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28 October 2015

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

Dear Sirs,

#### **Appendix 4C – Quarter Ended 30 September 2015**

In this letter are –

- Attachment 1 – Executive Chairman’s Commentary
- Attachment 2 - Unaudited Comprehensive Income Statement for the 9 months to 30 September 2015
- Attachment 3 – Unaudited Balance Sheet at 30 September 2015
- Attachment 4 – Unaudited Cash Flow Statement for the 9 months to 30 September 2015
- Attachment 5 – Appendix 4C cash flow report for the quarter ended 30 September 2015

Attachments 1 to 4 are presented in the formats that appear in the Company’s half year and annual reports and prepared on a basis consistent with the requirements of accounting standards.

Attachment 5 is presented in the format required by Paragraph 4.7B of Chapter 4 of the ASX listing rules.

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**Rounding Errors**

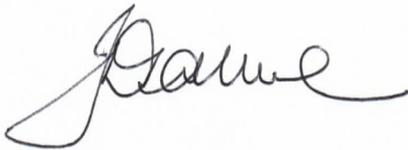
The tables in this report may indicate apparent errors to the extent of one unit (being \$1,000) in -

- 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.

Yours Sincerely



John Talbot  
Company Secretary

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## Attachment 1

**Executive Chairman's Commentary**  
**Magontec Limited (ASX:MGL)**  
**Quarterly Update for 9 months to 30 September 2015 (Unaudited)**

**ABOUT MAGONTEC**

**Magontec is a leading manufacturer of magnesium alloys and Cathodic Corrosion Protection (anode) products made from magnesium and titanium**

- Magontec buys pure magnesium and converts it into magnesium alloy ingots for sale into global markets
- Magontec recovers scrap magnesium from its customers and recycles this material into magnesium alloy ingots for re-sale
- Magontec converts magnesium alloys into anodes that provide cathodic corrosion protection for water heater applications

**Magontec is the only western magnesium alloy producer with**

- Its own Chinese primary magnesium alloy manufacturing base
- Its own magnesium recycling facilities in Europe and Asia
- A global sales and logistics capability
- A comprehensive portfolio of proprietary magnesium alloys
- An active commitment to Research & Development

**Magontec is a pioneer in the field of magnesium alloys and anode products with vast experience in production and development of new alloy and anode applications.**

**Magontec is building an operating base for the future with investment in new plant and equipment in China and Europe.**

**In 2015 Magontec is installing casting lines and equipment in the Magontec Qinghai cast house in preparation for first commercial supply from Qinghai Salt Lake Magnesium Co Ltd**

- EBITDA +153% on the previous corresponding period to \$4.0m.
- \$2.9m of cash generated from underlying operating activities in the 9 months to 30 September
- Cash on balance sheet has risen 13.7% to \$9.7m since 30 June 2015.
- Interest cover rises to 2.64x (EBIT/Interest expense)
- Revenue +5% on the previous corresponding period to \$106m

In the 9 months to 30 September 2015 Magontec has generated a Net Profit After Tax of \$1.46m including an unrealised foreign exchange gain of \$1.77m. This compares with a Net Loss After Tax of \$0.32m for the previous corresponding period including an unrealised foreign exchange gain of \$0.06m.

Group EBITDA increased 153% from \$1.6m to \$4.0m reflecting (inter alia) improvements in competitiveness driven by reduced conversion costs, higher volumes and a depreciating Australian currency.

Prior to the commissioning of the new magnesium alloy facility in Qinghai, Magontec has been focussed on improving the performance of its three principal activities; primary magnesium alloys in China, magnesium alloy recycling in Germany and Romania and anode manufacturing in China and Romania. All three divisions have generated improved results.

The improvement in operating performance comes despite a decline in other income from \$1.65m to \$0.35m and a \$0.485m impairment charge.

The Group currently has cash and cash equivalents of \$9.7m further boosting a balance sheet that has steadily improved over the last two years.

## The Qinghai Magnesium Project

The construction phase for the principal magnesium production units, brine purification, dehydration and reduction (electrolysis), are now drawing to a conclusion. Qinghai Salt Lake Magnesium Co Ltd, the owner and manager of the project, has overcome many challenges to build this 100,000 metric tonne per annum electrolytic magnesium smelter in Qinghai Province in China. This project is the first new electrolytic magnesium plant constructed for more than 20 years and, on completion, will be the most environmentally advanced magnesium production unit in the World. As shareholders will be aware production was expected to commence in 2015 however, as with many projects of this size and complexity, there have been a number of delays.

