of the Magontec Limited Board of Directors, I am pleased to present the 2023 Remuneration Report.

Dear Shareholders,

On behalf of the Magontec Limited Board of Directors, I am pleased to present the 2023 Remuneration Report.

2023 AGM Remuneration Report

The 2022 Remuneration Report was passed by 91.4% of shareholders voting in favour at the AGM held in May 2023, together with over 90% in favour of the issue of performance rights to the executive chair/CEO. This followed the failure of the 2021 Remuneration Report resolution to reach the required 75% approval rate under the *Corporations Act 2001*.

This was a very pleasing result and an endorsement by shareholders of the remuneration approach and alignment of the remuneration framework with shareholder expectations. The Committee and Board will continue to ensure this alignment is maintained as the business environment and shareholder expectations change in future years.

Our governance approach

Throughout the year, the Board and Remuneration & Nominations Committee continued to develop and improve the Group's remuneration practices with the aim of maintaining their market competitiveness, whilst ensuring the framework is aligned with market and shareholder expectations to motivate and incentivise executives to improve shareholder returns.

The Remuneration & Nominations Committee (REM) was unchanged from 2022 and comprises of 3 members, the majority of whom are independent directors, and is Chaired by me as Lead Independent Director.

Full details of the governance process are contained in the Remuneration Report.

Independent Review of Remuneration Framework and KMP remuneration.

During 2023, a full review was undertaken to improve the Remuneration framework, policies and processes. The objective of the review was to ensure improved linkage between the overarching remuneration framework to the expectations of shareholders, strategic objectives of Magontec and changing compliance environment that we operate under with particular reference to environmental, social and governance (ESG) expectations.

These actions included independent external review of:

- The remuneration framework compared to current market practice trends, and
- KMP remuneration quantum compared with market benchmarks covering fixed, short-term and long-term incentives.

The Remuneration & Nominations Committee reviewed the advice and recommendations received which were subsequently approved by the Board.

The reviews have resulted in new plans for variable remuneration that the Board believes are better aligned with shareholder performance expectations. The new plans will be implemented through 2024 (STI) and 2025 (LTI) and come at a critical time for the Group and its strategic focus for the next 3 years.

2023 Group performance

The Board is pleased with the overall outcomes of the 2023 year when considering the changes in the overall global market and trading conditions.

Management has responded well to these conditions and has maintained its balance sheet strength throughout 2023. Working capital management has been adjusted to meet these new conditions delivering a strong cash position, increasing from a net cash position of $2.0 million at the end of 2022, to a net cash position of $8.7 million at the end of 2023.

Non-financial metrics have also been strong, with a key highlight being reduced safety incidents incurred during the year.

Management has also kept a focus on strategic deliverables for the next 3 years, refining its direction, looking for opportunities and adjusting the plan to reflect the new trading conditions post COVID and changing global environmental risks.

Total Shareholder Return (TSR) was strong with the Magontec share price ending the year at 39.0 cents per share compared to prior year close of 32.5 cents per share. Furthermore, an additional 0.6 cent per share final dividend (unfranked) for the half to December 2023 was declared bringing total dividends to 1.2 cents per share (unfranked) over the year.

Remuneration and Incentives approved by the Board during 2023

CY23 Executive reward outcomes: Fixed

During 2023, following the independent review of the remuneration framework, no fixed increases in remuneration were provided to the KMP.

Details of KMP fixed remuneration are contained in the Remuneration Report.

CY23 Executive reward outcomes: STI

The 2023 short-term incentive was based on the *"Governing Document for the Short and Long-Term Incentive Plan for the Magontec management Group – Shareholder approved plan" (2023 AGM 11 May 2023).*

The Short-Term Incentive was calculated according to a formula which measures the extent of outperformance between actual financial performance compared with budget.

Under the 2023 plan rules, no STI was payable on the performance of 2023 to any members of the Global Management Group, including the executive chair/CEO.

Details of the 2024 STI Plan are contained in the Remuneration Report.

CY23 Executive reward outcomes: LTI

Performance Rights issued in January 2021 for the 3-year period to 31 December 2023 failed to reach their share price vesting hurdles (Tier 2), and subsequently 1,966,677 Performance rights were cancelled.

The Remuneration & Nominations Committee also assessed KPI achievement over the 2021-2023 period (Tier 1) and as a result approved the vesting of 842,862 Performance Rights to the Global Management Group. At the date of this report, the vested Performance Rights had not yet been converted to ordinary shares.

Following shareholder approval at the 2023 AGM, the Board issued 3,021,042 performance rights (PRs) during the year with respect to the 3-year period to 31 December 2025. As of 31 December 2023, 6,146,254 PRs were on issue to the executive team.

Subsequent to year end and following shareholder approval at the 2023 AGM, 3,417,420 Performance rights were approved for issue covering the period 1 January 2024 to 31 December 2026 at the date of this report. Once issued, this will result in 9,563,674 Performance Rights on issue to the Global Management Group.

Details of the LTI Performance Rights issue are contained in the Remuneration Report.

Non-executive director fees

The Board reviewed the fees payable to the non-executive directors having regard to benchmark data, market position and relative fees. Following consideration, no changes were made to the main Board fee or any of the Board committee fees for the 2023 financial year.

In September 2023, Mr Andre Labuschagne, Independent non-executive director, accepted the role as Chair of the Business Risk Committee. No increase in fees were received by Mr Andre Labuschagne for this appointment.

2024 Outlook

It is the Committee's intention to annually review the remuneration framework each year to test its ongoing effectiveness in supporting the Group's overall strategy.

In accordance with this policy, the Committee will review the executive fixed remuneration and directors' fees with comparisons to external market data and make appropriate recommendations to the Board if required.

The Board have a greater focus on risk management and as a result, the committee will be developing in 2024 a focus on employee related risks, particularly employee turnover and succession planning.

The new STI Plan will become effective for 2024, with shareholder approval to be requested at the 2024 AGM for a new LTI Plan which, if approved, will be effective from 2025.

In Summary

2023 was a year of review and resetting the remuneration framework of the group and ensuring it is 'fit for purpose' in formulating the incentives required to deliver on the 2024 objectives, the strategic direction of the group and balancing this with improved shareholder value and expectations.

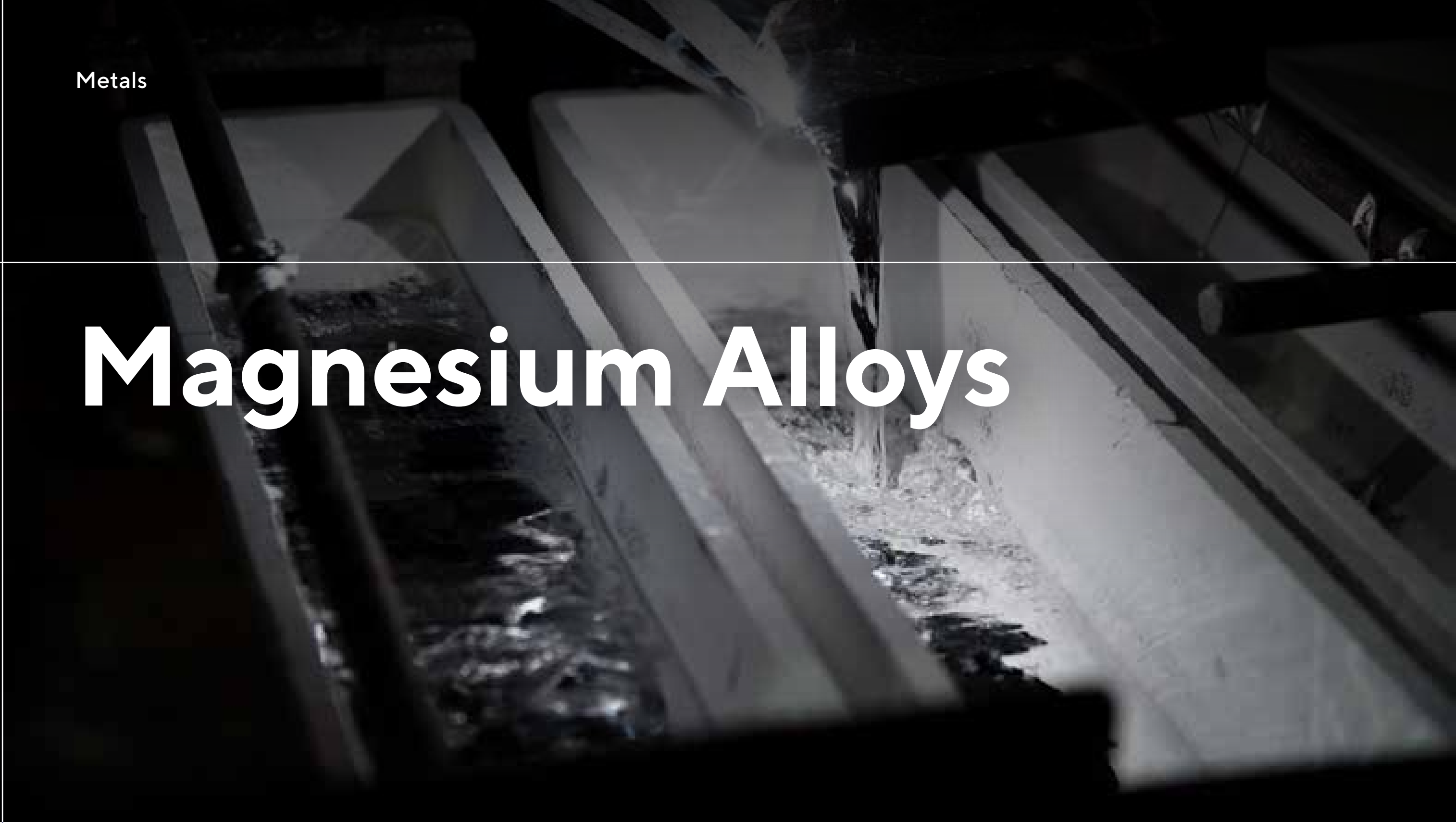
The remuneration outcomes for 2023, whilst reflecting the underlying financial performance of the group under the old plan, do not reflect the extent of change and contribution from the executive management team and strong balance sheet position the group enters 2024 with.

This achievement and foundation that has been built bodes well for 2024 and ensuing years.

I would like to take this opportunity to thank shareholders for their ongoing support.

Robert Kaye SC
Lead Independent Director
Chair - Remuneration
& Nomination Committee

Image: Solar panel array in Qinghai province (Qilai Chen)



Magnesium Alloys

Image: Mg alloy ingot casting

Magontec's magnesium alloy business reflects volatile automotive markets as the industry moves towards greater electrification.

In the longer run we expect magnesium, as the lightest structural metal, to continue to prove attractive to automotive manufacturers struggling with vehicle range issues.

Following a strong year in 2022, activity, prices and profitability in the global magnesium industry reduced in 2023.

The key consumer sector for Magontec's magnesium alloys, the automotive industry, experienced anaemic growth in North America and Western Europe and a decline in Chinese sales, while the important power tool industry continues to suffer from a COVID overhang, having experienced high sales volumes during the pandemic.

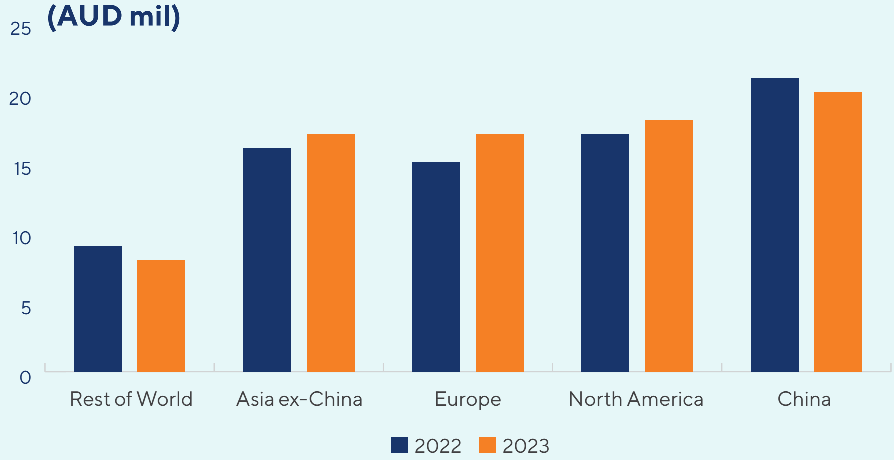
Performance at Magontec's three magnesium alloy plants in Germany, Romania and China echoed these industry dynamics. Volume throughput, particularly at the Group's European magnesium alloy recycling plants, remained at low levels. These businesses are unlikely to experience a substantive rise in activity in advance of the commencement of volume supply from Magontec's primary magnesium alloy cast house in Qinghai province, PRC.

Profitability from Magontec's European magnesium alloy activities in 2023 contrasted sharply with the previous corresponding period. In 2022 Magontec's German and Romanian recycling plants enjoyed optimal conditions with high magnesium prices in all markets, particularly the USA, allowing us to source and process scrap that is financially inaccessible in a period of lower material prices.

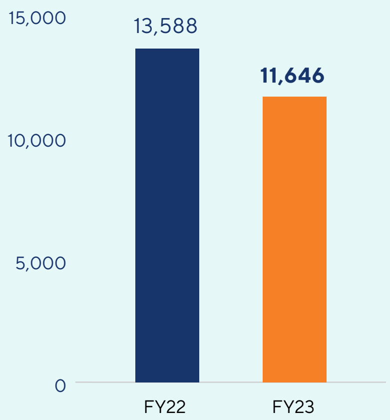
Stronger global markets for magnesium products in 2022 were principally driven by the shuttering of a major US magnesium producer. US-based customers, in particular aluminium alloying companies for whom magnesium is a minor raw material input, were forced to bid up prices of all magnesium grades, crowding out specialist magnesium alloy buyers in the die casting sector and raising prices precipitously.

Through 2023 magnesium markets returned to lower levels as US aluminium consumers, the key marginal pricing sector, found new sources of magnesium material supply while broader economic activity reduced in all global markets in the face of rising interest rates. Other negative issues include a long period of labour unrest that impacted US automotive sector volumes in the 3rd quarter, while sales in China and Japan were down sharply on expectations for a second year.

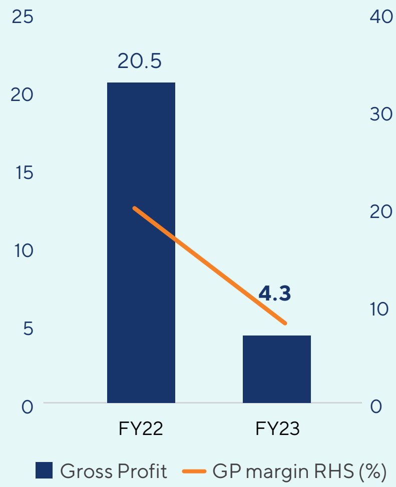
Light Vehicle Sales in Global Markets (AUD mil)



Magontec Metal Volumes – 14% YOY (tonnes)



Magontec Metal Gross Profit (AUD mil)



There has been a small bump in 2023 automotive sales following a weak 2022 in Europe, while other Asian markets, such as India (+17%) and Indonesia (+11%), have experienced stronger than anticipated automotive sales in 2023.

The price of magnesium, which continues to be largely manufactured in China (>90%) using the Pidgeon process, is typically driven at a raw material level by the prices of dolomite (the Mg host rock), ferro silicon (the reagent material) and coal (the power source).

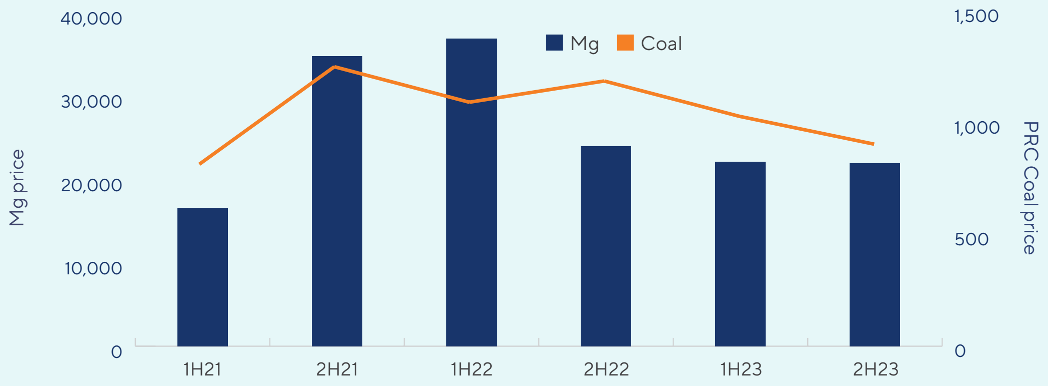
Other critical influences prominent in 2023 are emission abatement regulations imposed by the Chinese government, and low levels of export demand. In the first half of 2023 a large proportion of the Fugu region, China's (and the world's) largest magnesium manufacturing base, was partially shuttered by regulators and required to upgrade equipment to reduce emissions. Through the second half of 2023 those producers began to come back on stream. At the same time markets to whom China exports magnesium alloys have been weak.

These issues, combined with the re-start of Fugu Pidgeon plants, added to downward pressure on magnesium prices.

Through the second half of 2023 pure magnesium producers in China struggled to maintain prices around ¥20,000 per tonne as inventories were high and demand weak. The outlook for magnesium prices is likely to continue to reflect lower international and possibly domestic PRC demand from the automotive sector and high levels of supply. Until the interest rate cycle turns to a more positive direction and automotive sales begin to recover more sharply (at 80m annual sales units, automotive sales are still 10m below the 2017/18 peak), magnesium prices appear likely to remain at lower levels.

In China the Group's Qinghai primary magnesium alloy facility has continued to operate at lower levels of production and at a cash break-

PRC Magnesium & Coal prices
Falling coal prices have pushed Mg prices down



even level. We expect the cast house to maintain this production and profit profile until the Qinghai magnesium smelter re-commences production. As we have discussed in the past, we have maintained our presence at the Qinghai site through some difficult years, and we now have an experienced local team that is fully prepared for higher levels of production. Qinghai is a far western province of China and the city of Golmud, where the plant is located, is a small city at an elevation of nearly 3,000 metres. Having built a strong production and administration team in a relatively remote location, and in anticipation of supply of liquid pure magnesium in the latter half of 2024, the Board continues to support operations at the Magontec Qinghai cast house.

In Europe, where Magontec has two magnesium alloy manufacturing facilities with a principal focus on recycling local scrap flows, volumes have fallen in 2023 from higher levels in 2022. While market effects have had a strong influence there have also been operational constraints. In Romania the building that houses the recycling facility underwent a major refurbishment program in the second half that reduced operating capacity for some weeks.

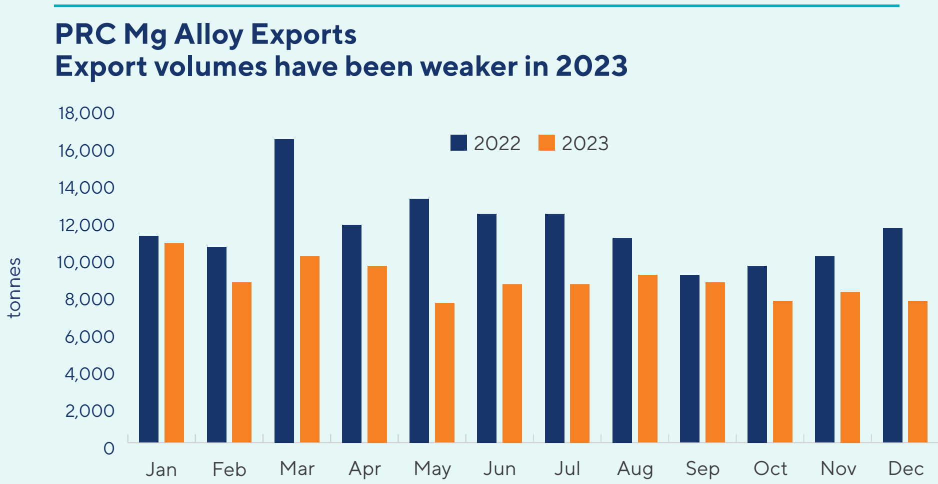
In Germany operational availability has also been constrained, in this instance by high levels of absenteeism heavily impacting profitability, particularly in the fourth quarter of 2023 as a further COVID wave affected regional communities.

Over the last two years in Europe the management team have completed the development of a new recycling process for waste products that were previously disposed of at a cost to the business. This beneficiation process now produces a new product for sale into the steel desulphurisation industry and we anticipate volumes and revenues from this business to grow in 2024 and beyond.

Magontec also produces a variety of specialist metals products. These include volume magnesium alloys with rare earth and other less common alloying elements, as well as lower volume metal products for highly specialised applications in the aerospace industry and other demanding applications. Earnings from these higher margin products have been important contributors to Magontec's metals divisions and we expect volumes of these products to grow again in 2025.

Magontec's metals business is heavily constrained by the absence of primary magnesium alloy flows from China. Prior to the closure of Magontec's Shanxi primary magnesium alloy business in 2018, the Group produced nearly 35,000 tonnes of magnesium alloy products from three production facilities. The Shanxi plant was closed in the lead up to the opening of the Qinghai plant in 2018 as part of our agreement with QSLM and volumes were initially replaced with material from Qinghai. However operational inefficiencies within the Qinghai electrolytic process (not operated by Magontec) caused QSLM to cease supply of pure magnesium to Magontec in March 2019. A series of corporate and pandemic issues then further delayed the re-start of the Qinghai electrolytic facility.

Without supply of primary magnesium alloy from our Chinese facility to customers in Europe, our German and Romanian magnesium scrap recycling businesses have struggled to maintain volumes as recycling contracts are typically tied to primary magnesium alloy supply.



Magontec has around 24,000 tonnes of magnesium alloy recycling capacity in Europe that is currently operating at low utilisation levels. The re-commencement of primary magnesium alloy sales into Europe from the Qinghai facility will not only elevate profitability in Magontec's Chinese business but also at both European recycling plants.

The status of the Qinghai electrolytic magnesium facility, operated by QSLM (Magontec's largest shareholder), continues to move forward towards recommencement of operations and production. Through the last 12 months there has been a constant level of activity at the Qinghai site. The QSLM team have been addressing two critical issues: the operational stability of the dehydration process and the economic performance of the electrolysis process.

The former issue now appears to have been resolved. The dehydration process was run for a 40-day trial period in 4Q23 and passed its critical tests. Work on remediation of the electrolytic process was delayed until the dehydration process was seen to be successful and commenced in late 2023. The QSLM team are now embarked on the process of upgrading the electrolysis process to reduce power consumption and improve chlorine gas concentrations. It is their current expectation that this will be completed by the end of the second quarter of 2024 and that production (and supply to Magontec) will commence in the third quarter of the current year. By the end of 2024 our current expectation is that we will have processed a few thousand tonnes of liquid pure magnesium from the Qinghai electrolytic facility through the Magontec primary magnesium alloy cast house.

Metals Outlook

Magontec has a very strong global metals platform. The Group moved to secure an arrangement with QSLM for supply of liquid pure magnesium from their planned electrolytic smelter over ten years ago. The logic of that corporate move remains as robust today as it was then.

