

Suite 1.03, Level 1
46A Macleay St
Potts Point NSW 2011
Australia
Ph: +61 2 8005 4109
Fax: +61 2 9252 8960

28 April 2017

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

Dear Sirs,

Appendix 4C – Quarter Ended 31 March 2017

Attached to this letter are –

- Attachment 1 – Unaudited Cash Flow Statement for the 3 months to 31 March 2017
- Attachment 2 – Appendix 4C Cash Flow Report for the 3 months ended 31 March 2017

Attachment 1 is presented in the format that appears in the Company's Half Year and Annual Reports and is prepared on a basis consistent with the requirements of accounting standards.

Attachment 2 is presented in the format required by Paragraph 4.7B of Chapter 4 of the ASX listing rules.

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.

It is reiterated that all data presented in this report, including the supplementary cash flow statement in Attachment 1 is unaudited.

Yours Sincerely,

A handwritten signature in dark ink, appearing to read 'John Talbot', written in a cursive style.

John Talbot
Company Secretary

Executive Chairman's Commentary

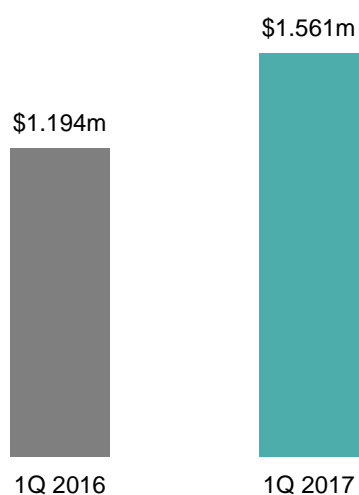
Magontec Limited (ASX: MGL)

Quarterly Update for the 3 months to 31 March 2017 (Unaudited)

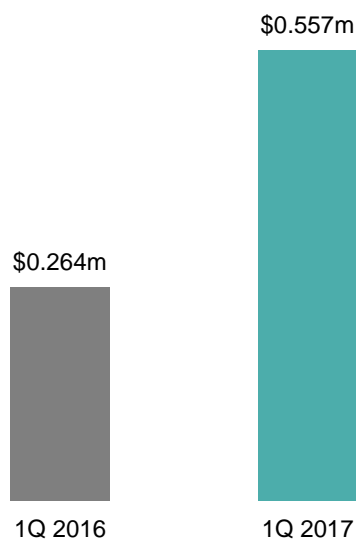
- Underlying 1Q17 Operational Cashflow + 30.8% on PCP to \$1.561m
- Unaudited 1Q17 Underlying NPAT + 111.1% on PCP to \$0.557m
- 1Q 2017 Sales up 20% in Europe/North America versus PCP, down 4% in Asia
- 1Q2017 Gross Profit margins steady in Europe/North America, down in Asia

Headline numbers				
A\$M	3 months to 31 Mar 2017	3 months to 31 Mar 2016	\$ Chg	% Chg
Underlying Operational Cashflow	\$1.561	\$1.194	\$0.367	30.8%
Gross Profit	\$3.798	\$3.764	\$0.034	0.9%
Gross Profit Margin (%)	11.5%	12.0%		
Underlying EBITDA*	\$1.573	\$1.098	\$0.475	43%
Underlying EBIT*	\$1.186	\$0.640	\$0.546	85.2%
Underlying NPAT*	\$0.557	\$0.264	\$0.293	111.1%
* Excludes unrealised FX effects of	(\$0.744)	(\$0.181)		

Cash generated from underlying operating activities



Underlying NPAT*



ABOUT MAGONTEC

Magontec is a leading manufacturer of magnesium alloys and Cathodic Corrosion Protection (magnesium and electronic anode) products

Magontec:

- Buys and converts pure Mg into Mg alloy ingots for sale into global markets
- Acquires Mg alloy scrap from customers for recycling into Mg alloy ingots for re-sale
- Casts and extrudes Mg alloys into anodes for supply to the global water heater industry

