ACN 010 441 666

Half Year Report 2022

Magontec Limited

Corporate Information and Glossary

1. CORPORATE INFORMATION

The consolidated financial statements of Magontec Limited and its controlled subsidiaries as listed in Note 4.1 herein (collectively, the Group) for the 6 months to 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 18 August 2022. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Securities Exchange under the code "MGL".

2. GLOSSARY OF TERMS REFERRED TO IN THIS REPORT

Formal Name of Entity	Description of Entity	Referred to as
Head office entities		
Magontec Limited	The ultimate parent/holding company of the Group.	**Parent Company or MGL**
Advanced Magnesium Technologies Pty Limited	Wholly owned subsidiary of Magontec Limited that acts as the administrative operating entity.	**AMT**
Varomet Holdings Limited	The holding company that owns the Group's operating businesses at Xi'an (PRC) and Suzhou (PRC). In turn, Magontec Limited owns all of the ordinary shares issued by Varomet Holdings Limited.	**VHL**
Operating entities		
Magontec GmbH	The wholly owned entity that owns the Group's operations in Bottrop, Germany.	**MAB**
Magontec SRL	The wholly owned entity that owns the Group's operations in Santana, Romania.	**MAR**
Magontec Xi'an Co. Ltd.	The wholly owned entity that owns the Group's operations in Xi'an, PRC.	**MAX**
Magontec Qinghai Co. Ltd.	The wholly owned entity that owns the Group's operations in Qinghai, PRC.	**MAQ**
Magontec US LLC	The wholly owned entity that acts as the Group's distributor located in the United States.	**MAU**
Entities where operations have ceased		
Magontec Suzhou Co. Ltd.	The wholly owned entity that owns the Group's operations in Suzhou, PRC. Production ceased at this facility in 2016	**MAS**
Major related shareholders and other terms		
Qinghai Salt Lake Magnesium Co. Limited	QSLM is a 28.72% 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 Zhong Jun Li, a director of Magontec Limited is also a director and shareholder of KWE(HK) Investment Development Co Ltd.	**KWE (HK)**
People's Republic of China		**PRC**

3. ROUNDING ERRORS

The tables in this report may indicate apparent errors to the extent of one unit (being $1,000) in the addition of items comprising total and sub totals and the comparative balances of items from the financial accounts.

Such differences arise from the process of converting foreign currency amounts to two decimal places in AUD and subsequent rounding of the AUD amounts to one thousand dollars.

Financial Highlights

	1H22	1H21
Gross Profit	$26.75m	$7.70m
Gross Margin (%)	28.5%	15.1%
Reported Net Profit After Tax	$13.80m	$1.13m
Underlying NPAT*	$13.05m	$0.68m
Underlying Operating Cashflow**	$21.25m	$2.66m
Reported Operating Cashflow	$8.91m	$1.66m
Net Debt to Net Debt + Equity	(2.3%)	24.8%
Net Tangible Assets per Share	62.8c	35.3c
Earnings Per Share	18.0c	1.5c
Dividend Per Share (unfranked)	0.6c	–

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

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

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Reporting Highlights

Robust financial results underpinned by growth in key metrics

- Net profit after tax (NPAT) of $13.8 million compared to $1.1 million in the previous corresponding period (pcp)
- Gross profit up 247% vs pcp
- Operating cashflow up 438% v pcp

Free Cashflow generation of $18.7 million (excluding working capital movements)

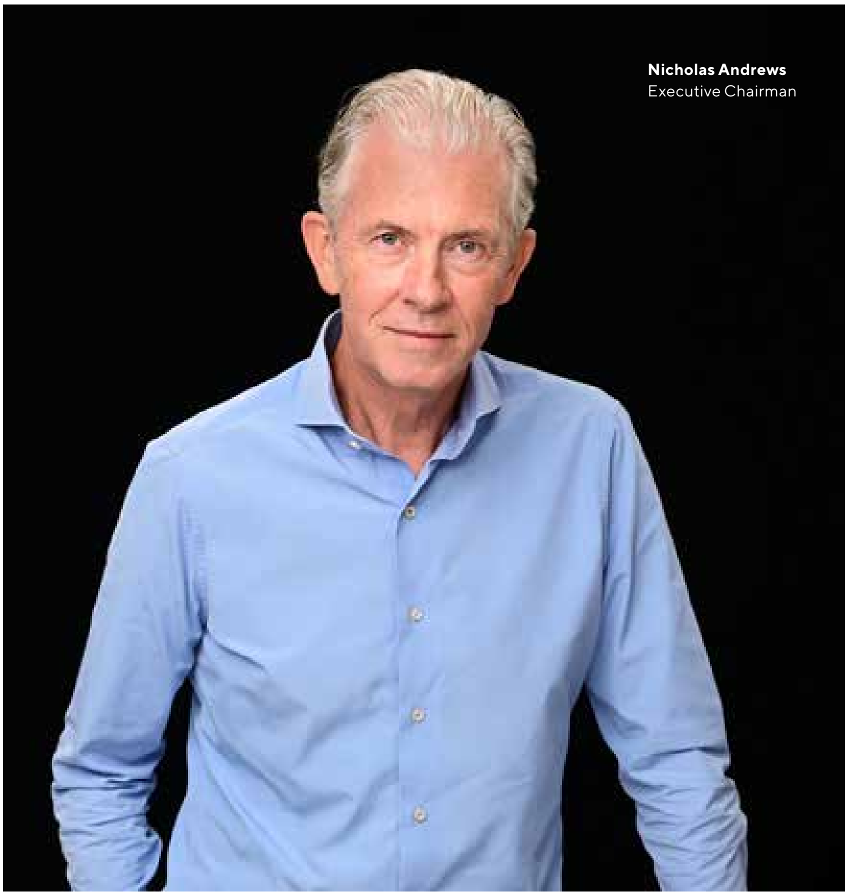
Group now debt free with a net cash position of $1.2 million as of 30 June 2022

Board declares maiden unfranked interim dividend of 0.6 cents per share

- High prices for pure magnesium the key driver for the Interim profit
- Market shares for CCP products continue to grow
- Qinghai electrolytic magnesium plant successfully produces magnesium prills. Preparing to recommence supply to Magontec

Executive Chairman - Interim 2022 commentary

Surging magnesium metal prices and rising market shares have been the key drivers of Magontec's $13.1 million Interim Net Profit After Tax excluding unrealised FX (1H21 $0.68 million)



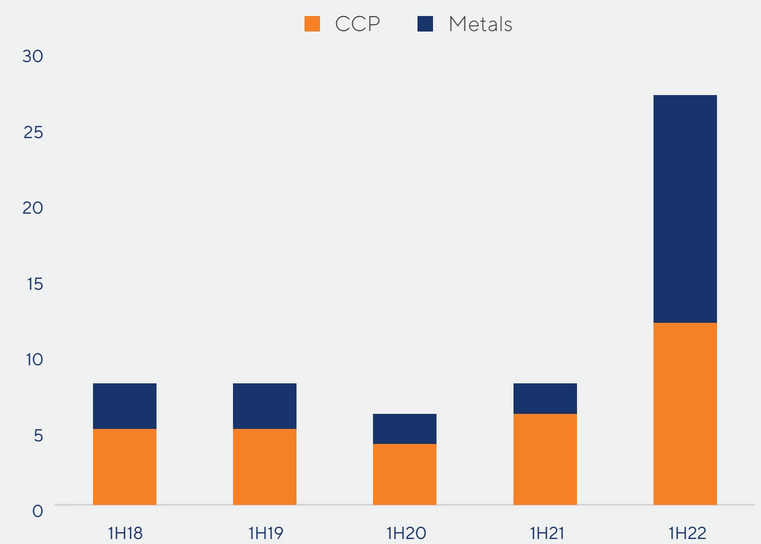
Earnings per share for the six months to 30 June 2022 rose to 18.0 cents (1H21 1.5 cents) while NTA rose 78% to 62.8 cents per share compared with 35.3 cents at the end of the previous corresponding period (PCP).

As a processor of magnesium and magnesium alloy scrap, Magontec's metal and anode businesses have not historically been so sensitive to underlying commodity price movements. In the first 10 months of 2021 the price of magnesium rose by over 300% to reach ¥61,200 per tonne. This triggered value adjustments across the magnesium production chain, particularly for our Europe-based scrap business, and flowed through to our global Mg anodes business.

We have written a longer review of magnesium metal prices and markets elsewhere in this note to shareholders.

In addition to higher end prices for key products, Magontec has continued to grow its market share in all three CCP businesses (Mg anodes and electronic anodes). Through the pandemic and when supply chains came under extreme pressure in 2021, the co-location of our European and Chinese Mg anode businesses with high volume scrap and primary Mg alloy activities, provided supply certainty in each region and an opportunity to expand the customer base, including in the USA where we do not enjoy the same co-location advantage.

