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31 October 2017

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

Dear Sirs,

Appendix 4C – Quarter Ended 30 September 2017

In this letter are –

- Attachment 1 – Executive Chairman’s Commentary
- Attachment 2 - Unaudited Comprehensive Income Statement for the 9 months to 30 September 2017
- Attachment 3 – Unaudited Balance Sheet at 30 September 2017
- Attachment 4 – Unaudited Cash Flow Statement for the 9 months to 30 September 2017
- Attachment 5 – Appendix 4C cash flow report for the quarter ended 30 September 2017

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

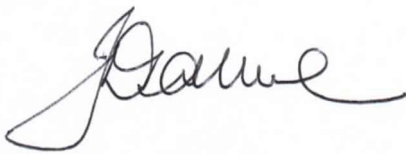
The tables in this report may indicate apparent errors to the extent of one unit (being \$1,000) in:

- 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 black ink, appearing to read 'John Talbot', written in a cursive style.

John Talbot
Company Secretary

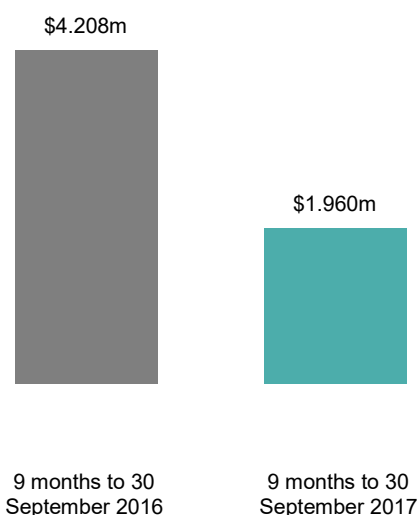
Attachment 1

Executive Chairman's Commentary Magontec Limited (ASX: MGL) Quarterly Update for 9 months to 30 September 2017 (Unaudited)

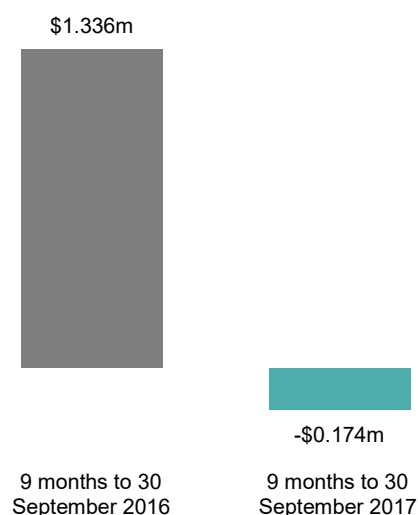
- Production of Mg alloys from Magontec Qinghai commenced in October
- Gross Profit of \$10.2m, down 8.7% on Previous Corresponding Period (PCP)
- Continuing labour issues at Romanian plant a major negative impact on 3Q result
- European anodes EBIT up 9.5% on PCP in the 9 months to September 2017
- PRC Mg alloy EBIT up 13.7% on PCP in the 9 months to September 2017

Headline numbers				
A\$	9 months to 30 Sep 2017	9 months to 30 Sep 2016	\$ chg	% chg
Underlying Operational Cashflow	\$1.960 m	\$4.208 m	(\$2.247 m)	(53.4%)
Gross Profit	\$10.219 m	\$11.195 m	(\$0.976 m)	(8.7%)
Gross Profit Margin (%)	10.5%	11.4%		
Underlying EBITDA*	\$2.311 m	\$4.144 m	(\$1.833 m)	(44.2%)
Underlying EBIT*	\$1.094 m	\$2.845 m	(\$1.752 m)	(61.6%)
Underlying NPAT*	(\$0.174 m)	\$1.336 m	(\$1.510 m)	(113.0%)
<i>* Excludes unrealised FX effects of:</i>	<i>(\$0.825m)</i>	<i>(\$0.956 m)</i>		

Cash generated from underlying operating activities



Underlying NPAT*



ABOUT MAGONTEC

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

Magontec:

- Buys and converts pure Mg into Mg alloy ingots for sale into global markets
- Acquires Mg alloy scrap from customers for recycling into Mg alloy ingots for re-sale
- Casts and extrudes Mg alloys into anodes for supply to the global water heater industry

Magontec is the only western Mg alloy producer with:

- Its own Chinese primary Mg alloy manufacturing base and Mg alloy recycling facilities in Europe and Asia
- A global sales and logistics capability
- A comprehensive portfolio of proprietary magnesium alloys and an active R&D program

Magontec is a pioneer in the field of magnesium alloys and anode products with experience in production and development of new alloy and anode applications

Magontec Qinghai, a recently completed 59,000mt per annum Mg alloy production facility commenced first production of Mg ingots in October 2017

At full production Magontec Qinghai will triple MGL's primary magnesium alloy production capacity

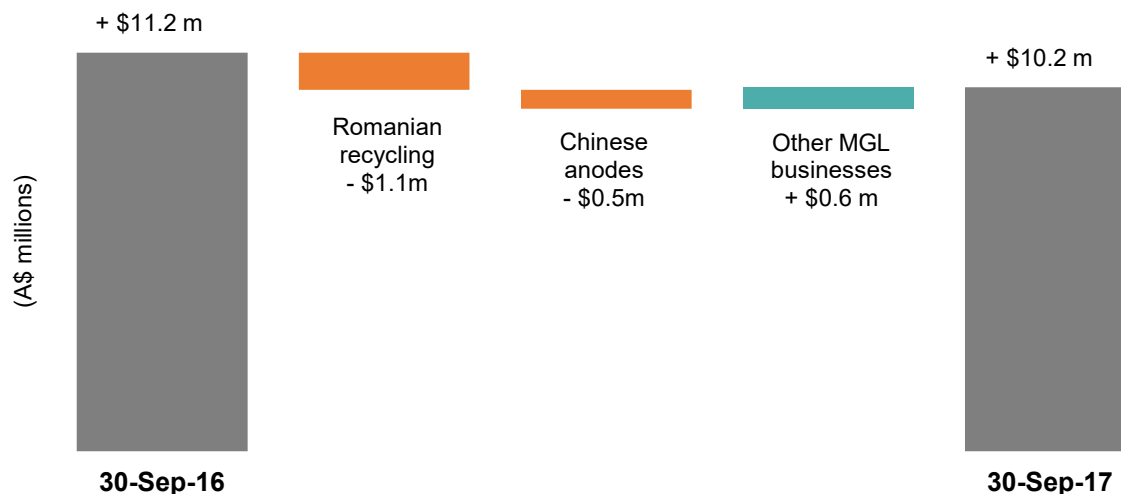
COMMENTARY

The second and third quarters of 2017 have been particularly challenging for the Company:

1. Since April, labour issues at the Romanian facility have severely reduced group profitability in the year to date
2. At the end of the first quarter of 2017 the Company lost a large Chinese contract for Mg anodes
3. In May Magontec became the victim of a 'phishing' fraud that cost the company \$0.292m

These events have driven overall profitability below the same period in 2016 and mask strong performances in Chinese and other European metals operations and in the group's European anode activities. Sales and profitability are up in these businesses and the outlook is positive.

The overall outlook for Magontec in 2018 is a positive one; the Company expects to be producing Mg alloys for sale to customers from our new Qinghai facility and anticipates a return to profitability at its Romanian recycling plant.

Net contributions to/subtractions from Gross Profit


Magontec Qinghai Cast House Project

In October 2017 Magontec produced the first qualified Mg alloys from its new cast house in Qinghai Province. The Qinghai Salt Lake Magnesium Co Ltd (QSLM) electrolytic plant began construction in 2013 and Magontec began to install equipment in its adjacent Magnesium Alloy Cast House in 2014. While the construction and commissioning phase were longer than anticipated, the complexity of the project and the location presented significant challenges for Magontec's project partner and major shareholder, QSLM.