The first stage of the magnesium alloy cast house, for which Magontec is responsible, has been installed and will be commissioned in the next few weeks. Magontec's second cast house installation phase has commenced and will be ready for cold commissioning in March 2016. Following that installation Magontec will have installed production capacity of 42,000 metric tonnes per annum. The third installation phase will take annual production capacity to 56,000 metric tonnes per annum and we currently expect that to be completed by the third quarter of 2016.

### Magnesium alloy

In the third quarter Magontec has enjoyed more robust export markets for primary alloys from our Chinese facility and higher volumes in our European recycling facilities. Magontec's Chinese primary alloy production team in Shanxi Province have achieved record conversion costs assisting Magontec to develop new customers in export markets around the World.

In Europe our magnesium alloy recycling facilities at Bottrop in Germany and Santana in Romania have handled a record volume of scrap following the installation of new capacity at both locations in the last 12 months. We expect volumes to be steady in the period ahead.

### Anodes (cathodic corrosion protection)

In China our magnesium anode business has enjoyed a more buoyant period winning new contracts and higher volumes. While this market remains very price competitive the efforts of the last 12 months in reducing costs through automation and the introduction of new machinery has paid dividends. Notwithstanding this improvement Chinese anode prices are continually under downward pressure presenting our production team with an on-going challenge.

In Europe magnesium anode profitability is much improved on 2014 although production volumes have remained flat and the business unit has struggled to make a satisfactory contribution in the year to date. We have continued to invest in this activity through boosting sales representation and introducing further process improvements. Over the coming months we expect to see volume growth drive improved profitability. By contrast the electronic anode division has experienced relatively buoyant conditions.

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## Summary

Despite a relatively robust third quarter there remain many challenges for Magontec, not least the export of heavily discounted magnesium alloy product into European markets by our Chinese competitors. Furthermore, while Magontec enjoys a low-cost Chinese manufacturing base and expects to be well placed to compete in export and domestic markets from its new Qinghai cast house, the current downturn in the broader Chinese economy has brought a sharper focus on counterparty risk and price pressure for all of our products.

While it is pleasing to report a much improved level of profitability after many periods of negative results, the commencement of primary magnesium alloy production from the Qinghai facility is a critical future event and the foundation upon which Magontec will seek to build a more consistent and higher level of profitability for shareholders.

Nic Andrews  
Executive Chairman  
28 October 2015

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## Attachment 2

<b>UNAUDITED STATEMENT OF PROFIT &amp; LOSS and OTHER COMPREHENSIVE INCOME</b> (Source: Management Accounts)		
	<b>9 months to 30 September 2015 \$'000</b>	<b>9 months to 30 September 2014 \$'000</b>
Sale of goods	105,695	100,393
Cost of sales	(95,970)	(93,842)
<b>Gross profit</b>	<b>9,725</b>	<b>6,551</b>
Other income	346	1,649
Interest expense	(978)	(818)
Impairment of inventory, receivables & other financial assets	(485)	(74)
Travel accommodation and meals	(532)	(523)
Research, development, licensing and patent costs	(327)	(230)
Promotional activity	(26)	(50)
Information technology	(268)	(339)
Personnel	(4,841)	(4,031)
Depreciation & amortisation	(364)	(349)
Office expenses	(200)	(306)
Corporate	(2,275)	(2,342)
Foreign exchange gain/(loss)	1,838	249
Adjustment for income of prior years	(3)	-
<b>Profit/(Loss) before income tax expense/benefit from continuing operations</b>	<b>1,609</b>	<b>(612)</b>
Income tax (expense)/benefit	(152)	290
<b>Profit/(Loss) after income tax expense/benefit from continuing operations</b>	<b>1,456</b>	<b>(322)</b>
<b>Other Comprehensive Income - that may later emerge in the Profit and Loss Statement</b>		
Exchange differences taken to reserves in equity – translation of overseas entities	1,682	(391)
<b>Other Comprehensive Income - that will not emerge in the Profit and Loss Statement</b>		
Movement in various actuarial assessments	-	306
<b>Total Comprehensive Income</b>	<b>3,138</b>	<b>(407)</b>