GROSS PROFIT BY PRODUCT (A$ MILLION)



Executive Chairman - Interim 2022 commentary

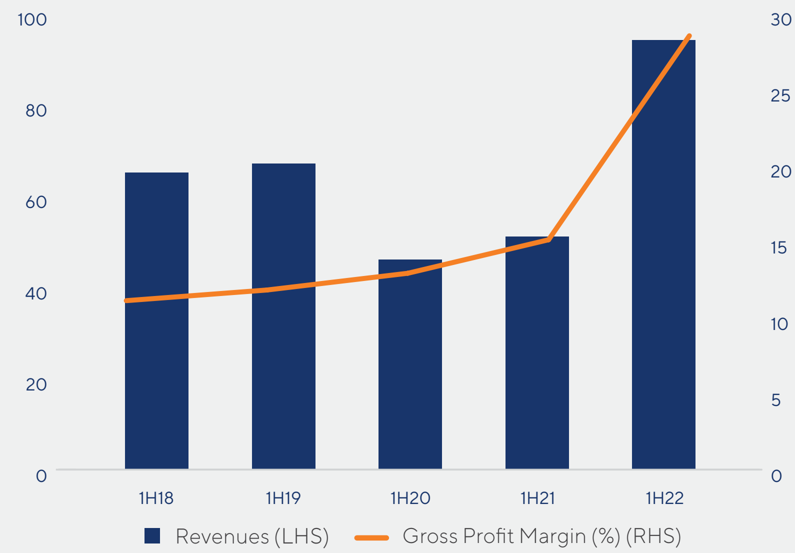
continued

This period of strong earnings growth has had a positive effect on the Group's balance sheet. Operating cashflow generation in the six months to 30 June 2022 was $8.9 million. The company also invested a further $10.5 million in working capital, largely a reflection of high raw material prices through the period.

As at the end of the first half of 2022, the balance sheet showed a net cash position of $1.2 million (1H21 net debt of $10.2 million), accentuated by a seasonal cash build up in China. Over the coming months, the cash position is expected to benefit from a decline in the price of raw materials (leading to a reduction in working capital value) that will move through the production, inventory, and sales chain in the second half of the year. Furthermore, the net asset position is likely to improve as rising interest rates reduce the required carrying value of the $10.5 million provision made in Magontec's accounts for the European pension plan.

The Board has declared that an unfranked dividend of 0.6 cents per share will be paid with respect to the half year ended 30 June 2022. Details of the Dividend Reinvestment Plan (DRP) will be made available in September. In paying a maiden dividend we recognise that there is a large investor constituency that values a regular cash payment from share investments. For other investors the DRP will provide an opportunity to re-invest this distribution back into Magontec shares at a 5% discount to a prevailing volume weighted average price.

REVENUE AND GROSS PROFIT MARGIN (%) (A$ MILLION)



Our major project in Qinghai province PRC, a primary magnesium alloy cast house adjacent to QSLM's 100,000 tonne per annum electrolytic magnesium smelter, has been stalled for the last 3 years. While we write in more detail below on this important project, we note in this summary that our partners, QSLM, have achieved production of qualified dehydrated product from one remediated dehydration line. We expect to receive some magnesium flow to our cast house this year but remain uncertain of timing and volume.

In July, after the period under review, there was a fire at Magontec's German factory in a magnesium material storage area. Our staff were quick to address the fire and contain its spread. In July and August there were costs associated with this event, some of which may be recoverable through insurance policies. We have included this in Note 8 as a subsequent event.

Over the last two years we have looked at several business opportunities with a view to expanding Magontec into associated or analogous activities.

In the first half of 2022 we engaged a European corporate advisory company to assist us to better understand the depth of opportunity in that regional market. We think that the stable and well-funded corporate platform that has been established over recent years creates an opportunity to look at new activities to grow shareholder value.

At the end of the first half of 2022 Magontec finds itself in a more advantageous position than anticipated. With the global benchmark price of magnesium falling back again to around ¥23,000 per tonne and markets cooling quickly in the face of rising interest rates and declining activity, we think it likely that the period to 31 December 2022 will be weaker than our experience in the first half. Sales prices will continue to reflect, at least in part, prior period raw material prices into the third quarter, however, with markets and broad economic indicators in such uncertain territory it is difficult to anticipate the momentum that the company will take into the second half.

Financial Summary

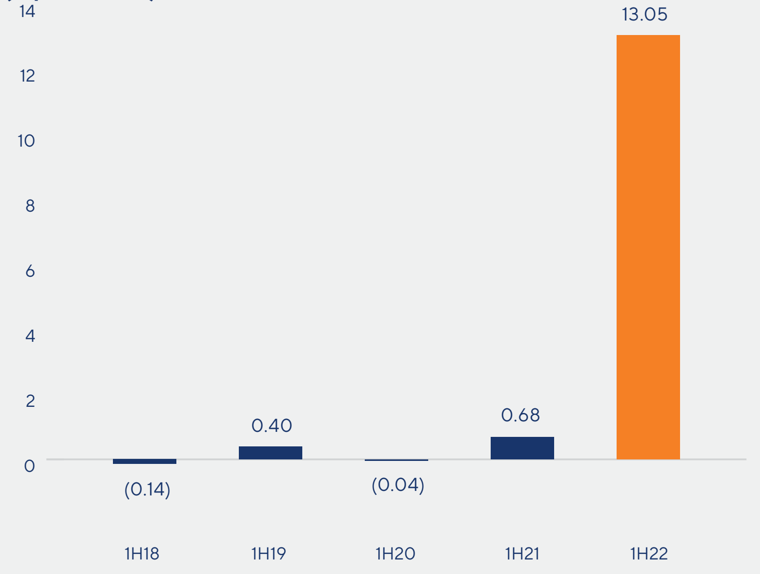
KEY FINANCIAL HIGHLIGHTS			
$'000	6 months to 30-Jun-22	6 months to 30-Jun-21	% chg
Equity and Earnings			
Gross Profit	**26,753**	**7,702**	**247.4%**
Gross Margin (%)	28.5%	15.1%	
Reported EBITDA	**21,269**	**3,381**	**529.2%**
Reported Net Profit After Tax	**13,799**	**1,130**	
Net Profit After Tax excluding unrealised FX	**13,051**	**684**	
Return on Equity (%)	31.3%	3.8%	
Net tangible assets per share (cents)	**62.8**	**35.3**	**77.9%**
Borrowings			
Net debt/(net cash)	(1,161)	10,232	
Net debt to net debt + equity (%)	(2.3%)	24.8%	
Cashflow			
Reported Operating Cashflow	8,914	1,657	438.0%
Underlying Operating Cashflow	21,251	2,655	700.6%
Free Cashflow (excluding working capital movements)	18,700	2,033	819.9%

During the 6 months to 30 June 2022, the group reported a Net Profit After Tax of $13.1 million excluding unrealised FX gains and losses (1H21: $684,000). Return on equity increased to a record 31.3%, and net tangible assets was 62.8 cents per share as at 30 June 2022.

The upturn in profitability was broad based with gross profit in both the metals and anodes segments significantly above both the prior corresponding period and the December 2021 half.

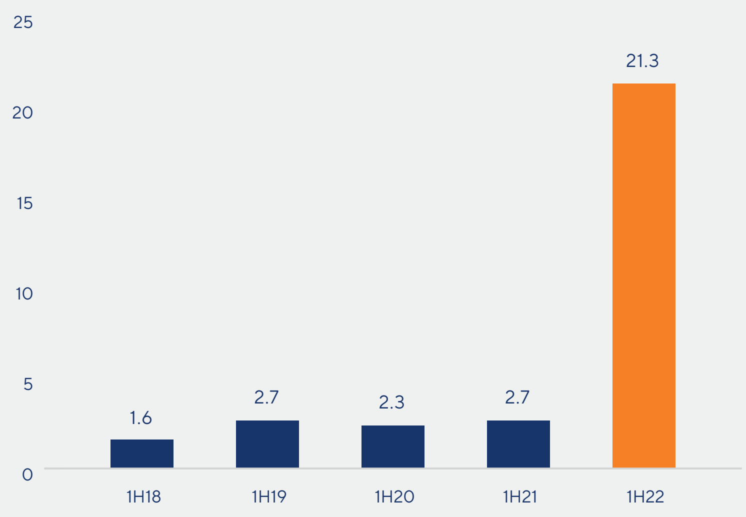
By geographic segment, the Group result was largely driven by the European business. This was achieved through a combination of having access to stable supply during an extended period of high pure Mg prices, production process improvements and utilising inventory that would have been uneconomic to process in a lower price environment.

NET PROFIT AFTER TAX EXCLUDING UNREALISED FX (A$ MILLION)



RECONCILIATION OF SIGNIFICANT ITEMS IN EARNINGS		
$'000	6 months to 30-Jun-22	6 months to 30-Jun-21
Net Profit Before Tax, unrealised FX and significant items	**19,611**	**1,793**
Significant items Before tax		
Less non-cash equity (expense)/writeback	(266)	(150)
Less MAQ depreciation (non cash)	(460)	(442)
Less MAQ Metals EBITDA losses	(146)	(143)
Add writeback on MAR VAT input credits	–	226
Net Profit Before Tax and Unrealised FX	**18,739**	**1,284**
Less tax expense	(5,688)	(600)
Net Profit After Tax excluding unrealised FX (underlying NPAT*)	**13,051**	**684**
Add/(Less) unrealised FX gains/(losses)	748	446
Reported Net Profit After Tax	**13,799**	**1,130**

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



The table above details the significant items contained in both the current half as well as the prior corresponding period. The current half included ongoing losses at the Magontec Qinghai Primary Metals operations including $460,000 of non cash depreciation. The prior period included a one off $226,000 gain recognised in other income arising from the finalisation of a VAT input credit dispute with the Romanian tax office which was decided in the Company's favour.

CASHFLOW AND BALANCE SHEET

The half to 30 June 2022 saw positive underlying operating cash** of $21.3 million and free cashflow excluding working capital movements of $18.7 million, which were both record results for the Group.