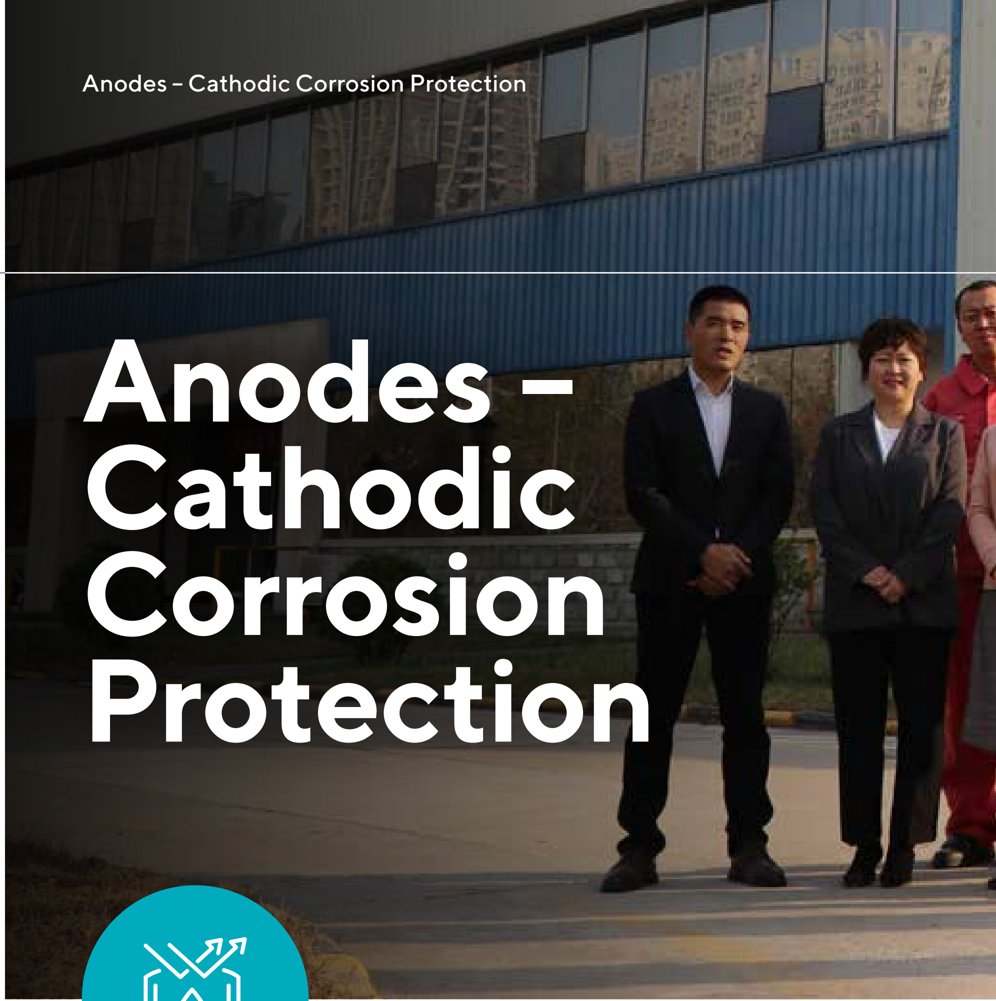
Well over 90% of globally traded magnesium comes from Chinese Pidgeon process manufacturing operations. CO2 emissions from this sector (between 20 and 25 tonnes of CO2 per tonne of magnesium produced), even with the application of scrubbers and other emission reduction equipment, remains unsustainable in the long term. Emissions come from the heating process (mostly off-gas from coke making activities and temperatures of 1,200 c), and the host rock/reagent briquetting process. Changes to the Pidgeon process and alternative thermal reduction processes that will reduce emissions to the levels that are accessible by electrolytic magnesium manufacturers, have yet to be devised.

In 2024 there are no other announced electrolytic magnesium projects that can offer low emission magnesium production that will compete with the product that Qinghai can produce. QSLM's production is estimated to be around 5 tonnes of CO2 per tonne of magnesium produced from a plant that has over 90% renewable energy supply.

The global consumer industries, the automotive and powertool companies, are already able to source low emission aluminium and will have increasing access to low emission steel. The emergence of low emission magnesium will be a game-changer for the magnesium industry and allow the metal to compete on a more even playing field. Magontec, through its association with QSLM, is uniquely placed to participate in this changing dynamic, both through its primary magnesium alloy plant in Qinghai and through its downstream activities at its Mg alloy recycling plants in Germany and Romania and at its Mg anode plants in China and Romania.

In 2024 Magontec will continue to pursue the same strategy of maintaining its existing recycling and primary magnesium alloy activities in Europe and China in preparation for the recommencement of supply of liquid pure magnesium from QSLM. Our current expectation is that there will be a slow increase in supply through the second half of the year, rising through 2025 to optimal levels of production in 2026.

While this means that profitability and volumes are likely to continue to run at lower levels, the profit impact of the restart at QSLM will have a profound positive impact on profitability and cash generation across the group.



Anodes – Cathodic Corrosion Protection

Magnesium Anodes

FY2023 was another solid year for Magontec's magnesium anodes business.

While volumes were 7% below FY2022, margins were maintained at a similar level to the prior year.

Magontec's magnesium anode products are sold into the global hot water appliance industry and provide corrosion protection for steel water tanks. Most of these products go into regional domestic housing markets with around 80% sold as replacement units. While the exposure to new housing starts is thus relatively low, the volume of new homes built in the China and European countries has been below trend levels in 2023.

The travails of the Chinese property sector have been headline news in financial markets for some years, with the major development companies revealed to be overextended and in need of substantial new financial and government support. The slowdown in this sector in many regions has dented sales in the hot water appliance market in 2023 and the sales volumes of parts suppliers to that industry, such as Magontec.

Image: Magontec Mg anode sales and management team in Xi'an

The volume of Chinese home completions (as opposed to starts) in 2023 was slightly higher than in 2022 (+17%) suggesting the home building recession may be coming to an end. Underlying demand for new homes in China is likely to remain steady in the longer term as much of the existing stock is lower quality and will require upgrading for many years to come.

Higher interest rates, construction material prices and labour costs have reduced home construction activity in markets all over the western world despite acute home building shortages in many countries.

Over the 12 months to the end of December 2023 Magontec's European volumes returned to the levels of 2020, a reflection of this global trend, but also, to a lesser degree, reflecting a slight loss in market share to competitors that had suffered through the supply chain crisis of the pandemic period.

Magontec's superior access to raw material and our co-location of Mg alloy recycling with Mg anode manufacturing had provided customers with a high level of supply certainty in that period. In 2023 some of that competitive edge was eroded at the margin by aggressive pricing from other European manufacturers.

It remains the case that Magontec's Romanian Mg anode manufacturing facility is one of the most reliable and efficient in Europe. As in past years we have sought to maintain the cost of converting raw materials into Mg anodes through innovation and sourcing. Handling of liquid magnesium alloys to produce qualified Mg anode rods requires high standards of material handling and the application of robotics is complex and often unique to the industry. Over the last few years, we have continued to increase robotic application and other handling automation.

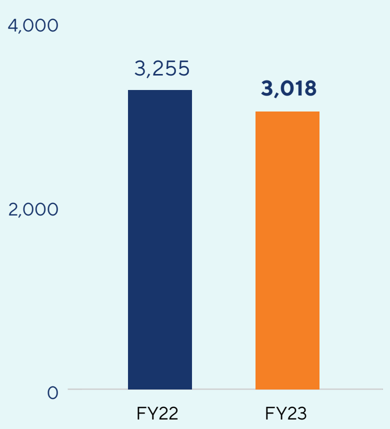
Despite these efforts, costs across eastern Europe have been rising more sharply than in other parts of the continent. Inflation has been running at ~10% for 2 straight years in Romania while regional labour costs have risen by around 50% over the last 4 years.

In the Chinese market we have largely retained our high overall market share despite the decline in home building and a competitive environment. In the USA, where Magontec has a small foothold, we have retained a similar volume to 2022 and continue to push for greater penetration. The US market is one of the largest in the world and presents Magontec with a significant opportunity for growth.

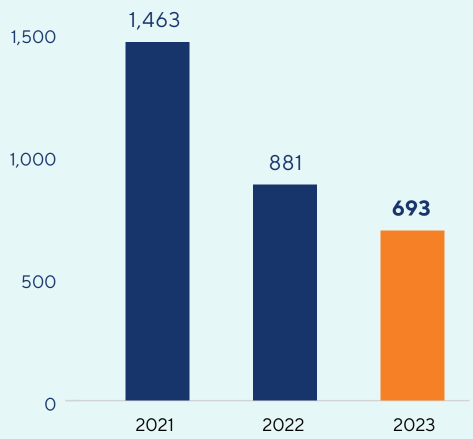
In 2023 our Chinese facility at Xi'an underwent a major reorganisation. We introduced new finishing equipment, new extrusion presses and changed the factory layout to increase efficiencies. This facility now has capacity to produce some 4,000 metric tonnes of Mg anodes per annum and is poised to accommodate new volumes from the US and the growing markets in Asian countries, where GDP is rising more quickly than in other parts of the world.

Magontec has a strong reputation for both product quality and innovation coupled with a sophisticated global marketing network. Our customers, particularly the largest hot water appliance manufacturers in China and the USA, demand rapid changes in anode types and large inventories to be maintained in warehouses close to production units. While the Mg anode industry is small in the context of the hot water sector, the dynamics of the industry increasingly favour companies who have a transparent and predictable supply chain and access to capital to manage a just-in-time inventory supply system. All these trends play to Magontec's strengths.

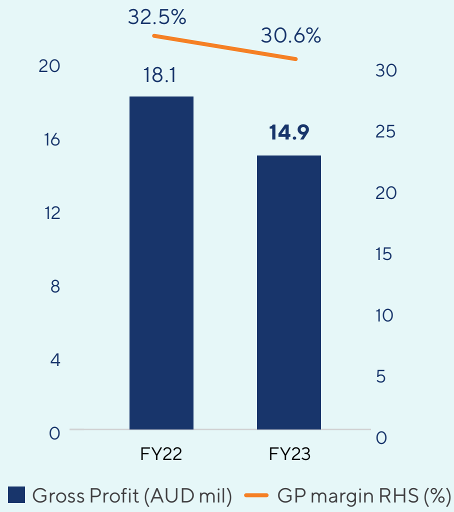
Magontec Global Mg Anode Sales down 7% on pcp



China Housing Starts (Million Square Metres) 2023 was 53% lower than 2021



Magontec Global CCP (Mg and powered)



As we will discuss elsewhere in this report, our customers are also focussed on the environmental quality of their supply chain. Over the coming years Magontec's European and Chinese Mg anode manufacturing facilities will develop the required emission benchmarks for measuring Scope 1 and 2 emissions so that our product will remain qualified in all global markets at the highest emission standards.

Already our melting furnaces and processing equipment are electrically powered and in Romania the majority of our power comes from renewable resources. In Xi'an there is some renewable electricity supply and in all regions we are focussed on developing supply agreements with companies who are able to offer the largest renewable component.

Powered Anodes

In Germany Magontec manufactures a series of powered anodes for the European and North American markets. Corrosion protection is provided by a constant current via a mains power supply rather than a galvanic cell.

The technical sophistication of powered anodes that allows them to operate safely and efficiently has been developed by Magontec over many years and our products represent a large share of the global market.

Powered anodes are becoming increasingly popular in line with the sophistication and cost of modern hot water systems. As countries all over the world seek to address and reach emission targets, home heating systems have been very much in focus. Older heating systems, such as gas, oil and electric, are considered inefficient compared with modern heat pump devices.

The price of heat pump devices is considerably higher than traditional hot water systems and the quality of the heat pump product is also of a much higher specification. Not only do powered anodes provide more efficient corrosion protection but they also have a much longer lifespan.

In 2023 there was much anticipation that heat pump hot water systems sales would rise sharply and Magontec customers in Europe and North America built significant inventories in anticipation. The German Government (the largest market in Europe), in a failed political manoeuvre, withdrew direct funding from a raft of energy policies and sought to replace that with funding originally targeted at pandemic era projects. The German courts blocked the funding transfer and left the home heating sector without the funds anticipated. In the second half of 2023 demand for heat pumps in Europe's largest market has collapsed leaving manufacturers overstocked.

The trend in European heat pump take up has been extraordinary in the last 5 years and is likely to resume its upward trajectory in the second half of 2024. In the short-term, a product that has delivered strong earnings growth for Magontec for many years will be a little quieter in the first half of 2024.

CCP Outlook

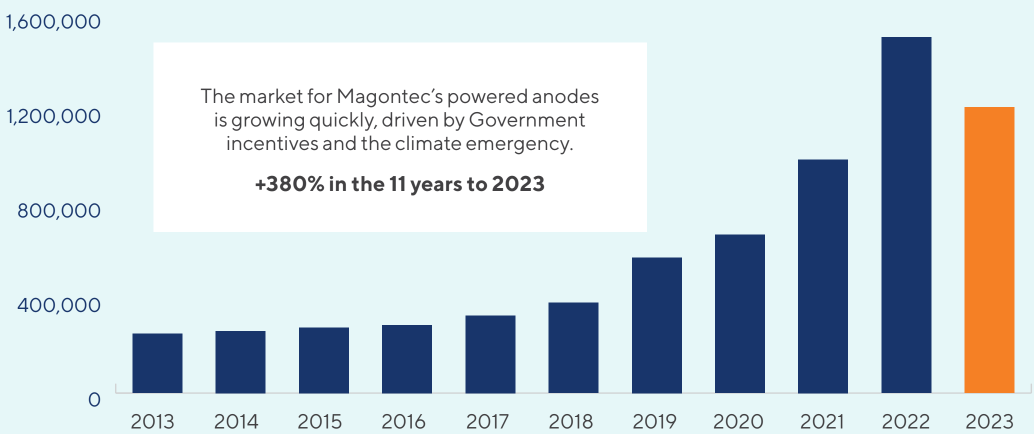
Magontec's magnesium and powered anodes continue to be a source of steady earnings. Over many years the combined profits of the three businesses, magnesium anodes from Xi'an and Santana and powered anodes from Bottrop, have risen steadily. The market for our customers, the hot water appliance industry, is one that experiences high turnover as failure rates in installed applications typically forms around 80% of new appliance demand.

In many regions of the western world there is a critical housing shortage and across Asia there are rapidly growing new markets for heating and hot water appliances as societies become increasingly wealthy. Growth in demand for Magontec's magnesium and powered anode products will continue to reflect these global dynamics.

Magontec is one of the largest magnesium anode manufacturers in the world in an industry where volume is a critical metric. It is also a leading producer of powered anodes supplying the fastest growing segment of the global hot water appliance industry with manufacturing facilities in low-cost locations, and with experienced and skilled workforces. The Group's global sales and marketing teams cover every region of the world and combine with expert research and development teams in Europe and China that appraise each newly OEM developed appliance and offer tailor-made corrosion control solutions.

In addition to supply to OEMs, Magontec also supplies products to the plumbing industry in Europe. While this is a smaller part of the overall business, there is rising demand for regular anode replacement to ward off the effects of ageing installed devices. It is also a cheaper and environmentally more acceptable alternative to replacing the entire appliance at a later date. A large proportion of Magontec's powered anode sales are sold to plumbers who use these products to replace installed magnesium anodes. The plumbing network also buy replacement magnesium anodes. All Magontec's CCP solutions are now available online through the Magontec German website's #unrostbar tab, which offers the full array of anode products and online ordering for immediate delivery. Completed in 2022 this is currently limited to the German speaking regions of Europe with a plan to progressively roll out the product to other regions in the coming years. The growth of the plumber network is highly accretive to the overall anode product margin and a focus for the group in 2024.

European Hydronic Heat Pump Installations up to 400kW



Business Risks

Magontec operates in volatile global markets and is exposed to constant changes in demand, pricing and costs.

Magontec and the global magnesium market are not alone in these challenging times. All businesses must adapt to the post COVID economic environment and, at the same time, seek to transition to cleaner energy sources and combat climate change.

These two generational impacts are raising global risks associated with supply chains, the availability of clean energy, people resources and the impact of rising inflation on costs and corporate compliance complexity.

During 2023, Magontec has reviewed and enhanced its risk management processes to address and mitigate these risks.

Our Material Risks

Magontec's risks are becoming increasingly complex because of changes in global markets and its widespread geographical locations. Addressing these risks requires a practical and straightforward approach that is regularly reviewed, assessed, and where necessary, adjusted on a continual basis.

The Group's risk management framework guides its approach to managing risks and is continually refined. We think about our risks in the following way:

- **Strategic:** risks that should they materialise could impact our ability to deliver our strategic goals.
- **Operational:** risks we manage as part of our daily business activities.
- **Future:** risks that could materialise over time.

Magontec is working toward ensuring that risk management practices are embedded in all processes and operations. This year we updated our Board approved risk appetite statements to better align with our strategy, operational environment and ways-of-working.

The table below outlines the material risks that could impact the Group's ability to achieve its financial objectives. These risks are identified through a robust risk management framework, prepared by management with independent oversight from the Business Risk Committee and the Board.

Our most significant risks, those that if not managed effectively would have a significant impact on our financial performance, form our Material Risks. These risks are formally monitored through the committee structure and by the executive management team.

Material Risk	Mitigated Risk Assessment	Risk Movement	Risk in detail	Risk Management Approach
Supply chain	Moderate	Neutral	There is a risk that the Group may not be able to source key raw materials on an ethical and carbon neutral basis, at the required quality and price, and in a timely manner.	Risk addressed through use of multiple suppliers, a diverse geographic manufacturing base and multiple distribution routes. Our European supply chain process has implemented additional measures because of the war in Ukraine and the increase in energy prices.
People skill retention	Low	Increasing	As part of a specialised industry, employee retention is critical to our success. We must attract, retain, and develop team members with diverse skills, capabilities and backgrounds.	Risk addressed through reward and recognition programs, talent management strategies, employee value propositions and ongoing compliance monitoring of employment laws (including wage compliance). **Refer Remuneration Report for further detail.**
Employee Safety	Low	Reducing	There is a risk that the Group does not provide a safe working environment for its people, contractors and the community. An unsafe working environment may result in injury, harm or illness to our employees. If we are unable to meet our requirements, we may be subject to regulatory impacts, claims, and reputational damage.	Risk addressed through robust internal work health and safety practices, the implementation of initiatives and education programs with a focus on preventative measures with enhanced dedicated support in high-risk areas to ensure the wellbeing of our employees.
Privacy and data management	Moderate	Increasing	The quality of data is critical for investment, strategic, and operational decision making. There is a risk that confidential or sensitive information can be accessed and disclosed by unauthorised parties.	Risk addressed through increasing external assurance activities and continually enhancing cyber control framework, technology processes and employee awareness, supported by investment in systems and infrastructure.
Financial Balance Sheet Management	Low	Reducing	There is a risk that working capital and cash is not efficiently managed. This may result in insufficient funds to support future growth opportunities and dividend payments.	Risk addressed by monitoring and working with the regional teams adjusting working capital to demand and ensure that no excess or surplus inventory is in existence.
Sustainability	Moderate	Increasing	Environmental, Social and Governance risks, if not managed appropriately, could impact business operations, and fall short of stakeholder and societal expectations.	Risk addressed by increasing governance and risk management processes, supported by regular reporting and inspections. **Refer Sustainability commentary for further detail.**
Compliance	Low	Increasing	We are subject to a global range of legal and regulatory requirements, in relation to health and safety, employment and corporate regulation, that require regular monitoring and updating.	Risk addressed by monitoring regulatory changes and their impacts on the group and obtaining advice from external lawyers where required.

Strategic Project Risks – Qinghai Project

The Qinghai Project is classified as a Strategic Project Risk rather than a supply chain risk. The inability of QSLM to supply Magontec's Qinghai cast house has had a significant impact on the profitability and cashflows of the Group's other magnesium alloy businesses.

The Qinghai Project is part of Magontec's longer-term growth strategy in the global magnesium metals market. It is expected to be transformative for the wider magnesium industry due to its low carbon emissions and high volumes from a continuous process facility. It stands in contrast to the existing high CO2 emission industrial model for magnesium in China.

While QSLM's technology is not ground-breaking, the scale of the production is significant (100,000 tonnes per annum).

Constructing both the plant and developing the required technology at the Qinghai site presented several manufacturing challenges. In addition to generalised business disruption caused by the COVID-19 pandemic, the project has suffered from corporate changes in its parent company structure.

QSLM, under the new leadership of Xing Cai Li (Mr Li has electrolysis experience in the aluminium industry), have methodically worked through problems that have occurred in commissioning and production trials. The elevation of the site (3,000 metres) and the change from calcined dolomite (used by Hydro Magnesium as feedstock for its Quebec plant that used the same dehydration technology) to purified brine (QSLM in Qinghai) required the project engineering team to re-configure key dehydration settings and prill delivery systems. QSLM have completed rectification of the dehydration processes and are currently focussed on electrolysis and other features of the facility to ensure the efficiency of the plant and long-term profitable operation. They have indicated to Magontec that they currently anticipate production of magnesium in the second half of 2024.

Specific Financial and Technological risks associated with the Qinghai project are covered in the following commentary.

Material Risk	Mitigated Risk Assessment	Risk Movement	Risk in detail	Risk Management Approach
Financial	Low	Neutral	The risk exists that QSLM will not have sufficient funding to resolve the technical issues that support the scaling of production to 100,000 tonnes per annum.	Risk addressed through continual management updates from QSLM representative on Magontec Board. Magontec has no ongoing financial obligations for the project and no commitments if the project fails to proceed.
Technical	Moderate	Neutral	There is a risk that technical problems are not overcome and the supply of magnesium from the QSLM plant to Magontec's magnesium alloy cast house does not occur or is insufficient and Magontec is unable to deliver forecast financial returns.	Risk addressed through management communication and meetings with QSLM to monitor technical progress. Regular updates are provided to the Board by the non-executive director representing QSLM's shareholding regarding technical and production progress as well as other commercial issues.

Business risks managed through a Governance structure

Magontec operates 3 levels of defence to manage business risks.

Overall enterprise risk management is aligned with International Standards Organisation ISO 31000:2018 with a strong focus on management accountability.

The first line of defence is at the local level, where management take responsibility for all day-to-day operational risks and ensure compliance with local environmental and safety obligations.

These local risks are shared across regions and reviewed by the executive management team to ensure that the strategic approach is assessed to manage risk on a consistent basis.

Business Risks are overseen by the Board through the Business Risk Committee, chaired by an independent non-executive director. The committee is responsible for monitoring the enterprise framework, assessing risk appetite, and ensuring the adequacy of the enterprise framework to manage risk.

In addition to this, business risks are a permanent agenda item for the Remuneration and Nominations Committee (RemCo). Each committee is chaired by an independent non-executive director.

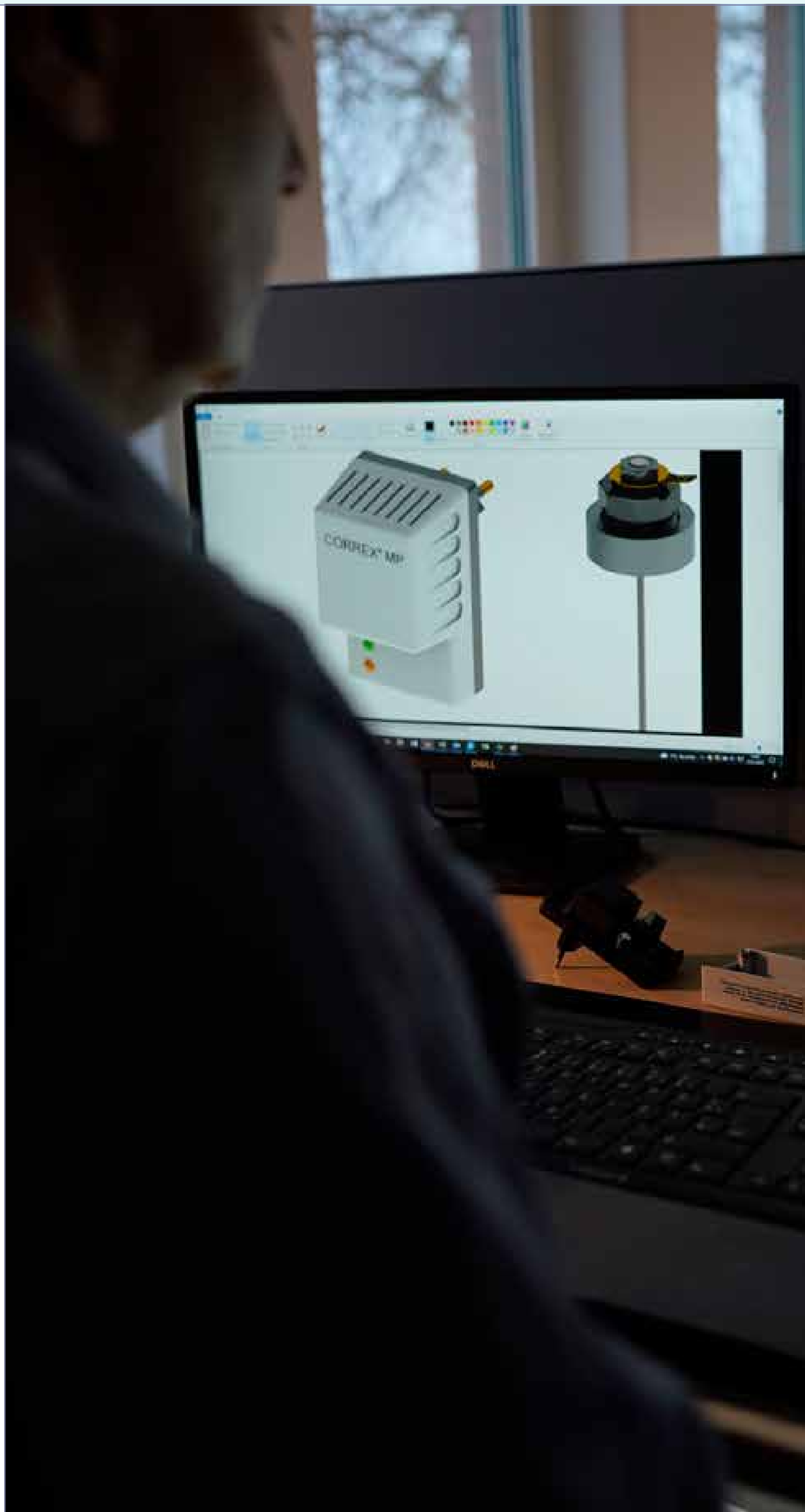


Image: Research at Application and Engineering Centre, Bottrop, Germany

Sustainability

Magontec is committed to developing a sustainable global business and minimising its impact on the environment through a socially responsible approach that is effectively and efficiently monitored and governed.