## Attachment 3

UNAUDITED BALANCE SHEET (Source: Management Accounts)	30 September	31 December
	2015	2014
	\$'000	\$'000
<b>Current assets</b>		
Cash and cash equivalents	9,714	6,435
Trade & other receivables	25,557	25,242
Inventory	26,440	31,272
Other	605	393
<b>Total current assets</b>	<b>62,317</b>	<b>63,342</b>
<b>Non-current assets</b>		
Other receivables	1,132	1,046
Property, plant & equipment	19,710	17,240
Future income tax benefit	1,785	1,783
Intangibles	3,054	3,057
<b>Total non-current assets</b>	<b>25,682</b>	<b>23,126</b>
<b>TOTAL ASSETS</b>	<b>87,998</b>	<b>86,469</b>
<b>Current liabilities</b>		
Trade & other payables	18,308	22,525
Bank Borrowings	19,882	18,663
Provisions	541	489
<b>Total current liabilities</b>	<b>38,731</b>	<b>41,678</b>
<b>Non-current liabilities</b>		
Bank Borrowings	753	628
Provisions	10,830	9,958
<b>Total non-current liabilities</b>	<b>11,746</b>	<b>10,586</b>
<b>TOTAL LIABILITIES</b>	<b>50,477</b>	<b>52,264</b>
<b>NET ASSETS</b>	<b>37,521</b>	<b>34,205</b>
<b>Equity attributable to members of MGL</b>		
Share capital	58,433	58,262
Reserves	6,567	4,878
Accumulated (losses)/profits	(27,941)	(29,398)
<b>Equity attributable to minority interests</b>		
Share capital	463	463
Reserves	-	-
Accumulated (losses)/profits	-	-
<b>Total equity</b>	<b>37,521</b>	<b>34,205</b>

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**Attachment 4 – Statement of Cash Flows**

	Quarter Ended 30-Sep-15 \$A'000	9 Months to 30-Sep-15 \$A'000	6 Months to 30 Jun 2015 <sup>(1)</sup> \$A'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Underlying operational cash flow</b>			
Profit before taxation	\$1,853	\$1,609	(\$245)
Adjustments for:			
- Non-cash Equity expense	\$0	\$174	\$174
- Depreciation & amortisation	\$565	\$1,392	\$827
- Foreign currency effects	(\$1,187)	(\$1,415)	(\$228)
- Other Non-cash items	\$532	\$1,154	\$622
<b>Cash generated from/(utilised in) underlying operating activities</b>	<b>\$1,763</b>	<b>\$2,914</b>	<b>\$1,152</b>
<b>Net working capital assets</b>			
- Trade and Other Receivables	\$437	(\$1,464)	(\$1,901)
- Inventory	\$1,268	\$7,964	\$6,696
- Trade and Other Payables	\$1,378	(\$4,592)	(\$5,971)
- Other	\$54	\$408	\$354
<b>Cash generated from/(utilised in) net working capital asset</b>	<b>\$3,137</b>	<b>\$2,315</b>	<b>(\$822)</b>
<b>Other operating activities</b>			
- Net Interest paid	(\$376)	(\$989)	(\$612)
- Income tax paid	\$3	(\$10)	(\$13)
<b>Cash generated from/(utilised in) other operating activities</b>	<b>(\$373)</b>	<b>(\$999)</b>	<b>(\$625)</b>
<b>Net Cash generated from/(utilised in) all operating activities</b>	<b>\$4,527</b>	<b>\$4,231</b>	<b>(\$295)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net cash out on purchase/disposal of property, plant & equipment	(\$607)	(\$2,186)	(\$1,579)
Group Information Technology	(\$13)	(\$36)	(\$23)
Security Deposit	\$81	\$967	\$886
Other Non-current assets	\$16	\$42	\$26
<b>Net cash provided by / (used in) investing activities</b>	<b>(\$523)</b>	<b>(\$1,213)</b>	<b>(\$690)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank Debt	(\$3,273)	(\$493)	\$2,780
Net capital raised from issue of securities	(\$2)	(\$4)	(\$2)
Other	(\$66)	(\$66)	\$0
<b>Net cash provided by / (used in) financing activities</b>	<b>(\$3,341)</b>	<b>(\$562)</b>	<b>\$2,779</b>

Note 1. As per Company's 30 June 2015 half year report.

## Attachment 4 – Cash Flows (Continued)

	Quarter Ended 30-Sep-15 \$A'000	9 Months to 30-Sep-15 \$A'000	6 Months to 30 Jun 2015 \$A'000
Net increase / (decrease) in cash and cash equivalents	\$662	\$2,456	\$1,794
Foreign exchange effects on total cash flow movement	\$507	\$823	\$317
Cash and cash equivalents at the beginning of the reporting period	\$8,545	\$6,435	\$6,435
Cash and cash equivalents at the end of the reporting period	\$9,714	\$9,714	\$8,545

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**Attachment 5 – Appendix 4C**



