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20 April 2015

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

Dear Sirs,

Appendix 4C – Quarter Ended 31 March 2015

In this letter are –

- Attachment 1 – Executive Chairman's Commentary
- Attachment 2 - Unaudited Comprehensive Income Statement for the 3 months to 31 March 2015.
- Attachment 3 – Unaudited Balance Sheet at 31 March 2015.
- Attachment 4 – Appendix 4C unaudited cash flow report for the quarter ended 31 March 2015

Rounding Errors

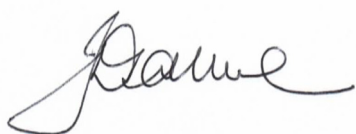
The tables in this report may indicate apparent errors to the extent of one unit (being \$1,000) in -

- 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

Attachment 1

**Executive Chairman's Commentary
Magontec Limited (ASX: MGL)
Quarterly Update for 3 Months to 31 March 2015**

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

First Quarter 2015 Highlights

All financial figures are unaudited for the period under review.

- Cash generated from underlying operations: \$0.662M
- NPAT: \$0.251M (-\$0.619M in 1Q14)
- EBITDA: \$0.733M (-\$0.158M in 1Q14)
- Gross Profit Margin: +25% on 1Q14
- Revenue: Down 4% to \$34.1M

In the first quarter of 2015 the strategic initiatives of 2014 began to deliver positive results and the installation of the first casting line was completed at the new magnesium alloy casting facility in Golmud, PRC.

The improvement in operational profitability is principally derived from the company's European recycling activities while PRC metals markets remain challenging.

Over the last 2 years Magontec has focussed on strengthening its magnesium alloys global distribution and recycling platform and bringing on- stream a new high-volume production facility at Golmud. These projects are now well advanced as we enter the second quarter of 2015 and are likely to deliver continued profit improvement in the years ahead.

In April 2015 increased recycling capacity will be commissioned in Romania and through the second half of 2015 we anticipate the installation of the majority of the new cast house equipment at Golmud.

NEW CAST HOUSE PROJECT - QINGHAI

At Golmud the first of four magnesium alloy production lines has been installed in the now completed cast house building. Qinghai Salt Lake Magnesium Co. anticipates first production of liquid pure magnesium, the raw material for Magontec's production unit, in the fourth quarter of this year. In July installation of further magnesium alloy production capacity will commence and is likely to be commissioned through the fourth quarter of 2015.

This is an exciting and challenging time for Magontec as the business is transitioned over the next 12 months from its traditional reliance on pure magnesium derived from a Pidgeon process plant to a new raw material source at a new location.

Magontec's new Golmud plant in Qinghai Province, at full production, will receive 56,000mt per annum of liquid magnesium from an adjacent electrolytic plant for continuous conversion into magnesium alloys. Magontec will be the only magnesium alloy manufacturer in China to access this new metal and has a 10 + 10 year exclusive agreement to access raw material for the manufacture of magnesium alloy at Golmud.

OPERATIONS UPDATE

In 2014 the Company embarked on a process of upgrading its magnesium recycling assets in Germany and Romania to improve competitiveness and lower conversion costs. The upgrade plan is now close to completion with the German recycling plant operating at full capacity in its new configuration for the full quarter and the Romanian plant in its first week of commissioning.

From May 2015 both European plants will be producing higher volumes at improved efficiency levels. Management anticipates that these recycling assets will operate at close to full capacity for the remainder of this year.

Magontec primary magnesium alloy production in China has trended below historical levels in recent months. The industry has struggled to combat a slower than expected take-up of magnesium applications in the domestic automotive sector and a sharp decline in demand from the domestic electronics sector.

While our Chinese primary magnesium and recycling factories have performed well in difficult market conditions, production volumes are below previous periods resulting in an overall drop in revenue in the first quarter of 2015. As we have indicated in previous commentaries it will be difficult to grow market share until production is switched to the new magnesium cast house in Golmud.

Magontec's Suzhou scrap recycling plant re-commenced operations in late December 2014 following an enforced period of shutdown. The closure of this business was a major drag on Magontec's Chinese profitability in the 6 months to 31 December 2014. In the first quarter of this year scrap inventory that accumulated in 2014 has been steadily reduced but the slow down in electronics industry demand has reduced overall volumes in this market.

Magontec's second business, the production of anodes (cathodic corrosion protection products) for water heater manufacturers, enjoyed a relatively buoyant first quarter

as unit prices trended above expectations and volumes recovered to more acceptable levels.

On-going efficiency improvements at Romanian and Chinese production sites have allowed the Company to offer more competitive pricing and recover market share lost in 2013 and 2014.

As with the magnesium recycling business Magontec has a medium term plan to improve unit production costs through automation and process innovation. This focus on efficiency is beginning to impact profitability, albeit in difficult markets.

OUTLOOK

The underlying thematic for magnesium alloys remains compelling: overall demand within the automotive sector continues to grow and is expected to increase as manufacturers switch applications from heavier metals to magnesium alloys to access the benefits of light weight and, in turn, improved fuel efficiency.

The strong performance of international automotive manufacturers in the Chinese market will also be positive for magnesium alloy consumption in the years ahead.

