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28 October 2015

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

Dear Sirs,

Appendix 4C – Quarter Ended 30 September 2015

In this letter are –

- Attachment 1 – Executive Chairman's Commentary
- Attachment 2 - Unaudited Comprehensive Income Statement for the 9 months to 30 September 2015
- Attachment 3 – Unaudited Balance Sheet at 30 September 2015
- Attachment 4 – Unaudited Cash Flow Statement for the 9 months to 30 September 2015
- Attachment 5 – Appendix 4C cash flow report for the quarter ended 30 September 2015

Attachments 1 to 4 are presented in the formats that appear in the Company's half year and annual reports and prepared on a basis consistent with the requirements of accounting standards.

Attachment 5 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.

Yours Sincerely

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

John Talbot
Company Secretary

Attachment 1

Executive Chairman's Commentary Magontec Limited (ASX:MGL) Quarterly Update for 9 months to 30 September 2015 (Unaudited)

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

- EBITDA +153% on the previous corresponding period to \$4.0m.
- \$2.9m of cash generated from underlying operating activities in the 9 months to 30 September
- Cash on balance sheet has risen 13.7% to \$9.7m since 30 June 2015.
- Interest cover rises to 2.64x (EBIT/Interest expense)
- Revenue +5% on the previous corresponding period to \$106m

In the 9 months to 30 September 2015 Magontec has generated a Net Profit After Tax of \$1.46m including an unrealised foreign exchange gain of \$1.77m. This compares with a Net Loss After Tax of \$0.32m for the previous corresponding period including an unrealised foreign exchange gain of \$0.06m.

Group EBITDA increased 153% from \$1.6m to \$4.0m reflecting (inter alia) improvements in competitiveness driven by reduced conversion costs, higher volumes and a depreciating Australian currency.

Prior to the commissioning of the new magnesium alloy facility in Qinghai, Magontec has been focussed on improving the performance of its three principal activities; primary magnesium alloys in China, magnesium alloy recycling in Germany and Romania and anode manufacturing in China and Romania. All three divisions have generated improved results.

The improvement in operating performance comes despite a decline in other income from \$1.65m to \$0.35m and a \$0.485m impairment charge.

The Group currently has cash and cash equivalents of \$9.7m further boosting a balance sheet that has steadily improved over the last two years.

The Qinghai Magnesium Project

The construction phase for the principal magnesium production units, brine purification, dehydration and reduction (electrolysis), are now drawing to a conclusion. Qinghai Salt Lake Magnesium Co Ltd, the owner and manager of the project, has overcome many challenges to build this 100,000 metric tonne per annum electrolytic magnesium smelter in Qinghai Province in China. This project is the first new electrolytic magnesium plant constructed for more than 20 years and, on completion, will be the most environmentally advanced magnesium production unit in the World. As shareholders will be aware production was expected to commence in 2015 however, as with many projects of this size and complexity, there have been a number of delays.

The first stage of the magnesium alloy cast house, for which Magontec is responsible, has been installed and will be commissioned in the next few weeks. Magontec's second cast house installation phase has commenced and will be ready for cold commissioning in March 2016. Following that installation Magontec will have installed production capacity of 42,000 metric tonnes per annum. The third installation phase will take annual production capacity to 56,000 metric tonnes per annum and we currently expect that to be completed by the third quarter of 2016.

Magnesium alloy

In the third quarter Magontec has enjoyed more robust export markets for primary alloys from our Chinese facility and higher volumes in our European recycling facilities. Magontec's Chinese primary alloy production team in Shanxi Province have achieved record conversion costs assisting Magontec to develop new customers in export markets around the World.

In Europe our magnesium alloy recycling facilities at Bottrop in Germany and Santana in Romania have handled a record volume of scrap following the installation of new capacity at both locations in the last 12 months. We expect volumes to be steady in the period ahead.

Anodes (cathodic corrosion protection)

In China our magnesium anode business has enjoyed a more buoyant period winning new contracts and higher volumes. While this market remains very price competitive the efforts of the last 12 months in reducing costs through automation and the introduction of new machinery has paid dividends. Notwithstanding this improvement Chinese anode prices are continually under downward pressure presenting our production team with an on-going challenge.

In Europe magnesium anode profitability is much improved on 2014 although production volumes have remained flat and the business unit has struggled to make a satisfactory contribution in the year to date. We have continued to invest in this activity through boosting sales representation and introducing further process improvements. Over the coming months we expect to see volume growth drive improved profitability. By contrast the electronic anode division has experienced relatively buoyant conditions.

