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30 April 2019

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

Dear Sirs,

Appendix 4C – Quarter Ended 31 March 2019

In this letter are –

- Attachment 1 – Unaudited Cash Flow Statement for the 3 months to 31 March 2019
- Attachment 2 – Unaudited Appendix 4C cash flow report for the quarter ended 31 March 2019

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 totals 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

Executive Chairman's Commentary
Magontec Limited (ASX: MGL)
Quarterly Update for the 3 months to 31 March 2019 (Unaudited)

Operational Highlights – First Quarter 2019

	1Q 2019	1Q 2018	% Change
Gross Profit	+\$4.436m	+\$3.682m	+20%
EBITDA*	+\$1.296m	+\$0.725m	+79%
Underlying Net Profit After Tax*	+\$0.135m	-\$0.307m	-
Underlying Operational Cashflow**	+\$1.256m	+\$0.755m	+66%

*Excludes the impact of unrealised FX gains and losses

**This is defined as cashflow from operations excluding working capital movements, interest and income tax paid

Highlights Commentary

- Magontec has experienced a strong uplift in operational performance across its main businesses in the first quarter of 2019.
- Despite the raw material supply issues at the new cast house in Qinghai, both the metals and anodes businesses posted higher Gross Profit compared with the previous corresponding period.

Gross Profit	1Q 2019	1Q 2018	% Change
Metals	\$1.62m	\$1.24m	+31%
Anodes	\$2.81m	\$2.44m	+15%

- The first quarter 2019 result for the Chinese primary magnesium alloy business (the Qinghai facility) compares with a weak first quarter in 2018.
- In the periods when the Magontec Qinghai facility has had access to flows of liquid raw material from its supplier, Qinghai Salt Lake Magnesium (QSLM), the business has performed well.
- As discussed in the release to the ASX on 12 April 2019, raw material supplies to the Magontec Qinghai facility have been intermittent in the first quarter and are expected to continue to be intermittent until the 3rd quarter of 2019.
- Magontec's European magnesium alloy recycling businesses have experienced steady volumes in the first quarter of 2019 and sharply rising productivity at the Romanian facility.
- The Company's anodes businesses in China and Europe have experienced higher volumes as new customers, particularly in North America, have driven productivity improvements and profitability.
- In the second quarter European recycling and global anode volumes and profitability are expected to continue at the same level, although there are concerns regarding the key global automotive market, which has experienced some volume contraction in the year to date.
- The Chinese primary magnesium alloy business is likely to be breakeven or loss making in the second and third quarters of 2019.

Headline numbers				
A\$M	3 months to 31 Mar 2019	3 months to 31 Mar 2018	\$ Chg	% Chg
Underlying Operational Cashflow***	\$1.256 m	\$0.755 m	+\$0.501 m	+66.4%
Work cap mvmt & other op cashflow	(\$2.788 m)	\$2.427 m	(\$5.215 m)	
Total Operational Cashflow	(\$1.532 m)	\$3.182 m	(\$4.714 m)	
Gross Profit	\$4.436 m	\$3.682 m	+\$0.754 m	+20.5%
Gross Profit Margin (%)	13.2%	11.3%		
Underlying EBITDA*	\$1.296 m	\$0.725 m	+\$0.570 m	+78.6%
Underlying EBIT*	\$0.586 m	\$0.007 m	+\$0.579 m	
Underlying NPAT*	\$0.135 m	(\$0.307 m)	+\$0.442 m	
Reported NPAT	\$0.025 m	\$0.095 m	(\$0.070 m)	
* Excludes unrealised FX effects of	(\$0.110m)	+\$0.402m		

Financial Comment

In the first quarter Magontec experienced improved underlying operational cash flows***, up from \$0.755m in the first quarter of 2018 to \$1.256m in the quarter under review. This rise in operational cash generation was driven by higher production volumes, increases in automation and steady fixed costs.

Improved efficiencies, particularly at the Romanian facility, which recycles magnesium alloys and manufactures magnesium anodes, and in the Chinese magnesium anodes business, contributed to a rise in Gross Profit margins, up from 11.3% in the first quarter of 2018 to 13.2% in the quarter under review.

Cash was largely unchanged through the period and sits at \$12.75 million. This high level of cash on the balance sheet reflects lower levels of primary magnesium alloy production in China and related lower sales volumes. This is expected to be fully utilised later in the year as volumes rise at the Magontec Qinghai facility.