Image: Team building in Germany

Environmental, Social and Governance

Throughout 2023 there has been a marked change in the importance of global climate change issues in the corporate sphere. A rising focus on ESG principles has led to improved global alignment and acceptance of reporting metrics and transparency.

The International Magnesium Association's (IMA) working committee on sustainability issued a roadmap in January 2024, outlining the path and key milestones to net-zero carbon emissions for the magnesium industry by 2050.

Magontec, as a long-term member of the IMA, has established a senior leadership team to work on developing an appropriate strategy and roadmap to net-zero. The roadmap will be integrated within business practices and fully compliant with relevant legislations spanning our geographical locations.

Magontec is well positioned to progress towards these IMA targets because our core business focusses on magnesium recycling where we already have low emission production capacity and the ability to rapidly increase global volumes.

The working group reports through to the Business Risk Committee, chaired by independent non executive director Andre Labuschagne. The Magontec Sustainability Roadmap will be completed in 2024 with a plan to net-zero including clear milestones and methods, with explanations of built-in assumptions.

For the 2023 and 2024 financial years, Magontec has no sustainability reporting obligations. In Europe, obligations based on European Sustainability Reporting Standards (ESRS) are likely to be mandatory from 2025. In Australia reporting obligations will likely arise from 2027 based on ISSB S1 and S2. Magontec's 2024 plan is to develop a foundation that is integrated across the group, compliant with all jurisdictions and transparent to stakeholders.

Over the next 2 years this will be a major project for the group. To emphasise this priority, KPIs have been incorporated within the 2024-2026 Strategic Plan and 2024 annual budget for the leadership team.

The magnesium industry has an inherent environmental deficit as the vast majority (more than 90%) of its global production base relies on off-gas from coal derivatives. Pidgeon process magnesium plants (silica-thermic reduction) that produce pure magnesium in China, and the coal and ferro silicon industries that supply raw materials to that process, are high CO2 emission activities.

Whilst there are clear industry challenges to reach net-zero emissions, Magontec is well placed to progress towards these targets through expansion of its core recycling business and the development of its China Qinghai facility that uses high levels of renewable energy and sets a new low-emission benchmark for the global magnesium industry.

Environmental

Magontec's most prominent environmental contribution is in its commitment to and focus on magnesium, the lightest structural metal. Magnesium is 2/3rds the weight of aluminium and 1/3rd the weight of steel. Unlike plastics and carbon fibre, it is also 100% recyclable.

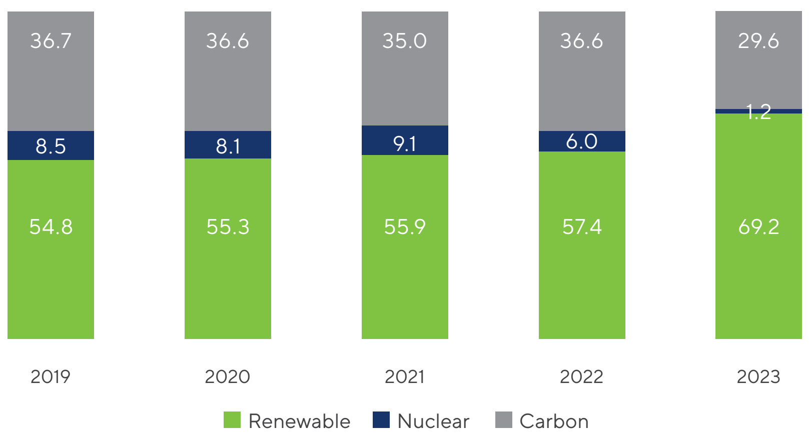
Magontec is one of the largest magnesium recycling companies in the world and the largest in Europe with two plants with recycling capacity of 25,000 metric tonnes per annum. As lower emission magnesium becomes available from Magontec's Qinghai plant over the coming years, the Group's low emission recycling assets will become an increasingly valuable regional environmental resource.

Magontec's manufacturing operations, at Santana in Romania, Bottrop in Germany and Xi'an and Qinghai in China, have significant non-carbon energy inputs and actively seek to grow the proportion of power sourced from renewable energy.

Magontec's commitment to reducing its carbon emissions through 2023 saw a further decline in carbon-based energy usage at both the European and Chinese operations and a pronounced shift towards renewables.

At all Magontec operations we use electricity as the key power source rather than gas. This gives us the ability to access renewable power at all locations. This is particularly important in Europe where we recycle magnesium alloy scrap and manufacture magnesium anodes. At all locations we are able to preference energy suppliers that source power from renewable technologies and in Europe this has provided some protection against higher gas prices over recent years.

Magontec energy supply by source (%)



Overall kW h consumed was down by 5.6 % across the Magontec business, largely due to lower levels of production. There was also a 14% shift to renewable energy in terms of kW h consumed (up from 10.7m kW h in 2022 to 12.2m kW h in 2023). Renewable sources in 2023 comprised almost 70% of Magontec's energy consumption, representing a large increase on 2022 (57%).

Magontec's processing operations pursue a continuous improvement strategy. The re-processing of waste products from magnesium alloy recycling and the reduction of energy inputs through the implementation of efficiency programs have assumed even greater importance through 2023.

Magontec's involvement with Qinghai Salt Lake Magnesium Co Ltd's (QSLM) 100,000 metric tonne per annum electrolytic magnesium production facility at Golmud in Qinghai province PRC includes access to high levels of renewable energy including hydro, wind and solar.

Although the Qinghai project has had challenges associated with scaling the production process, solutions to these problems have been identified and positive progress was made through 2023.

When the Qinghai project comes on stream it will have significantly lower CO2 emissions compared to Pidgeon process pure magnesium production (less than 7 tonnes of CO2 compared with more than 20 tonnes of CO2 per tonne of magnesium produced respectively). Under agreements between Magontec and QSLM this facility will deliver the majority of its output (agreed at 56%) to Magontec's Qinghai magnesium alloy cast house, making Magontec the world's most environmentally advanced, high volume primary magnesium alloy producer.

Social

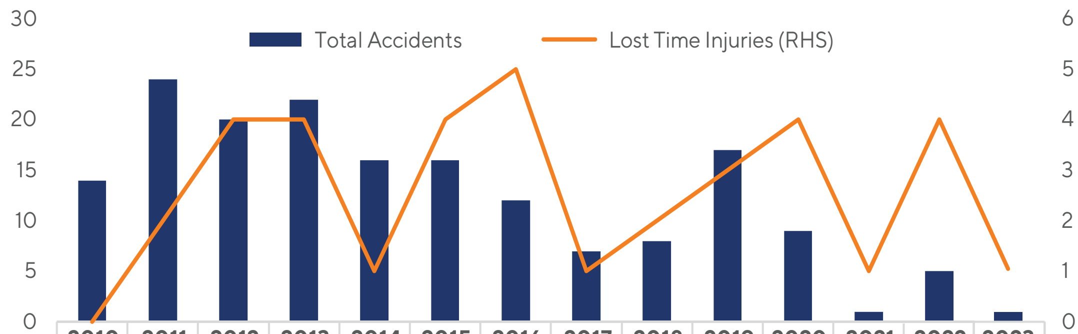
Health & Safety

The Group has in place a rigorous system of workplace injury monitoring. This system allows Magontec operations managers to closely oversee critical employee actions and habits, particularly in the magnesium alloy cast house operations where molten metal is stored, alloyed, or otherwise processed and transferred between one activity and another.

A task of management is to continually review and challenge the processes and structures that are in place to ensure that accidents are avoided wherever possible.

In 2023 there was one lost-time injury (LTI) sustained among 311 Magontec employees of whom 204 work in manufacturing operations and 107 in administrative and management roles.

Total Accidents and Lost Time Injuries - 2010 to 2023



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Accidents	14	24	20	22	16	16	12	7	8	17	9	1	5	1
Lost Time Injuries (RHS)	0	2	4	4	1	4	5	1	2	3	4	1	4	1

There was one significant accident in 2023. An employee in our Xi'an plant was injured and required hospitalisation. This employee has since returned to work.

While all accidents are distressing, particularly where there is an injury to a staff member, remedial action and changes to work processes and oversight are quickly introduced. We continue to seek to make our workplaces safer and to avoid any repeat accidents.

Retention and Satisfaction

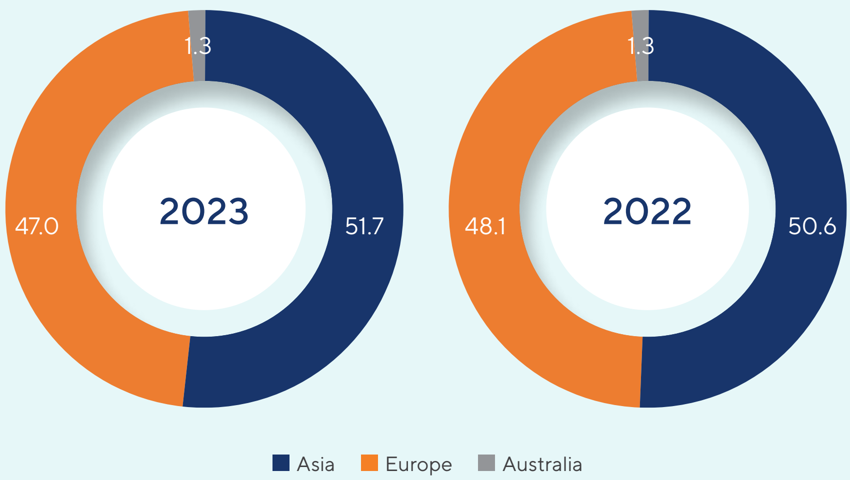
Magontec has a strong record of staff retention among its operations employees and in administrative and management roles. The Group's senior management team, the global executive management group and the regional leadership teams in operations and sales, have an average tenure of over 15 years. While this length of service endows the Group with deep experience across our business activities, it also requires a focus on communication from factory and office staff to our long serving senior management team.

Diversity

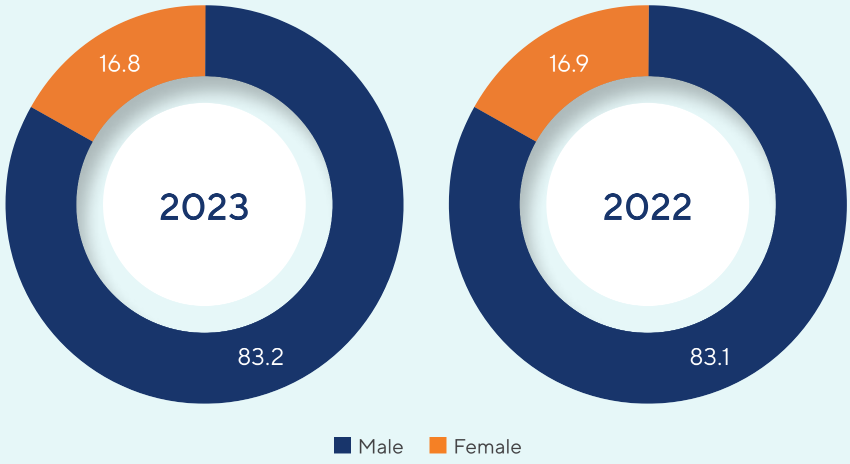
The Group's Code of Conduct details the manner in which employees are expected to behave and how employees should be treated by the Group, by management and by each other without discrimination in any form.

As a multi-national organisation there is a high level of geographic and ethnic diversity with Magontec, but a more modest level of gender diversity. Our published Code actively promotes equality, diversity and inclusion within the organisation for employees of all ages, ethnic or national origins, sexual orientation, marital and parental status, physical impairment, disability and religious beliefs.

Geographic Diversity (%)



Gender Diversity (%)



Pay equality

The metals industry is orientated around a central function that requires the application of relatively heavy physical labour. The management of cast house processes including metal melting, the loading of metal scrap and ingots into furnaces has not historically attracted a gender-diverse labour force.

In Europe we evaluate the specific function of a job based on established criteria. Fixed salary levels are assigned to a range of points for 13 salary groups. Through this mechanism we seek to ensure that there is no difference in pay between employees based on gender or other perceived differences.

In China, recruitment, promotion, and salary levels are based on market benchmarks and an internal position ranking system designed to remove gender discrimination.

These processes are regularly reviewed and will incorporate changing industry standards and regulatory requirements in each of the regions in which Magontec operates.

Global supply chains

The Business Risk Committee (BRC) undertakes a twice-yearly review of the Group's trading relationships in the context of regional, United Nations and other sanctions. Magontec trades with customers and suppliers in 23 different countries. Through the BRC and management initiatives, policies have been introduced at regional levels so that the Group can more transparently manage its exposure to sanctioned regimes or companies and understand the associated regulatory and supply risks.

Cyber, data privacy, Information Technology and Fraud

Cyber security and data protection, as for all companies, continues to present unique challenges for the Magontec business and is a critical metric in all locations.

Over recent years, considerable investment has been incurred to implement integrated ERP systems and infrastructure in both Europe and China. These investments were a major milestone for the group, but as with all IT investment, they are required to be maintained to ensure ongoing benefits are derived and data is protected from cyber threats.

In FY23, we continued to upgrade and monitor security policy and architecture, user access and vulnerability management. All employees are made aware of privacy and data risk policies and processes. We have engaged third parties to review risk management practices, undertake external penetration testing and data management initiatives to improve controls and enhance compliance.

In 2024 a full review of Magontec's IT infrastructure and its strategic competence will be completed, detailing requirements to meet new challenges and evolve the platform for future challenges. Increased data requirements for Sustainability reporting will be a critical part of the Group's future review process.

Our European and US subsidiaries access additional risk protection through cyber insurance policies. These policies offer insurance against identity and reputation theft (blackmailing), bank account and credit card fraud, hardware and data breaches, business interruption and compensation in liability cases and data protection incidents. We continue to explore our options with respect to similar insurance policies in China.

Magontec engages external parties in China and Europe to test the Group's defences against external threats. Reports on these business units are provided to the BRC and recommendations are made to strengthen the Group's defences.

Governance

The Magontec Board and Management are committed to maintaining the highest ethical standards in our business activities.

The Group's Code of Conduct outlines the standards of behaviour expected from all Magontec's employees and is aligned with values that are essential to our continued success in the short, medium and long term.

As an ASX-listed corporation, we respect and support the integrity of our shareholders and key stakeholders critical to our success. An overview of Magontec's Governance is set out in a Corporate Governance statement, published at www.magontec.com.

Other governance policies relating to whistleblowers, securities trading, how and when we communicate externally with our stakeholders (continuous disclosure), remuneration, risk management, modern slavery, diversity and inclusion and the protection of personal information are also available at www.magontec.com.

To support successful oversight and management of our Governance policies, Magontec operates three independently chaired committees that provide Governance oversight of the Group's operating activities.

In 2023, all committees undertook detailed internal reviews to assess their effectiveness relative to their Charter. No material deficiencies were identified, however where improvements were identified, these have been implemented.

Remuneration and Nominations Committee (RemCo)

The Remuneration and Nominations Committee is chaired by Robert Kaye, Magontec's Lead Independent Director. All members are independent or non executive and include Independent Director Atul Malhotra and Non-Executive Director Zhong Jun Li as committee members.

The committee is established under a charter and its responsibilities include:

- Ensuring remuneration policies and practices are consistent with the Group's goals and objectives,
- Ensuring MGL has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Committee is responsible for making recommendations to the Board on all aspects of appointment, remuneration and termination for the Chair and Chief Executive Officer (or equivalent) and to review the appointment, remuneration or termination of key management personnel (defined as those senior executives reporting directly to the CEO) as requested by the Board, Chair or Chief Executive Officer (or their equivalents). It also addresses relevant Group remuneration issues.

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside independent professional advice, if it considers this necessary within the scope of its duties with the cost of advice borne by the Group.

In 2023 the Remunerations and Nominations Committee formally met on 2 occasions.

Finance, Audit & Compliance Committee (FAC)

The Finance, Audit & Compliance Committee (FAC) is Chaired by Atul Malhotra, an Independent Director of Magontec. The committee's members include Lead Independent Director Robert Kaye and Independent Director Andre Labuschagne.

The Finance, Audit & Compliance Committee of Magontec Limited is responsible for oversight and for making recommendations to the Board in respect of the Group's financial affairs, information technology, business control framework and legal requirements.

The Committee is authorised by the Board to investigate any activity within its charter. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary within the scope of its duties.

The FAC is specifically responsible for review of the interim and full year Group audits including the appointment of the auditor and approval of changes to accounting policies.

In 2023 the FAC met on 2 occasions.

Business Risk Committee (BRC)

The Business Risk Committee (BRC) provides additional oversight to the Board and Committee functions through review of strategic and operational risks. The committee focuses on risks relating to business, trading and overall compliance with applicable laws, regulations, policies and procedures in each of the jurisdictions in which Magontec operates.

In September 2023, Andre Labuschagne, an Independent Director, was appointed as the Chair of the committee. Members include Independent Director Atul Malhotra and Nicholas Andrews, Magontec's Executive Chair. Other Independent and Non-Executive Directors are invited to attend.

This committee reviews the Group's risk settings through the prism of a Risk Register, a document that is updated half yearly for each meeting. The committee is an important conduit through which Director experience can assist executive management to anticipate, identify and manage risks inherent in the structure and nature of Magontec's diverse operational activities.

The primary responsibility of the BRC is to oversee and evaluate the overall effectiveness of the Group's business risk management framework, systems for compliance and adequacy of internal controls.

Further, the BRC seeks to ensure that Management has:

a. identified and analysed the business and environmental risks facing the Group, including assessment and implementation of principles, policies, processes and controls to avoid, manage or mitigate those risks, and
b. established policies and procedures to ensure, monitor and report on ongoing compliance with statutory and internal compliance obligations.

The BRC ensures that the board maintains oversight of material operational, environmental and social risks. In addition to the analysis of the Risk Register the BRC reviews environmental and operational certification for each manufacturing location including currency, renewal date and outstanding requirements imposed by the relevant regional authority.

During the year, a review of the risk process was conducted with recommendations to update the risk management process aligned with ISO 31000:2018 and the ASX Corporate Governance Principles and Recommendations (4th Edition).

These changes placed emphasis on the involvement of senior management and the integration of risk management into the organisation. The overarching goal was to develop a risk management culture where employees and stakeholders are aware of the importance of monitoring and managing risk.

The recommendations of the review were that:

- risk management should be part of the organisation's structure insofar as processes, objectives, strategy and other related principles reflect a people-centred as well as a system-centred discipline,
- leadership/senior management play an important role in integrating risk management through the whole organisation, starting with the governance of the organisation, and
- risk management is an iterative process, rather than purely consequential, as new knowledge and analysis leads to revision of processes, actions and controls.

The review also recommended an update to the risk appetite of the organisation.

All recommendations were adopted by the Board and implemented.

This committee meets on two occasions each year, immediately prior to the key Interim and Annual Reports to shareholders.

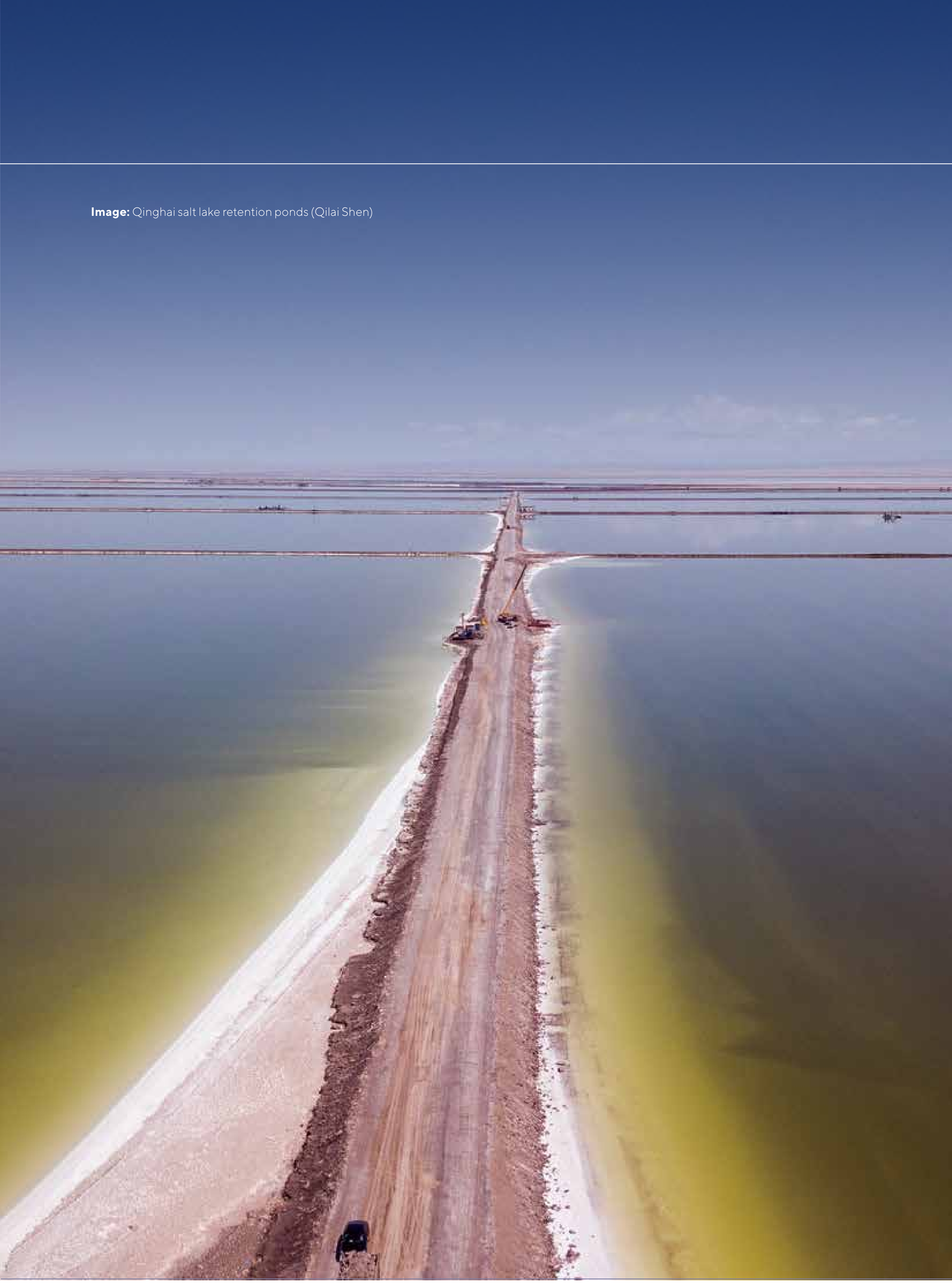


Image: Qinghai salt lake retention ponds (Qilai Shen)

Board of Directors

Nicholas Andrews

Executive Chair

Member of the Business Risk Committee (BRC)
B Ec.(Syd)

Mr Andrews serves as the Executive Chair of Magontec Limited. From 2007 to 2009 Mr Andrews served as a Non-Executive Director of Advanced Magnesium Limited prior to the acquisition of Magontec GmbH and the company name change to Magontec Limited.

Mr Andrews has a financial services background in investment management and investment banking. From 1996 to 2005 he was a Managing Director at UBS Investment Bank and responsible for global distribution of Australian and New Zealand Equity products.

From 1989 to 1996 Mr Andrews was the Chief Investment Officer at LGT Investment Management in charge of the group's investment portfolios for the Australasian region.

Mr Andrews is a Member of the Executive Committee and serves on the Board of the International Magnesium Association. Since 2017 he has also served as Honorary Treasurer of the IMA.

In November 2023, Mr Andrews was appointed as a Non-Executive Director of CarbonXT Group Limited.

Robert Kaye SC

Lead Independent Director
(re-appointed 11 May 2023)

Chair of the Remuneration and Nominations Committee (REM)
Member of the Finance, Audit and Compliance Committee (FAC)
LLB (Syd), LLM (Cambridge) (Hons)

Mr Kaye was admitted to legal practice in 1978 and employed as a solicitor at Allen, Allen & Hemsley Solicitors. Thereafter he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law.

He has been involved in an array of commercial matters both advisory and litigious in nature and served on a number of NSW Bar Association committees including the Professional Conduct Committee.

In the conduct of his practice as a barrister, he has acted for many financial institutions and commercial enterprises, both public and private and given both legal and strategic advice. He has had significant mediation experience and been involved in the successful resolution of complex commercial disputes.

Mr Kaye is currently Chair and a Non-Executive Director of Collins Foods Limited and a Non-Executive Director at FAR Limited. Mr Kaye was previously the Chair of Spicers Limited, the Chair of the Macular Disease Foundation Australia and was formerly a Non-Executive Director with UGL Limited, Electro Optic Systems Holdings Limited and HT&E Limited.