Magontec is the only western Mg alloy producer with:

- Its own Chinese primary Mg alloy manufacturing base and Mg alloy recycling facilities in Europe and Asia
- A global sales and logistics capability
- A comprehensive portfolio of proprietary magnesium alloys and an active R&D program

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

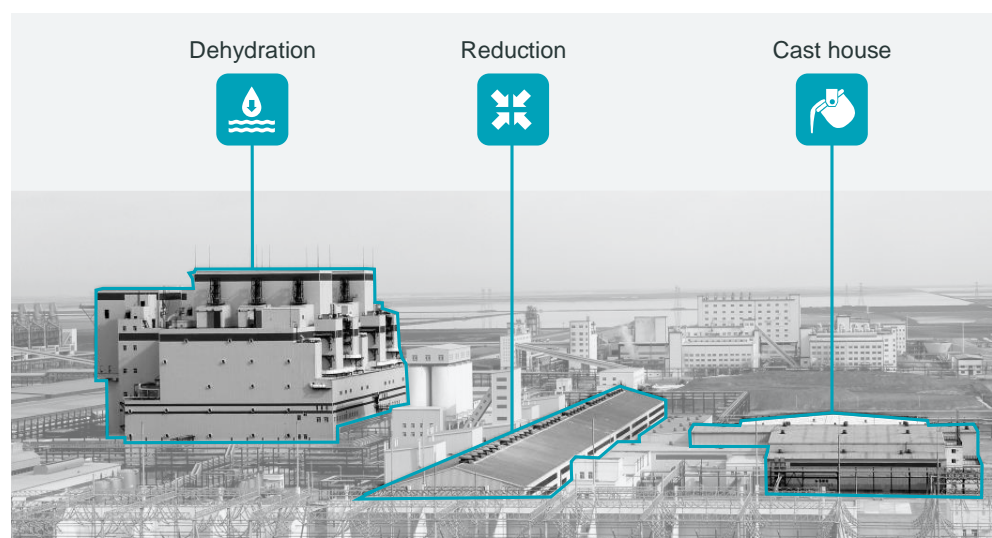
Magontec Qinghai Magnesium Alloy Cast House is prepared for first commercial supply of pure magnesium from Qinghai Salt Lake Magnesium Co Ltd

Start of production at Magontec Qinghai will triple MGL's primary magnesium alloy production capacity

COMMENTARY

Magontec Qinghai Cast House Project

As discussed in the 2016 Annual Report, the Magontec Qinghai Cast House project is now fully installed and has been commissioned up to the point prior to delivery of continuous pure magnesium supply. There have been several production trials to hot commission installed equipment and train employees engaged to operate the new facility. Through this period we have gained a thorough knowledge of the new processes that will be employed at this state of the art cast house. Remaining tasks include commissioning of the Continuous Refinery Furnaces (CRFs), contingent on the delivery of material from the reduction cell house, and some fine-tuning of electronic and mechanical packaging equipment designed to manage processing of ingots from the Cast House into pallet loads and through to the warehouse.



**QSLM Electrolytic
Magnesium Complex,
Qinghai Province PRC**

**Magontec Qinghai
Cast House
bottom right**

The new Magontec Cast House at Qinghai is now awaiting first supply of liquid magnesium from the adjacent Qinghai Salt Lake Magnesium (QSLM) electrolytic smelter. QSLM and their commissioning agents are bringing the first of two 50,000 metric tonne per annum dehydration units on stream in the period from May to July for delivery of prills to the Reduction Cell House. QSLM is expected to deliver a steadily increasing supply of liquid pure magnesium from the Reduction Cell House to the Magontec Qinghai Cast House from the third quarter of 2017.