* Underlying NPAT is defined as Net Profit After Tax excluding unrealised FX gains and losses.
** Underlying Operating Cashflow is defined as Operating Cashflow excluding working capital movements, interest and income tax paid.

As at 30 June 2022 the Group had a net cash position of $1.2 million (31 December 2021 net debt $6.9 million). Although there was a temporary reduction in PRC working capital at the end of June due to timing factors around the annual Zheshang bank repayment, the longer-term trend points to a low level of net debt over the coming months due to a combination of positive operating results and a lower pure Mg price.

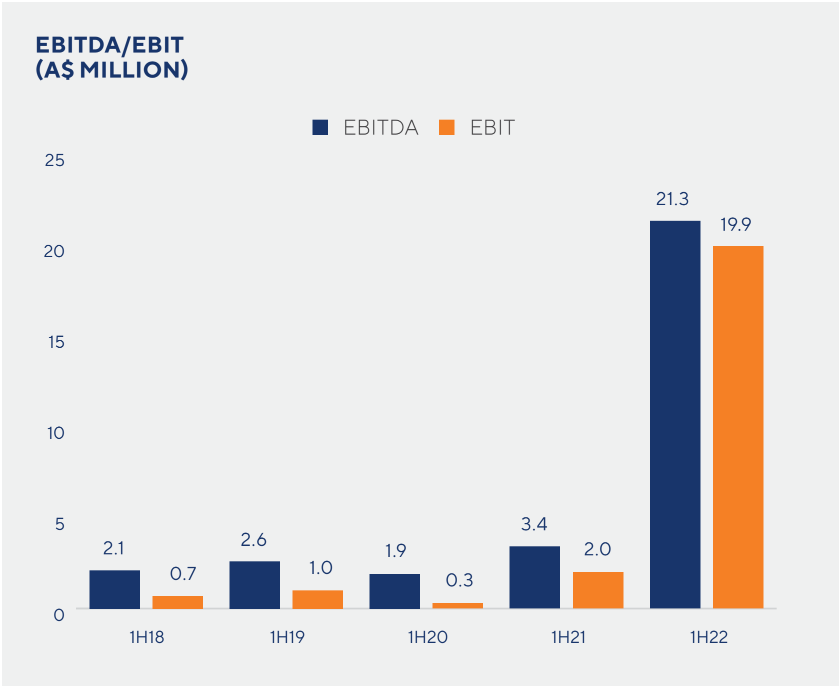
BANKING FACILITIES

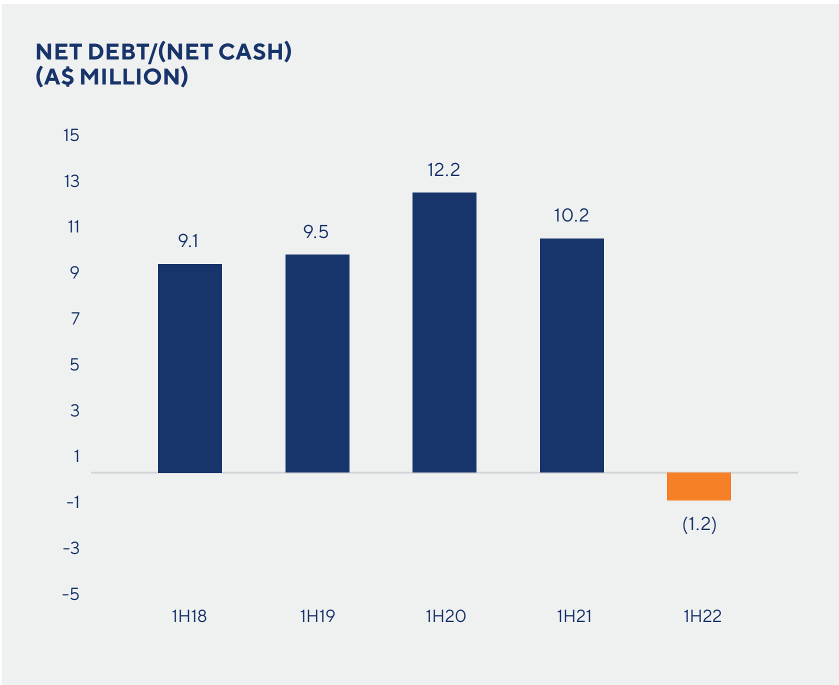
In the first half of 2022 Magontec was able to renew important banking facilities in Germany and China.

In Germany, the Group secured a new EUR 3 million factoring facility from Commerzbank which commenced in June 2022.

In China the Group's RMB 25 million facility with Zheshang Bank was renewed for another year at an increased amount of RMB 31 million.

Both facilities will increase working capital support to the Group, and will strengthen Magontec's underlying financial platform.





Magontec Qinghai

Primary magnesium alloy production

In Qinghai our partners, the Qinghai Salt Lake Magnesium Co Ltd (QSLM), have taken a major step forward in bringing their electrolytic magnesium complex back into production. One of six dehydration lines has now been remediated and has produced material in excess of the targeted quality standard. No cells within the electrolytic facility have yet been fired and no magnesium metal has been produced by QSLM in the year to date. While technical issues that arose shortly after initial commissioning of the magnesium facility were largely to blame for the suspension of production in 2019, a subsequent corporate restructuring and associated financial uncertainty prolonged the period of inactivity.

Magontec's major shareholder, QSLM, has undergone a wide-ranging corporate restructuring over the last three years, including a change in owner from Qinghai Salt Lake Industries Co Ltd (QSLIC) to a new entity called Qinghai Huixin Asset Management Co Ltd (QHAM). QSLM, QSLIC and QHAM are all Qinghai state owned enterprises.

Work undertaken by QSLM in the first half of 2022 appears to have resolved a key technical issue, the production of qualified prills (dehydrated $MgCl_2$ feedstock) from the dehydration plant.

The next challenges for QSLM and their new owners, QHAM, are to remediate the other 5 dehydration lines and to restart the electrolysis facility. In the period before suspension of production QSLM operated all parts of the magnesium project to produce both magnesium metal and chlorine gas (every 4 tonnes of prills produces 1 tonne of Mg and 3 tonnes of Cl_2). Other issues, including the transfer of liquid metal from the electrolytic cells to Magontec's adjacent cast house, have also been addressed.

In the first half of 2022 further senior management changes have taken place within the ranks of both the operating (QSLM) and owning (QHAM) companies. One or two senior positions are still to be filled including the Chairman of QHAM. This new executive team is in the process of reviewing the schedule for returning the wider magnesium and associated projects to full operation.

In June this year Magontec Director Zhong Jun Li accompanied Magontec's President Asia, Xunyou Tong, on a visit to Golmud in Qinghai province to meet the newly appointed QSLM and QHAM executives. Mr Li has taken a leading role in Magontec's relationships with Qinghai executives over many years and his efforts are particularly important in this period of Chinese COVID restrictions. Our representatives emerged from the June meetings with a firm sense that considerable progress has been made and that the new team are committed to restoring the Qinghai magnesium project to stable and continuous production. Full production (100,000 tonnes per annum of magnesium metal) is not anticipated until 2024 although a lower volume of supply is still expected over the coming months.

In our commentary at the end of the first quarter of 2022 we noted that our QSLM partners were continuing to "forecast re-commencement of liquid pure Mg supply ...in the second half of 2022". Our current understanding is that the Magontec Qinghai magnesium alloy cast house may receive some supply from QSLM in this period, but that continuous supply may now not be achieved until 2023.

While this is disappointing, we note that significant progress has been made in resolving technical issues within the QSLM magnesium plant and that the Magontec Qinghai cast house, despite extremely unfavourable raw material sourcing alternatives, operates at close to cash breakeven.

Perhaps most importantly, the underlying fundamentals for Magontec's investment in the Qinghai facility are as compelling as they were when the project was first conceived. Demand for low CO_2 magnesium and the lack of a viable alternative to Qinghai within or outside of China will ensure that Magontec magnesium alloy products from this facility will be enthusiastically received by customers in all regions of the world.

Cathodic Corrosion Protection (CCP – anodes)

Mg anodes manufactured in China and Romania and electronic anodes made in Germany

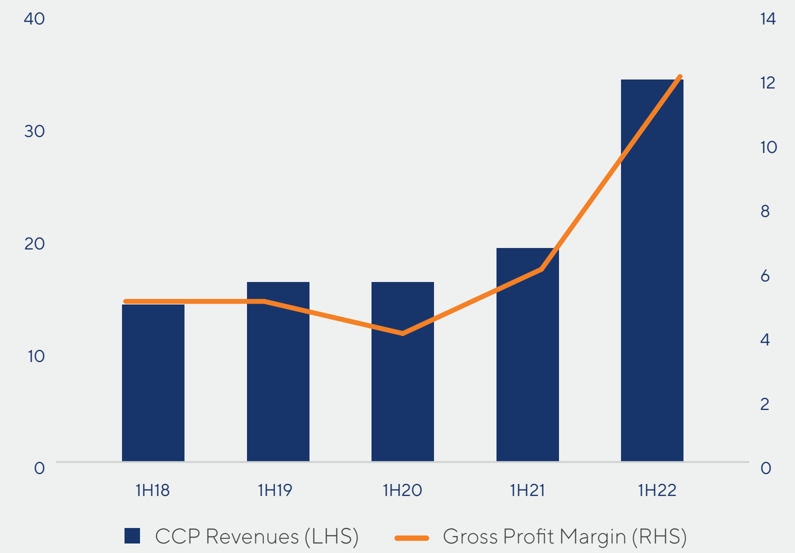
In the period under review the CCP business increased revenues by 80% on a slightly higher overall Gross Profit margin of 34.3%.