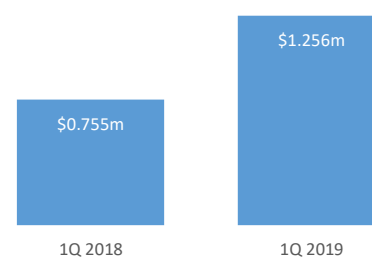
As at 31 March 2019 the net debt to net debt + equity ratio was 15.7%, slightly higher than the ratio of 13.0% as at 31 December 2018 and a return to more normal gearing levels as noted in the financial outlook commentary accompanying the 2018 Annual Report.

Interest cover has risen from 2.6 to 3.4 times** reflecting lower overall debt and higher underlying profitability.

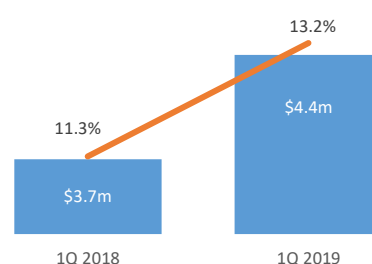
**Based on rolling 12-month EBIT excluding FX gains and losses

*** This is defined as cashflow from operations excluding working capital movements, interest and income tax paid

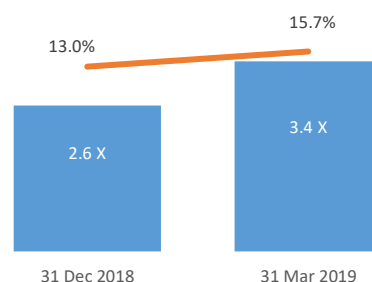
Underlying Operational Cash Flow



Gross Profit & Gross Profit Margin



Interest Cover and Net Debt to Net Debt + Equity



Review of Operations

Primary Magnesium Alloys – China (Magontec Qinghai Cast House Project)

The new Magnesium Alloy Cast House (MACH) at Golmud in Qinghai province has continued to grow output volumes in the first quarter of 2019, however the rate of volume growth has been below expectations due to constraints on raw material availability.

Despite these limitations, the Magontec Qinghai plant continues to meet its delivery obligations to customers.

In February the MACH management team commissioned the second Continuous Refinery Furnace and are now able to produce both generic magnesium alloy products (AZ and AM) at higher volumes and improve the flexibility of the plant.

As disclosed in the release to the ASX, QSLM, Magontec's raw material supplier, has experienced a number of commissioning delays that have impacted raw material availability to the MACH. These include the operational availability of liquid metal transfer wagons and chemical stability of pure magnesium production.

A further 4 wagons have arrived in China and are expected to be onsite in May 2019. These new transfer machines will further address the raw material delivery bottleneck.

The source of the chemical variation in the liquid pure magnesium raw material has been identified within the magnesium chloride dehydration plant and the operator of that facility, QSLM, is undertaking works to address the problem.

QSLM expect to be able to deliver higher raw material volumes to Magontec's MACH from August 2019. Thereafter we anticipate increased volume output through to the end of the year and beyond.

Magnesium recycling

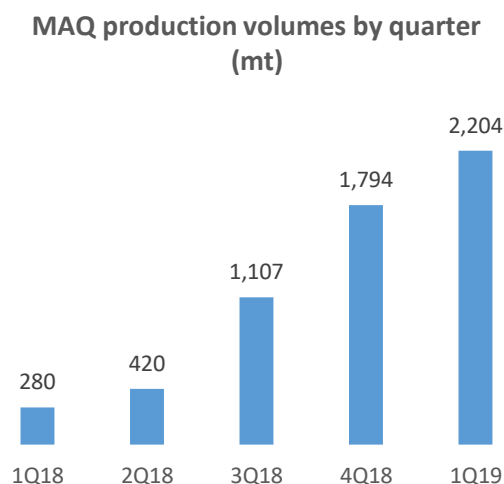
Magontec's principal magnesium alloy recycling activities are in Europe at Bottrop in north western Germany and at Santana in north western Romania. These businesses recycle magnesium alloy scrap generated by Magontec customers in the magnesium alloy die casting business.

Most of Magontec's European customers are focussed on the manufacture of applications for the automotive and power tool industries. Magontec is a leading supplier of recycling services into the European market to OEM and Tier 1 automotive customers.