Xing Cai Li

Non-Executive Director
(re-appointed 11 May 2023)

MBA, (Qinghai Nationalities Minzu University)
Graduate of Chongqing University

Mr Xing Cai Li is General Manager of Qinghai Huixin Asset Management Co Ltd (QHAM), the owner of Qinghai Salt Lake Magnesium Co Ltd (QSLM), which operates the Qinghai electrolytic magnesium smelter complex in which Magontec's Magnesium Alloy Cast House is based.

Mr Li has held previous positions as the Deputy Director of Finance at the Shanghai and Hong Kong listed Aluminium Corporation of China (Chalco), one of the world's largest producers of alumina and aluminium. Prior to that Mr Li was Vice President at Western Mining Co Ltd, responsible for overall financial management, fund raising and investment management as well as being secretary to the Board. Western Mining is a ¥23 billion company listed on the Shanghai Stock Exchange engaged in the mining, smelting, and trading of metal minerals, including copper, lead, zinc, iron, gold and silver.

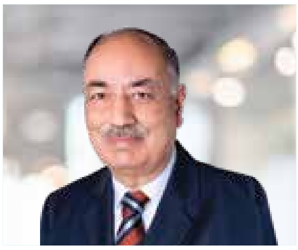
QSLM is a 28.9% substantial shareholder in Magontec Limited and the company with whom Magontec Limited has entered into a number of agreements in relation to the Magontec Qinghai alloy production facility at Golmud in Qinghai Province PRC.

Andre Labuschagne

Independent Director
(re-appointed 25 May 2022)

Chair of the Business Risk Committee (BRC)
Member of the Finance, Audit and Compliance Committee (FAC)
B. Comm (Potchefstroom University)

Mr Labuschagne is the Executive Chair of Aeris Resources Limited.
Mr Labuschagne is an experienced mining executive with a career spanning more than 30 years, primarily in the gold industry, and has held various executive roles in South Africa, PNG, Fiji and Australia for a number of leading gold companies, including Emperor Gold Mines, DRD Gold and AngloGold Ashanti. Mr Labuschagne was previously Managing Director of ASX listed gold company, Norton Gold Fields Limited.



Atul Malhotra

Independent Director
(re-appointed 25 May 2022)

Chair of the Finance, Audit and Compliance Committee (FAC)
Member of the Remuneration and Nominations Committee (REM)
Member of the Business Risk Committee (BRC)
MBA (Delhi University)

Mr Malhotra has an extensive professional background in Procurement, Supply Management, Strategy, Business Development and other functions. During his career spanning over 40 years, he has held executive roles at ABB, Bombardier Transportation, Adtranz and Continental with responsibility for projects and operations in Europe, Asia and Australia.

For over 10 years till October 2013, Mr Malhotra was the Head of Purchasing and a Member of the Group Management at Georg Fischer Automotive Group, Schaffhausen, Switzerland, a leading global supplier of cast metal (including magnesium) parts with an annual turnover of approximately 1,200m Euro and 11 production units located in Europe and China.

As Head of Purchasing, his main responsibilities included establishing procurement strategy and managing the procurement function. As part of the Group's senior management team, he also held co-responsibility for providing strategic direction to, and oversight of, the business units with reporting responsibilities to the Corporate division. Since January 2014 he has been acting as an independent adviser to various corporate clients and businesses.

Zhong Jun Li

Non-Executive Director
(re-appointed 25 May 2021)

Member of the Remuneration and Nominations Committee (REM)
Graduate of Wuhan University of Technology

Mr Li is the owner of Tianjin Keweier Metal Material Co Ltd (KWE (TJ)) in China. He is a graduate of Wuhan University of Technology and spent 10 years at Tianjin Auto Industry Company Ltd. For more than 10 years, Mr Li has built a trading and manufacturing business that specialises in magnesium products. KWE (TJ) has facilities located in Hong Kong and Tianjin and a broad experience of the global magnesium industry. Mr Li is a major beneficial shareholder in Magontec Limited.

Executive Management

Christoph Klein-Schmeink

President Magontec Europe, North America and Middle East

MBA (Münster University)

Mr Klein-Schmeink joined Magontec Limited (then Hydro Magnesium) in 2000 as Sales and Marketing Manager responsible for global sales of the Group's anode products. He was appointed Head of Sales and Marketing in 2007 and Vice-President of Global Sales and Marketing in 2011.

In 2012 Mr Klein-Schmeink was appointed President of Magontec GmbH and has responsibility for the Group's activities in Europe, North America and the Middle East.

Prior to joining Magontec, Mr Klein- Schmeink held the position of Sales Director Asia Pacific with the global mining services company Terex Mining Corp.

Mr Klein-Schmeink holds a Master's of Business Administration degree from Münster University.

Tong Xunyou

President, Magontec Asia

B Chem (Dalian University), MBA (Hong Kong Polytechnic University)

Mr Tong joined Magontec Limited (then Hydro Magnesium) in 2003 in the role of Production Manager, Finance Manager and Deputy General Manager. In 2006 Mr Tong was appointed General Manager and assumed responsibility for all of Magontec's Chinese metal and anode activities.

Prior to joining Magontec Limited Mr Tong spent eight years with the Henkel Adhesive Company Limited where he was Production and Branch Manager.

Mr Tong holds a Bachelor's degree in Chemistry from Dalian University of Science and Engineering and an MBA from Hong Kong Polytechnic University.

Derryn Chin

Chief Financial Officer

B Com (University of New South Wales) CA, CFA

Mr Chin joined Magontec Limited in 2014 and was appointed as the Chief Financial Officer in 2016. Prior to joining Magontec, Mr Chin was an equity research analyst at Macquarie Group in Australia and prior to that held roles in both the audit and financial advisory divisions of KPMG.

He is a member of Chartered Accountants Australia and New Zealand, a CFA charterholder and speaks Mandarin.

He holds a Bachelor of Commerce from the University of New South Wales with a double major in Accounting and Finance.

Patrick Look

Vice President, Finance & HR

Business Economist VWA

Mr Look is the Vice-President of Finance & HR, with primary finance and operating oversight responsibilities for the Group's divisions in Europe, North America and the Middle East. Mr Look started his career at Magontec GmbH (then Hydro Magnesium) in 1998.

Over the last 20 years, after assuming various finance roles in the Group including accounting, purchasing and logistics and graduating as a Business Economist (VWA) he was appointed Finance Manager in 2009 and Vice-President Finance & HR in 2012.

Dean Taylor

Company Secretary

CA, FGIA, FCIS, MAICD

Mr Dean Taylor was appointed to the position of Company Secretary in January 2023.

Mr Taylor is a Chartered Secretary and member of the Governance Institute of Australia.

He has previously acted as Chief Financial Officer, Company Secretary and a Board member for an extensive range of organisations including Standards Australia, LifeHealthcare and HPM Legrand.

Dr Zisheng Zhen

Technical Director (R&D and Quality Management), Magontec Asia

PhD, Materials Processing Engineering (The University of Science and Technology Beijing)

Dr Zhen joined Magontec Limited in 2009 as the R&D manager of Magontec Xi'an Co. Ltd and was appointed as the Technical Director of Magontec Asia in 2011, responsible for R&D activities as well as quality management for all facilities in China.

Dr Zhen has over 20 years of research and technical development experience in magnesium. He gained his PhD in Materials Processing Engineering from The University of Science and Technology Beijing, China in 2003. He then conducted further research works on magnesium alloys and processing technologies at Oxford University and Brunel University in England, and at the Magnesium Innovation Center in GKSS (then HZG, now Helmholtz-Zentrum Hereon) in Germany where he was a senior research fellow.

He serves on various industrial and academic committees and organisations, including the International Magnesium Association, the China Magnesium Association and the Chinese Materials Research Society (C-MRS). He is the winner of the International Magnesium Science and Technology Award for 2023 bestowed by the International Mg Society.

Prof Trevor Abbott

Director, Research and Development

B App Sc Metallurgy (SAIT/UniSA)
PhD (Monash)
Adjunct Professor, University of Queensland Adjunct Professor, Swinburne University of Technology
Adjunct Professor, RMIT University
Adjunct Fellow, Monash University

Prof Abbott completed his PhD in 1987 and has extensive experience in the metals industry including aluminium alloys (PhD topic), steel (BHP in Melbourne and Wollongong throughout the 1990's) and magnesium alloys (CASTAMT- Magontec).

Since 2000 he has developed strong industry-academia collaborations through the CAST Cooperative Research Centre and ARC Linkage grants. During the period 2000-2004 he held an academic position at Monash University where he led the magnesium applications activities within CAST. He then transferred to AMT / Magontec and continued the collaborative role from the industry side.

In 2013 he established Abbottics Pty Ltd and consults in metallurgical fields, particularly magnesium, aluminium and scandium alloys.

Directors' Report

for the year ended 31 December 2023

1. Corporate information

The consolidated financial statements of Magontec Limited and its controlled subsidiaries as listed in Note 22 herein (collectively, the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 27 February 2024. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Securities Exchange (ASX) under the code "MGL".

2. Glossary of entities 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.	**MGL, the Company or the Parent Entity**
Advanced Magnesium Technologies Pty Limited	Wholly owned subsidiary of Magontec Limited that acts as the administrative operating entity.	**AMT**
Varomet Holdings Limited	The wholly owned holding entity that owns the Group's operating businesses at Xi'an (PRC) and Suzhou (PRC).	**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**
Magontec Suzhou Co. Ltd.	The wholly owned entity that owned the Group's operations in Suzhou, PRC. Production ceased at this facility in 2016.	**MAS**
Major related shareholders		
Qinghai Salt Lake Magnesium Co. Ltd.	QSLM is a **28.89%** shareholder in MGL at the date of this report. QSLM is a subsidiary of Qinghai Huixin Asset Management (QHAM). QHAM is in turn owned by 3 Chinese state-owned enterprises. Its shareholders include the state of Haixi (a region of Qinghai province that includes Golmud) and two other Qinghai based investment entities.	**QSLM**
KWE (HK) Investment Development Co Ltd	Shareholder in Magontec Limited. Mr Li Zhong Jun, a director of Magontec Limited is also a director and shareholder of KWE (HK) Investment Development Co. Ltd.	**KWE (HK)**

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 totals and sub totals; and
- the comparative balances of items from the financial accounts for the prior period.

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.

Directors' Report

continued

The Directors of Magontec Limited submit herewith the Annual Financial Report of the Group for the twelve-month period ended 31 December 2023. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows.

Directors who held office during and since the end of the financial year were:

- Mr Nicholas Andrews (Executive Chair)
- Mr Robert Kaye (Lead Independent Director)
- Mr Atul Malhotra (Independent Director)
- Mr Andre Labuschagne (Independent Director)
- Mr Li Zhong Jun (Non-Executive Director)
- Mr Li Xing Cai (Non-Executive Director)

Directorships of other Listed Companies

Directors who have held a Directorship position in another publicly listed company in the three years immediately before the end of the financial year are as follows:

- Mr Nicholas Andrews is a Non Executive Director of CarbonXT Group Limited.
- Mr Robert Kaye is Chair and a Non-Executive Director of Collins Foods Limited and a Non-Executive Director of FAR Limited. During the relevant 3 year period, he also previously served as a Non-Executive Director of Electro Optic Systems Holdings Limited.
- Mr Andre Labuschagne is Executive Chair of Aeris Resources Limited.

Company Secretary

Mr Dean Taylor

Member, Institute of Chartered Accountants Australia & New Zealand (CA ANZ), Institute of Chartered Secretaries (FCG), Governance Institute of Australia (FGIA), Australian Institute of Company Directors (MAICD)

Mr Dean Taylor was appointed to the position of company secretary in January 2023. Mr Taylor is a Chartered Secretary and Fellow Member of the Governance Institute of Australia. He has previously acted as Chief Financial Officer, Company Secretary and a Board member for a range of organisations including Standards Australia, LifeHealthcare and HPM Legrand.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year consisted of:

- Manufacture and sale of generic and specialist alloys (including both primary alloy manufacture and recycling);
- Manufacture and distribution of magnesium and titanium cathodic corrosion protection products (anodes);
- Research and development of new proprietary magnesium alloys and technologies;
- Research and development of cathodic corrosion protection products (CCP); and
- Creating markets for new magnesium alloys and technologies by supporting demonstration trials and programs for developing new applications.

Directors' Report

continued

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director while they were a director or committee member.

	Board Meetings		FAC Meetings (1)		REM Meetings (2)		BRC Meetings (3)	
Director	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Nicholas Andrews	10	10					2	2
Mr Robert Kaye	10	10	1	2	2	2		
Mr Atul Malhotra	10	10	2	2	2	2	2	2
Mr Andre Labuschagne	10	10	2	2			2	2
Mr Li Zhong Jun	8	10			2	2		
Mr Li Xing Cai	6	10						

(1) Finance, Audit & Compliance Committee
(2) Remuneration & Nominations Committee
(3) Business Risk Committee

Directors' Shareholdings

The following table sets out the relevant interest (direct and indirect) of each serving director in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Director	Ordinary Shares	Performance Rights
Mr Nicholas Andrews	1,567,582	1,802,249*
Mr Li Zhong Jun	3,875,307	–
Mr Atul Malhotra	–	–
Mr Robert Kaye	242,350	–
Mr Andre Labuschagne	–	–
Mr Li Xing Cai	–	–

* This amount consists of 1,602,249 performance rights on issue and 200,000 performance rights which have vested with respect to the 2021-2023 LTI period that are yet to convert into Magontec ordinary shares.

Remuneration Report

The Remuneration Report is set out on pages 42 to 56 and forms part of the Directors Report for the financial year ended 31 December 2023.

Financial Report

Refer to 'Financial Report' section.

Operations Report

Refer to Operations Reports.

Dividends

During the year to 31 December 2023, the Directors declared an unfranked dividend of 0.6 cents per share with respect to the 6 months ended 30 June 2023. The Directors have declared a further unfranked dividend of 0.6 cents per share with respect to the 6 month period ended 31 December 2023.

Subsequent Events

Subsequent events are detailed in Note 27.

Directors' Report

continued

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Non-Audit Services

Camphin Boston (the Group's auditors) provided tax and other services during the financial year. Aggregate fees for non audit services paid in the financial year were $8,980.

Auditor's Independence Declaration

The Auditor's independence declaration is included on page 57 of this Annual Report.

Indemnification of Officers and Auditors

The Group paid premia to insure certain officers of the Company and related bodies corporate in relation to performance of their duties as officers of the Company. The officers of the Group covered by this insurance include directors or secretaries of controlled entities.

The Company has not otherwise, during or since the financial year except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

On behalf of the Board of Directors

Mr N Andrews
Executive Chair

Signed on the 27 February 2024 in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

Directors' Report
continued

Remuneration Report (audited)

The Directors of Magontec Limited are pleased to present the Remuneration Report for the financial year ended 31 December 2023. The Remuneration Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Remuneration Report is presented under the following sections:

1. Key Management Personnel (KMP) covered by this Report
2. 2023 Remuneration at a glance
   - i. Remuneration objectives
   - ii. Remuneration policy
   - iii. KMP remuneration mix
3. Group performance and the link to remuneration
4. Governance of remuneration framework
   - i. Role of the Board
   - ii. Role of the Remuneration and Nominations Committee
   - iii. Remuneration Approval Process
   - iv. Remuneration benchmarking and use of Remuneration Consultants
5. 2023 KMP Remuneration
   - i. Current service arrangements for Executive KMP
   - ii. 2023 KMP remuneration
   - iii. Loans to Members of Key Management Personnel
   - iv. 2024 outlook
6. Independent & Non-Executive Director Remuneration arrangements
7. 2023 KMP statutory disclosures
   - i. 2023 Fixed Remuneration (TFR)
   - ii. 2023 Short-term incentive (STI)
   - iii. 2023 Long-term incentive (LTI)
   - iv. Valuation of LTI
   - v. KMP Equity Holdings

1. Key Management Personnel (KMP) Covered by this Report

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, whether directly or indirectly. Key management personnel holding office in 2023 are:

Type	Name	Position	Appointed	Committee
Non-Executive KMP	Robert Kaye	Lead Independent Non-Executive Director	19 Jul 2013	Chair – REM Member - FAC
	Atul Malhotra	Independent Non-Executive Director	1 Jan 2019	Chair - FAC Member – REM Member - BRC
	Andre Labuschagne	Independent Non-Executive Director	22 Jan 2014	Chair – BRC Member - FAC
	Li Zhong Jun	Non-Executive Director	31 Aug 2009	Member - REM
	Li Xing Cai	Non-Executive Director	28 Sep 2022	–
Executive KMP	Nicholas Andrews	Executive Chair	14 May 2007	Member - BRC
	Christoph Klein-Schmeink	President Magontec Europe, North America and Middle East	7 May 2012	–
	Tong Xunyou	President Magontec Asia	7 May 2012	–
	Derryn Chin	Chief Financial Officer	1 Mar 2016	–

FAC – Finance, Audit & Compliance Committee

REM – Remuneration & Nominations Committee

BRC – Business Risk Committee

Directors' Report

continued

2. 2023 Remuneration at a Glance

I. Remuneration Objectives

The Group's remuneration objectives seek to ensure that there is an alignment between the outcomes desired by shareholders with those of the employee with a clear vision and focus on the agreed strategic direction and priorities of the Group.

Magontec's Values

Magontec seeks to entrench itself as a leading global manufacturer and recycler of magnesium alloys and magnesium alloy products, to be known as a fair and safe workplace, for its embrace of technology, high environmental standards, efficient execution of global logistics and high standards of corporate governance.

By ensuring this alignment between shareholders and management, it creates the right environment to deliver on the target outcomes, provides stability in the executive team and focus on the priorities that will drive total shareholder returns.

The Remuneration objectives are not singularly focused on financial issues, but are balanced with environmental, social and governance-based stakeholder expectations.

II. Remuneration Policy

The Remuneration Policy is reviewed on an annual basis by the Remuneration & Nominations Committee to ensure that the principles and expected outcomes are matched with the business strategy and an evolving market environment.

Remuneration policy objectives will be achieved by ensuring remuneration is reflective of relevant market conditions, the Group's statutory obligations, the level of accountability (responsibility, objectives, goals) assigned and the provision of incentives to deliver outstanding performance, whilst providing organisational flexibility and operational efficiency.

The Remuneration Policy aims to retain key employees and align employee interests with Group performance and shareholders' interests.

The policy is designed to:

- motivate members of the Global Management Group to originate innovative strategies for growth;
- reward the Global Management Group for the satisfaction of positive strategic and financial outcomes; and
- to provide an adjunct to cash remuneration to preserve cash resources.

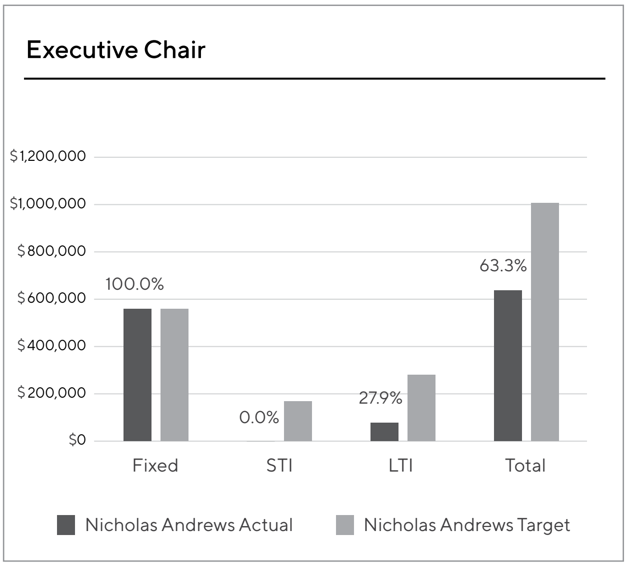
The Group uses a combination of cash and non-cash mechanisms to remunerate key management personnel.

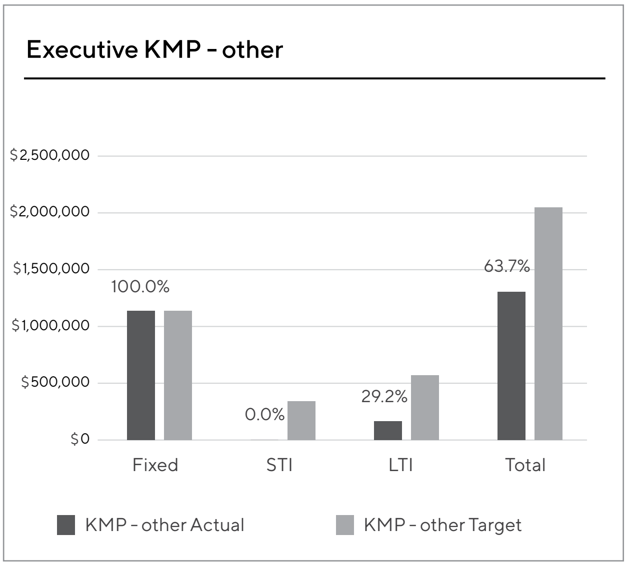
III. 2023 KMP remuneration mix

The Group's remuneration framework includes a mix of fixed and variable at-risk remuneration and comprises the following three components:

a. Fixed remuneration (TFR),
b. Short-term incentive (STI) in the form of cash, and
c. Long-term incentive (LTI) in the form of equity.

The table below outlines the target remuneration mix and actual remuneration received for the Executive Chair and other key management personnel relative to the 2023 year.





1. TFR includes base salary, statutory superannuation and allowances.
2. STI target based on 30% of TFR.
3. LTI target based on 50% of 2023 TFR
4. LTI Actual Amount = $ Amount Vested based on the closing share price at 31 December 2023 of 39 cents per share.

Directors' Report
continued

2. 2023 Remuneration at a Glance (continued)

Total Fixed Remuneration (TFR)
Executive contracts of employment include base salary and post-employment benefits (statutory superannuation and certain social benefits relative to region) and do not include any guaranteed base pay increases. These are assessed annually by the Remuneration & Nominations Committee and approved by the Board with further independent assistance of remuneration specialists where deemed necessary.

The annual review considers such factors as:

- Role responsibilities and complexity
- Geographic region and size of role
- Experience and skills
- Strategic value of the role

When an executive or an employee is recruited, the Group's aim is to reward its staff at Quartile 2 (50%) market rates within the industry, geographic region and their experience in the role appointed as determined and in consultation with a remuneration specialist where appropriate.

Variable at-risk Remuneration
Each member of the Global Management Group has a set of key performance indicators (KPIs) mutually agreed by the employee with the Regional CEO, Executive Chair or Board (as appropriate) on an annual basis.

The KPIs reflect the executive's ability to add value to the Group and increase shareholder wealth by ensuring productive gains such as increasing efficiencies, reduction in costs and increased profitability by maximising sales volumes and margins on sale revenues. Performance against these KPIs form a component of the assessment of both STI and LTI amounts as outlined below.

The Board retains discretion to adjust final remuneration outcomes for all Executives. Board Policy is reviewed periodically by the Remuneration & Nominations Committee. Where appropriate, recommendations to the Board for variations will be made.

The Board believes that the balance between short-term and long-term remuneration is appropriate and encourages long-term value creation.

The STI LTI Governing Document is available on the website: www.magontec.com

2023 Short-Term Incentive (STI)
The STI plan rewards executives according to a set policy with reference to group profitability. This includes provisions to limit the overall maximum pool according to constraints inherent in the policy.

What STI Plan was used to measure the 2023 STI performance?	The 2023 STI was based on the rules outlined in the *"Governing Document for the Short and Long-Term Incentive Plan for the Magontec Management Group – Shareholder approved plan".*
How is performance measured?	The Board determines the size of the pool based on actual financial metrics achieved relative to the Board approved budget and has discretion to adjust payment depending on the particular circumstances of the Group and other qualitative factors as it sees appropriate.
How is the pool calculated?	The STI pool available for distribution is calculated as being equal to 25% of the excess of the actual net operating profit after tax (Actual NOPAT) over budgeted net operating profit after tax (Budgeted NOPAT) – the resultant figure being referred to as "The Pool". To limit the amount of The Pool when profitability is low, the 25% ratio of excess Actual NOPAT over Budgeted NOPAT on which the Pool is calculated would be reduced according to the principles in the following table:

1. If POOL as a % of ACTUAL NOPAT is equal to:	2. The Pool is MODIFIED to this % of excess ACTUAL NOPAT over BUDGET NOPAT
From 0.0% to 12%	25.0%
Over 12.0% to 20%	15.0%
Over 20.0%	8.0%

Directors' Report
continued

2. 2023 Remuneration at a Glance (continued)

How is the pool allocated to executives?	Executives in the Global Management Group participate in The Pool on a pro rata basis according to the percentage that their salary represents of the aggregate of salaries of eligible executives, the resultant figure being referred to as "The Provisional Payment". Eligible executives will receive: – 45% of the Provisional Payment by way of a fixed component as determined by the formula described above; and – Up to 55% of the Provisional Payment by way of a residual discretionary component determined according to an assessment of the eligible executive's contribution to regional and Group performance, satisfaction of KPIs laid down to management; and other subjective factors identified by the Remuneration and Nominations Committee.
How is the STI governed?	The payments are subject to approval by the Board upon the recommendation of the Remuneration and Nominations Committee.
How is risk managed in context to the STI Pool?	There are several ways that risk is managed with the STI pool: – The STI Pool is created to the extent that the group is profitable. – The STI Pool is only created when actual NOPAT exceeds the Board Approved Annual Budget. – The STI Pool % allocation is reduced if pool as % of actual NOPAT is over certain criteria which is assessed periodically by the Remuneration and Nominations Committee. – The Board has discretion with 55% of the pool allocation with consideration relating to an assessment of the eligible executive's contribution to regional and Group performance, satisfaction of KPIs laid down to management; and other subjective factors identified by the Remuneration and Nominations Committee.
What period does the STI relate to?	– The commencement date of the STI plan is 1 January annually. – The STI performance period is the one-year period from the relevant commencement date. – Net operating profit after tax (NOPAT) is defined as reported net profit after tax adjusted for specific items as deemed appropriate by the board for the relevant year completed.
How is it paid?	STI remuneration is 100% cash settled annually and paid subsequent to completion of the Approved Audited Financial Statements for the relevant year.
What happens if the executive leaves?	If an executive resigns or is terminated for cause before the end of the financial year, or prior to payment of the STI, no STI is awarded for that year unless otherwise determined by the Board.