**QUARTERLY UNAUDITED CASHFLOW -  
APPENDIX 4C**

for the Period Ended 30 September 2015

## Magontec Limited

ABN: 51 010 441 666  
Registered & Principal Office:  
Suite 1.03, Level 1  
46 Macleay St,  
Potts Point, NSW 2011  
Australia

**Tel:** +61 2 8005 4109  
**Fax:** +61 2 92528960  
**Website:** [www.magontec.com](http://www.magontec.com)  
**Email:** [Corporate@magontec.com](mailto:Corporate@magontec.com)

### Non-Executive Directors (as at 30 September 2015)

Zhongjun Li  
Kangmin Xie  
Andre Labuschagne

### Independent Directors (as at 30 September 2015)

Robert Shaw  
Robert Kaye

### Management Team

Nicholas Andrews  
*Executive Chairman*

John Talbot  
*Chief Financial Officer & Company Secretary*

## Issued Capital (as at 30 September 2015)

**Ordinary Shares** (ASX Code MGL)  
1,127,311,901 fully paid Ordinary shares on issue

**Options:** Nil

### Substantial Shareholders

Major Shareholders	No. of shares	Percent
Qinghai Salt Lake Magnesium Industry Limited	330,535,784	29.34
Straits Mine Management Pty Limited	154,688,142	13.73
J P Morgan Nominees Australia Limited	101,672,843	9.03
Citicorp Nominees Pty Limited	89,481,922	7.94
KWE(HK)Investment Development Co Limited	55,797,298	5.00

### Share Registry Services

Boardroom Pty Limited  
Level 7, 207 Kent St  
Sydney NSW 2000

**Postal:**  
GPO Box 3993  
Sydney NSW 2001

**Tel:** 1300 737 760 or  
**International:** +61 2 9290 9600  
**Fax:** 1300 653 459  
**Website:** <http://www.boardroomlimited.com.au>

The current share price can be obtained from the ASX Website

# Appendix 4C

## Quarterly Report

Introduced 31/3/2000. Amended 30/9/2001.

Name of entity

Magontec Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

30 September 2015

Cash flows related to operating activities	Quarter Ended 30 Sep 15 \$A'000	9 Months to 30 Sep 15 \$A'000
1.1 Receipts from customers	37,807	104,577
1.2 Payments for -		
(a) staff costs	(1,632)	(4,841)
(b) advertising and marketing	(6)	(26)
(c) research and development	(128)	(327)
(d) leased assets		
(e) other working capital	(31,144)	(94,153)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	14	56
1.5 Interest and other costs of finance paid	(392)	(1,045)
1.6 Income taxes paid	3	(10)
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>4,522</b>	<b>4,231</b>

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	<b>Quarter Ended 30 Sep 15 \$A'000</b>	<b>9 Months to 30 Sep 15 \$A'000</b>
1.8 Net operating cash flows (carried forward)	4,522	4,231
<b>Cash flows related to investing activities</b>		
Payment for acquisition of:		
1.9 (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		(36)
(d) physical non-current assets	(607)	(2,186)
(e) other non-current assets		
Proceeds from disposal of:		
1.1 (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material) <sup>(1)</sup>	97	1,009
<b>Net investing cash flows</b>	<b>(510)</b>	<b>(1,213)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>4,013</b>	<b>3,018</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		(4)
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	(3,271)	(493)
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.2 Other (provide details if material)	(66)	(66)
<b>Net financing cash flows</b>	<b>(3,337)</b>	<b>(562)</b>
<b>Net increase (decrease) in cash held</b>	<b>676</b>	<b>2,456</b>
1.21 Cash at beginning of quarter/year to date	8,545	6,435
1.22 Exchange rate adjustments to item 1.20	493	823
1.23 <b>Cash at end of quarter</b>	<b>9,714</b>	<b>9,714</b>

1. Includes refund of security deposit of \$966,773 for the 9 Months to 30 September 2015

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Quarter Ended 30 September 2015
		\$A
1.6 (a)	Aggregate amount of payments to the relevant parties (aggregate fees paid to directors)	\$8,750
(b)		
1.7	Aggregate amount of loans to the relevant parties	Nil
1.8	Explanation necessary for an understanding of the transactions	
Refer Attachment 1 Executive Chairman's Commentary.		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 2001 (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Date: 28 October 2015  
 Executive Chairman  
 Magontec Limited

Print name: Mr Nicholas Andrews

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## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The definitions in, and provisions of, *AASB 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.

- Aus20.1 - reconciliation of cash flows arising from operating activities to operating profit or loss
- 39 - 42 - itemised disclosure relating to acquisitions and disposals
- 48 - 52 - disclosure of restrictions on use of cash

3 Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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