As in the first quarter of 2022, all three CCP business units performed well in this second quarter. In the six months to 30 June 2022 Magontec's global Mg anodes grew volumes by 5% over the PCP and have now recorded compound annual sales volume growth of 11% since the first half of 2018.

In both magnesium and electronic anodes Magontec is a leading global supplier to the hot water tank manufacturing industry. In the Mg anode sector, Magontec's growth in volume, from around 1,000 tonnes per annum in 1H18 to over 1,700 tonnes in 1H22, has consistently lowered costs of production at our China and Romania factories and increased competitiveness. Production costs have been further reduced through capital investment programs, particularly in China where volume growth has been strongest over this five-year period. There are further automation and capacity expansion plans to be rolled out at both locations in the coming months.

Both Mg anodes businesses also benefit from being co-located with Mg alloy scrap and primary Mg alloy activities. At no time over the last 2 years, when supply chains have occasionally been stretched, have our businesses been unable to supply our customers.

CCP REVENUES AND GROSS PROFIT (A$ MILLION)



Through 1H22 demand for Mg anodes was slightly higher than anticipated. Customers, uncertain of future prices and supply chain security, tended to front-load 2022 orders. We expect volumes in the second half of 2022 to be similar, albeit a different mix, as new business combines with lower volumes from existing customers. While Magontec already has large global market shares we continue to target new opportunities for Mg anode sales growth in the years ahead.

In Europe, where energy prices have been rising rapidly and are expected to remain at higher levels for some period, our Romanian location has proved fortuitous. The Romanian Government has fixed energy costs for industrial and other users. In 1H22 our average energy consumption (kWh/tonne) for the manufacture of Mg anodes was lower than in 1H21 at this location.

Cathodic Corrosion Protection (CCP – anodes)

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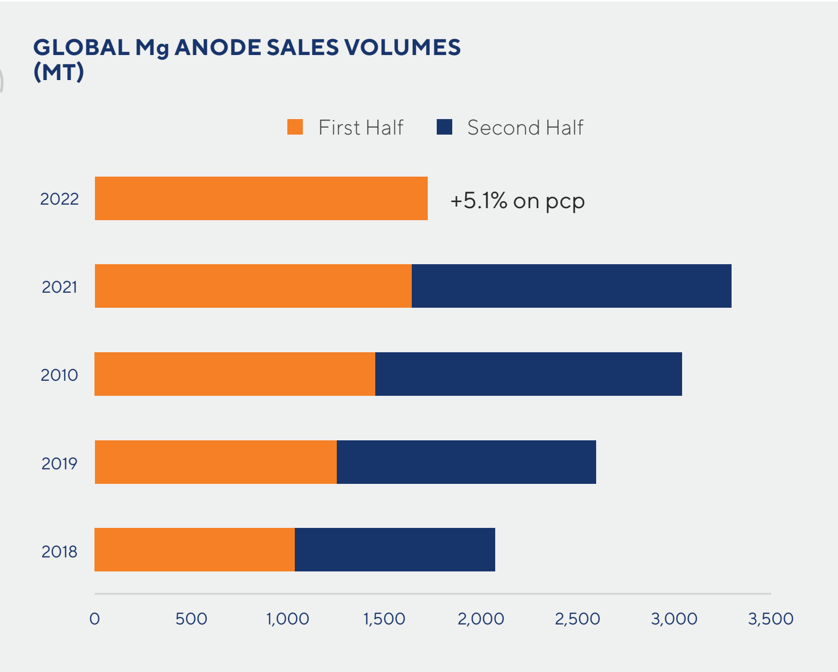


Magontec's European and Chinese businesses are as well placed as they can be to weather the energy storm that is causing distress in other production locations. In addition to government energy price support, Magontec has no direct exposure to potential gas supply interruptions as an operator of electric furnaces. Our Romanian factory enjoys further protection with more than 70% of its energy coming from renewable sources. While none of these protections guarantee lower prices or constant energy supply in the coming periods, they have all contributed to a strong performance in the first half of 2022.

Our Xi'an-based Chinese Mg anode business had a tough start to the year with a citywide COVID lockdown that stretched through to the third week of January 2022. The combination of nearly three weeks of enforced zero production in January with the annual Chinese New Year holiday in February resulted in fewer days worked in 1H22. Given the current Chinese Government stance on combating COVID we remain wary of further lockdowns in the coming period.

Despite these headwinds, 1H22 Chinese production volumes of Mg anodes were in line with the previous corresponding period on higher revenues (due to higher average Mg prices), and steady margins. As in Europe our Chinese business was also able to access lower cost raw materials and steady energy prices through this first half of 2022.

Both the Chinese and European Mg anode businesses made strong contributions to group 1H22 Gross Profit while the outlook for the second half of 2022 is for steady volumes on weakening prices.

The electronic anode business has again grown its contribution to Gross Profit in 1H22. This business has also experienced some underlying raw material price adjustment, but its increased contribution comes from higher sales and slightly higher margins. We think second half volumes may be slightly weaker for this product as hot water tank manufacturers appear to have ordered excess quantities in the period just finished.

While all our businesses must manage seasonal fluctuations and raw material price volatility, the hot water industry that consumes our Mg and electronic anodes is substantially underpinned by high levels of replacement orders. As much as 80% of all hot water tank demand is generated by old water tanks failing. In the period ahead there are likely to be some headwinds for this industry as economies and home building activity slow in the face of rising interest rates. However, the link between economic growth and demand in this industry is lower than for other white goods products. Having said that, we think the Chinese apartment building sector, which has been a significant growth driver for nearly 30 years, is particularly vulnerable.

Other than product and process innovation we have also sought to further develop alternative channels for CCP product sales. Most homeowners have little appreciation of the importance of anodes in the life expectancy of their installed hot water systems. A magnesium anode may allow a water tank to last anywhere between 5 and 15 years, depending on water quality. An electronic anode offers a water tank life expectancy of up to 25 years. Regular anode replacement can extend the life of an installed system for many years and is particularly suitable for larger and more expensive appliances. Over the last 10 years we have built a sales channel directly to the plumbing community that has grown year on year at higher margins. In the coming months Magontec will launch an online version of this service through a new website. Incorporating web technologies with 21st century urban delivery services is expected to promote further unit growth for these products.

Metals

Primary Mg alloys, recycled Mg alloys and specialist metals.

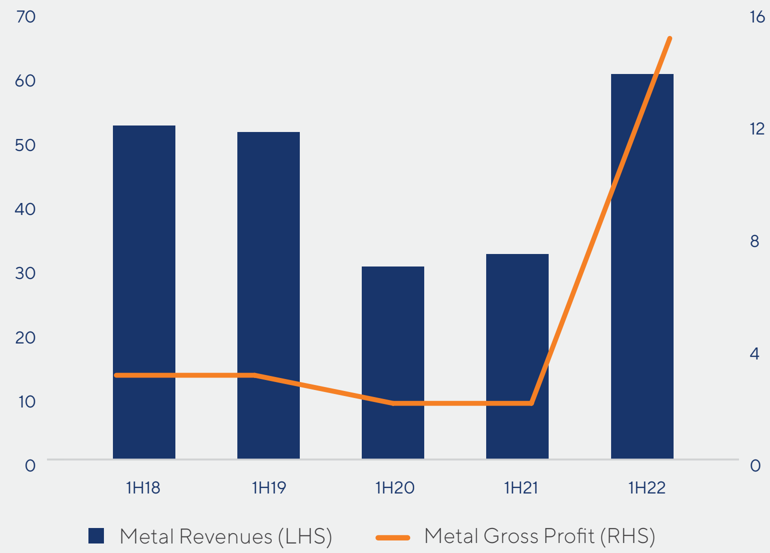
Through the six months to 30 June 2022 Magontec's global metals businesses have experienced rising margins on volumes 31.5% below the previous corresponding period. This change in the profit dynamic of the business reflects a challenging market for the scrap business in Europe, a sharp rise in the global price of magnesium and a shift in the emphasis of the business away from its traditional reliance on regional scrap flows and towards processing of lower grade materials through new technologies.

Magontec's European recycling business has traditionally been reliant on volumes derived from recycling of scrap returns from regional magnesium alloy die casters and buying magnesium scrap for recycling and resale to the same community of magnesium alloy die casters customers in Europe and North America.

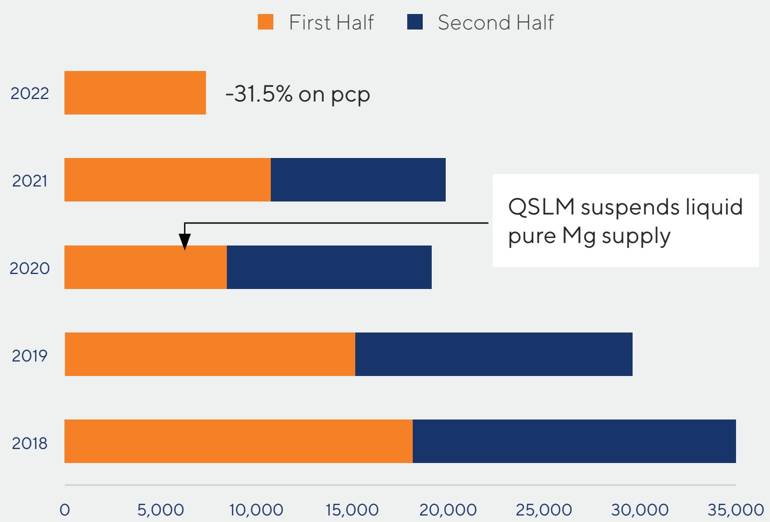
The development of new processes and the skills embedded in Europe's largest capacity magnesium alloy recycling company, have enabled our facilities to broaden the scope of the business to include lower quality raw material inputs.