The Magontec Qinghai Cast House facility will eventually receive 56,000 metric tonnes per annum of liquid pure magnesium from the QSLM magnesium smelter and convert this into around 60,000 metric tonnes per annum of magnesium alloys. The QSLM facility is the first electrolytic magnesium smelter to be constructed in the last 20 years and will be principally supplied by renewable energy sources (85%) making it the World's most environmentally friendly magnesium manufacturing facility.

In 2013 Magontec and QSLM signed agreements that define the off-take price of the raw material (pure magnesium) delivered to the new Magnesium Alloy Cast House together with a second agreement that provides Magontec Qinghai with a 10-year lease and an option to extend for a further 10 years. Under these agreements Magontec also has the exclusive right to manufacture magnesium alloys at the QSLM site at Golmud in Qinghai Province.

When the QSLM facility and the Magontec Qinghai Cast House reach full production Magontec will be offering magnesium alloys to customers in Europe, Asia and the Americas with the lowest embedded CO₂ of any magnesium ever produced. Furthermore, we anticipate that the off-take price agreement between QSLM and Magontec will help to restore the competitiveness of Magontec's primary magnesium alloy offering and allow the Company to re-enter markets in the automotive, telecoms and other magnesium alloy die cast sectors.

Magnesium Alloy Product

In Europe Magontec's Romanian and German magnesium alloy recycling facilities have enjoyed a busy first quarter with volumes up 15% on the previous corresponding period.

Magontec's European factories continue to benefit from a strong focus on process and cost improvements as well as rising volumes driven by increased usage of magnesium in the automotive sector. We expect this to continue in the years ahead and have the ability to grow output at both of our European production facilities to meet rising demand. As the Romanian business grows we have continued to engage new management and administrative staff to ensure the smooth running of this important facility.

The European recycling industry remains highly competitive. Despite this Magontec factories have enjoyed a boost in competitiveness over recent years and the arrival in Europe later this year of large volumes of primary magnesium alloy material from the Magontec Qinghai facility is expected to further enhance the company's ability to improve margins and grow volumes.

Magontec's Chinese primary magnesium alloy manufacturing facility in Shanxi Province also enjoyed a strong start to the year achieving higher gross profit margins, albeit on lower volumes. This division's EBIT made a particularly strong contribution to overall group profitability, although this is unlikely to be repeated in 2Q 2017. Our current Chinese primary alloy facility has achieved significant improvements in conversion costs in recent years but is still not as price competitive in some export markets. The start of production at Magontec Qinghai is expected to help us address this in the longer term.

Anode Products (Cathodic Corrosion Protection)

The magnesium anode business enjoyed a strong first quarter in Europe where volumes were up 25%. This may reflect a slight shift in seasonal demand, which may result in weaker numbers at a later time in the year. Nonetheless the investment made in this business and management time expended in reducing manufacturing and other operating costs, delivered a strong improvement in EBIT contribution, particularly in comparison with a weak 1Q2016.

In Europe we continue to invest in automation and process change and expect to deliver further gains in productivity in the second half of 2017. We have made a major investment in sales and distribution in recent years and now cover all the Eastern States of Europe, the Middle East and North America as well as our traditional Western European markets. In North America we have appointed a new Sales Representative and have engaged a national distribution agency to further promote our product into a market where Magontec has hitherto had a minor presence.

In China we have experienced a small drop in Mg anode volumes in 1Q 2017 that will be more pronounced in the second quarter reflecting the loss of a major high volume/low margin customer in February 2017. A few large hot water manufacturers dominate the Chinese market, the competition for their business is intense and contract renewal is an annual event. We have chosen not to chase prices below breakeven to retain volumes at 2016 levels and will seek to regain market share through further process efficiencies, for which there is still considerable scope in our Chinese business.

The electronic anode business, targeting higher priced domestic water heater products as well as commercial applications in the hospitality and dairy industries, continues to perform well. Global revenues were up again in 1Q 2017 and this division made another strong contribution to group profit in the period under review.