In the first quarter of 2019 there has been considerable volatility in automotive markets. This was in part the result of qualification delays in the second half of 2018 associated with new European emissions standards (WLTP) and in part a more generalised economic slowdown, particularly in China.

While the March 2019 figures for automobile registrations showed a monthly rebound, particularly China and Germany, we remain cautious on the outlook for automobile sales for the rest of the year.

Magontec's two European magnesium alloy recycling plants have performed well, achieving lower average costs and steady volumes. The European management team is undertaking new process initiatives to lower the cost of converting magnesium alloy scrap back into magnesium alloy ingots and increase the competitiveness of the Magontec offering to European customers.



Anode Products (Cathodic Corrosion Protection)

The Company operates two magnesium anode manufacturing plants in Romania and in China. The principal customers for this product are water heater manufacturers.

In China volumes have grown quickly over the last 12 months as new markets have opened in North America and existing market shares in Asia have grown. The US and Chinese markets are highly consolidated comprising a few large companies and, particularly in China, a long tail of smaller companies. Magontec has been particularly successful in building its relationships with these large companies and is well suited to this industry dynamic as a global organisation with marketing, distribution and technology development assets in all regions of the world.

Over the last 2 years there has been investment in new plant and equipment in both Romania and China allowing the Company to continue to successfully offer product into very competitive markets. Magontec is now the largest manufacturer of magnesium alloys in the world; a niche market where volume throughput and automation are critical factors.

Summary

In the first quarter of 2019 Magontec has experienced growth in volumes and sales in its anode businesses and a welcome recovery in operating efficiency at the Romanian plant. However, the Company also continues to experience frustratingly slow progress at the Magontec Qinghai Magnesium Alloy Cast House.

With the exception of the Chinese primary magnesium alloy business all the constituent parts of the Magontec business are profitable and at or close to the targets set for 2019 in the first quarter of the year. The Company's balance sheet remains well positioned to manage the current working capital demands of the business and to accommodate the forecast growth of primary magnesium alloy sales from China in the months ahead.

The Magontec Qinghai facility itself is now fully commissioned and operating at around 15% of capacity. It has a full complement of production and administrative staff and has been fully depreciated (around \$1 million per annum) since 1 January 2018. At 20% of capacity in the MACH, based on 100% supply of raw material from QSLM, we estimate that the plant will be profitable at the net profit line and, thereafter, is expected to benefit from operating leverage and falling fixed unit costs.

Nic Andrews

Executive Chairman

30 April 2019

ABOUT MAGONTEC LIMITED

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

Magontec activities

- Converts pure Mg and alloying elements into Mg alloys
- Casts and extrudes Mg alloys into anodes for supply to the global water heater industry
- Distributes products through a global sales network to customers in Europe, Asia and North America

Magontec assets

- World's greenest primary Mg alloy producer in Qinghai Province PRC
- Premier Mg alloy recycling assets in Europe
- A portfolio of proprietary magnesium alloys and an active R&D program
- Mg & electronic anode manufacturing facilities in Europe and China

Magontec profile

- A leading global magnesium alloy manufacturer and sales organisation
- A pioneer in the field of magnesium alloys and anode products
- Vast experience in production and development of new Mg alloys and anode applications

Attachment 1
UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement	
Source: Magontec Limited Consolidated Management Accounts	
\$000	3 months to 31-Mar-19
CASH FLOW FROM OPERATING ACTIVITIES	
Cash generated from/ (utilised in) underlying operating activities	1,256
Net working capital assets	
- Trade and other receivables	(4,679)
- Inventory	(728)
- Trade and other payables	3,343
- Other	(140)
Cash generated from/ (utilised in) net working capital assets	(2,203)
Other operating activities	
- Net Interest paid	(131)
- Income tax paid	(454)
Cash generated from/ (utilised in) other operating activities	(585)
Net Cash generated from/ (utilised in) all operating activities	(1,532)
CASH FLOW FROM INVESTING ACTIVITIES	
Net cash out on purchase/disposal of property, plant & equipment	(460)
Group information technology	(123)
Security deposit	70
Other	116
Net cash provided by / (used in) investing activities	(397)
CASH FLOW FROM FINANCING ACTIVITIES	
Bank Debt	1,526
Net capital raised from issue of securities	(0)
Other	-
Net cash provided by / (used in) financing activities	1,526
Net increase / (decrease) in cash and cash equivalents	(403)
Foreign exchange effects on total cash flow movement	266
Cash and cash equivalents at the beginning of the period	12,889
Cash and cash equivalents at the end of the period	12,751