Through this initiative our European magnesium alloy recycling facilities have acquired a more commodity flavour and future profitability will likely be more sensitive to changes in magnesium prices.

GLOBAL METAL REVENUE AND GROSS PROFIT (A$ MILLION)



GLOBAL Mg ALLOY AND SPECIALIST METAL SALES VOLUMES (MT)



In China the Magontec Qinghai magnesium alloy cast house generated a similar level of financial performance in this period compared to the first half of 2021.

The business remains a long way from the levels we had anticipated at this time; it continues to operate at low levels of production, maintaining Magontec's presence in important Asian regional markets and in the expectation that volumes will once again rise to higher levels as supply re-commences from our partners at QSLM. (See comment on "Magontec Qinghai").

In the first six months of 2022 the Magontec Qinghai plant has continued to rely on supply of raw material from pure magnesium manufacturers across northern China. The logistics of supplying a cast house in Qinghai, which is in a remote western region of China, continues to be challenging. Our ability to contain losses through this period of volatile pricing is due in part to our excellent and long-standing contacts with pure magnesium producers and in part the effect of higher magnesium prices and careful management of inventories

MAGNESIUM (Mg) PRICE

In the period under review all Mg product business revenues are strongly ahead of the previous corresponding period, almost entirely due to the surging Mg price in the last quarter of 2021 and the first half of 2022.

The initial surge in the Mg price, from the low ¥20,000's to over ¥60,000 a tonne, was almost certainly triggered by a sudden shortfall in US supply as America's only domestic producer declared force majeure, taking ~40,000 tonnes per annum out of the market. This coincided with sharp price rises in key magnesium raw material inputs in China. Production from the US plant is yet to resume while Chinese raw material prices have retraced considerably.

The USA is largely quarantined from global Mg through a 141% anti-dumping tax on Chinese material that was inexplicably reimposed by the US International Trade Commission for a further 5 years in September 2021. The key US-based Mg customer industries, including aluminium, steel, die casting and titanium, stripped of their only local primary Mg producer, simultaneously sought new sources of supply and rippled a price increase throughout the industry. Some of these companies have declared force majeure themselves in the absence of domestic US magnesium production.

While Mg prices have returned to lower levels, there is a delay in the transmission of those prices to finished goods delivery, at least for Magontec's products. The period from ordering (when the price is set) to receipt by the customer, particularly in Europe and North America,

Metals

continued

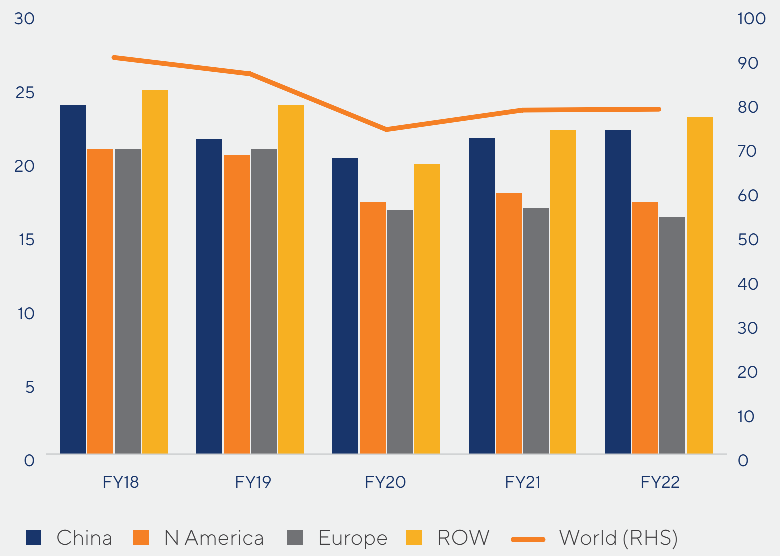
can take six months or longer. This means the tail of the period of higher magnesium prices is likely to continue to flow through to profitability in the third quarter of 2022.

There are two perspectives on the outlook for magnesium prices that have a growing role to play in Magontec's earnings outlook. The first is that demand for Mg alloys appears softer right now, but underlying demand is likely more stable. Marginal Chinese Mg producers enjoyed boom conditions and recorded high outputs in the period before COVID restrictions shuttered automotive factories across eastern China in April and May this year. This has resulted in higher Mg inventories despite the outlook for the key Mg alloy consumer industry, the automotive sector, appearing relatively buoyant. The second is that the economic fundamentals for Chinese Pidgeon process magnesium production (currently more than 85% of global production), driven in part by new constraints designed to control emissions, suggest that Mg prices will likely trend higher in the years ahead.

Demand for Mg alloys (Magontec's product) is largely driven by the outlook for the automotive industry. Around 80% of all Mg alloy production is destined for die casters who make automotive parts. While rising interest rates may negatively impact a stronger rebound in automotive sales, the COVID dip in 2020 was related to a shortage of chips that were diverted to other industries, not a waning of consumer demand. As the chip industry resumes supply, the backlog of demand is expected to see automotive production levels steady in 2022 and rise in 2023.

Global automotive sales projections suggest that industry expectations are for a moderate recovery in global vehicle sales over 2022 and 2023. Nearly every car, internal combustion or electric, has a magnesium alloy steering wheel. The use of magnesium alloys in cross-car beams (the structure behind increasingly complex dashboards), seat frames and door frames are widespread.

AUTOMOTIVE SALES - MAJOR, MARKETS AND WORLD (MILLIONS)



Large applications such as front ends are becoming more common in modern automobiles. At two thirds the weight of aluminium and a quarter the weight of steel, magnesium alloy parts offer reduced fuel consumption, increased battery life and potentially, lower life-cycle emissions.

Our longer-term price perspective is based on the outlook for four key inputs in the manufacture of Pidgeon process magnesium: labour, energy (coal/coke gas), ferrosilicon and dolomite.

The prices of coal and ferrosilicon (effectively a coal proxy that requires high energy inputs in its manufacture) rose sharply in 2021 and have fallen again through the first half of 2022 (see charts). There are no detailed statistics for dolomite, but, although out of sync with the other raw materials, we know the price rose from ¥100/mt in late 2021 to ¥200/mt in January and now to ¥300/mt in May-June 2022, due in part to changes in environmental regulations. 10 tonnes of dolomite are required for each tonne of magnesium output in the Pidgeon process.

As economies rebound and emission controls are reimposed, we think that all these prices are likely to rise again in the future. At current levels we think the breakeven cost for Pidgeon process magnesium producers is over ¥22,000 per tonne in the most efficient regions.

Access to cheap coke off-gas is a key driver of the magnesium price and, along with cheap labour, was an original metric for the development of the northern China Pidgeon process magnesium industry. There are two industry themes that directly impact Chinese coal and coke gas prices; **coal industry consolidation** where lower cost private mining companies have been increasingly required to raise workplace standards and/or merge with larger enterprises or close, and **coke industry emissions**, where coke gas producers have been required to install expensive emission reduction technologies. Both trends suggest higher coke off-gas prices for magnesium producers.

Metals

continued

It appears that there has been a temporary relaxation of PRC coke production emission standards and forced coal industry consolidation to protect jobs in a more difficult economic environment. In any event, more plentiful coal supplies have also helped to reduce the immediate marginal cost of Pidgeon magnesium production, pushing end-product prices down. In the longer-term the rising costs of coke gas, CO2 emission abatement equipment, ferrosilicon production and dolomite production seem likely to reassert themselves and put upward pressure on the benchmark magnesium price.

Two other factors suggest that Chinese Pidgeon Mg prices will resume an upward trajectory. Labour rates in northern China, historically in surplus, have been rising for many years. It takes 1,000 workers to manufacture 30,000 mtpa of magnesium by the Pidgeon process in a dirty and dangerous environment. As in all markets, Chinese workers can vote with their feet and move to more amenable forms of employment. A second reason is that Chinese magnesium owners are becoming better organised and more sophisticated in their business practices. In 2020 we saw the emergence of a group of magnesium producers seeking to manage magnesium prices and volumes in Fugu, China's largest and most efficient production region. It's unlikely that this group was responsible for the sharp rise in magnesium prices, but the volatility of the last 12 months will surely encourage them to continue to seek a more predictable price and profit trajectory.

