

Suite 1.03, Level 1  
46 Macleay St  
Potts Point NSW 2011  
Australia  
Ph+61280054109  
FAX: +61 2 9252 8960

29 January 2016

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

Dear Sirs,

#### **Appendix 4C – Quarter Ended 31 December 2015**

In this letter are –

- Attachment 1 – Unaudited Cash Flow Statement for the 12 months to 31 December 2015
- Attachment 2 – Appendix 4C cash flow report for the quarter ended 31 December 2015

Attachment 1 is presented in the format that appears in the Company's half year and annual reports and 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.

Given that the Company's annual report for the year ended 31 December 2015 will be released to the market on or prior to 29 February 2016, no supplementary accounting data and Executive Chairman's report are included in this report. It is reiterated that all data presented in this report, including the starting net profit before tax in the cash flow statement in Attachment 1, is subject to change resulting from completion of the audit of the annual result to 31 December 2015.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'John Talbot', with a stylized, cursive script.

John Talbot  
Company Secretary

**Attachment 1 – Statement of Cash Flows**

	Quarter Ended 31-Dec-15 \$A'000	12 Months to 31-Dec-15 \$A'000	9 Months to 30 Sep 2015 \$A'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Underlying operational cash flow</b>			
Profit before taxation	(\$1,299)	\$310	\$1,609
Adjustments for:			
- Non-cash Equity expense	\$0	\$174	\$174
- Depreciation & amortisation	\$382	\$1,775	\$1,392
- Foreign currency effects <sup>(2)</sup>	\$458	(\$957)	(\$1,415)
- Other Non-cash items <sup>(1)</sup>	\$200	\$1,354	\$1,154
<b>Cash generated from/(utilised in) underlying operating activities</b>	<b>(\$258)</b>	<b>\$2,657</b>	<b>\$2,914</b>
<b>Net working capital assets</b>			
- Trade and Other Receivables	\$2,402	\$937	(\$1,464)
- Inventory	(\$2,042)	\$5,922	\$7,964
- Trade and Other Payables	\$145	(\$4,448)	(\$4,592)
- Other	(\$496)	(\$88)	\$408
<b>Cash generated from/(utilised in) net working capital asset</b>	<b>\$8</b>	<b>\$2,323</b>	<b>\$2,315</b>
<b>Other operating activities</b>			
- Net Interest paid	(\$234)	(\$1,223)	(\$989)
- Income tax paid	(\$40)	(\$50)	(\$10)
<b>Cash generated from/(utilised in) other operating activities</b>	<b>(\$274)</b>	<b>(\$1,273)</b>	<b>(\$999)</b>
<b>Net Cash generated from/(utilised in) all operating activities</b>	<b>(\$524)</b>	<b>\$3,707</b>	<b>\$4,231</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net cash out on purchase/disposal of property, plant & equipment	(\$1,632)	(\$3,818)	(\$2,186)
Group Information Technology	(\$81)	(\$117)	(\$36)
Security Deposit	(\$73)	\$894	\$967
Other Financial Assets	\$140	\$140	\$0
Other Non-current assets	(\$42)	(\$0)	\$42
<b>Net cash provided by / (used in) investing activities</b>	<b>(\$1,689)</b>	<b>(\$2,902)</b>	<b>(\$1,213)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Bank Debt	\$1,170	\$677	(\$493)
Net capital raised from issue of securities	(\$0)	(\$4)	(\$4)
Other	\$66	\$0	(\$66)
<b>Net cash provided by / (used in) financing activities</b>	<b>\$1,236</b>	<b>\$673</b>	<b>(\$562)</b>

**Attachment 1 – Cash Flows (Continued)**

	Quarter Ended 31-Dec-15 \$A'000	12 Months to 31-Dec-15 \$A'000	9 Months to 30 Sep 2015 \$A'000
Net increase / (decrease) in cash and cash equivalents	(\$978)	\$1,478	\$2,456
Foreign exchange effects on total cash flow movement	(\$336)	\$488	\$823
Cash and cash equivalents at the beginning of the reporting period	\$9,714	\$6,435	\$6,435
Cash and cash equivalents at the end of the reporting period	\$8,401	\$8,401	\$9,714