2023 Long-Term Incentive (LTI)

Long term incentives are provided via the issue of performance rights (a form of option) to the Global Management Group which may convert into Magontec ordinary shares subject to the achievement of pre-determined share price targets in addition to non-market-based conditions as detailed below.

How is performance measured?	The plan uses absolute total shareholder return (TSR) as the basis for setting share price targets (based on the 30-day VWAP) for each three-year LTI performance period ended 31 December.
How is LTI granted?	From the 2021-23 Plan onwards, at the commencement date of the relevant 3-year LTI performance period an eligible executive will receive Performance Rights – i. equal in value to 50% of the eligible executive's total fixed remuneration (TFR) at that date; ii. equal in number to the value in i. divided by 75% of the greater of the market value of Magontec ordinary shares on the same date and the market value adopted under this provision at the commencement date of the immediately prior 3-year LTI performance period; and iii. at nil consideration.

Directors' Report
continued

2. 2023 Remuneration at a Glance (continued)

How do Performance Rights Vest?	Performance Rights which are granted may convert into Magontec ordinary shares according to the two tests below: **1. Tier 1 – Individual KPIs (30%)** The executive's performance is rated against multiple KPIs prescribed by the individual and approved by the Board. **2. Tier 2 – Group Level Share Price (70%)** Under Tier 2, further performance rights may vest upon achievement of the relevant absolute share price targets above (market-based vesting conditions). The number of performance rights vesting under Tier 2 performance rights is only incremental to the Tier 1 entitlement.
How is the LTI governed?	The payments are subject to approval by the Board upon the recommendation of the Remuneration and Nominations Committee.
How is risk managed in context to the LTI?	There are several ways that risk is managed with the LTI pool: – The maximum value of the LTI benefit is restricted to 50% of the employees TFR. – The determination of the vesting conditions are recommended by the Remuneration and Nominations Committee to the Board and are aligned with exceeding the share price of the previous period. – The Performance Rights will lapse after 3 years if the vesting conditions are not achieved. – Performance Rights will automatically lapse in the event of the death, dismissal, retrenchment, retirement or resignation of the eligible executive prior to the end date of the 3-year LTI performance period unless otherwise determined by the Board.
What are the terms of the LTI?	– The commencement date of the LTI plan is 1 January annually. – The LTI performance period is the 3-year period from the relevant commencement date. – A Performance Right is a conditional right granted by the Company to an eligible executive whereby that conditional right may, subject to the relevant terms and conditions, vest as Magontec ordinary shares. – Performance Rights will automatically lapse in the event of the death, dismissal, retrenchment, retirement or resignation of the eligible executive prior to the end date of the 3-year LTI performance period unless otherwise determined by the Board. – Performance Rights will vest immediately in the event of a takeover (being the acquisition of control over the voting shares) of the Company. – Performance Rights may not be transferred, assigned or novated except with the approval of the Remuneration and Nominations Committee. – Eligible executives will not grant any security interest in or over or otherwise dispose of or deal with any Performance Rights or any interest in them until the relevant Magontec ordinary shares are issued to that eligible executive, and any such security interest or disposal or dealing will not be recognised in any manner by the Company. – Performance Rights do not confer on a participant the right to participate in new issues of shares by the Company, including by way of bonus issue, rights issue or otherwise. – The number of Performance Rights is rounded down to the next whole number if it is not a whole number. Performance rights issued to executives do not have escrow periods. – No entitlement to Performance Rights accrues to the eligible executive until an appropriate confirmation from the Company has been received by the eligible executive.
How is it paid?	Performance Rights are granted annually. If the vesting conditions are met, the Performance rights will convert to fully paid ordinary shares in Magentec Limited.
What happens if the executive leaves?	Performance rights will automatically lapse in the event of the death, dismissal, retrenchment, retirement or resignation of the executive, unless otherwise determined by the Board having regard to the nature of the contribution to the Company by and circumstances of, the particular executive.

Directors' Report
continued

3. Group Performance and the Link to Remuneration

Remuneration outcomes are intrinsically linked with achieving the short-term and long-term performance targets. The targets are directly linked with financial and non-financial KPIs and established within the annual Business Plan/Budget and 3-year Strategic Plan approved by the Board.

YEAR	2019	2020	2021	2022	2023
Sales	130,617	95,068	115,151	158,600	102,357
Net Profit after Tax attributable to shareholders	**(1,370)**	**(717)**	**5,008**	**16,515**	**466**
ACTUAL OUTCOMES - KMP					
Actual STI % of TFR	0.0%	0.0%	13.6%	32.2%	0.0%
Actual LTI Vest % of Grant	0.0%	0.0%	0.0%	0.0%	28.8%

Note: In 2022, some additional bonuses above the formula were paid in the EU Business in light of the extraordinary performance in that year. Details of KMP Remuneration are provided elsewhere in this Report.

ACTUAL OUTCOMES - Shareholders	2019	2020	2021	2022	2023
Net tangible assets per share (cents)	35.2	32.5	42.4	67.9	67.8
Share Price closing (cents)	24.0	28.5	45.0	32.5	39.0
Dividend declared per share (cents, unfranked)	-	-	-	1.2	1.2

4. Governance of Remuneration Framework

During 2023, the Board reviewed the governance structure for remuneration and refined the framework to ensure its appropriateness to current market practice.

I. Role of the Board

The Board maintains overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors and reviews and approves the recommendations received from the Remuneration and Nominations Committee.

The Board Charter is available on the website: www.magontec.com

II. Role of the Remuneration & Nominations Committee (REM)

The Remuneration & Nominations Committee is responsible for the oversight of the Remuneration Framework and ensures that the appropriate remuneration and retention strategies are established. The Committee will make recommendations to the board on the remuneration arrangements for non-executive directors (NEDs) and executives.

The Committee is responsible for making recommendations to the Board on all aspects of appointment, remuneration and termination for the Chair and Chief Executive Officer (or equivalent) and to review the appointment, remuneration or termination of key management personnel (defined as those senior executives reporting directly to the Executive Chair/CEO excluding the Company Secretary) as requested by the Board.

The committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives periodically by reference to relevant employment market conditions, with the overall objective of ensuring maximum benefit from the retention of its directors and executive team.

The REM Committee Charter is available on the website: www.magontec.com

III. Remuneration Approval Process

The board approves the remuneration arrangements of the Executive Chair and executives following recommendations from the Remuneration & Nominations committee.

Directors' Report
continued

4. Governance of Remuneration Framework (continued)

IV. Remuneration benchmarking and use of Remuneration Consultants
From time-to-time external independent advice is sought to provide information that is relevant for remuneration recommendations of the REM Committee and decisions by the Board. The advisors are engaged by the REM Committee and are independent of management.

This advice includes, but is not limited to, advice on current remuneration practices, remuneration trends, regulatory and governance updates and market data.

During the current year ended 31 December 2023, the Group engaged the following services:

- Mercer Pty Limited undertook an Executive Remuneration Benchmarking review covering Australia, Germany and China, which also included a review of the STI and LTI components. The Group paid Mercer $15,000 excluding GST during the 12 months to 31 December 2023. The Board was satisfied that the advice obtained was free from undue influence of management.
- Gilbert & Tobin undertook a review of the STI and LTI plans and provided services relating to preparation of new STI and LTI Rules and preparation of new employment contract for the Executive Chair/CEO of Magontec Limited. The Group paid Gilbert & Tobin $20,478 excluding GST during the 12 months to 31 December 2023. The Board was satisfied that the advice obtained was free from undue influence of management.

In 2017, an external consultant (KPMG Australia) provided limited assistance to the Group with respect to compiling a binomial options pricing model which was used to determine the fair value of performance rights issued to executives for market based conditions. During the current year ended 31 December 2023, the Group engaged KPMG to assist in updating this LTI valuation model primarily to account for the commencement of dividend payments. The Group paid $8,600 excluding GST to KPMG Australia. KPMG Australia did not specifically express any opinions regarding assumptions or inputs to the model.

5. KMP Remuneration Arrangements

I. Current Service Arrangements for Executive KMP
The table below sets out the current service arrangements of the Executive KMP.

Executive Contractual Arrangements						
Name	Position	31 Dec 2023 Fixed Remuneration	Contract Term	Contract Expiry	Notice Period For Termination	Payment in Lieu of Notice
Mr N Andrews	Executive Chair	$559,013	3 years	30-Jun-26	Employer initiated - 6 mths Employee initiated - 6 mths	6 months' pay
Mr C Klein-Schmeink	President Magontec Europe & North America	$415,996	5 years	14-Aug-27	Employer initiated - 12 mths Employee initiated - 12 mths	12 months' pay
Mr X Tong	President Magontec Asia	$388,166	No fixed term or expiry		Employer initiated - 6 mths Employee initiated - 6 mths	6 months' pay
Mr D Chin	Chief Financial Officer	$333,857	3 years	30-Jun-26	Employer initiated - 6 mths Employee initiated - 6 mths	6 months' pay

Directors' Report

continued

5. KMP Remuneration Arrangements (continued)

II. KMP Remuneration for the year ended 31 December 2023

The Remuneration for Directors and Executive KMP in the current reporting period has been prepared according to accounting standards as required by the *Corporations Act 2001*.

		Non-Performance Related					Performance Related			
Key Management Personnel Remuneration 12 months ended 31 Dec 2023 and 31 Dec 2022		Salary & Allowances $	Termination Payment $	Super & Statutory Pension Benefits $	Share based payments $	Motor Vehicle & Other Allow-ances $	STI $	LTI shares* $	Non cash accrual LTI Rights** $	Total $
Mr N Andrews (Exec Chair)	**2023**	**531,513**	**-**	**27,500**	**-**	**-**	**-**	**-**	**140,576**	**699,589**
	2022	513,249	-	27,500	-	-	164,437	-	62,875	768,061
Mr C Klein-Schmeink (President Magontec Europe)	**2023**	**379,821**	**-**	**19,964**	**-**	**16,210**	**-**	**-**	**110,013**	**526,008**
	2022	350,894	-	16,934	-	15,184	152,894	-	50,314	586,220
Mr X Tong (President Magontec Asia)	**2023**	**365,333**	**-**	**22,833**	**-**	**-**	**-**	**-**	**96,543**	**484,709**
	2022	363,210	-	21,540	-	-	109,349	-	43,443	537,542
Mr D Chin (Chief Financial Officer)	**2023**	**306,357**	**-**	**27,500**	**-**	**-**	**-**	**-**	**82,263**	**416,120**
	2022	293,184	-	27,500	-	-	97,516	-	37,066	455,266
Mr R Kaye (Lead Independent Dr)	**2023**	**80,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**80,000**
	2022	67,308	-	-	-	-	-	-	-	67,308
Mr A Malhotra (Independent Dr)	**2023**	**60,497**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,497**
	2022	60,393	-	-	-	-	-	-	-	60,393
Mr A Labuschagne (Independent Dr)	**2023**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000**
	2022	60,000	-	-	-	-	-	-	-	60,000
Mr Z Li (Non Exec Dr)	**2023**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000**
	2022	60,000	-	-	-	-	-	-	-	60,000
Mr X Li (Non Exec Dr)(1)	**2023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2022	-	-	-	-	-	-	-	-	-
Total year ended 31 December 2023		**1,843,521**	**-**	**97,797**	**-**	**16,210**	**-**	**-**	**429,395**	**2,386,923**
Total year ended 31 December 2022		**1,768,238**	**-**	**93,474**	**-**	**15,184**	**524,196**	**-**	**193,698**	**2,594,790**

(1) Joined 28 September 2022

* **LTI shares**

This reflects the expense related to actual shares vesting to the employee from the scheme not otherwise recorded previously. With respect to the 3-year period from 2021-2023, 842,862 performance rights vested to the Global Management Group out of the total 2,809,539 performance rights issued. Refer to the Remuneration Report for further details.

** **LTI Rights - Long Term Incentive rights explanatory note**

The values listed in the table above under the column LTI rights are **non-cash**. This accounting expense represents the estimated fair value that the employee obtains from participation in the LTI scheme as required by Australian accounting standards and does not represent an amount that has been received by the employee.

III. Loans to Members of Key Management Personnel

As at 31 December 2023, there was one employee loan outstanding to Mr Christoph Klein-Schmeink for a total of $55,158 (2022: $53,557).

The loan has a term of 10 years or repayable in full on termination of employment or sale of shares in part or full held in Magontec Limited. Interest of 1.81% (2022: 1.81%) is attached to the loan.

There were no other employee loans to key management personnel outstanding as at 31 December 2023.

Directors' Report
continued

5. KMP Remuneration Arrangements (continued)

IV. 2024 Outlook
Each year the Board through the Remuneration & Nominations Committee, assess the overall appropriateness of the STI and LTI Plans and establish appropriate targets to be achieved that align with the Group's strategic objectives.

2024 Remuneration Changes
During 2023, the REM Committee reviewed executive fixed remuneration and directors' fees with comparisons to external market data. No significant changes were recommended to the Board.

The Board has a greater focus on risk management and as a result, the committee will be developing in 2024 a focus on employee related risks, particularly employee turnover and succession planning.

2024 Short-Term Incentive (STI) changes
A new STI Plan will become effective for 2024 which is summarised as follows:

How is performance measured?	The STI is measured based on successful achievement of financial and non-financial KPIs based on certain performance criteria and minimum hurdles.
How is the STI calculated for each KMP?	The STI is calculated as a percentage of the KMP fixed remuneration and is capped for over achievement.
Short-Term Incentive Structure	The Short-Term Incentive will contain 3 elements to encourage participant engagement at a group and regional level and recognises both financial and non-financial performance measures: i. Group Performance achievement i. Regional Performance achievement i. Non-Financial Performance achievement
Short-Term Incentive Hurdles	In order to qualify for Group and Regional Financial Performance award, a minimum Return on Equity (ROE) is required for the Group and for Regional performance.
Group and/or Regional Over-achievement	Where the Group and /or Regional over-achieves the ROE Target by more than 50%, an additional STI amount will be paid up to a maximum of 150% of the STI element.
How is the STI governed?	The payments are subject to approval by the Board upon the recommendation of the Remuneration and Nominations Committee.
How is risk managed to prevent excessive payment when there is under performance?	There are several ways that risk is managed with the STI: – Minimum ROE hurdles required to be achieved. The ROE hurdles are aligned to exceed market TSR returns for similar ASX listed entities. – The STI is capped as a % of fixed remuneration. – The Board has discretion relating to an assessment of the eligible executive's contribution to regional and Group performance, satisfaction of KPIs laid down to management; and other subjective factors identified by the Remuneration and Nominations Committee.
What period does the STI relate to?	– The commencement date of the STI plan is 1 January annually. – The STI performance period is the one-year period from the relevant commencement date. – Net operating profit after tax (NOPAT) is defined as reported net profit after tax adjusted for specific items as deemed appropriate by the board for the relevant year completed.
How is it paid?	STI remuneration are 100% cash settled annually and paid subsequent to completion of the Approved Audited Financial Statements for the relevant year.
What happens if the executive leaves?	If an executive resigns or is terminated for cause before the end of the financial year, or prior to payment of the STI, no STI is awarded for that year unless otherwise determined by the Board.

Directors' Report
continued

5. KMP Remuneration Arrangements (continued)

2025 Long-Term Incentive (STI)
A new LTI Plan will be tabled at the 2024 AGM for approval which, if approved, will be effective from 2025. Full details of the new plan to be approved will be contained in the AGM's Notice of Meeting.

Macroeconomic outlook and target setting
With global economic markets remaining unpredictable and high inflation and cost of business placing pressures on customers, the 2024 STI and 2024-2026 LTI targets have been set to recognise this ongoing uncertainty.

6. Independent & Non-Executive Director Remuneration Arrangements

The remuneration of Independent and Non-Executive Directors (NED) consists of Directors' fees. The aggregate amount of independent and NED's fees are approved by Shareholders and is currently limited to $600,000 per annum. Any increase to the aggregate amount must be approved by Shareholders.

The Board decides how the aggregate amount, or a lesser amount is divided between the Directors.

Within the aggregate $600,000 fees approved by Shareholders for Independent and NEDs, compensation is set at $60,000 per annum for each Independent and NED and at $80,000 for the Lead Independent Director inclusive of any payments for superannuation.

There are currently no additional fees being paid to those directors serving on the Finance, Audit & Compliance Committee, Remuneration & Nominations Committee or the Business Risk Committee.

Independent and NEDs are reimbursed for all reasonable travel costs and other expenses properly incurred by them in attending any meetings of committees of the Board, in attending any general meetings or otherwise in connection with the affairs of the Group.

Equity based compensation including the issue of options is generally avoided for Independent and NEDs. However, this can be provided to directors as long as any such issue complies with the requirements of the Corporations Act and the ASX Listing Rules.

7. 2023 KMP Statutory disclosures

I. 2023 Fixed Remuneration (TFR)
During 2023, following the independent review of remuneration by Mercer, no increases in fixed remuneration were received by Key Management Personnel (KMP).

The Remuneration Framework aims to reward KMP at the 50th percentile of the relative benchmark for each Executive (measured independently). The benchmarking includes review of fixed and variable components in the relevant industry and region, relative to the Board approved remuneration mix.

II. 2023 Short-Term Incentive (STI)
In accordance with the Group's Remuneration Policy and Executive KMP employment arrangements for the current year ended 31 December 2023, performance KPIs were not achieved and subsequently no provision has been made in the Financial Statements as a result of financial performance for the year.

III. 2023 Executive Long-Term Incentive (LTI)

LTI grants vested during 2023
Performance Rights granted in January 2021, for the period 1 January 2021 to 31 December 2023 totalling 2,809,539 Performance Rights contained two vesting conditions. The share price target condition was not achieved on the vesting date and consequently, Performance Rights of 1,966,677 lapsed.

The remaining KPI vesting condition was assessed by the Board and deemed to have been met, and 842,862 Performance Rights vested, but at the time of this report had not been exercised.

No other LTI grants for Executive KMP vested nor converted to shares during 2023.

LTI granted during 2023
During the year ended 31 December 2023, a total of 3,021,042 performance rights were granted with respect to the three-year period 1 January 2023 to 31 December 2025.

No other LTIs were granted to Executive KMP during the 2023 financial period.

The calculation of these Performance Rights was included in previously released Notices of AGMs and ASX announcements with the number of performance rights by employee summarised in the table below.

Directors' Report
continued

7. 2023 KMP Statutory disclosures (continued)

LTI grants to be issued in 2024
In accordance with the Group's Remuneration Policy, Executive KMP employment arrangements and approval received at the 2023 AGM, 3,417,420 performance rights were approved by the Board on 27 February 2024. These were granted for the 3-year LTI for the period from 1 January 2024 to 31 December 2026.

Summary of current LTI grants
The table below summarises the current LTI grants provided to eligible executives which includes current approved LTI grants.

Calculation of Performance Rights Issued to Global Management Group				
3 Year LTI Performance Period	1 Jan 21 to 31 Dec 2023	1 Jan 22 to 31 Dec 2024	1 Jan 23 to 31 Dec 25	1 Jan 24 to 31 Dec 26
1. Aggregate salaries of eligible participants at commencement of 3 year LTI period	$1,896,436	$2,109,518	$2,039,203	$2,039,203
2. Multiplication factor	50%	50%	50%	50%
3. Value (1 x 2)	$948,218	$1,054,759	$1,019,602	$1,019,602
4. Share price assumed at commencement of 3 year LTI period	$0.450	$0.450	$0.450	$0.398
5. Performance Rights issued at commencement = Amount in step 3/75% * share price in step 4	2,809,539	3,125,212	3,021,042	3,417,420
Date of issue of Performance Rights	01-Jan-21	01-Jan-22	01-Jan-23	01-Jan-24
Date for conversion to ordinary shares	31-Dec-23	31-Dec-24	31-Dec-25	31 -Dec-26

Performance Rights Issued to Global Management Group						
3 year LTI Performance Period	1 Jan 21 to 31 Dec 2023	1 Jan 22 to 31 Dec 2024	1 Jan 23 to 31 Dec 25	Total Rights	2022 Value $	2023 Value $
Nicholas Andrews	666,667	774,074	828,175	2,268,916	195,232	136,495
Derryn Chin	373,112	455,556	494,620	1,323,288	114,897	81,521
Christoph Klein-Schmeink	563,304	620,594	591,401	1,775,299	156,522	97,471
Xunyou Tong	485,356	535,755	539,889	1,561,000	135,124	88,982
John Talbot	185,186	185,185	-	370,371	46,706	-
Patrick Look	322,972	321,075	332,190	976,237	80,979	54,750
Zisheng Zhen	212,942	232,973	234,767	680,682	58,759	38,693
Total Performance Rights	**2,809,539**	**3,125,212**	**3,021,042**	**8,955,793**	**788,219**	**497,912**

2021-2023 LTI Plan Vesting Schedule			
Performance Level		Share Price	% of Performance Rights vesting
Below threshold	Share price <	45.0	0%
Threshold range	Share price =	45.0	25%
Target range	Share price =	51.8	50%
Stretch	Share price >=	59.6	100%

Directors' Report
continued

7. 2023 KMP Statutory disclosures (continued)

2022-2024 LTI Plan Vesting Schedule			
Performance Level		Share Price	% of Performance Rights vesting
Below threshold	Share price <	60.0	0%
Threshold range	Share price =	60.0	25%
Target range	Share price =	70.0	50%
Stretch	Share price >=	80.0	100%

2023-2025 LTI Plan Vesting Schedule			
Performance Level		Share Price	% of Performance Rights vesting
Below threshold	Share price <	45.0	0%
Threshold range	Share price =	45.0	25%
Target range	Share price =	51.8	50%
Stretch	Share price >=	59.6	100%

The table below summarises the STI and LTI awards for key management personnel at their fair value at initial grant date. Subsequently, this can differ from the disclosures in the remuneration report table above due to changes in the assessed probability of achieving non-market based targets or other adjustments as required by accounting standards.

The 2023 LTI and 2022 LTI fair value at grant date awarded relates to the 2023-25 Plan and 2022-24 Plan respectively.

Summary of STI and LTI awarded to key management personnel	2023 STI awarded $	2023 LTI fair value awarded at grant date $	2022 STI awarded $	2022 LTI fair value awarded at grant date $
Current KMP executives				
Nicholas Andrews	-	136,495	164,437	195,232
Christoph Klein-Schmeink	-	97,471	152,894	156,522
Xunyou Tong	-	88,982	109,349	135,124
Derryn Chin	-	81,521	97,516	114,897
Total	**-**	**404,469**	**524,196**	**601,775**
Non Market Vesting Probability at grant date (%)		*100%*		*100%*

Directors' Report
continued

7. 2023 KMP Statutory disclosures (continued)

The following table details the number of LTI performance rights granted, lapsed or exercised during the year ended 31 December 2023, by plan participant and in aggregate.