Summary

Despite a relatively robust third quarter there remain many challenges for Magontec, not least the export of heavily discounted magnesium alloy product into European markets by our Chinese competitors. Furthermore, while Magontec enjoys a low-cost Chinese manufacturing base and expects to be well placed to compete in export and domestic markets from its new Qinghai cast house, the current downturn in the broader Chinese economy has brought a sharper focus on counterparty risk and price pressure for all of our products.

While it is pleasing to report a much improved level of profitability after many periods of negative results, the commencement of primary magnesium alloy production from the Qinghai facility is a critical future event and the foundation upon which Magontec will seek to build a more consistent and higher level of profitability for shareholders.

Nic Andrews
Executive Chairman
28 October 2015

Attachment 2

UNAUDITED STATEMENT OF PROFIT & LOSS and OTHER COMPREHENSIVE INCOME (Source: Management Accounts)		
	9 months to 30 September 2015 \$'000	9 months to 30 September 2014 \$'000
Sale of goods	105,695	100,393
Cost of sales	(95,970)	(93,842)
Gross profit	9,725	6,551
Other income	346	1,649
Interest expense	(978)	(818)
Impairment of inventory, receivables & other financial assets	(485)	(74)
Travel accommodation and meals	(532)	(523)
Research, development, licensing and patent costs	(327)	(230)
Promotional activity	(26)	(50)
Information technology	(268)	(339)
Personnel	(4,841)	(4,031)
Depreciation & amortisation	(364)	(349)
Office expenses	(200)	(306)
Corporate	(2,275)	(2,342)
Foreign exchange gain/(loss)	1,838	249
Adjustment for income of prior years	(3)	-
Profit/(Loss) before income tax expense/benefit from continuing operations	1,609	(612)
Income tax (expense)/benefit	(152)	290
Profit/(Loss) after income tax expense/benefit from continuing operations	1,456	(322)
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	1,682	(391)
Other Comprehensive Income - that will not emerge in the Profit and Loss Statement		
Movement in various actuarial assessments	-	306
Total Comprehensive Income	3,138	(407)

Attachment 3

UNAUDITED BALANCE SHEET (Source: Management Accounts)	30 September	31 December
	2015	2014
	\$'000	\$'000
Current assets		
Cash and cash equivalents	9,714	6,435
Trade & other receivables	25,557	25,242
Inventory	26,440	31,272
Other	605	393
Total current assets	62,317	63,342
Non-current assets		
Other receivables	1,132	1,046
Property, plant & equipment	19,710	17,240
Future income tax benefit	1,785	1,783
Intangibles	3,054	3,057
Total non-current assets	25,682	23,126
TOTAL ASSETS	87,998	86,469
Current liabilities		
Trade & other payables	18,308	22,525
Bank Borrowings	19,882	18,663
Provisions	541	489
Total current liabilities	38,731	41,678
Non-current liabilities		
Bank Borrowings	753	628
Provisions	10,830	9,958
Total non-current liabilities	11,746	10,586
TOTAL LIABILITIES	50,477	52,264
NET ASSETS	37,521	34,205
Equity attributable to members of MGL		
Share capital	58,433	58,262
Reserves	6,567	4,878
Accumulated (losses)/profits	(27,941)	(29,398)
Equity attributable to minority interests		
Share capital	463	463
Reserves	-	-
Accumulated (losses)/profits	-	-
Total equity	37,521	34,205

Attachment 4 – Statement of Cash Flows

	Quarter Ended 30-Sep-15 \$A'000	9 Months to 30-Sep-15 \$A'000	6 Months to 30 Jun 2015 ⁽¹⁾ \$A'000
CASH FLOW FROM OPERATING ACTIVITIES			
Underlying operational cash flow			
Profit before taxation	\$1,853	\$1,609	(\$245)
Adjustments for:			
- Non-cash Equity expense	\$0	\$174	\$174
- Depreciation & amortisation	\$565	\$1,392	\$827
- Foreign currency effects	(\$1,187)	(\$1,415)	(\$228)
- Other Non-cash items	\$532	\$1,154	\$622
Cash generated from/(utilised in) underlying operating activities	\$1,763	\$2,914	\$1,152
Net working capital assets			
- Trade and Other Receivables	\$437	(\$1,464)	(\$1,901)
- Inventory	\$1,268	\$7,964	\$6,696
- Trade and Other Payables	\$1,378	(\$4,592)	(\$5,971)
- Other	\$54	\$408	\$354
Cash generated from/(utilised in) net working capital asset	\$3,137	\$2,315	(\$822)
Other operating activities			
- Net Interest paid	(\$376)	(\$989)	(\$612)
- Income tax paid	\$3	(\$10)	(\$13)
Cash generated from/(utilised in) other operating activities	(\$373)	(\$999)	(\$625)
Net Cash generated from/(utilised in) all operating activities	\$4,527	\$4,231	(\$295)
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash out on purchase/disposal of property, plant & equipment	(\$607)	(\$2,186)	(\$1,579)
Group Information Technology	(\$13)	(\$36)	(\$23)
Security Deposit	\$81	\$967	\$886
Other Non-current assets	\$16	\$42	\$26
Net cash provided by / (used in) investing activities	(\$523)	(\$1,213)	(\$690)
CASH FLOW FROM FINANCING ACTIVITIES			
Bank Debt	(\$3,273)	(\$493)	\$2,780
Net capital raised from issue of securities	(\$2)	(\$4)	(\$2)
Other	(\$66)	(\$66)	\$0
Net cash provided by / (used in) financing activities	(\$3,341)	(\$562)	\$2,779