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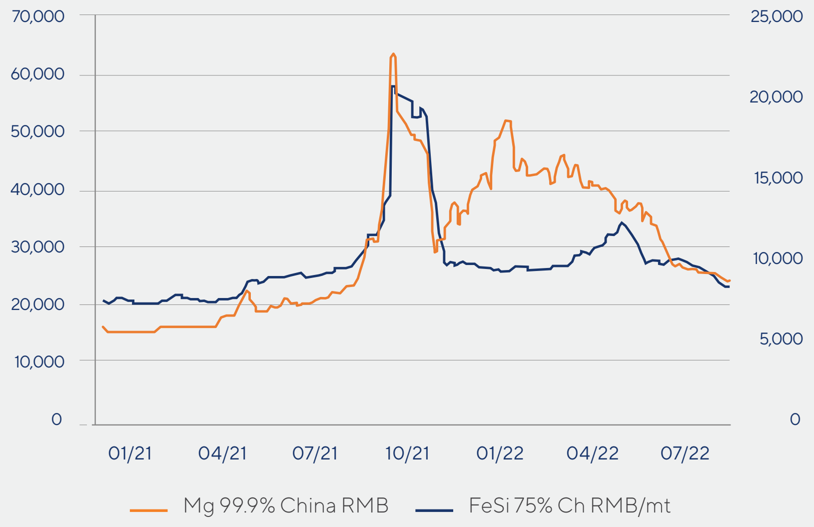
Mg VS FERROSILICON - 1 JANUARY 2021- 27 JULY 2022



Mg VS COAL (RMB/TONNE) - 1 JANUARY 2021- 27 JULY 2022

Financial Report

Contents

Directors' Report

The Directors of Magontec Limited ('the Company' or 'MGL') submit herewith the financial report for the half-year ended 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

- Mr Nicholas Andrews (Executive Chairman)
- Mr Zhong Jun Li (Non-Executive Director) Re-appointed 25 May 2021
- Mr Atul Malhotra (Independent Director) Re-appointed 25 May 2022
- Mr Robert Kaye (Independent Director) Re-appointed 29 July 2020
- Mr Andre Labuschagne (Independent Director) Re-appointed 25 May 2022

Review of Operations

For the six months ended 30 June 2022 the consolidated profit after tax from continuing operations was - $13,798,841

For the six months ended 30 June 2021 the consolidated profit after tax from continuing operations was - $1,129,954

Corporate

The 39th annual general meeting of the Company was held on 25 May 2022.

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

Remuneration and Nominations Committee

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

Finance, Audit & Compliance Committee

- Chairman: Atul Malhotra (Independent Director)
- Andre Labuschagne (Independent Director)
- Robert Kaye (Independent Director)

Business Risk Committee

- Chairman: Nicholas Andrews (Executive Director)
- Atul Malhotra (Independent Director)
- Andre Labuschagne (Independent Director)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by S307C of the *Corporations Act 2001* is set out on page 17.

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

Nicholas Andrews

Executive Chairman

18 August 2022

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

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

Dear Board Members,

In accordance with the requirements of section 307C of the Corporations Act 2001, we hereby declare, that to
the best of our knowledge and belief, during the half-year ended 30 June 2022 there have been:

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

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

Camphin Boston
Chartered Accountants

Justin Woods
Lead Audit Partner

Sydney

Dated this 18th day of August 2022

Camphin Boston
ABN 69 688 697 499
Level 5, 179 Elizabeth Street
Sydney, NSW 2000
GPO Box 3403, Sydney, NSW 2001
T (02) 9221 7022
F (02) 9221 7080
E cambos@cambos.com.au
W camphinboston.com.au

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

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

Report on the Half-Year Financial Report

Auditor's Conclusion

We have reviewed the accompanying half-year financial report of Magontec Limited and Controlled Entities, which compromises the consolidated balance sheet as at 30 June 2022, consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Magontec Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of Magontec Limited and Controlled Entities' financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 time of this auditor's review report.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the financial report has not been prepared, in all material respects, in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Camphin Boston
ABN 69 688 697 499
Level 5, 179 Elizabeth Street
Sydney, NSW 2000
GPO Box 3403, Sydney, NSW 2001
T (02) 9221 7022
F (02) 9221 7080
E cambos@cambos.com.au
W camphinboston.com.au

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

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

J Woods

Justin Woods
Partner

Camphin Boston
Chartered Accountants

22nd August 2022

Sydney NSW 2000

Consolidated Comprehensive Income Statement

for the half-year ended 30 June 2022

	Note	6 months to 30 Jun 2022 $'000	6 months to 30 Jun 2021 $'000
Sale of goods	3	93,807	50,863
Cost of sales	3	(67,053)	(43,161)
Gross profit		**26,753**	**7,702**
Other income	10	230	447
Interest expense		(385)	(250)
Travel accommodation and meals		(225)	(71)
Research, development, licensing and patent costs		(290)	(235)
Promotional activity		(77)	(9)
Information technology		(221)	(212)
Personnel		(4,569)	(3,684)
Depreciation & amortisation		(307)	(321)
Office expenses		(291)	(280)
Corporate		(1,623)	(1,499)
Foreign exchange gain/(loss)		491	142
Profit/(Loss) before income tax expense/benefit from continuing operations		**19,487**	**1,730**
Income tax (expense)/benefit		(5,688)	(600)
Profit/(Loss) after income tax expense/benefit from continuing operations		**13,799**	**1,130**
Other Comprehensive Income			
Exchange differences taken to reserves in equity – translation of overseas entities		(211)	495
Movement in various actuarial assessments		1,712	375
Total Comprehensive Income		**15,300**	**2,000**

	Note	6 months to 30 Jun 2022	6 months to 30 Jun 2021
Earnings per share from continuing operations			
Basic (cents per share)	9	18.0 cents	1.5 cents
Diluted (cents per share)	9	16.6 cents	1.4 cents

Notes to the financial statements are included on pages 24 to 32.

Consolidated Balance Sheet

as at 30 June 2022

	Note	30 Jun 2022 $'000	31 Dec 2021 $'000
Current assets			
Cash and cash equivalents	7	4,755	4,636
Trade & other receivables	11.1	24,287	21,317
Inventory		37,898	23,689
Other		1,151	8,840
Total current assets		**68,090**	**58,482**
Non-current assets			
Other receivables		306	316
Property, plant & equipment		17,089	17,753
Deferred Tax Asset		2,317	2,720
Intangibles		3,127	3,241
Total non-current assets		**22,839**	**24,030**
TOTAL ASSETS		**90,929**	**82,512**
Current liabilities			
Trade & other payables	11.2	16,775	17,570
Bank Borrowings	13	3,216	7,309
Provisions		7,838	3,491
Total current liabilities		**27,828**	**28,370**
Non-current liabilities			
Other payables		336	255
Bank Borrowings	13	379	4,217
Provisions		10,545	13,395
Total non-current liabilities		**11,260**	**17,867**
TOTAL LIABILITIES		**39,088**	**46,237**
NET ASSETS		**51,841**	**36,275**
Equity attributable to members of MGL			
Share capital	6	58,918	58,918
Reserves	12	6,921	5,153
Accumulated (losses)/profits		(13,998)	(27,796)
Total equity		**51,841**	**36,275**

Notes to the financial statements are included on pages 24 to 32.

Consolidated Statement of Changes in Equity

for the half-year ended 30 June 2022

	Share Capital Ordinary $'000	Retained Earnings $'000	FCTR[1] $'000	Capital Reserve $'000	Actuarial Reserve $'000	Expired Options Reserve $'000	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	–	13,799	–	–	–	–	–	13,799
Comprehensive income	–	–	(211)	–	1,712	–	–	1,502
Share issue reserve	–	–	–	–	–	–	266	266
Balance 30-Jun-22	**58,918**	**(13,998)**	**3,556**	**2,750**	**(1,661)**	**1,637**	**639**	**51,841**
for the Half-Year Ended 30 June 2021								
Balance 1-Jan-21	**58,918**	**(32,804)**	**2,563**	**2,750**	**(4,306)**	**1,637**	**136**	**28,893**
Profit/(Loss) attributable to members of parent entity	–	1,130	–	–	–	–	–	1,130
Comprehensive income	–	–	495	–	375	–	–	870
Share issue reserve	–	–	–	–	–	–	150	150
Balance 30-Jun-21	**58,918**	**(31,674)**	**3,058**	**2,750**	**(3,931)**	**1,637**	**285**	**31,042**

(1) FCTR = Foreign Currency Translation Reserve

Notes to the financial statements are included on pages 24 to 32.

Consolidated Cash Flow Statement

for the half-year ended 30 June 2022

	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Cash flows from operating activities		
Profit before taxation	**19,487**	**1,730**
Adjustments for:		
– Non-cash equity expense	266	150
– Depreciation & amortisation	1,397	1,400
– Foreign currency effects	(748)	(446)
– Other non-cash items	849	(179)
Cash generated from/(utilised in) underlying operating activities	**21,251**	**2,655**
Movement in working capital balance sheet accounts		
– Trade receivables and other current assets	3,448	(3,007)
– Inventory	(14,691)	2,282
– Trade payables and other current liabilities	737	116
Cash generated from/(utilised in) working capital accounts	**(10,506)**	**(609)**
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets	**10,745**	**2,046**
– Net Interest paid	(294)	(176)
– Income tax paid	(1,537)	(212)
Cash generated from/(utilised in) operating activities	**8,914**	**1,657**
Cash flows from investing activities		
Net cash out on purchase/disposal of property, plant & equipment	(720)	(225)
Group Information Technology software	–	(9)
Security Deposit	(195)	41
Other	–	65
Net cash provided by / (used in) investing activities	**(915)**	**(128)**
Cash flows from financing activities		
Proceeds from borrowings	3,711	2,318
Repayment of borrowings	(11,425)	(6,396)
Cashflow from leasing activities	(189)	(170)
Net cash provided by financing activities	**(7,903)**	**(4,248)**
Net increase / (decrease) in cash and cash equivalents	**96**	**(2,718)**
Foreign exchange effects on total cash flow movement	**23**	**119**
Cash and cash equivalents at the beginning of the reporting period	**4,636**	**4,958**
Cash and cash equivalents at the end of the reporting period	**4,755**	**2,359**

Notes to the financial statements are included on pages 24 to 32.