Performance Rights Issued to Global Management Group							
Name	Grant date	Holding at 1 Jan 23	Granted in 2023	Lapsed in 2023	Vested in 2023	Holding at 31 Dec 2023 (unvested)	Holding at 31 Dec 2023 (vested, not excerised) at the date of this report
Nicholas Andrews							
2021-23 Plan	1-Jan-21	666,667	–	(466,667)	(200,000)	–	200,000
2022-24 Plan	1-Jan-22	774,074	–	–	–	774,074	-
2023-25 Plan	1-Jan-23	–	828,175	–	–	828,175	-
Subtotal		**1,440,741**	**828,175**	**(466,667)**	**(200,000)**	**1,602,249**	**200,000**
Derryn Chin							
2021-23 Plan	1-Jan-21	373,112	–	(261,178)	(111,934)	–	111,934
2022-24 Plan	1-Jan-22	455,556	–	–	–	455,556	-
2023-25 Plan	1-Jan-23	–	494,620	–	–	494,620	-
Subtotal		**828,668**	**494,620**	**(261,178)**	**(111,934)**	**950,176**	**111,934**
Christoph Klein-Schmeink							
2021-23 Plan	1-Jan-21	563,304	–	(394,313)	(168,991)	–	168,991
2022-24 Plan	1-Jan-22	620,594	–	–	–	620,594	-
2023-25 Plan	1-Jan-23	–	591,401	–	–	591,401	-
Subtotal		**1,183,898**	**591,401**	**(394,313)**	**(168,991)**	**1,211,995**	**168,991**
Xunyou Tong							
2021-23 Plan	1-Jan-21	485,356	–	(339,749)	(145,607)	–	145,607
2022-24 Plan	1-Jan-22	535,755	–	–	–	535,755	-
2023-25 Plan	1-Jan-23	–	539,889	–	–	539,889	-
Subtotal		**1,021,111**	**539,889**	**(339,749)**	**(145,607)**	**1,075,644**	**145,607**
John Talbot							
2021-23 Plan	1-Jan-21	185,186	–	(129,631)	(55,555)	–	55,555
2022-24 Plan	1-Jan-22	185,185	–	–	–	185,185	-
2023-25 Plan	1-Jan-23	–	–	–	–	–	-
Subtotal		**370,371**	**–**	**(129,631)**	**(55,555)**	**185,185**	**55,555**
Patrick Look							
2021-23 Plan	1-Jan-21	322,972	–	(226,080)	(96,892)	–	96,892
2022-24 Plan	1-Jan-22	321,075	–	–	–	321,075	-
2023-25 Plan	1-Jan-23	–	332,190	–	–	332,190	-
Subtotal		**644,047**	**332,190**	**(226,080)**	**(96,892)**	**653,265**	**96,892**

Directors' Report

continued

7. 2023 KMP Statutory disclosures (continued)

Performance Rights Issued to Global Management Group							
Name	Grant date	Holding at 1 Jan 22	Granted in 2023	Lapsed in 2023	Vested in 2023	Holding at 31 Dec 2023 (unvested)	Holding at 31 Dec 2023 (vested, not excerised) at the date of this report
Zisheng Zhen							
2021-23 Plan	1-Jan-21	212,942	–	(149,059)	(63,883)	–	63,883
2022-24 Plan	1-Jan-22	232,973	–	–	–	232,973	-
2023-25 Plan	1-Jan-23	–	234,767	–	–	234,767	-
Subtotal		**445,915**	**234,767**	**(149,059)**	**(63,883)**	**467,740**	**63,883**
Aggregate							
2021-23 Plan	1-Jan-21	2,809,539	–	(1,966,677)	(842,862)	–	842,862
2022-24 Plan	1-Jan-22	3,125,212	–	–	–	3,125,212	-
2023-25 Plan	1-Jan-23	–	3,021,042	–	–	3,021,042	-
Total		**5,934,751**	**3,021,042**	**(1,966,677)**	**(842,862)**	**6,146,254**	**842,862**

IV. Valuation of performance rights

The fair value of performance rights granted as consideration by the Group has been estimated by reference to the fair value of the equity instruments granted.

The group uses a binomial options pricing model which was used to determine the fair value of performance rights issued to executives for market-based conditions.

The fair value of the equity instruments granted for market-based conditions is calculated assuming a 0% probability of forfeiture before grant date (i.e., it is assumed all participants remain employed by Magontec during the period) and is expensed on a straight-line basis over the vesting period.

Tier 1 Non-Market Based Conditions are based on % of KPI achievement x 30%. The expense recorded assumes 100% KPI achievement and 100% of eligible members will be still eligible at the end of the 3-year period.

As the LTI payout under Tier 2 is only incremental to Tier 1, the valuation has been calculated as being the higher of:

a. the existing market-based binomial valuation model (Tier 2); or
b. the pay-out that would be owing by satisfaction of the non-market-based conditions (Tier 1)

Grant Year	2021	2022	2023
Status	Approved	Approved	Approved
Grant Date	01 January 2021	01 January 2022	01 January 2023
Performance Period	01 January 2021 to 31 December 2023	01 January 2022 to 31 December 2024	01 January 2023 to 31 December 2025
Vesting Date	31 December 2023	31 December 2024	31 December 2025
Vesting Period	3 years	3 years	3 years
Performance Rights Awarded – Exec Chair	666,667	774,074	828,175
Performance Rights Awarded – other KMP	2,142,872	2,351,138	2,192,867
Total Grant	2,809,539	3,125,212	3,021,042
Share Price at grant date	27.0c	45.0c	32.5c
Share Price Target (cents)	59.6c	80.0c	59.6c
Volatility %	52.2%	62.3%	64.8%
Discount rate (risk free) p.a.	0.11%	0.93%	3.19%
Dividend Yield p.a.	0.0%	0.0%	3.7%
Fair Value (cents)	11.0c	25.2c	16.5c

Directors’ Report
continued

7. 2023 KMP Statutory disclosures (continued)

V. KMP Equity Holdings

Fully paid ordinary shares of Magontec Limited – 31 Dec 2023

	Total balance (held directly and indirectly) 01-Jan-23	Granted as remuneration	Acquired On Market	Issued under Dividend Reinvestment Plan	Total balance (held directly and indirectly) 31 Dec 2023	Balance held nominally (indirectly)
	No.	No.	No.	No.	No.	No.
Mr Z Li (1)	3,792,907	–	–	82,400	3,875,307	3,847,524
Mr N Andrews (2)	1,520,364	–	–	47,218	1,567,582	1,185,536
Mr R Kaye (3)	102,565	–	139,785	–	242,350	242,350
Mr C Klein-Schmeink	467,686	–	–	12,337	480,023	–
Mr X Tong	668,765	–	–	17,637	686,402	–
Mr D Chin	100,936	–	–	3,135	104,071	–
Total	**6,653,223**	**–**	**139,785**	**162,727**	**6,955,735**	**5,275,410**

(1) 3,847,524 shares held via KWE (HK) Investment Development Co Limited and 27,783 shares are held directly
(2) 1,185,536 shares are held via DEWBERRI PTY LIMITED as trustee for Andrews Superannuation Fund and 382,046 are held directly
(3) 242,350 shares held indirectly through Bella Rebecca Kaye

Fully paid ordinary shares of Magontec Limited – 31 Dec 2022

	Total balance (held directly and indirectly) 01-Jan-22	Granted as remuneration	Acquired On Market	Issued under Dividend Reinvestment Plan	Total balance (held directly and indirectly) 31 Dec 2022	Balance held nominally (indirectly)
	No.	No.	No.	No.	No.	No.
Mr Z Li (1)	3,746,487	–	–	46,420	3,792,907	3,765,840
Mr N Andrews (2)	1,493,962	–	–	26,402	1,520,364	1,149,826
Mr R Kaye (3)	102,565	–	–	–	102,565	102,565
Mr C Klein-Schmeink	460,763	–	–	6,923	467,686	–
Mr X Tong	658,865	–	–	9,900	668,765	–
Mr D Chin	92,308	–	7,692	936	100,936	–
Total	**6,554,950**	**–**	**7,692**	**90,581**	**6,653,223**	**5,018,231**

(1) 3,765,840 shares held via KWE (HK) Investment Development Co Limited and 27,067 shares are held directly
(2) 1,149,826 shares are held via DEWBERRI PTY LIMITED as trustee for Andrews Superannuation Fund and 370,538 are held directly
(3) 102,565 shares held indirectly through Bella Rebecca Kaye

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

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

Dear Board Members,

Lead Auditor's Independence Declaration
Under Section 307C of the *Corporations Act 2001*

We hereby declare, that to the best of our knowledge and belief, during the financial year ended 31 December 2023 there have been:

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

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

Camphin Boston
Chartered Accountants

Justin Woods
Lead Audit Partner

Sydney

Dated this 28th day of February 2024

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Consolidated Statement of Profit & Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Sale of goods	2(a)	102,357	158,600
Cost of sales	2(b)	(83,133)	(120,005)
Gross profit		**19,224**	**38,595**
Other income	2(c)	2,682	1,450
Interest expense		(495)	(650)
Impairment – inventory, fixed assets, doubtful debts	2(d)	(1,471)	(25)
Travel accommodation and meals		(803)	(459)
Research, development, licensing and patent costs		(1,123)	(825)
Promotional activity		(77)	(180)
Information technology		(402)	(403)
Personnel	2(d)	(9,114)	(9,094)
Depreciation & amortisation		(730)	(605)
Office expenses		(626)	(586)
Corporate		(4,307)	(3,314)
Foreign exchange gain/(loss)		(772)	(66)
Profit/(Loss) before income tax expense		**1,985**	**23,837**
Income tax (expense)/benefit	3(a)	(1,519)	(7,322)
Profit/(Loss) after income tax expense		**466**	**16,515**
Other Comprehensive Income – that may later emerge in the Profit and Loss Statement			
Exchange differences taken to reserves in equity – translation of overseas entities	17	542	484
Other Comprehensive Income – that will not emerge in the Profit and Loss Statement			
Movement in actuarial assessments	17	(461)	2,806
Total Comprehensive Income		**548**	**19,805**

	Note	12 months to 31 Dec 2023 cents per share	12 months to 31 Dec 2022 cents per share
Profit/(Loss) after income tax expense for the year			
Members of the parent entity – Basic (cents per share)	19	0.6	21.5
Members of the parent entity – Diluted (cents per share)	19	0.5	19.7

Consolidated Balance Sheet

as at 31 December 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Current assets			
Cash and cash equivalents	25(d)	13,136	11,259
Trade & other receivables	6	16,043	24,797
Inventory	7	32,805	35,928
Other	8	532	2,017
Total current assets		**62,516**	**74,001**
Non-current assets			
Other receivables	9	307	334
Property, plant & equipment	10	17,786	17,099
Deferred tax asset	3(c)	1,582	1,830
Intangibles	11	2,977	3,059
Total non-current assets		**22,652**	**22,322**
TOTAL ASSETS		**85,168**	**96,323**
Current liabilities			
Trade & other payables	12	6,751	12,026
Bank borrowings	13	4,418	9,295
Provisions	14	6,691	9,259
Total current liabilities		**17,860**	**30,580**
Non-current liabilities			
Other payables		221	254
Bank borrowings	13	–	-
Provisions	15	10,440	9,360
Total non-current liabilities		**10,661**	**9,614**
TOTAL LIABILITIES		**28,521**	**40,195**
NET ASSETS		**56,647**	**56,129**
Equity attributable to members of MGL			
Share capital	16	59,524	59,174
Reserves	17	15,255	15,554
Accumulated (losses)/profits	18	(18,133)	(18,599)
Total equity		**56,647**	**56,129**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Share Capital Ordinary $'000	Retained Earnings $'000	Profits Reserve $'000	Foreign Currency Translation Reserve $'000	Capital Reserve $'000	Actuarial Reserve $'000	Expired Options Reserve $'000	Employee Share Issue Reserve $'000	Total Equity $'000
Balance 1-Jan-22	**58,918**	**(27,796)**	**–**	**3,766**	**2,750**	**(3,373)**	**1,637**	**373**	**36,275**
Profit/(Loss) attributable to members of parent entity	–	16,515	–	–	–	–	–	–	16,515
Transfer to Profits Reserve	–	(7,317)	7,317	–	–	–	–	–	–
Dividends	–	–	(460)	–	–	–	–	–	(460)
Comprehensive income	–	–	–	484	–	2,806	–	–	3,290
Issue of shares (net)	256	–	–	–	–	–	–	253	509
Balance 31-Dec-22	**59,174**	**(18,599)**	**6,857**	**4,250**	**2,750**	**(567)**	**1,637**	**627**	**56,129**
Balance 1-Jan-23	**59,174**	**(18,599)**	**6,857**	**4,250**	**2,750**	**(567)**	**1,637**	**627**	**56,129**
Profit/(Loss) attributable to members of parent entity	–	466	–	–	–	–	–	–	466
Transfer between Reserves	–	–	–	–	–	–	490	(490)	–
Dividends	–	–	(935)	–	–	–	–	–	(935)
Comprehensive income	–	–	–	542	–	(461)	–	–	82
Issue of shares (net)	350	–	–	–	–	–	–	555	905
Balance 31-Dec-23	**59,524**	**(18,133)**	**5,922**	**4,793**	**2,750**	**(1,028)**	**2,127**	**691**	**56,647**

Note: Amounts transferred to the Profits Reserve characterise profits available for distribution as dividends in future years and reflects the amounts transferred by individual entities in the Group. Therefore it is not equivalent to Consolidated Group profit.

Consolidated Cash Flow Statement

for the year ended 31 December 2023

	Note	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Cash flows from operating activities			
Profit before taxation		**1,985**	**23,837**
Adjustments for:			
– Non-cash equity expense		555	253
– Depreciation & amortisation		2,990	2,776
– Foreign currency effects		1,281	1,303
– Other non-cash items		(666)	(139)
Cash generated from/(utilised in) underlying operating activities		**6,145**	**28,030**
Movement in working capital balance sheet accounts			
– Trade receivables and other current assets		10,727	2,352
– Inventory		3,790	(11,537)
– Trade payables and other current liabilities		(5,297)	(5,191)
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets		**15,365**	**13,654**
– Net Interest paid		(271)	(632)
– Income tax paid		(3,698)	(2,276)
Cash generated from/(utilised in) operating activities		**11,396**	**10,746**
Cash flows from investing activities			
Net cash out on purchase/disposal of property, plant & equipment		(3,823)	(1,891)
Group information technology software		(143)	(20)
Security deposits		(68)	151
Other		38	(16)
Net cash provided by/(used in) investing activities		**(3,996)**	**(1,776)**
Cash flows from financing activities			
Dividends paid		(563)	(191)
Proceeds from borrowings	2(e)	5,375	19,387
Repayment of borrowings	2(e)	(10,116)	(21,252)
Cashflow from leasing activities	2(e)	(219)	(284)
Other		(21)	(13)
Net cash provided by financing activities		**(5,544)**	**(2,353)**
Net increase/(decrease) in cash and cash equivalents		**1,856**	**6,617**
Foreign exchange effects on total cash flow movement		**21**	**7**
Cash and cash equivalents at the beginning of the reporting period	25(d)	**11,259**	**4,636**
Cash and cash equivalents at the end of the reporting period	25(d)	**13,136**	**11,259**

Notes to the Financial Statements

for the year ended 31 December 2023

1. Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The audited accounts were authorised for issue by the Directors on 27 February 2024. The Group has assessed that there are no new standards with a material impact to be adopted with a date of initial application of 1 January 2023.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical cost, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounts are prepared on a going concern basis. The Group, having made appropriate enquiries have a reasonable expectation that Magontec Limited has adequate resources to continue in operational existence for the foreseeable future.

Changes in Significant Accounting Policies

There were no changes in significant accounting policies during the period.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, at call and on deposit.

b. Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions by the Group to superannuation plans on behalf of Australian employees and other defined contribution payments on behalf of employees are expensed when incurred.

Provision is made for any long term defined benefit pension obligations the Group has to employees in foreign jurisdictions. The required amount of the provision is actuarially assessed having regard to such matters as future interest rates, the date at which pension payments might commence and the likely period over which pensions may be paid.

c. Financial Assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost less any allowance for impairment. Other financial assets are classified into the following categories in accordance with AASB 9 Financial Instruments being 'amortised cost', 'fair value through profit or loss' and ' fair value through other comprehensive income'. The classification depends on the nature and purpose of the financial asset.

Receivables

Trade receivables and other receivables are recognised initially at their fair value and subsequently at amortised cost less impairment in accordance with the Expected Credit Loss method.

d. Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

e. Foreign Currency

Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items are translated at the exchange rate prevailing at the end of the reporting period. Non-monetary items measured at fair value are reported at the exchange rate prevailing at the date when the fair value was determined.

Notes to the Financial Statements

continued

1. Summary of Accounting Policies (continued)

Foreign Operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly.

Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

f. Goods and Services Tax and Value Added Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) or value added tax (VAT) for certain foreign jurisdictions, except where the GST or VAT is not recoverable from the relevant tax authority. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis. The GST or VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

g. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

h. Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability to the extent that it is unpaid.

Deferred Tax

Deferred tax assets and liabilities are ascertained based on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax Consolidation

The Parent Entity and all its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian tax consolidation legislation. Magontec Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the

Notes to the Financial Statements

continued

1. Summary of Accounting Policies (continued)

other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in the notes to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

i. Intangible Assets

Patents, Trademarks and Licences

Patents, trademarks and licences are recorded at cost of acquisition. Patents and trademarks have an indefinite useful life and are carried at cost. Carrying values are subject to impairment testing as outlined above.

Research and Development Costs

Expenditure on the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

j. Inventories

Inventory is measured at the lower of cost and net realisable value. Costs are assigned to inventory using a weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

k. Leases

Leases are recognised by recording a lease liability at inception and a corresponding "right of use" asset on the balance sheet. The lease liability is unwound over time, with each lease payment apportioned between an interest expense component and a principal reduction component. The right of use asset is depreciated over the useful life of the asset.

l. Non-current Assets Held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

m. Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

n. Presentation Currency

The presentation currency of the Group is Australian dollars.

o. Principles of Consolidation and Investments in Subsidiaries

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements.' A list of subsidiaries appears in the notes to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Similarly, any excess of the fair market value over the cost of acquisition is recognised as a discount upon acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

p. Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Useful life is determined having regard to the nature of the plant and equipment, the environment in which it operates (including geographical and climatic conditions) and an expectation that maintenance is conducted on a scheduled basis.

Notes to the Financial Statements
continued

1. Summary of Accounting Policies (continued)

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The assets' estimated useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Land & Buildings	4 - 60 years
Plant & Equipment	3 - 20 years

q. Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r. Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the consolidated entity has satisfied performance obligations in transferring to the buyer the significant risks and rewards of ownership of the goods. The Group's activities involve the sale and delivery of a variety of products including primary and recycled magnesium ingots, as well as both magnesium and titanium anodes.

As it relates to Magontec specifically, the timing of revenue recognition and satisfaction of performance obligations is determined with reference to the INCO shipping terms (e.g. FOB, CIF, DDP, DAP) that apply to each delivery. Invoices are issued and revenue is recognised at the point where the transfer of the significant risks and rewards of ownership of the goods are determined to have passed to the customer in line with this framework. For example, under FOB shipping terms, the Group recognises revenue at the point when goods have arrived at the port of departure and has received the bill of lading.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

s. Share-based Payments

Senior executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled Transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a binomial options pricing valuation model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's estimate of the number of equity instruments that will ultimately vest.

Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. Any additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled Transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

t. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in this note, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Notes to the Financial Statements

continued

1. Summary of Accounting Policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Material examples of management applying critical accounting judgements and key sources of estimation uncertainty include:

- valuation of Long Term Incentive Expenses;
- impairment assessments;
- actuarial assessment of future pension liabilities;
- value of trade debtors; and
- valuation of intellectual property acquired

u. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has not early adopted any of these standards.

2. Results from Operations

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
(a) Sales Revenue		
Metal	53,607	102,752
Anodes - Cathodic Corrosion Protection	48,750	55,848
	102,357	**158,600**
(b) Cost of Sales		
Metal	(49,285)	(82,292)
Anodes - Cathodic Corrosion Protection	(33,848)	(37,713)
	(83,133)	**(120,005)**
Gross Profit		
Metal	4,322	20,460
Anodes - Cathodic Corrosion Protection	14,902	18,135
	19,224	**38,595**
(c) Other Income in Comprehensive Income Statement		
Interest revenue	179	30
Government grants	643	224
Derivative market re-valuation	(37)	67
Gain/(Loss) on disposal of fixed assets	126	-
Compensation received including insurance	182	430
Write back of provisions	1,294	647
Other adjustments	295	51
	2,682	**1,450**

Notes to the Financial Statements
continued

2. Results from Operations (continued)

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
(d) Significant expenses in Comprehensive Income Statement (not detailed elsewhere)		
Personnel Costs		
Consultancies	(264)	(354)
Share based payments	(555)	(253)
Defined contribution payments recognised as an expense	(1,160)	(1,107)
Other staff payments	(7,135)	(7,380)
Total personnel costs	**(9,114)**	**(9,094)**
Director fees	(260)	(248)
Asset impairment expense		
Inventory write down expense	(1,251)	–
Fixed asset impairment expense	(200)	–
Write down of trade debtors	(20)	(25)
Total asset impairment expense	**(1,471)**	**(25)**

	31 Dec 2022 $'000	Cash Flows $'000	Non Cash incl FX $'000	31 Dec 2023 $'000
(e) Financing cash flows reconciliation				
Bank Borrowings	9,295	(4,741)	(136)	4,418
Lease liabilities	444	(219)	218	443
Total liabilities from financing activities	**9,739**	**(4,960)**	**82**	**4,861**

(f) Share-Based Payments

Executive LTI plan

Under the executive LTI plan, awards are made to executives and other key talent who have an impact on the Group's performance. LTI awards are delivered in the form of performance rights which vest into shares upon achievement of share price targets (market based) and or operational outcomes (non-market based).

For market based targets, the Board uses absolute total shareholder return (TSR) as the key performance measure.

The fair value of this scheme is recorded as an expense in the profit and loss statement. Refer to the Remuneration Report for further detail.

	31 Dec 2023 $'000	31 Dec 2022 $'000
(Expense)/Writeback recognised from equity-settled share-based payments	(555)	(253)
Total (Expense)/Writeback – share-based payments	**(555)**	**(253)**

Notes to the Financial Statements
continued

3. Income Taxes

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
(a) Income tax recognised in profit and loss		
Tax expense comprises:		
Current tax expense	(1,000)	(7,802)
Deferred tax expense		
Utilisation/(write down) of tax losses	52	46
Change in recognised deductible temporary differences	(571)	434
Subtotal deferred tax expense	(519)	480
Total tax expense	**(1,519)**	**(7,322)**
The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(Loss) from total operations before tax	**1,985**	**23,837**
Nominal Income tax benefit/(expense) calculated at 30%	(595)	(7,151)
Nominal tax benefit (expense) effected by:		
Adjusted for effect of tax rates in foreign jurisdictions	66	24
Tax effect - P & L items not assessable or deductible for tax purposes.	(340)	(766)
Adjustments - changes in deductible temporary differences, tax losses	(650)	571
Actual tax benefit/(expense)	**(1,519)**	**(7,322)**

	12 months to 31 Dec 2023 $	12 months to 31 Dec 2022 $
(b) Income tax amounts recognised in OCI		
Revaluation of defined benefit pension plan	(688)	4,188
Tax effect (expense)/benefit through OCI	**227**	**(1,382)**

	31 Dec 2023 $'000	31 Dec 2022 $'000
(c) Deferred Tax Asset		
Non-Current		
Timing differences	1,263	1,557
Carryforward tax losses	319	273
Total	**1,582**	**1,830**

Note: The Group has revenue losses in its PRC segment which have given rise to a deferred tax asset as at 31 December 2023. The utilisation of these losses in the PRC is subject to a 5 year time limit.

Notes to the Financial Statements

continued

3. Income Taxes (continued)

Tax Consolidation

The parent Company and its wholly-owned Australian subsidiary (AMT) have formed a tax-consolidated group with effect from 1 February 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Magontec Limited.

The members of the tax-consolidated group are identified at Note 22.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group ensure that inter-company transactions are conducted at fair market value and at arm's length.

Magontec Limited has not entered into a tax funding arrangement or tax sharing agreement with AMT.

	Consolidated Parent Entity	
	31 Dec 2023 $'000	31 Dec 2022 $'000
(d) Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Australian Tax Consolidated Group		
Deferred Tax Asset (DTA) on pre-tax consolidation revenue losses	81,581	81,581
DTA on post-tax consolidation revenue losses*	38,453	37,736
DTA on capital losses	29,019	29,019
Sub Total Australian Tax Consolidated Group	**149,053**	**148,336**
These are based on the following tax losses:		
Aust consolidated group Tax losses – revenue pre-tax consolidation	271,936	271,936
Aust consolidated group Tax losses – revenue post-tax consolidation*	128,177	125,786
Aust consolidated group Tax losses – capital	96,732	96,732
Consolidated Group Total	**496,845**	**494,454**

* The 31 December 2022 numbers were updated subsequent to the release of the 2022 Annual Report following the finalisation of the Tax Return for the Australian Tax Consolidated Group.

The benefit from the Australian deferred tax asset in respect of unused tax losses will only be obtained if:

a. the tax consolidated group derives future Australian assessable income of a nature and amount sufficient to enable the benefits to be realised;
b. the consolidated group continues to comply with the conditions for deductibility imposed by the tax law; and
c. no changes in tax legislation adversely affect the consolidated group in realising the benefit of the losses.

No deferred tax asset has been brought to account as an asset for the Australian Tax Consolidated Group because it is not probable that taxable profit will be available against which such an asset could be utilised.

Unused tax losses incurred after the formation of the former Advanced Magnesium Limited (the former name of Magontec Limited) consolidated group are $128.2 million. These losses will be fully available to offset future taxable income to the extent MGL continues to satisfy the loss integrity rules (i.e. Continuity of Ownership Test and Same Business Test).