The weak spot for magnesium alloys has been the sharp decline in demand from the electronics sector and this is unlikely to change in the near term.

The global market for magnesium and electronic anodes are likely to remain competitive, although Magontec expects to win a greater market share.

Over the coming period management expects a continuation of the current themes;-

- further improvement in volumes and margins in the European recycling business,
- modest pickup in European and Chinese anode volumes as efficiency gains deliver more competitive products,
- steady demand from regional Asian magnesium alloy export markets, and
- flat to slightly negative outlook for Chinese domestic magnesium alloy sales.

Attachment 2

UNAUDITED STATEMENT OF PROFIT & LOSS and OTHER COMPREHENSIVE INCOME (Source: Management Accounts)

	3 months to 31-Mar-15 \$'000	3 months to 31-Mar-14 \$'000
Sale of goods	34,147	35,488
Cost of sales	(31,079)	(32,941)
Gross profit	3,068	2,547
Other income	43	205
Interest expense	(295)	(317)
Impairment of inventory, receivables & other financial assets	-	-
Travel accommodation and meals	(161)	(143)
Research, development, licensing and patent costs	(109)	(89)
Promotional activity	(10)	(11)
Information technology	(79)	(107)
Personnel	(1,486)	(1,533)
Depreciation & amortisation	(101)	(115)
Office expenses	(71)	(107)
Corporate	(658)	(509)
Foreign exchange gain/(loss)	196	(411)
Profit/(Loss) before income tax expense/benefit from continuing operations	337	(590)
Income tax (expense)/benefit	(86)	(29)
Profit/(Loss) after income tax expense/benefit from continuing operations	251	(619)

Attachment 3

UNAUDITED BALANCE SHEET (Source: Management Accounts)	31-Mar 2015 \$'000	31-Dec 2014 \$'000
Current assets		
Cash and cash equivalents	4,088	6,435
Trade & other receivables	26,980	25,242
Inventory	26,883	31,272
Other	815	393
Total current assets	58,766	63,342
Non-current assets		
Other receivables	1,068	1,046
Property, plant & equipment	17,461	17,240
Future income tax benefit	1,563	1,783
Intangibles	3,011	3,057
Total non-current assets	23,104	23,126
TOTAL ASSETS	81,870	86,469
Current liabilities		
Trade & other payables	14,988	22,525
Borrowings	18,529	18,663
Provisions	442	489
Total current liabilities	33,959	41,678
Non-current liabilities		
Borrowings	3,184	628
Provisions	9,511	9,958
Total non-current liabilities	12,694	10,586
TOTAL LIABILITIES	46,653	52,264
NET ASSETS	35,217	34,205
Equity attributable to members of MGL		
Share capital	58,260	58,262
Reserves	5,640	4,878
Accumulated (losses)/profits	(29,146)	(29,398)
Equity attributable to minority interests		
Share capital	463	463
Reserves	-	-
Accumulated (losses)/profits	-	-
Total equity	35,217	34,205

Appendix 4



QUARTERLY UNAUDITED CASHFLOW - APPENDIX 4C

for the Period Ended 31 March 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 9252 8960
Website: www.magontec.com
Email: Corporate@magontec.com

Non-Executive Directors (as at 31 March 2015)

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors (as at 31 March 2015)

Robert Shaw
Robert Kaye

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Chief Financial Officer & Company Secretary

Issued Capital (as at 31 March 2015)

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	164,818,355	14.78
J P Morgan Nominees Australia Limited	106,919,371	9.59
Citicorp Nominees Pty Limited	89,481,923	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")

31 March 2015

	3 Months to 31 Mar 2015 AUD
CASH FLOW FROM OPERATING ACTIVITIES	
Underlying operational cash flow	
Profit before taxation	337,232
Adjustments for:	
- Non-cash Equity expense	
- Depreciation & amortisation	420,382
- Foreign currency effects	169,888
- Other Non-cash items	(265,533)
Cash generated from/(utilised in) underlying operating activities	661,969
Net working capital assets	
- Trade and Other Receivables	(1,888,446)
- Inventory	4,397,016
- Trade and Other Payables	(7,227,334)
- Other	(838,801)
Cash generated from/(utilised in) net working capital asset	(5,557,566)
Other operating activities	
- Net Interest paid	(279,951)
- Income tax paid	(10,886)
Cash generated from/(utilised in) other operating activities	(290,836)
Net Cash generated from/(utilised in) all operating activities	(5,186,433)

	3 Months to 31 Mar 2015 AUD
CASH FLOW FROM INVESTING ACTIVITIES	
Net cash out on purchase/disposal of property, plant & equipment	(878,342)
Security Deposit	839,118
Net cash provided by / (used in) investing activities	(39,223)
CASH FLOW FROM FINANCING ACTIVITIES	
Bank Debt	2,575,962
Net capital raised from issue of securities	(1,614)
Net cash provided by / (used in) financing activities	2,574,349
Net increase / (decrease) in cash and cash equivalents	(2,651,308)
Foreign exchange effects on total cash flow movement	304,485
Cash and cash equivalents at the beginning of the reporting period	6,434,756
Cash and cash equivalents at the end of the reporting period	4,087,933


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 31 March 2015
		\$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 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: 20 April 2015
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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