Notes to the Condensed Financial Statements

for the half-year ended 30 June 2022

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual report for the year ended 31 December 2021.

Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the 30 June 2022 half-year financial report are consistent with those adopted and disclosed in the Company's annual report for the financial year ended 31 December 2021.

2. SIGNIFICANT TRANSACTIONS AND MATERIAL ITEMS

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

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

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

2.2 Income Tax Expense/Benefit

Tax losses previously disclosed in the 31 December 2021 Annual Report encompass Magontec Limited and its Australian controlled entities.

The tax benefit corresponding to these losses is not recognised as an asset in the accounts. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation in the various foreign jurisdictions in which the Group operates.

2.3 Dividends

Subsequent to balance date, on 18 August 2022 the Board declared an unfranked dividend of 0.6 cents per ordinary share with respect to the 6 months ended 30 June 2022 (6 months ended 30 June 2021: no dividend declared or recommended). The balance of the franking account at 30 June 2022 was $nil (30 June 2021: $nil).

3. RESULTS FROM OPERATIONS

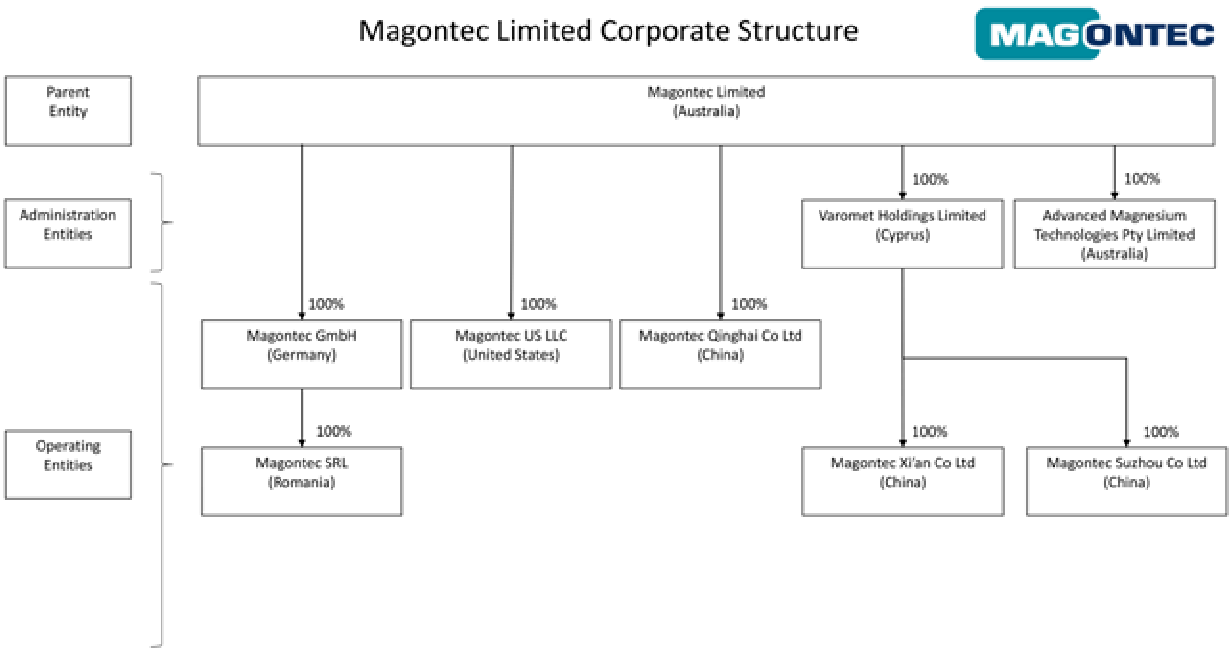
	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Metal	60,111	32,175
Anodes - Cathodic Corrosion Protection	33,696	18,688
Sales revenue	**93,807**	**50,863**
Metal	(44,903)	(30,206)
Anodes - Cathodic Corrosion Protection	(22,151)	(12,955)
Cost of sales	**(67,053)**	**(43,161)**
Metal	15,208	1,969
Anodes - Cathodic Corrosion Protection	11,545	5,733
Gross Profit	**26,753**	**7,702**

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING

4.1 Corporate Structure as at 30 June 2022



4.2 Identificaton of Reportable Segments

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

In respect of the period to 30 June 2022, segment information is presented in respect of the three main departments within the company as described in the chart at Note 4.1 above.

– 'Admin Units' = Magontec administrative entities performing a Head Office function comprising -

  Magontec Limited (Australia);

  Advanced Magnesium Technologies Pty Limited (Australia); and

  Varomet Holdings Limited (Cyprus).

– 'EUR' = Magontec operating entities in Europe and North America comprising -

  Magontec GmbH (Germany);

  Magontec SRL (Romania); and

  Magontec LLC (United States).

– 'PRC' = Magontec operating entities in the People's Republic of China comprising -

  Magontec Xi'an Co. Ltd. (China);

  Magontec Qinghai Co. Ltd. (China); and

  Magontec Suzhou Co. Ltd. (China) - non operational

Closure procedures with respect to Magontec Suzhou Co. Ltd. (China) are yet to be finalised as at 30 June 2022.

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (CONTINUED)

4.3 Segment Information - Comprehensive Income

	6 months to 30 June 2022				6 months to 30 June 2021			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL
Sale of goods	–	55,724	38,880	94,603	–	33,227	17,711	50,938
Less Inter-company sales				(796)				(75)
Net Sales	**–**	**55,724**	**38,880**	**93,807**	**–**	**33,227**	**17,711**	**50,863**
Cost of sales	–	(31,581)	(36,269)	(67,850)	–	(27,018)	(16,219)	(43,236)
Less Inter-company sales				796				75
Net Cost of Sales	**–**	**(31,581)**	**(36,269)**	**(67,053)**	**–**	**(27,018)**	**(16,219)**	**(43,161)**
Gross Profit	**–**	**24,143**	**2,610**	**26,753**	**–**	**6,209**	**1,493**	**7,702**
Other income	–	125	104	230	–	329	118	447
Interest expense	–	(126)	(259)	(385)	(1)	(175)	(75)	(250)
Travel accommodation and meals	(73)	(85)	(67)	(225)	–	(35)	(36)	(71)
Research, development, licensing and patent costs	(5)	(73)	(213)	(290)	(9)	(59)	(167)	(235)
Promotional activity	–	(77)	–	(77)	–	(9)	–	(9)
Information technology	(6)	(173)	(42)	(221)	(14)	(158)	(40)	(212)
Personnel	(977)	(2,845)	(747)	(4,569)	(638)	(2,366)	(681)	(3,684)
Depreciation & amortisation	(23)	(252)	(31)	(307)	(12)	(265)	(44)	(321)
Office expenses	(37)	(124)	(129)	(291)	(32)	(138)	(109)	(280)
Corporate	(288)	(1,143)	(191)	(1,623)	(266)	(875)	(358)	(1,499)
Foreign exchange gain/(loss)	148	734	(392)	491	140	175	(173)	142
Profit/(Loss) before income tax expense	**(1,262)**	**20,105**	**644**	**19,487**	**(832)**	**2,633**	**(71)**	**1,730**
Income tax expense	–	(5,509)	(179)	(5,688)	–	(502)	(98)	(600)
Profit/(Loss) after income tax expense/benefit	**(1,262)**	**14,596**	**465**	**13,799**	**(832)**	**2,131**	**(169)**	**1,130**
Other Comprehensive Income								
Movement in various actuarial assessments	–	1,712	–	1,712	–	375	–	375
Exchange differences taken to reserves in equity – translation of overseas entities	163	(352)	(22)	(211)	(47)	(88)	630	495
Total Comprehensive Income	**(1,099)**	**15,956**	**443**	**15,300**	**(879)**	**2,418**	**461**	**2,000**

Notes to the Condensed Financial Statements

continued

4. SEGMENT REPORTING (CONTINUED)

4.4 Segment Information - Balance Sheet

	30 Jun 22 $'000 Admin	30 Jun 22 $'000 EUR	30 Jun 22 $'000 PRC	30 Jun 22 $'000 TOTAL	31 Dec 21 $'000 Admin*	31 Dec 21 $'000 EUR	31 Dec 21 $'000 PRC	31 Dec 21 $'000 TOTAL
Segment Assets								
Gross Segment assets	31,092	63,494	35,347	129,933	45,483	47,414	41,650	134,547
Adjustments								
Eliminations								
– Inter-Coy Loans	(28,981)	(8,414)	(984)	(38,379)	(35,938)	(6,722)	(1,757)	(44,417)
– Investment in subsidiaries	(7,078)	–	–	(7,078)	(7,078)	–	–	(7,078)
– Other	8,333	(994)	(886)	6,453	719	(404)	(855)	(541)
As per Consolidated Balance Sheet	**3,367**	**54,086**	**33,477**	**90,929**	**3,185**	**40,287**	**39,039**	**82,512**
Segment Liabilities								
Gross Segment liabilities	26,884	32,793	16,659	76,336	32,905	33,383	23,750	90,038
Eliminations								
– Inter-Coy Loans	(26,556)	(908)	(10,928)	(38,391)	(32,297)	(1,559)	(10,454)	(44,309)
– Other	439	308	396	1,143	200	226	81	507
As per Consolidated Balance Sheet	**767**	**32,194**	**6,127**	**39,088**	**809**	**32,050**	**13,378**	**46,237**
Net assets	**2,600**	**21,892**	**27,350**	**51,841**	**2,377**	**8,237**	**25,661**	**36,275**

*Note: Admin Gross Segment Assets and Eliminations were decreased by $5.66m and $5.76m respectively (total $11.4m) with a corresponding increase of $11.4m to "Other" Eliminations when compared with the 2021 Annual Report to reflect updated intercompany adjustments. No overall impact on total asset balance for the Admin segment.