Based on testing performed by MGL and its advisors, these losses should satisfy the loss integrity rules as at 31 December 2023.

Unused tax losses incurred prior to the formation of the former Advanced Magnesium Limited (the former name of Magontec Limited) consolidated group were $271.9 million. These losses will be subject to restricted use (Available Fraction rules).

These restrictions on use are in addition to the loss integrity rules. Broadly, the Available Fraction rules limit the amount of losses that can be used each year by applying the following formula:

Available Fraction x Taxable income for year = Pre consolidation losses available for use for year

Notes to the Financial Statements

continued

3. Income Taxes (continued)

Based on testing performed by MGL and its advisors, MGL's pre consolidation losses should satisfy the loss integrity rules at 31 December 2023 subject to further testing and continued compliance with loss integrity rules. No detailed Available Fraction calculations have been performed as at 31 December 2023, however it is unlikely that the Available Fraction applying to pre-consolidation tax losses will be greater than 0.2.

The Australian tax consolidated entity has not paid income tax up to 31 December 2023 and neither is any assessment expected to be received which will result in a tax liability for the period to 31 December 2023. Accordingly, there are no franking credits available for distribution in the year ended 31 December 2023.

Tax outside of Australian tax consolidation regime

The Group has overseas entities which are not subject to Australian tax consolidation and are therefore not sheltered by Australian tax losses. Those entities may incur income tax based on local corporate tax law and are subject to the local jurisdiction.

4. Key Management Personnel Remuneration

The aggregate compensation of the key management personnel of the Group is set out below:

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Short term employee benefits	1,844	2,292
Post-employment benefits	98	93
Motor vehicle	16	15
Equity based payment	429	194
Total Remuneration KMP	**2,387**	**2,595**

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

5. Remuneration of Auditors

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Group auditor		
– Audit or review of the financial report	100	109
– Accounting/taxation services	9	8
Auditors of subsidiaries		
– Audit or review of the financial reports	81	80
– Accounting/taxation services	57	37
	247	**234**

The auditor of Magontec Limited is Camphin Boston Chartered Accountants. Magontec GmbH, Magontec Xi'an Co Limited, Magontec Qinghai Co Limited and Magontec Romania are all audited by local auditors who supply information as requested by the Group Auditor Camphin Boston.

Notes to the Financial Statements

continued

6. Current Trade and Other Receivables

	31 Dec 2023 $'000	31 Dec 2022 $'000
Trade receivables [1]	10,381	18,324
Allowance for doubtful debts	(342)	(658)
	10,039	**17,666**
Net GST/VAT recoverable	314	225
Security deposits	72	-
Notes and other receivables due to operating entities [2]	5,591	6,847
Derivative Fair Value	27	60
	6,004	**7,131**
Total receivables	**16,043**	**24,797**

(1) Trade receivables represent 37.0 days sales at 31 Dec 23 (42.2 days sales at 31 Dec 22)

(2) Notes receivable are issued by customers and their banks as consideration for services provided and can be redeemed prior to maturity for cash at a discount. These notes are limited to a 6-month term. Refer also to Note 25(j) for further detail.

7. Current Inventories

	31 Dec 2023 $'000	31 Dec 2022 $'000
Inventory of finished goods at cost	12,348	16,667
Provision for inventory loss	(1,573)	(179)
Net value of finished goods inventory	10,775	16,488
Raw materials	13,397	13,016
Work in progress	8,633	6,424
Current inventories at net realisable value	**32,805**	**35,928**

8. Other Current Assets

	31 Dec 2023 $'000	31 Dec 2022 $'000
Other prepayments	532	2,017
	532	**2,017**

9. Non Current Trade and Other Receivables

	31 Dec 2023 $'000	31 Dec 2022 $'000
Pension asset	304	332
Security deposits and prepayments	3	2
	307	**334**

Notes to the Financial Statements

continued

10. Property Plant & Equipment

	Capital WIP $'000	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Gross carrying amount				
Balance at 1 January 2022	**651**	**19,254**	**38,495**	**58,399**
Additions	52	209	1,678	1,939
Adjustments, reclassifications, right of use additions	(50)	(1)	214	163
Disposals and write offs	–	(10)	(562)	(572)
Net foreign currency exchange differences	(12)	49	(226)	(190)
Balance at 31 December 2022	**641**	**19,500**	**39,599**	**59,740**
Additions	1,105	36	2,833	3,974
Transfer from CWIP to PP&E	(724)	–	724	–
Adjustments, reclassifications, right of use additions	679	(139)	(814)	(274)
Impairment	(186)	(5)	–	(191)
Disposals	(84)	(3)	(5,272)	(5,359)
Net foreign currency exchange differences	(15)	340	228	553
Balance at 31 December 2023	**1,417**	**19,729**	**37,298**	**58,443**
Accumulated depreciation/amortisation and impairment				
Balance at 1 January 2022	**-**	**11,950**	**28,696**	**40,646**
Disposals	-	(3)	(57)	(59)
Write offs	-	–	(449)	(449)
Adjustments and reclassifications	–	–	16	16
Depreciation expense	-	574	2,006	2,579
Net foreign currency exchange differences	-	23	(114)	(91)
Balance at 31 December 2022	**-**	**12,544**	**30,097**	**42,641**
Disposals	-	-	(5,072)	(5,072)
Write offs	-	–	(174)	(174)
Adjustments and reclassifications	-	-	(2)	(2)
Depreciation expense	-	583	2,176	2,758
Net foreign currency exchange differences	-	225	282	506
Balance at 31 December 2023	**-**	**13,351**	**27,306**	**40,657**
Net Book Value As at 31 Dec 22	**641**	**6,957**	**9,502**	**17,099**
Net Book Value As at 31 Dec 23	**1,417**	**6,378**	**9,992**	**17,786**

During the year to 31 December 2023 significant progress was made by QSLM in its remediation of the Pure Mg facility that is set to supply the Magontec Qinghai Plant.

However, at balance date this was not complete and thus indicators of impairment remain present at the Magontec China Metals CGU due to the lack of supply from QSLM and associated losses with using more expensive outsourced pure Magnesium.

Accordingly, the PRC Metals CGU (which includes the value of the plant and equipment located at Qinghai) was tested for impairment at balance date as required by AASB 136. The recoverable amount was estimated based on its value in use.

The value in use of the Magontec China Metals Segment was determined using forward projections drawing upon both the Group's extensive experience in operating similar assets and the contractual agreements with QSLM. To reflect conservatism, the volumes assumed in the value in use calculation were substantially below the target capacity of the Magontec Qinghai facility. Profitability assumptions were also similarly reduced to below target levels that the Group believes are reasonably achievable.

Notes to the Financial Statements

continued

10. Property Plant & Equipment (continued)

The value in use calculation started with a Base Scenario which assumed a pre-tax discount rate of 8.6% (2022: 8.9%), a zero growth rate beyond year 5 and a terminal decline rate of -3.0% (2022: -4.7%) upon expiry of the known term of the contractual arrangements with QSLM.

Following this, the Group used the Expected Cashflow Approach whereby a probability weighted analysis of possible expected cashflow scenarios surrounding this Base Scenario ranging from most pessimistic to most optimistic was compiled to arrive at the final value in use estimate used to obtain an estimate of the Recoverable Amount.

As the Recoverable Amount determined on this basis was higher than the carrying value of the PRC Metals CGU, no impairment expense was recorded during the year ended 31 December 2023.

11. Intangibles

	Indefinite Life [1] $'000	Finite Life $'000	Total $'000
Gross carrying amount			
Balance at 31 Dec 2022	**2,800**	**2,449**	**5,249**
Net foreign currency exchange differences	-	70	70
Additions	-	143	143
Balance at 31 Dec 2023	**2,800**	**2,662**	**5,462**
Accumulated depreciation/amortisation and impairment			
Balance at 31 Dec 2022	**-**	**2,189**	**2,189**
Depreciation/amortisation expense	-	232	232
Net foreign currency exchange differences	-	64	64
Balance at 31 Dec 2023	**-**	**2,485**	**2,485**
Net Book Value As at 31 Dec 22	**2,800**	**259**	**3,059**
Net Book Value As at 31 Dec 23	**2,800**	**177**	**2,977**

Note 1 - Indefinite Life Intangible Assets - Patents in relation to "AE44" and "Correx".

The indefinite life intangible assets comprise the patents over the "AE" alloys and the "Correx" anode system. Both products enjoy technical superiority over possible alternatives and continue to earn high margins. In testing this asset for impairment, an average discount rate of 9.52% (2022: 8.65%) to management cash flow forecasts was applied. A zero growth rate has been assumed over the initial 5 year period, with an average terminal decline rate of 5% (2022:11.1%) per annum thereafter. The value in use was found to be in excess of the carrying amount and thus no impairment loss was recorded during the year ended 31 December 2023.

12. Current Trade and Other Payables

	31 Dec 2023 $'000	31 Dec 2022 $'000
Trade creditors [1]	5,131	7,841
Other creditors and accruals	1,620	4,185
	6,751	**12,026**

(1) Trade creditors represent 22.5 days cost of goods sold at 31 Dec 23 (23.8 days cost of goods sold at 31 Dec 22)

Notes to the Financial Statements

continued

13. Borrowings

	Notes	31 Dec 2023 $'000	31 Dec 2023 Maturity Date	31 Dec 2023 Interest pa	31 Dec 2022 $'000	31 Dec 2022 Maturity Date	31 Dec 2022 Interest pa
Bank & Institutional Borrowings							
Magontec GmbH (Bank Loan) (1)	25(i)	-	30-Nov-26	5.49%	-	30-Nov-23	3.68%
Magontec GmbH (Bank Loan) (1)	25(i)	–	31-Dec-23	1.85%	788	31-Dec-23	1.85%
Magontec GmbH (Factoring Facility) (3)		528	28-Feb-25	5.14%	1,203	28-Feb-25	3.33%
Magontec SRL (Working Capital Facility) (2)		1,312	28-Feb-24	7.34%	1,923	28-Feb-23	8.31%
Magontec Xi'an Limited (Bank Loan)		3,106	06-Jun-24	3.00%	6,584	12-Jun-23	3.18%
Total Bank Borrowings		**4,946**			**10,498**		
Current Borrowings							
Bank borrowings as above (excluding factoring facility)		4,418	Various		9,295	Various	
Total Current Borrowings		**4,418**			**9,295**		
Non-Current Borrowings							
Bank borrowings as above		–		–	–		
Total Non-Current borrowings		**–**			**–**		

(1) These borrowings are secured by a charge over MAB's trade debtors to the extent of €612,000 ($993,000) and inventory of €4,878,000 ($7,914,000) plus land & buildings.

(2) These borrowings are secured by a charge over MAR's trade debtors and inventory to the extent of RON25,630,000 ($8,378,000) plus land & buildings. Subsequent to balance date, this facility was renewed through to 28 February 2025.

(3) This factoring facility is set off against trade debtors, and thus is not shown in 'Borrowings' on the balance sheet.

14. Current Provisions

	31 Dec 2023 $'000	31 Dec 2022 $'000
Provision for annual & long service leave and employee costs	650	548
Provision for income tax payable	5,448	7,963
Other current provisions	593	716
Provision for loss on FX hedges and interest rate swaps	–	32
Total	**6,691**	**9,259**

15. Non-Current Provisions

	31 Dec 2023 $'000	31 Dec 2022 $'000
Provision for defined benefit pension obligation	10,048	9,024
Other provisions	392	337
Total	**10,440**	**9,360**

Notes to the Financial Statements
continued

15. Non-Current Provisions (continued)

Reconciliation of the defined benefit pension obligation

	Year Ended 31 Dec 2023 $'000	Year Ended 31 Dec 2022 $'000
Defined benefit obligation beginning of year	**9,024**	**13,111**
Current service cost	111	217
Interest cost	355	169
Total benefits paid – actual	(399)	(367)
Foreign currency exchange rate changes	269	83
Actuarial (gains)/ losses due to change of assumptions	688	(4,188)
Defined benefit obligation end of year	**10,048**	**9,024**

The extent of the Provision for the Defined Benefit Obligation is assessed annually based on actuarial calculations which take into account such matters as:

- number of participants in the plan;
- likely retirement salaries of participants in the pension plan;
- their life expectancy beyond retirement; and
- implied interest earnings on the extent of the fund

The defined benefit plan is an unfunded plan which has been provided to certain employees in the European business. Increasing interest rates will act to decrease the Provision. The converse is also true. A summary of the key assumptions underpinning the actuarial calculation and a sensitivity analysis is provided below.

Key actuarial assumptions used in calculation of the defined benefit obligation

	Year Ended 31 Dec 2023 $'000	Year Ended 31 Dec 2022 $'000
Discount rate	3.45%	3.90%
Expected salary increase per annum	2.75%	2.75%
Expected pension increase per annum	2.20%	2.20%

Key sensitivities of actuarial assumptions used in calculation of defined benefit obligation

	% chg	Year Ended 31 Dec 2023 $'000	Year Ended 31 Dec 2022 $'000
Discount rate (%)	+0.5%	(696)	(615)
	(0.5)%	785	692
Salary increase (%)	+0.5%	26	24
	(0.5)%	(25)	(23)
Pension increase (%)	+0.5%	613	541
	(0.5)%	(562)	(496)
Life expectancy (years)	+ 1 year	467	383

Notes to the Financial Statements

continued

16. Share Capital

	31 Dec 2023 $'000	31 Dec 2022 $'000
Opening balance of share capital attributable to members of MGL	**59,174**	**58,918**
Dividend Reinvestment Plan	372	269
Various costs associated with issue of shares	(21)	(13)
Share capital on issued ordinary shares 78,515,474 (2022: 77,521,835)	**59,524**	**59,174**

A reconciliation of the movement in fully paid ordinary shares during the period is set out below.

	CONSOLIDATED/PARENT ENTITY			
	31 Dec 2023 No.	31 Dec 2023 $'000	31 Dec 2022 No.	31 Dec 2022 $'000
Fully paid ordinary shares				
Balance at beginning of financial year	77,521,835	59,174	76,729,210	58,918
Dividend reinvestment plan	993,639	372	792,625	269
Expenses of various issues	–	(21)	–	(13)
	78,515,474	**59,524**	**77,521,835**	**59,174**

During the year to 31 December 2023, the Group offered a Dividend Reinvestment Plan to shareholders, resulting in the issue of 993,639 new shares (2022: 792,625 new shares). Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Performance rights

Performance rights carry no rights to dividends and no voting rights until converted into ordinary shares.

Further details of the share-based payment schemes are contained in the Remuneration Report.

Total dividends distributed including both cash and shares issues for the 12 months to 31 December 2023	$935,000
Dividend amount per share (unfranked)	$0.012

In addition to the dividend declared of 0.6 cents per share (unfranked) with respect to the 6 months ended 30 June 2023, a further dividend amount of 0.6 cents per share (unfranked) has been declared with respect to the 6 months to 31 December 2023.

Notes to the Financial Statements

continued

17. Reserves

	31 Dec 2023 $'000	31 Dec 2022 $'000
Capital reserve		
Balance at beginning of financial year	2,750	2,750
Balance at end of financial year	**2,750**	**2,750**
Foreign currency translation reserve		
Balance at beginning of financial year	4,250	3,766
Movement in VHL Consolidated accounts	542	484
Balance at end of financial year	**4,793**	**4,250**
Actuarial Reserves		
Balance at beginning of financial year	(567)	(3,373)
Deferred tax assets	227	(1,382)
Employee pensions	(688)	4,188
Balance at end of financial year	**(1,028)**	**(567)**
Expired Options Reserve		
Balance at beginning of financial year	1,637	1,637
Movement in Expired Options Reserve	490	–
Balance at end of financial year	**2,127**	**1,637**
Share Issue Reserve		
Balance at beginning of financial year	627	373
Transfer to Expired Options Reserve	(490)	–
Fair value of performance rights issued for future periods	555	253
Balance at end of financial year	**691**	**627**
Profits Reserve		
Balance at beginning of financial year	6,857	–
Transfer to Profit Reserve	–	7,317
Dividends Paid	(935)	(460)
Balance at end of financial year	**5,922**	**6,857**
Total reserves	**15,255**	**15,554**
Other Comprehensive Income – that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	542	484
Movement in actuarial assessments	(461)	2,806
Total Other Comprehensive Income	**82**	**3,290**

Notes

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

The **foreign currency translation reserve** arises as 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 that needs to be recognised in "Other comprehensive income" (OCI) as well as movements attributable to the market value of derivatives and deferred tax assets where relevant.

The **profit reserve** represents profits from prior periods transferred into this reserve instead of against accumulated retained losses. This is in order to preserve their nature as being available for distribution as dividends in future years.

Notes to the Financial Statements
continued

18. Accumulated Losses

	31 Dec 2023 $'000	31 Dec 2022 $'000
Balance at beginning of financial year	(18,599)	(27,796)
Transfer to Profit Reserve during the financial year	-	(7,317)
Profit/(Loss) attributable to members of Magontec Limited	466	16,515
	(18,133)	**(18,599)**

19. Earnings/(Loss) Per Share

	12 months to 31 Dec 2023 cents per share	12 months to 31 Dec 2022 cents per share
Basic earnings/(loss) per share	0.6	21.5
Diluted earnings/(loss) per share	0.5	19.7

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Profit/(Loss) after income tax expense/benefit from continuing operations		
Members of the parent entity	466	16,515
Weighted average number of ordinary securities on issue (for basic earnings calculation)	**78,089,812**	**76,846,475**
Performance rights	8,435,052	7,047,063
Weighted average number of ordinary securities on issue (for diluted earnings calculation)	**86,524,864**	**83,893,539**

20. Contingent Assets and Liabilities

At 31 December 2023 a contingent liability exists in relation to the items below.

Claim Against MAS

A claim was made against the Magontec Suzhou company with respect to restoration costs on the property formerly occupied by this plant. The company does not believe there is a reasonable basis for this claim. Although a judgement was made against the company, the company continues to contest this matter.

Claim against MAB by Germany Tax Authority

During the year to 31 December 2021, the shares in the Group's German subsidiary Magontec GmbH were transferred from the Group's fully owned Cyprus subsidiary Varomet Holdings Limited to the Parent Company, Magontec Limited.

The Group received tax advice at the time of the transfer that this transaction would not be subject to German Real Estate Transfer Tax. Subsequently the amount of EUR 91,000 ($148,000) has been levied by the Germany Tax Authority.

The Group's advisers have lodged an appeal on the Group's behalf. The Group intends to contest the matter vigorously.

Notes to the Financial Statements
continued

21. Capital and Leasing Commitments

a. Right of use assets
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 on the balance sheet.

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

The movement in the right of use assets balance during the period is summarised below.

RIGHT OF USE ASSETS SUMMARY

	31 Dec 2023 $'000	31 Dec 2022 $'000
Opening balance	**449**	**502**
Add new leased assets	218	232
Depreciation charge	(232)	(288)
FX movements	13	3
Closing balance	**448**	**449**

b. Lease liabilities
The total lease liabilities recorded on the balance sheet are as follows:

	31 Dec 2023 $'000	31 Dec 2022 $'000
Lease liabilities recognised in the balance sheet		
Current	222	190
Non Current	221	254
Total lease liabilities recognised in the balance sheet	**443**	**444**

Interest charges and amounts recognised in interest payments in the cash flow statement during the period were as follows:

	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Amounts recognised in the profit and loss statement		
Interest charge on lease liabilities	15	14
Amounts recognised in the cash flow statement		
Total cash inflow/(outflow) for leases	(234)	(298)

c. Low value items
During the year to 31 December 2023, the expense relating to leases of low value was $27,000 (2022: $23,000)

d. Capital Expenditure Commitments
There are no material capital commitments for the Group as at 31 December 2023.

Notes to the Financial Statements
continued

22. Controlled Entities

a. Consolidated Controlled Entities

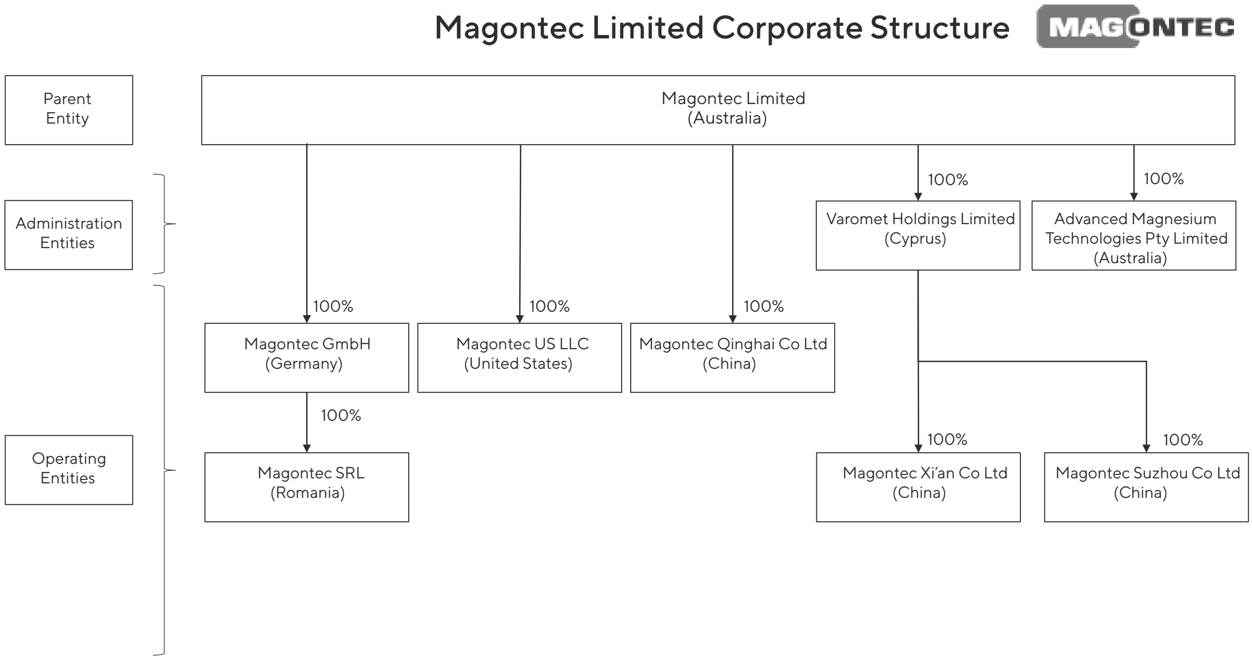
Name of entity	Ownership Entity	Country of Incorporation	Ownership interest 31 Dec 2023	Ownership interest 31 Dec 2022
Parent entity				
Magontec Limited [(a)]		Australia	100%	100%
Directly Controlled Subsidiaries Of Parent				
Advanced Magnesium Technologies Pty Ltd [(a)]	Magontec Limited	Australia	100%	100%
Magontec GmbH	Magontec Limited	Germany	100%	100%
Varomet Holdings Limited	Magontec Limited	Cyprus	100%	100%
Magontec Qinghai Co. Ltd.	Magontec Limited	China	100%	100%
Magontec US LLC	Magontec Limited	United States	100%	100%
AML China Ltd [(b)]	Magontec Limited	China	100%	100%
Indirectly Controlled Subsidiaries of Parent – Level 1				
Magontec SRL	Magontec GmbH	Romania	100%	100%
Magontec Xi'an Co Ltd.	Varomet Holdings Ltd	China	100%	100%
Magontec SuZhou Co Ltd	Varomet Holdings Ltd	China	100%	100%

(a) Entities included in the Australian tax consolidated Group.
(b) Dormant from 30 June 2012

Notes to the Financial Statements
continued

22. Controlled Entities (continued)

b. Corporate Structure as at 31 December 2023



c. Acquisition of Controlled Entities
There were no acquisitions of controlled entities made during the relevant period.

d. Disposal of Controlled Entities
There were no disposals of controlled entities made during the relevant period.

23. Segment Information

Identification of reportable segments
The consolidated entity comprises the entities as described in Note 22.

In respect of the period to 31 December 2023, segment information is presented in respect of the three main departments within the Group.

- 'Admin Units' = Magontec administrative entities performing a Head Office function comprising –
  Magontec Limited (Australia), Advanced Magnesium Technologies Pty Limited (Australia), Varomet Holdings Limited (Cyprus)
- 'EUR' = Magontec operating entities in Europe comprising –
  Magontec GmbH (Germany), Magontec SRL (Romania), Magontec LLC (United States)
- 'PRC' = Magontec operating entities in the People's Republic of China comprising –
  Magontec Xi'an Co. Ltd. (China), Magontec Qinghai Co. Ltd. (China), Magontec Suzhou Co. Ltd. (China)

Types of products and services
The principal operating activities comprise:

- Magnesium alloy production
- Magnesium alloy recycling
- Manufacture of cathodic corrosion protection products

Accounting policies and inter-segment transactions
The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts. Magontec GmbH (Bottrop, Germany) is the entity through which alloy production at Magontec Qinghai Co Limited (Golmud) is sold in Europe. The segment data below is presented net of intergroup transactions (other than sales).