Financial Comment

Unaudited underlying operational cash flow for the 3 months ended 31 March 2017 was \$1.6 million, representing a 30.8% increase on the prior corresponding period with the strong operational results in Europe referred to above being the main contributor.

During the period, \$8.9m of working capital was consumed primarily to support rising sales. In particular, larger than normal quantities of consignment stock were in transit to customers which weighed on the headline operational cash flow number at the end of the first quarter. We expect this will revert in a positive direction as our operating capital requirements moderate to more normal levels over the coming months.

Summary

Over the last three years we have restored profitability to our existing businesses, built a platform for future growth and completed the installation and commissioning of a new 56,000 mtpa primary magnesium alloy cast house at Golmud in Qinghai Province PRC (Magontec Qinghai). In 2017 we start the second quarter with most of these objectives secured and in the final stages of preparation for production at the new facility.

To date we have not had sufficient visibility to confidently predict future earnings. This remains the case in 2017. We can say that the earnings profile of the anode manufacturing and magnesium alloy recycling businesses are enjoying more stability than in previous years. While there will be seasonal variation and the occasional impact from a contract loss or gain, we have achieved cost reduction targets and have some comfort that these businesses will continue to make a positive contribution to overall profitability. Indeed there are opportunities for organic growth and for some small acquisitions in both businesses that we will review in the coming months.

Forecasting the impact of the new Magontec Qinghai facility is more complex. It will become a very significant part of our overall business, raising revenues in the primary alloy division from \$37 million in 2016 to a number closer to \$170 million at full production of around 60,000 metric tonnes per annum. We also expect the margin on this business to be higher than the margin from our current primary alloy business. However, in the ramp-up phase it is unlikely that we will be able to immediately access all of the benefits that this opportunity offers. There will be extraordinary costs associated with engaging and training new staff and operating at volumes below full capacity in the initial stage that will likely negatively impact on overall group profit immediately once production commences. Furthermore, our customers in Asia, Europe and North America need to qualify the new Golmud plant to maintain their own qualification standards prior to accepting delivery from this new factory.

While there are uncertainties in bringing such a large project on stream we feel confident that Magontec is well placed to meet these remaining challenges and we look forward to successfully executing the final and most important component of our current business plan.

Nic Andrews
Executive Chairman
28 April 2017

Attachment 1

UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement	
Source: Magontec Limited Consolidated Management Accounts	
	Quarter Ended
\$000	31-Mar-17
CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from/ (utilised in) underlying operating activities	1,561
Net working capital assets	
- Trade and other receivables	(7,411)
- Inventory	(6,524)
- Trade and other payables	5,024
Cash generated from/ (utilised in) net working capital asset	(8,911)
Other operating activities	
- Net Interest paid	(252)
- Income tax paid	(65)
Cash generated from/ (utilised in) other operating activities	(317)
Net Cash generated from/ (utilised in) all operating activities	(7,667)
CASH FLOW FROM INVESTING ACTIVITIES	
Net cash out on purchase/disposal of property, plant & equipment	(1,593)
Group information technology	(0)
Security deposit	(169)
Other	-
Net cash provided by / (used in) investing activities	(1,763)
CASH FLOW FROM FINANCING ACTIVITIES	
Bank Debt	8,437
Net capital raised from issue of securities	-
Other	-
Net cash provided by / (used in) financing activities	8,437
Net increase / (decrease) in cash and cash equivalents	(993)
Foreign exchange effects on total cash flow movement	(220)
Cash and cash equivalents at the beginning of the period	4,593
Cash and cash equivalents at the end of the period	3,379

Attachment 2

APPENDIX 4C



**QUARTERLY UNAUDITED CASHFLOW
APPENDIX 4C**

for the Period Ended 31 March 2017

Magontec Limited

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

Tel: +61 2 8005 4109

Fax: +61 2 9252 8960

Website: www.magontec.com

Email: corporate@magontec.com

Non-Executive Directors

As at 31 March 2017

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors

As at 31 March 2017

Robert Shaw
Robert Kaye

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Company Secretary

Derryn Chin
Chief Financial Officer

Issued Capital (as at 31 March 2017)