**Note 1**
**Other Non-cash items – transaction in quarter ended 31 December 2015**

Item	Comment	Amount
<b>Add Back of Non-Cash Expenses</b>		
Penalties and interest imposed by the Romanian fiscal authorities	An objection to this impost has been lodged. In the event of failure of the objection it is likely that Magontec will have a professional indemnity claim against a major accounting firm.	\$123,537
Impairment of assets at the Suzhou recycling plant (MAS)	The MAS cash generating unit was assessed for impairment following the decrease in volumes over 2015.	\$362,158
Trade debtor dispute	No legal liability exists to make this payment. Nevertheless an amount has been provided for a possible commercial settlement.	\$71,263
<b>Deduction of Non-Cash Income</b>		
Non-cash income as a result of reduction in pension liability		(\$232,168)
Non-cash income as a result of reduction in other liabilities		(\$24,939)
Other Net Non-cash income		(\$99,380)
<b>Add back net non-cash expenses</b>		<b>\$200,471</b>

**Note 2**

**Decrease in unrealised foreign exchange gains in the quarter ended 31 December 2015 of \$458,000.**

**Attachment 2 – Appendix 4C**



# QUARTERLY UNAUDITED CASHFLOW - APPENDIX 4C

for the Period Ended 31 December 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 31 December 2015)

Zhongjun Li  
Kangmin Xie  
Andre Labuschagne

**Independent Directors**(as at 31 December 2015)

Robert Shaw  
Robert Kaye

## Management Team

Nicholas Andrews  
*Executive Chairman*

John Talbot  
*Chief Financial Officer & Company Secretary*

## Issued Capital (as at 31 December 2015)

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

**Options:** Nil

Substantial Shareholders	No. of shares	Percent
Qinghai Salt Lake Magnesium Industry Limited	330,535,784	29.32
Straits Mine Management Pty Limited	148,874,507	13.21
J P Morgan Nominees Australia Limited	101,234,887	8.98
Citicorp Nominees Pty Limited	89,481,422	7.94

## 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 December 2015

Cash flows related to operating activities	Quarter Ended 31 Dec 15 \$A'000	12 Months to 31 Dec15 \$A'000
1.1 Receipts from customers	35,413	139,990
1.2 Payments for -		
(a) staff costs	(1,748)	(6,589)
(b) advertising and marketing	(19)	(45)
(c) research and development	26	(301)
(d) leased assets		
(e) other working capital	(33,923)	(128,075)
1.3 Dividends received		
Interest and other items of a similar		
1.4 nature received	10	67
Interest and other costs of finance		
1.5 paid	(245)	(1,290)
1.6 Income taxes paid	(40)	(50)
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>(524)</b>	<b>3,707</b>

	<b>Quarter Ended 31 Dec 15 \$A'000</b>	<b>12 Months to 31 Dec 15 \$A'000</b>
1.8 Net operating cash flows (carried forward)	(524)	3,707
<b>Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
1.9 (b) equity investments		
(c) intellectual property	(81)	(117)
(d) physical non-current assets	(1,632)	(3,818)
(e) other non-current assets		
Proceeds from disposal of:		
(a) businesses (item 5)		
1.1 (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	140	140
1.13 Other (provide details if material) <sup>(1)</sup>	(115)	894
<b>Net investing cash flows</b>	<b>(1,689)</b>	<b>(2,902)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,213)</b>	<b>805</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	1,170	677
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.2 Other (provide details if material)	66	0
<b>Net financing cash flows</b>	<b>1,236</b>	<b>673</b>
<b>Net increase (decrease) in cash held</b>	<b>(978)</b>	<b>1,478</b>
1.21 Cash at beginning of quarter/year to date	9,714	6,435
1.22 Exchange rate adjustments to item 1.20	(336)	488
1.23 <b>Cash at end of quarter</b>	<b>8,401</b>	<b>8,401</b>

1. Includes refund of security deposit of \$893,842 for the 12 Months to 31 December 2015



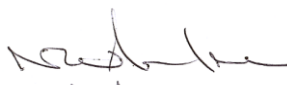
**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Quarter Ended 31 December 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 Notes at the foot of Attachment 1 in the covering letter.	

**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 January 2016  
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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