



Limited

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Australia
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28 July 2014

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

Dear Sirs,

Appendix 4C – Quarter Ended 30 June 2014

The quarterly cash flow statement for the quarter ended 30 June 2014 is attached.

The Company's audited financial results and report for the 6 months ended 30 June 2014 will be released by 31 August 2014.

The accompanying cash flow statement is based on preliminary management accounting data pending completion of audited accounts at 30 June 2014. Any variation between the cash flow statement in this Appendix 4C and the ultimate audited cash flow statement will be accounted for in the Company's half year report. In the meantime a short commentary on the preliminary cash flow report is provided.

The industry in which Magontec Limited operates is characterised by lengthy credit sales terms unmatched by similar terms on purchases. As at the end of the period under review the Company's working capital levels were substantially higher than in previous periods.

After isolating the increase in working capital assets, the underlying operation in the first half of 2014, was cash positive. Furthermore, to assist the Company to better manage its working capital requirements in China and elsewhere around the World we are in the process of finalising a significant global facility with a European bank.

The main cause of the rise in working capital stems from the Company's Chinese operations where domestic demand and sales into the export markets have been below previous periods. This has resulted in a rise in inventories at the Company's primary alloying facility in Shanxi Province. The impact of the slowdown in domestic Chinese demand on inventories has also been felt in sluggish trade debtor collections.

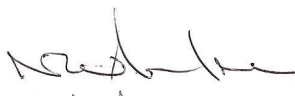
While some of these effects are cyclical in nature others appear more entrenched and not easily addressed prior to our move to Qinghai. However it seems likely that the raw material inventory build-up has occurred at a time of low pricing with pure magnesium purchases in the first half of 2014 dropping below ¥15,000 for much of the period.

The attached cash flow statement shows that in the six months to 30 June 2014 net cash used in operating activities was \$4,258,267. A breakdown of the Company's working capital demand in the relevant 6-month period is provided in the table below.

Group Working Capital Demand			
	Total Demand at 30 Jun 14 AUD	Movement to 30 Jun 14 AUD	Effect on Working Capital
Inventory	28,641,414	5,692,492	Increase in working capital
Trade and Sundry Debtors	25,102,526	(813,315)	Decrease in working capital
Creditors & Accruals	(18,572,338)	315,277	Increase in working capital
Provisions	(229,104)	982,137	Increase in working capital
Other	(371,022)	87,288	Increase in working capital
Net working capital demand	34,571,475	6,263,880	

It should be noted that the increased demand in working capital is greater than the net cash used in operating activities indicating that, but for cash tied up in working capital assets, the underlying operation is cash positive.

Yours Sincerely



Nicholas Andrews
Executive Chairman
Magontec Limited

QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 30 June 2014

Magontec Limited

ABN: 51 010 441 666
Registered & Principal Office:
Office 10, Level 8,
139 Macquarie Street,
Sydney, NSW 2000 Australia

Tel: +61 2 8231 7085
Fax: +61 2 9252 8960
Website: www.magontec.com
Email: Corporate@magontec.com

Non-Executive Directors (as at 30 June 2014)

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors (as at 30 June 2014)

Robert Shaw
Robert Kaye

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Chief Financial Officer

Company Secretary
John Talbot

Issued Capital (as at 30 June 2014)

Ordinary Shares (ASX Code MGL)
1,115,043,832 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	29.64
Straits Mine Management Pty Limited	173,787,648	15.59
Citicorp Nominees Pty Limited	89,482,006	8.03
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 June 2014

1.1 Cash flows from operating activities

- a Receipts from customers
- b Payments to suppliers and employees
- c Interest received
- d Interest expense
- e Taxation
- f **Net cash (used)/generated in operating activities**

Quarter Ended 30 June 2014	Year to date (6 months)
\$A	\$A
\$31,947,824	\$67,057,178
(\$34,329,887)	(\$71,092,584)
(\$187,601)	(\$149,648)
\$256,167	(\$61,136)
\$533,004	(\$12,077)
(\$1,780,495)	(\$4,258,267)

1.2 Cash flows from investing activities

- a Movement in security deposits
- b Payment for property, plant & equipment
- c Group Information Technology software
- d Other
- e **Net cash provided by/(used in) investing activities**

\$0	\$0
(\$34,582)	(\$216,893)
(\$7,644)	(\$35,232)
\$0	\$0
(\$42,226)	(\$252,125)

1.3

Cash flows from financing activities

- a Loans from/ (repayments to) related parties
Principal reduction on debt owing to Straits Mine Management Pty Ltd
- b Bank Loans
- d Net capital raised from issue of the Company's shares
- e **Net cash provided by financing activities**

Quarter Ended 30 June 2014 \$A	Year to date (6 months) \$A
\$0	\$0
\$0	(\$2,100,046)
(\$4,098,827)	(\$819,617)
\$773,000	\$5,038,661
(\$3,325,827)	\$2,118,998

1.4 **Net increase (decrease) in cash held**

Cash at beginning of quarter /year to date

1.5

Cash at end of quarter /year to date

(\$5,148,549)	(\$2,391,394)
\$10,132,324	\$7,375,169
\$4,983,775	\$4,983,775

Payments to directors of the entity and associates of the directors

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

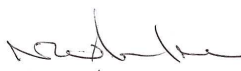
	Quarter Ended 30 June 2014 \$A
1.6 (a) Aggregate amount of payments to the relevant parties (aggregate fees paid to directors)	\$35,000
(b)	
1.7 Aggregate amount of loans to the relevant parties	Nil
1.8 Explanation necessary for an understanding of the transactions	

Refer to the covering letter to this Appendix from the Executive Chairman and the Company's audited half year report for the period to 30 June 2014 to be released prior to 31 August 2014

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 July 2014
Executive Chairman
Magontec Limited

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 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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