Ordinary Shares (ASX Code MGL)

1,132,209,291 fully paid Ordinary shares on issue

Options: Nil

Substantial Shareholders

Shareholder	No. of shares ⁽¹⁾	Percent ⁽²⁾
Qinghai Salt Lake Magnesium Industry Limited	330,535,784	29.19
Allan Gray Australia Pty Limited	187,230,248	16.54
Straits Mine Management Pty Limited	148,874,507	13.15

Notes:

1. As per last "Notice of change of interests of substantial holder" lodged with ASX by shareholder.
2. "No. of Shares" divided by fully paid Ordinary shares on issue as at the date of this report.

Share Registry Services

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

Postal Address:

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 – www.asx.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Magontec Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	27,793	27,793
1.2	Payments for		
	(a) research and development	(96)	(96)
	(b) product manufacturing and operating costs	(32,328)	(32,328)
	(c) advertising and marketing	(47)	(47)
	(d) leased assets	-	-
	(e) staff costs	(1,450)	(1,450)
	(f) administration and corporate costs	(1,222)	(1,222)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	10
1.5	Interest and other costs of finance paid	(262)	(262)
1.6	Income taxes paid	(65)	(65)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(7,667)	(7,667)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,610)	(1,610)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(0)	(0)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	17	17
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(169)	(169)
2.6	Net cash from / (used in) investing activities	(1,763)	(1,763)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	15,188	15,188
3.6	Repayment of borrowings	(6,751)	(6,751)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	8,437	8,437

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,593	4,593
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(7,667)	(7,667)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,763)	(1,763)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	8,437	8,437
4.5 Effect of movement in exchange rates on cash held	(220)	(220)
4.6 Cash and cash equivalents at end of quarter	3,379	3,379

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,379	4,593
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,379	4,593

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

35

-

Not applicable

7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Not applicable

8. Financing facilities available

Add notes as necessary for an understanding of the position

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at quarter
end
\$A'000**

8.1 Loan facilities

26,833

23,890

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Borrowings facilities as at 31 Mar 17					
Lender	Maturity %	Interest rate %	Limit \$A 000	Drawn \$A 000	Security status
Commerzbank Germany	30-Jun-17	2.15%	11,212	11,024	Secured
Commerzbank Germany	31-Dec-18	2.50%	401	401	Secured
ING Romania	Open	3.15%	4,669	3,823	Secured
ING Romania	28-Apr-17	2.70%	608	221	Secured
Bank of Communications China	25-Apr-17	4.52%	3,801	3,801	Secured
Commerzbank Bank China	NA	5.78%	4,752	3,237	Secured
Total borrowings on balance sheet			25,444	22,508	
Postbank (factoring)			1,389	1,382	
Total facilities as at 31 Mar 17			26,833	23,890	

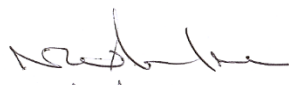
No additional facilities entered into or proposed to be entered into after quarter end. It is anticipated that the facility with the Bank of Communications in China due to mature on 25 April 2017 will be rolled over on materially similar terms to the existing loan.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(104)
9.2 Product manufacturing and operating costs	(28,546)
9.3 Advertising and marketing	(24)
9.4 Leased assets	-
9.5 Staff costs	(1,466)
9.6 Administration and corporate costs	(1,461)
9.7 Other (provide details if material)	(104)
9.8 Total estimated cash outflows	(31,601)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration	Not applicable	Not applicable
10.3 Consideration for acquisition or disposal	Not applicable	Not applicable
10.4 Total net assets	Not applicable	Not applicable
10.5 Nature of business	Not applicable	Not applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Executive Chairman)

Date: 28 April 2017

Print name: Mr Nicholas Andrews