5. CONTINGENT ASSETS & LIABILITIES

With respect to contingent assets and liabilities, these are unchanged compared with those disclosed in the Annual Report at 31 December 2021 as at the date of this report.

6. SHARE CAPITAL

	30 Jun 2022 $'000	31 Dec 2021 $'000
Opening balance of share capital attributable to members of MGL	**58,918**	**58,918**
Share capital on issued ordinary shares 76,729,210 (2021: 76,729,210)	**58,918**	**58,918**

Notes to the Condensed Financial Statements

continued

7. RECONCILIATION OF CASH

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

	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Cash and cash equivalents at the beginning of the reporting period	**4,636**	**4,958**
Net cash (used)/generated in operating activities	8,914	1,657
Net cash provided by / (used in) investing activities	(915)	(128)
Net cash provided by / (used in) financing activities	(7,903)	(4,248)
Foreign exchange effects on total cash flow movement	23	119
Cash and cash equivalents at the end of the reporting period	**4,755**	**2,359**

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2022, there was a fire at the Magontec GmbH factory in a magnesium storage facility and direct costs were incurred for damaged stock and remediation. The Group intends to lodge insurance claims with respect to both the direct costs incurred and costs related to the temporary impact to production in July.

9. CALCULATION OF EARNINGS/(LOSS) PER SHARE

		6 months to 30 Jun 22	6 months to 30 Jun 21
Earning/(Loss) per share:			
Profit/(Loss) attributable to members of the parent entity	1	$13,798,841	$1,129,954
Average shares on issue for the period	2	76,729,210	76,729,210
Average performance rights on issue for the period	3	6,608,186	2,673,235
Basic Earnings/(Loss) per share (cents per share)	1 ÷ 2 × 100	18.0	1.5
Diluted Earnings/(Loss) per share (cents per share)	1 ÷ (2 +3)× 100	16.6	1.4

10. OTHER INCOME IN COMPREHENSIVE INCOME STATEMENT

	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Interest revenue	9	12
Government grants	93	92
Derivative Market Revaluation	34	-
Compensation from resolution of MAR VAT issue	–	226
Write back of provisions and other adjustments	52	66
Other	41	50
	230	**447**

Notes to the Condensed Financial Statements

continued

11. TRADE RECEIVABLES AND PAYABLES

11.1 Current Trade and Other Receivables

	30 Jun 2022 $'000	31 Dec 2021 $'000
Trade receivables [1]	22,733	18,747
Allowance for doubtful debts	(297)	(306)
	22,436	**18,441**
Net GST/VAT recoverable	565	666
Security deposits	341	141
Derivatives fair value adjustment	34	(1)
Notes and other receivables due to operating entities	910	2,069
	1,851	**2,875**
Total receivables	**24,287**	**21,317**

(1) Trade receivables represent 43.9 days sales at 30 Jun 22 (56.2 days sales at 30 Jun 21)

11.2 Current Trade and Other Payables

	30 Jun 2022 $'000	31 Dec 2021 $'000
Trade creditors [1]	12,289	13,740
Other creditors and accruals	4,485	3,829
	16,775	**17,570**

(1) Trade creditors represent 33.2 days cost of goods sold at 30 Jun 22 (40.4 days cost of goods sold at 30 Jun 21)

11.3 Related Party Disclosures

During the 6 months ended 30 June 2022, the Group made no payments for purchases of raw material from its substantial shareholder Qinghai Salt Lake Magnesium Co Limited. (30 June 2021: $nil). There are no balances outstanding as at 30 June 2022.

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

Notes to the Condensed Financial Statements

continued

11. TRADE RECEIVABLES AND PAYABLES (CONTINUED)

11.4 Leases

Pursuant to AASB 116 Leases, the Group recognises a right of use lease asset at inception in the Property, Plant & Equipment caption on the balance sheet, which includes equipment and vehicles as well as a corresponding lease liability in the Current and Non Current Provisions provisions on the balance sheet. This is calculated as being the future value of lease payments discounted at the relevant incremental borrowing rate.

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

a. Right of use assets

The movement in the right of use assets balance during the 6 months to 30 June 2022 is presented below.

RIGHT OF USE ASSETS SUMMARY	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Opening balance	**502**	**518**
Add new leased assets	228	270
Depreciation charge	(170)	(164)
FX movements	(15)	(2)
Closing balance	**545**	**622**

b. Lease liabilities

The movement in total lease liabilities during the 6 months to 30 June 2022 is presented below.

LEASE LIABILITY SUMMARY	6 months to 30 Jun 22 $'000	6 months to 30 Jun 21 $'000
Opening balance	**496**	**522**
Add new lease liabilities	228	270
Less unwind of lease liabilities	(174)	(168)
FX movements	(15)	(2)
Closing balance	**535**	**623**

LEASE LIABILITY SPLIT - CURRENT AND NON CURRENT	30 Jun 22 $'000	31 Dec 21 $'000
Lease liabilities recognised in the balance sheet		
Current	199	240
Non Current	336	255
Total lease liabilities recognised in the balance sheet	**535**	**496**

Notes to the Condensed Financial Statements

continued

12. RESERVES

	30 Jun 2022 $'000	31 Dec 2021 $'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	3,766	2,563
Movement in VHL Consolidated accounts	(211)	1,203
Balance at end of financial year	**3,556**	**3,766**
Actuarial Reserves		
Balance at beginning of financial year	(3,373)	(4,306)
Deferred tax assets	(843)	(460)
Employee pensions	2,556	1,392
Balance at end of financial year	**(1,661)**	**(3,373)**
Expired Options Reserve		
Balance at beginning of financial year	1,637	1,637
Balance at end of financial year	**1,637**	**1,637**
Share Issue Reserve		
Balance at beginning of financial year	373	136
Fair value of performance rights issued for future periods	266	237
Balance at end of financial year	**639**	**373**
Total reserves	**6,921**	**5,153**
Other Comprehensive Income		
Exchange differences taken to reserves in equity – translation of overseas entities	(211)	1,203
Movement in various actuarial assessments	1,712	933
Total Other Comprehensive Income	**1,502**	**2,137**

Notes

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

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

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

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

Notes to the Condensed Financial Statements

continued

13. BORROWINGS

	30 Jun 2022 $'000	30 Jun 2022 Maturity Date	30 Jun 2022 Interest pa	31 Dec 2021 $'000	31 Dec 2021 Maturity Date	31 Dec 2021 Interest pa
Bank & Institutional Borrowings						
Magontec GmbH (Bank Loan) (1)	–	30-Nov-23	1.55%	2,651	30-Nov-23	1.55%
Magontec GmbH (Bank Loan)	758	30-Jun-23	1.85%	-	-	-
Magontec GmbH (Bank Loan)	379	31-Dec-23	1.85%	1,565	31-Dec-23	1.85%
Magontec GmbH (Factoring Facility) (3)	1,849	28-Feb-25	1.20%	1,947	31-Dec-21	0.95%
Magontec SRL (Working Capital Facility) (2)	2,458	28-Feb-23	7.67%	1,896	28-Feb-22	4.49%
Magontec Xi'an Limited (Bank Loan) (4)	–	–	–	5,413	16-Jul-22	3.90%
Total Bank Borrowings	**5,444**			**13,473**		
Bank Borrowings Maturity Profile						
Current	3,216			7,309		
Non Current	379			4,217		
Total Borrowings on Balance Sheet	**3,595**			**11,526**		
Factoring facility (offset against trade receivables)	1,849			1,947		
Total Borrowings	**5,444**			**13,473**		

(1) These borrowings are secured by a charge over MAB's trade debtors to the extent of €491,000 ($745,000) and inventory of €4,998,000 ($7,577,000) plus land & buildings.

(2) These borrowings are secured by a charge over MAR's trade debtors and inventory to the extent of RON 24,482,000 ($7,502,000) plus land & buildings.

(3) This factoring facility is set off against trade debtors, and thus is not shown in 'Borrowings' on the balance sheet. This facility commenced in June 2022 and is provided by Commerzbank GmbH.

(4) The PRC Zheshang Bank Facility of RMB 25 million was repaid on 20th June 2022. This facility was renewed for 1 year to the extent of RMB 31 million with an average interest rate of 3.5%. Subsequent to 30th June 2022, RMB 21 million was drawn on this new facility as at 31 July 2022.

Directors' Declaration

The Directors declare that:

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

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

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

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

On behalf of the Directors

Nicholas Andrews
Executive Chairman
Sydney,
18 August 2022

MAGONTEC

Suite 1.03 | 46A Macleay Street | Potts Point | 2011 NSW Australia
T. +61 2 8084 7813 | www.magontec.com