Notes to the Financial Statements

continued

23. Segment Information (continued)

Statement of Comprehensive Income

	12 months to 31 December 2023				12 months to 31 December 2022			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL
Sale of goods	–	58,017	44,380	102,397	–	96,433	63,037	159,469
Less Inter-company sales				(40)				(869)
Net Sales	**-**	**58,017**	**44,380**	**102,357**	**-**	**96,433**	**63,037**	**158,600**
Cost of sales	–	(41,999)	(41,174)	(83,173)	–	(62,134)	(58,740)	(120,874)
Less Inter-company sales				40				869
Net Cost of Sales	**-**	**(41,999)**	**(41,174)**	**(83,133)**	**-**	**(62,134)**	**(58,740)**	**(120,005)**
Gross Profit	**-**	**16,018**	**3,206**	**19,224**	**-**	**34,298**	**4,296**	**38,595**
Other income	3	1,777	902	2,682	–	1,197	252	1,450
Interest expense	–	(319)	(176)	(495)	(1)	(294)	(356)	(650)
Impairment - inventory, fixed assets, doubtful debts	(1)	(1,270)	(200)	(1,471)	–	(25)	–	(25)
Travel accommodation and meals	(162)	(417)	(225)	(803)	(95)	(239)	(125)	(459)
Research, development, licensing and patent costs	(5)	(423)	(695)	(1,123)	(10)	(377)	(438)	(825)
Promotional activity	–	(77)	–	(77)	–	(180)	–	(180)
Information technology	(25)	(299)	(78)	(402)	(19)	(319)	(66)	(403)
Personnel	(1,550)	(6,099)	(1,464)	(9,114)	(1,611)	(5,764)	(1,719)	(9,094)
Depreciation & amortisation	–	(681)	(49)	(730)	(27)	(522)	(56)	(605)
Office expenses	(82)	(264)	(279)	(626)	(70)	(270)	(245)	(586)
Corporate and other	(750)	(2,876)	(680)	(4,307)	(676)	(2,002)	(637)	(3,314)
Foreign exchange gain/(loss)	(42)	(457)	(274)	(772)	130	28	(224)	(66)
Profit/(Loss) before income tax expense	**(2,615)**	**4,612**	**(12)**	**1,985**	**(2,379)**	**25,532**	**684**	**23,837**
Income tax expense	–	(1,506)	(13)	(1,519)	–	(7,365)	44	(7,322)
Profit/(Loss) after income tax expense	**(2,615)**	**3,106**	**(25)**	**466**	**(2,379)**	**18,167**	**728**	**16,515**
Other Comprehensive Income								
Movement in actuarial assessments	–	(461)	–	(461)	–	2,806	–	2,806
FX differences taken to Reserves – translation of overseas entities	88	923	(468)	542	9	824	(350)	484
Total Comprehensive Income	**(2,527)**	**3,568**	**(494)**	**548**	**(2,370)**	**21,797**	**378**	**19,805**

Notes to the Financial Statements
continued

23. Segment Information (continued)

Statement of Comprehensive Income (continued)

	12 months to 31 December 2023				12 months to 31 December 2022			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL
Segment Disclosures								
Segment assets	3,229	48,020	33,919	85,168	3,562	54,152	38,609	96,323
Segment liabilities	814	20,937	6,770	28,521	987	27,962	11,245	40,195
Segment net assets	**2,415**	**27,083**	**27,149**	**56,647**	**2,575**	**26,190**	**27,364**	**56,129**
Acquisition of segment fixed assets	–	2,285	1,538	3,823	–	1,638	301	1,939
Non-cash share based payments expense	247	170	138	555	115	76	62	253
Provisioning								
- Inventory Increase/(Decrease)	–	1,394	–	1,394	–	(364)	–	(364)
- Doubtful debts Increase/(Decrease)	–	(316)	–	(316)	–	352	–	352

24. Related Party Disclosures

a. Equity interests in related parties

Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

b. Transactions with Key Management Personnel including Loans

Details of KMP compensation are disclosed in Note 4 to the financial statements and in the Remuneration Report.

c. Group Entity

The parent entity is Magontec Limited. Members of the group are set out in Note 22. Transactions during the financial year between group entities included:

- Investment in controlled entities;
- Repayment of interest free funds from controlled entities to the parent entity; and
- Incurring expenditure on behalf of other entities for office rental and related costs, travel costs, seconded employees and other sundry costs.

The entity is fully reimbursed for these costs on an actual cost basis.

d. Transactions with Related Parties apart from Directors and Key Management Personnel

		Sales to Related Parties $'000	Purchases from Related Parties $'000	Amounts owed by Related Parties $'000	Amounts owed to Related Parties $'000
Entity with significant influence					
Qinghai Salt Lake Magnesium Co. Ltd	**2023**	–	–	–	–
	2022	–	–	–	–

Nature of related party transactions with Qinghai Salt Lake Magnesium Co. Ltd

During the year, there were no purchases from Qinghai Salt Lake Magnesium Co. Ltd. (QSLM), the largest shareholder of Magontec Limited as at the balance date.

Outstanding balances owing to QSLM are unsecured and are on an interest free basis. Settlement occurs in cash, with no guarantees provided for any related party receivable or related party payable balance outstanding between the parties.

Notes to the Financial Statements

continued

25. Financial Instruments

AASB 9 – classification and measurement of financial assets and financial liabilities

AASB 9 provides three categories for classification of financial assets, being amortised cost, fair value through other comprehensive income and fair value through profit and loss. This is assessed in accordance with the contractual cash flows and nature of the underlying asset. The table below summarises the classifications under AASB 9.

The main financial impact of adopting AASB 9 related to the application of the impairment of trade receivables arising from Lifetime Expected Credit Losses as can be seen below. The Group did not apply hedge accounting to derivatives during the reporting period.

	Category per AASB 9	Fair value hierarchy where applicable*
Financial assets:		
Cash and cash equivalents	Amortised cost	Not applicable
Trade & other receivables	Amortised cost	Not applicable
Other	Amortised cost	Not applicable
Financial liabilities:		
Trade & other payables	Other financial liabilities	Not applicable
Current Bank Borrowings	Other financial liabilities	Level 2
Non-Current Bank Borrowings	Other financial liabilities	Level 2

* Fair value information is not provided where carrying amounts are assumed to be a reasonable approximation of fair value.

AASB 9 – Impairment of Financial Assets

The Group adopts an "Expected Credit Loss" model to assess impairment of financial assets. The Group has elected to apply the practical expedient with respect to impairment losses on trade receivables with the use of a provision matrix which takes into account historical bad debt losses as well as estimates of future losses where considered material. More detail is provided in the credit risk section below.

(a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the potential future return to stakeholders through the development and marketing of the Group's technologies and its production facilities.

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Note 16, Note 17 and Note 18 respectively and debt funding provided by Chinese and European banks (Note 13).

The Group's main financial risk management issues are ensuring the integrity of debtors, planning for production capacity expansion in China and continued availability of debt funding. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades.

None of the Group's entities are subject to externally imposed capital requirements.

(b) Financial risk management objectives

The magnesium alloy industry operates with a disparity of trade terms on the purchase of production inputs and the sale of output. The Group's senior management effort is aimed at firstly, arranging funding for working capital and secondly, negotiating with purchasers and buyers the best available terms.

The Group's senior management team co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group in line with the Group's policies. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Notes to the Financial Statements
continued

25. Financial Instruments (continued)

(c) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(d) Categories and maturity profile of financial instruments and interest rate risk
The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2023.

31 December 2023	Notes	Weighted average effective interest rate %	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents		2.46%	4,998	-	8,138	13,136
Trade & other receivables (net of provision for loss)		-	-	-	16,043	16,043
Other		-	-	-	532	532
			4,998	**-**	**24,713**	**29,711**
Financial liabilities:						
Trade & other payables		-	-	-	6,751	6,751
Current Bank Borrowings	13	4.38%	4,946	-	-	4,946
Non-Current Bank Borrowings	13	-	-	-	-	-
			4,946	**-**	**6,751**	**11,697**

The following table details the consolidated entity's exposure to interest rate risk as at 31 December 2022.

31 December 2022	Notes	Weighted average effective interest rate %	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents		0.37%	6,838	-	4,421	11,259
Trade & other receivables (net of provision for loss)		-	-	-	24,797	24,797
Other		-	-	-	2,017	2,017
			6,838	**-**	**31,235**	**38,073**
Financial liabilities:						
Trade & other payables		-	-	-	12,026	12,026
Current Borrowings	13	4.22%	10,498	-	-	10,498
Non-Current Borrowings	13	-	-	-	-	-
			10,498	**-**	**12,026**	**22,525**

Notes to the Financial Statements

continued

25. Financial Instruments (continued)

(e) Market risk

Refer comments under headings a and b of Note 25.

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(g) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(h) Foreign currency risk management

The Group has exposure to four main currencies – the United States Dollar (USD), the Euro (EUR), the Chinese Yuan (RMB) and the Romanian Leu (RON). The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Foreign Currency Monetary Assets & Liabilities Table			
	Assets		Liabilities	
	31 Dec 2023 $'000	31 Dec 2022 $'000	31 Dec 2023 $'000	31 Dec 2022 $'000
Foreign currency monetary assets and liabilities				
Cash and cash equivalents	13,058	11,091		
Trade and other receivables	16,045	27,900		
Other non-current receivables	304	332		
Trade and other payables			7,151	11,712
Provisions			16,536	18,135
Borrowings			4,418	9,295
Other				
Other net assets and liabilities	55,761	57,000	416	1,052
Total	**85,168**	**96,323**	**28,521**	**40,195**

The Group undertakes sales transactions denominated in RMB, USD and EUR and incurs manufacturing input costs denominated in EUR, RMB and RON. Additionally certain Head Office overheads are incurred in AUD and the Group reports in AUD. The objective is to centralise treasury risk and cash management so that foreign exchange risk washes through to a single point.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and 10% decrease in relevant foreign currency monetary items against the Australian Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates over the medium term. The sensitivity analysis includes foreign currency monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Notes to the Financial Statements

continued

25. Financial Instruments (continued)

A positive number in the table below indicates an increase in profit or a decrease in loss and other equity where the foreign currency strengthens against the Australian dollar. A negative number in the table below indicates a decrease in profit or an increase in loss and other equity where the foreign currency weakens against the Australian dollar.

	Notes	31 Dec 2023 $'000	31 Dec 2022 $'000
		USD impact	
Effect on Profit/Loss and other equity of a 10% increase in USD rate	(i)	533	1,209
Effect on Profit/Loss and other equity of a 10% decrease in USD rate		(533)	(1,209)
		EUR impact	
Effect on Profit/Loss and other equity of a 10% increase in EUR rate	(ii)	(713)	(1,526)
Effect on Profit/Loss and other equity of a 10% decrease in EUR rate		713	1,526
		RMB impact	
Effect on Profit/Loss and other equity of a 10% increase in RMB rate	(iii)	534	634
Effect on Profit/Loss and other equity of a 10% decrease in RMB rate		(534)	(634)
		RON impact	
Effect on Profit/Loss and other equity of a 10% increase in RON rate	(iv)	(224)	(300)
Effect on Profit/Loss and other equity of a 10% decrease in RON rate		224	300

A positive number in the above table represents a reduction in the operating profit/loss and or other equity

(i) Exposure to USD is represented by net monetary assets of USD 3.6 million as at 31-Dec-23 (Net monetary assets of USD 8.2 million as at 31-Dec-22)
(ii) Exposure to EUR is represented by net monetary liabilities of EUR 4.4 million as at 31-Dec-23 (Net monetary liabilities of EUR 9.7 million as at 31-Dec-22)
(iii) Exposure to RMB is represented by net monetary assets of RMB 25.8 million as at 31-Dec-23 (Net monetary assets of RMB 29.9 million as at 31-Dec-22)
(iv) Exposure to RON is represented by net monetary liabilities of RON 6.8 million as at 31-Dec-23 (Net monetary liabilities of RON 9.4 million as at 31-Dec-22)

Derivatives and hedging

The Group engages in foreign exchange hedges primarily to manage risks associated with its USD receivables and securing the EUR-USD rate on real metal purchases of pure magnesium. The gains and losses on the market value of these hedges are recognised directly in the profit and loss statement. There were no open FX hedges as at 31 December 2023.

	Notes	Carrying value $'000	Market value $'000	Cash flow due within 1 year $'000	Cash flow due after 1 year $'000
31 December 2023					
FX hedges	6	–	–	–	–
Interest rate swaps	6	27	27	–	27
31 December 2022					
FX hedges	6	60	(32)	(32)	–
Interest rate swap	14	(32)	59	–	59

Notes to the Financial Statements
continued

25. Financial Instruments (continued)

The sensitivity of FX and interest rate hedges to a 10% movement in the relevant exchange rate is outlined below:

	AUD impact of change	
	31 Dec 2023 $'000	31 Dec 2022 $'000
FX hedges		
Sensitivity to +10% change in USD EUR rate	-	438
Sensitivity to -10% change in USD EUR rate	-	(438)
Interest rate swaps		
Sensitivity to +0.5% change in interest rates	4	6
Sensitivity to -0.5% change in interest rates	(4)	(6)

(i) Capital Management and Interest rate risk management

Management remains confident that Commerzbank will continue offering its facilities as the Group's relationship with the bank is strong and significant headroom exists compared with facilities drawn.

(j) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of as far as possible dealing with creditworthy counterparties – an ideal not always possible in a product development environment. The use of collateral or other contributions can act as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by limits that are continually reviewed.

The Group's alloy sales to European customers are, for the most part, centralised through Magontec GmbH in Bottrop Germany. Magontec GmbH has insurance cover in place to cover its exposure to debtors secured under the Commerzbank facility. The insured percentage cover for 'named' debtors is 90% and for 'unnamed' debtors is 80% but with individual claims in respect of 'unnamed' debtors limited to EUR 10,000.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group also receives notes receivable (promissory notes) as consideration for goods and services provided from a limited number of counterparties in China. The majority of these are guaranteed by a bank, and the Group only accepts these from specific large customers. Upon maturity, these are converted into cash at no charge. Early redemption of Notes Receivable for cash can be requested, however an interest charge will apply on a pro rata basis for the remaining term of the receivable. As the term of the Notes Receivables are limited to 6 months, these are recorded at the undiscounted value and classified as a current asset on the balance sheet.

Provision matrix

The Group applies a provision matrix in order to determine Expected Credit Losses in accordance with AASB 9 Financial Instruments. This provision matrix is based on:

- Historical experiences of bad debts in the last 5 years (which have been low as a percentage of sales)
- Where deemed material, estimates to incorporate the Group's forward looking expectations on future operating and economic conditions

Provision Matrix	EU & NA	PRC
Due Date	0.01%	0.02%
1-30 days overdue	0.02%	0.05%
31-60 days overdue	0.03%	0.07%
61-90 days overdue	0.04%	0.09%
90 days + overdue	0.06%	0.12%

Notes to the Financial Statements
continued

26. Parent Entity Information Magontec Limited

Statement of Comprehensive Income

	Magontec Limited	
	12 months to 31 Dec 2023 $'000	12 months to 31 Dec 2022 $'000
Sale of goods	–	–
Cost of sales	–	–
Gross profit	**–**	**–**
Other income	2	6,395
Interest expense	–	-
Impairment – fixed assets, doubtful debts	290	1,077
Travel accommodation and meals	-	(22)
Research, development, licensing and patent costs	(5)	(10)
Promotional activity	–	-
Information technology	–	-
Personnel	(30)	(36)
Depreciation & amortisation	–	-
Office expenses	(14)	-
Corporate	(681)	(642)
Foreign exchange gain/(loss)	(21)	555
Profit/(Loss) before income tax expense/benefit from continuing operations	**(458)**	**7,317**
Income tax (expense)/benefit	–	-
Profit/(Loss) after income tax expense/benefit from continuing operations	**(458)**	**7,317**
Other Comprehensive Income – that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	–	-
Other Comprehensive Income – that will not emerge in the Profit and Loss Statement	–	-
Movement in actuarial assessments	–	–
Total Comprehensive Income	**(458)**	**7,317**

Notes to the Financial Statements
continued

26. Parent Entity Information Magontec Limited (continued)

Balance Sheet

	Magontec Limited	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Cash and cash equivalents	23	14
Trade & other receivables	–	1
Other	76	74
Total current assets	**99**	**89**
Non-current assets		
Inter Company Loan Receivables (net of provisioning)	11,324	11,674
Investment in shares of subsidiaries (net of provisioning)	11,718	11,718
Other financial assets	8,314	8,314
Total non-current assets	**31,356**	**31,706**
Total assets	**31,455**	**31,795**
Current liabilities		
Trade & other payables	89	36
Total current liabilities	**89**	**36**
Non-current liabilities		
Other	2,196	1,547
Total non-current liabilities	**2,196**	**1,547**
Total liabilities	**2,285**	**1,583**
Net assets	**29,170**	**30,212**
Equity attributable to members of MGL		
Share capital	59,233	58,883
Reserves	7,559	8,494
Accumulated losses	(37,623)	(37,165)
Total equity	**29,170**	**30,212**

Note: During the prior year to 31 December 2022, there was a $6.9m transfer (net of dividends) of 2022 Profits to the Profit Reserve instead of accumulated losses. Amounts transferred to the Profits Reserve characterise profits available for distribution as dividends in future years.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2023.

Capital commitments – Property, plant and equipment
The parent entity had no material capital commitments for property, plant and equipment as at 31 December 2023.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

Notes to the Financial Statements

continued

27. Subsequent Events

To the best of the Group's knowledge there have been no other material subsequent events that require disclosure that have not been otherwise disclosed in this report.

ADDITIONAL COMPANY INFORMATION

Magontec Limited (MGL) is a listed public company and is incorporated in Australia. The MGL Group operates globally including subsidiaries in Australia, Europe and China.

Registered Office and Principal Place of Business

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46A Macleay St
Potts Point, NSW 2011
Tel: 61 2 8084 7813
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Directors' Declaration

The Directors declare as follows –

a. in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
b. in the Directors' opinion, the financial statements and notes thereto set out on pages 58 to 92 of this Annual Report, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Group; and
c. the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295A of the *Corporations Act 2001*.

On behalf of the Board of Directors

Mr N Andrews
Executive Chair

Mr A Malhotra
Non-Executive Director

27 February 2024

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAGONTEC LIMITED

Report on the Audit of the Financial Report

Auditor's Opinion
We have audited the accompanying financial report of Magontec Limited and Controlled Entities (the 'Group'), which comprises the Consolidated Balance Sheet as at 31 December 2023, and the Consolidated Statement of Profit & Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, a statement of accounting policies, other explanatory notes and the Directors' Declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the year ended on that date; and

(ii) complying with *Australian Accounting Standards* (including the *Australian Accounting Interpretations*) and the *Corporations Regulations 2001*.

Basis for Opinion
We conducted our audit in accordance with *Australian Auditing Standards*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the same time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of Assets The Company's assets include plant & equipment in the MAQ and MAR subsidiary entities. We focused on this area due to the: • Delays in providing liquid metal from the facility in China to MAQ; • Customer concentration risk at MAR;	Our procedures included, amongst others, • Assessing management's determination of the relevant CGU; • Reviewing an independent valuation report, dated August 2023, providing an opinion on the fair value of the fixed assets held by MAQ; • Reviewing correspondence from the PRC partner on the progress in rectifying technical issues at the Golmud project;

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• The Group's Net Assets exceeding its Market Capitalisation; and • Extent of management judgment involved in assessing impairment indicators and determining the assumptions used in evaluating these indicators. Management conducts a test for impairment on an annual basis using a value in use model. This model requires the application of significant judgements and estimates. Management commissioned an independent valuation of the MAQ fixed assets to test impairment on a fair value less cost to sell basis. This basis is not subject to the same estimation uncertainty in respect of the supply of liquid metal to MAQ compared to the value in use method.	• Evaluating the integrity of the cash flow model used to calculate the value in use at MAQ and MAR and its compliance with Accounting Standards; • Challenging management with respect to key forward looking assumptions including future production volumes, the forecast period and discount rates applied, and compare these assumptions with internally reported metrics and external information; • Discuss the operations at MAQ and MAR with Magontec's local management and auditors and review the local audit work papers; • Retrospective review of historical results against budgets and forecasts to identify any indications of management bias; • Assessing the sensitivity of the value in use model to variances in key inputs.
Valuation and Existence of Inventory We focused on this area as a key audit matter due to the: • Quantum of amounts involved; • Sensitivity of the Company's margins to changes in the underlying price of Magnesium; • Multiple geographical areas; and • Declining prices for the Group's products presenting a risk that inventory may not be recorded at a recoverable value. Management recorded an inventory write-down as disclosed in Note 2(d).	Our procedures included, amongst others, • Attendance at stock takes by subsidiary auditors for all significant locations to conduct test counts and assess internal controls; • Reviewing the work papers of the subsidiary auditors comparing the carrying value of a sample of inventory items to subsequent sales price; • Review of costing methodology applied by entities within the group for compliance with the Group accounting policy; • Discuss the inventory processes used at MAB, MAX and MAR with Magontec's local management and auditors and review the local audit work papers.

Other Information

The Directors are responsible for the other information in the Annual Report. The other information comprises the pages spanning from the Executive Chair's Letter through to and including the Directors' Report and the Shareholder Information, but does not include the financial report, Directors' Declaration and our Auditor's Report thereon.

Our opinion on the financial report does not cover the other information, except for the Remuneration Report, and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

Directors' Responsibility for the Financial Report

The Directors of Magontec Limited are responsible for the preparation and fair presentation of the 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 relevant to the preparation and fair presentation of the financial report that 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in pages 42 to 56 of the Annual Report for the year ended 31 December 2023.

In our opinion the Remuneration Report of Magontec Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Camphin Boston
Chartered Accountants

SWoods

Justin Woods
Partner

Level 5, 179 Elizabeth Street, Sydney NSW 2000
Dated: this 28th day of February 2024

Shareholder Information

Class:	Ordinary shares fully paid
ASX Code:	MGL
Voting Rights:	Voting rights of members are governed by the Company's constitution. In summary, every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote for each share on a poll.

Twenty Largest Holders of Ordinary Shares as at End Date of Current Reporting Period

	Name of Holder	No. Of Shares	%
1	QINGHAI SALT LAKE MAGNESIUM CO LTD	22,681,940	28.89
2	CITICORP NOMINEES PTY LIMITED	9,807,650	12.49
3	J P MORGAN NOMINEES AUSTRALIA	3,913,386	4.98
4	KEWEIER METAL CO LTD & LI ZHONG JUN	3,875,307	4.94
5	YELLOW ZONE SUPER FUND	3,332,844	4.24
6	BNP PARIBAS NOMINEES PTY LTD	2,595,385	3.31
7	NATIONAL NOMINEES LIMITED	2,006,091	2.56
8	MR NICHOLAS WILLIAM ANDREWS & DEWBERRI PTY LTD	1,567,582	2.00
9	MR SCOTT PARHAM	1,313,315	1.67
10	BELLINO PTY LTD	1,237,268	1.58
11	MR SHAUN WILLIAM SAINSBURY DRABSCH	919,579	1.17
12	MIENGROVE PTY LTD	752,565	0.96
13	MR XUNYOU TONG	686,402	0.87
14	MRS PAMELA ELIZABETH DRABSCH	678,975	0.86
15	DALSIZ PTY LTD	668,310	0.85
16	BRIAN GORMAN SELF MANAGED SUPER FUND PTY LTD	650,000	0.83
17	DR ANDREW DUNCAN MACLAINE-CROSS	602,528	0.77
18	MR JOHN MICHAEL PATRICK O'REILLY	560,000	0.71
19	ESCOR EQUITIES CONSOLIDATED	533,334	0.68
20	MR PETER FABIAN HELLINGS	520,000	0.66
TOTAL		**58,902,461**	**75.02**

Distribution of Shareholders as at End Date of Current Reporting Period

Number Held	Holders	No. of Securities	Percentage
1–1,000	608	90,534	0.12
1,001–5,000	761	1,718,720	2.19
5,001–10,000	205	1,470,509	1.87
10,001–100,000	261	7,810,987	9.95
100,001 and over	63	67,424,724	85.87
TOTAL	**1,898**	**78,515,474**	**100.00**

Shareholder Information
continued

Substantial shareholders
Magontec Limited has been notified of the following substantial shareholdings:

Holder	Number of ordinary shares	% of issued ordinary share capital
Qinghai Salt Lake Magnesium Co. Ltd (QSLM)	22,681,940	28.89%
Allan Gray Australia Pty Limited	15,109,260	19.24%

As at 31-Dec-2023 a marketable parcel of securities ($500) is a holding of at least 1,282 securities.

This is based on a closing share price of *$0.390*

Issued Capital and Securities	On Issue at 31 Dec 2023
Ordinary Shares fully paid	78,515,474

Share Registry: Boardroom Pty Limited	Postal:	Local:	International
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MAGONTEC

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