Note 1. As per Company's 30 June 2015 half year report.

Attachment 4 – Cash Flows (Continued)

	Quarter Ended 30-Sep-15 \$A'000	9 Months to 30-Sep-15 \$A'000	6 Months to 30 Jun 2015 \$A'000
Net increase / (decrease) in cash and cash equivalents	\$662	\$2,456	\$1,794
Foreign exchange effects on total cash flow movement	\$507	\$823	\$317
Cash and cash equivalents at the beginning of the reporting period	\$8,545	\$6,435	\$6,435
Cash and cash equivalents at the end of the reporting period	\$9,714	\$9,714	\$8,545

Attachment 5 – Appendix 4C



QUARTERLY UNAUDITED CASHFLOW - APPENDIX 4C

for the Period Ended 30 September 2015

Magontec Limited

ABN: 51 010 441 666
Registered & Principal Office:
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46 Macleay St,
Potts Point, NSW 2011
Australia

Tel: +61 2 8005 4109
Fax: +61 2 92528960
Website: www.magontec.com
Email: Corporate@magontec.com

Non-Executive Directors (as at 30 September 2015)

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors(as at 30 September 2015)

Robert Shaw
Robert Kaye

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Chief Financial Officer & Company Secretary

Issued Capital (as at 30 September 2015)

Ordinary Shares (ASX Code MGL)
1,127,311,901 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	29.34
Straits Mine Management Pty Limited	154,688,142	13.73
J P Morgan Nominees Australia Limited	101,672,843	9.03
Citicorp Nominees Pty Limited	89,481,922	7.94
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 September 2015

Cash flows related to operating activities	Quarter Ended 30 Sep 15 \$A'000	9 Months to 30 Sep 15 \$A'000
1.1 Receipts from customers	37,807	104,577
1.2 Payments for -		
(a) staff costs	(1,632)	(4,841)
(b) advertising and marketing	(6)	(26)
(c) research and development	(128)	(327)
(d) leased assets		
(e) other working capital	(31,144)	(94,153)
1.3 Dividends received		
Interest and other items of a similar		
1.4 nature received	14	56
Interest and other costs of finance		
1.5 paid	(392)	(1,045)
1.6 Income taxes paid	3	(10)
1.7 Other (provide details if material)		
Net operating cash flows	4,522	4,231

	Quarter Ended 30 Sep 15 \$A'000	9 Months to 30 Sep 15 \$A'000
1.8 Net operating cash flows (carried forward)	4,522	4,231
Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
1.9 (c) intellectual property		(36)
(d) physical non-current assets	(607)	(2,186)
(e) other non-current assets		
Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
1.1 (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		
1.13 Other (provide details if material) ⁽¹⁾	97	1,009
Net investing cash flows	(510)	(1,213)
1.14 Total operating and investing cash flows	4,013	3,018
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		(4)
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	(3,271)	(493)
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.2 Other (provide details if material)	(66)	(66)
Net financing cash flows	(3,337)	(562)
Net increase (decrease) in cash held	676	2,456
1.21 Cash at beginning of quarter/year to date	8,545	6,435
1.22 Exchange rate adjustments to item 1.20	493	823
1.23 Cash at end of quarter	9,714	9,714

1. Includes refund of security deposit of \$966,773 for the 9 Months to 30 September 2015

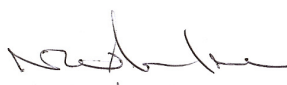
Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Quarter Ended 30 September 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 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: 28 October 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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