Attachment 2

APPENDIX 4C



QUARTERLY UNAUDITED CASH FLOW
APPENDIX 4C

for the Period Ended 31 March 2019

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 2019

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors

As at 31 March 2019

Robert Kaye
Atul Malhotra

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Company Secretary

Derryn Chin
Chief Financial Officer

Issued Capital (as at 31 March 2019)

Ordinary Shares (ASX Code MGL)

1,140,073,483 fully paid Ordinary shares on issue

Options: Nil

Performance Rights ⁽¹⁾ (as at 31 March 2019):

Performance Period	Granted	Number
1 Jan 2017 to 31 Dec 2019	19 May 2017	15,621,146
1 Jan 2018 to 31 Dec 2020	10 May 2018	17,181,612
1 Jan 2019 to 31 Dec 2021	24 Jan 2019	17,501,610
Total		50,304,368

Note:

(1) For terms of issue refer to the heading "Vesting of Performance Rights as Magontec Ordinary Shares" in paragraphs (o) to (t) of Resolution 5 of the 2017 AGM.

Substantial Shareholders

Shareholder	No. of shares ⁽²⁾	Percent ⁽³⁾
Qinghai Salt Lake Magnesium Industry Limited	330,535,784	28.99
Allan Gray Australia Pty Limited	176,858,972	15.51
Straits Mine Management Pty Limited	148,874,507	13.06

Notes:

(2) As per last "Notice of change of interests of substantial holder" lodged with ASX by shareholder.

(3) "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 12, 225 George 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

Name of entity

Magontec Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

31 March 2019

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	31,971	31,971
1.2	Payments for		
	(a) research and development	(67)	(67)
	(b) product manufacturing and operating costs	(28,873)	(28,873)
	(c) advertising and marketing	(31)	(31)
	(d) leased assets	-	-
	(e) staff costs	(2,116)	(2,116)
	(f) administration and corporate costs	(1,832)	(1,832)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	25	25
1.5	Interest and other costs of finance paid	(156)	(156)
1.6	Income taxes paid	(454)	(454)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(1,532)	(1,532)

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	(460)	(460)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	(123)	(123)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	0	0
(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)	186	186
2.6 Net cash from / (used in) investing activities	(397)	(397)

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	3,752	3,752
3.6 Repayment of borrowings	(2,226)	(2,226)
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	1,526	1,526

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	12,889	12,889
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,532)	(1,532)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(397)	(397)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,526	1,526
4.5 Effect of movement in exchange rates on cash held	266	266
4.6 Cash and cash equivalents at end of quarter	12,751	12,751

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	12,751	12,889
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)	12,751	12,889

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**

75

-

Payment to one director of \$15,000 for 4Q 2018 fees was made after 31 December 2018 due to a change of banking arrangement which had not been updated in time. Subsequently paid in January 2019.

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	

Payments to Qinghai Salt Lake Magnesium Company for pure Magnesium supply. A payment was made subsequent to 31 March 2019 which will be reported in the second quarter numbers.

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	21,348	20,703
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 March 2019					
Lender	Maturity	Interest %	Limit \$A 000	Drawn \$A 000	Security status
Commerzbank Germany	30-Sep-20	1.55%	11,027	10,772	Secured
ING Romania	Open	4.84%	4,648	4,257	Secured
Bank of Communications China	01-Apr-19	5.22%	4,199	4,199	Secured
Total borrowings on balance sheet			19,875	19,229	
Postbank (factoring)	30-Nov-18	1.34%	1,474	1,474	
Total facilities			21,348	20,703	

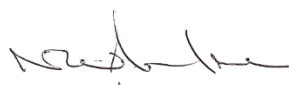
No additional facilities entered into or proposed to be entered into after quarter end.

9. Estimated cash outflows for next quarter	\$A'000
fsf9.1 Research and development	(88)
9.2 Product manufacturing and operating costs	(28,868)
9.3 Advertising and marketing	(29)
9.4 Leased assets	-
9.5 Staff costs	(1,941)
9.6 Administration and corporate costs	(1,533)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(32,459)

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: 30 April 2019

Print name: Mr Nicholas Andrews

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.