In the last few weeks Magontec engineers and production staff have successfully commissioned the Continuous Refinery Furnace, a complex and critical piece of infrastructure for magnesium alloy casting at this facility. QSLM has now completed the commissioning of 2 dehydration lines and are supplying prill feed - the raw material for the reduction process - to the reduction cells.

Commencement of production at Qinghai is a major event for Magontec. As volumes from this new primary magnesium alloy facility rise to the rated output capacity of ~ 59,000 metric tonnes per annum, so the company will be able to leverage economies of scale and offer an increasingly competitive Mg alloy product to customers in Asia, Europe and North America.



**Magontec Qinghai
Mg alloy casting line**



**First production of
Mg ingots at
Magontec Qinghai**

Magnesium Alloy Products

Magontec operates metals businesses in China, Germany and Romania. The current operational Chinese facility in Shanxi Province has performed well through 2017 processing higher volumes and posting a 14% improvement in EBIT over the PCP. The production team at Shanxi have achieved a 13% improvement in conversion costs on slightly higher volumes and have enjoyed an accident free year in 2017.

In Germany the metals business is also operating at a higher level with volumes up 16% and an improvement in EBIT contribution. The German plant has continued to lower conversion costs and has successfully bid for new business by offering a very competitive package to regional die casters. In addition to generic alloys (AZ91, AM50/60) the German business also recycles growing volumes of specialist alloys including Magontec's AE44 'family' alloys.

While the earnings performance of the Romanian plant has been extremely disappointing, revenues are only marginally down on PCP (-13%) and the Company has continued to supply customers without interruption. Western Romania has been a popular relocation destination for businesses across the European automotive sector. Magontec established its plant at Santana in response to the establishment of high volume Tier 1 automotive die casters in the region. Other automotive and non-automotive industry groups have also relocated to Eastern European countries in recent years. Bringing new businesses to this region has resulted in various degrees of industrial indigestion and a high level of competition for the local workforce.

Through hard work and the implementation of new employment and incentive schemes the management team at Magontec Romania, together with their colleagues in Germany, are in the process of bringing the factory back to its optimal operating efficiency and have successfully met some significant challenges over the last few months.

Anode Products (Cathodic Corrosion Protection)

Europe

The European anodes business continues to progress well. Both magnesium anodes and electronic anodes saw improvements in volume and the overall business experienced a solid lift in profitability. In a very competitive market for Mg anodes the Company experienced a 7% lift in volumes reflecting new business from customers in the Arabian Peninsular, Eastern Europe, Germany and Spain. Efficiency improvement of Mg anode production is an on-going project at our European factory, as well as in China, and is expected to deliver higher gross profit margins and more competitive product offerings in the months ahead.

Asia

In China the Mg anodes business lost a key contract in early 2017 bringing overall volumes down 17% in the year to date. Through 2017 the team at the Xi'an plant has introduced new equipment to improve competitiveness in the Chinese and international markets and has successfully sought new customers. The contracting season for 2018 is through October and November 2017 when the Company will be seeking to recover volumes and improve margins into the New Year.

Financial Comment

While the financial results for the 9 months to 30 September 2017 have been disappointing the underlying business remains resilient and the prospects for a recovery in Romanian recycling earnings together with increasing volumes from Qinghai augur well for 2018.

In September Magontec's key banking relationship with Commerzbank was renewed with a new three-year borrowing-base facility increased from 12 million Euros to 15 million Euros. Magontec has other banking relationships in Romania and China that provide the company with other lines of credit.

As Magontec Qinghai comes on stream there will be an increase in the requirement for working capital through 2018 and 2019. Part of this increase will be met under the terms of the agreements between Magontec and QSLM and part through the existing lines of credit.

Balance sheet gearing stands at 31.2% (net debt to net debt + equity) as at 30 September 2017, up from 25.3% 12 months ago. This reflects an inventory timing issue rather than any change in the underlying nature of the balance sheet. Net borrowings as at 30 September 2017 were \$15.0 million compared with \$11.4 million at 30 September 2016.

Summary

In November Magontec will welcome its first customers to its Qinghai Magnesium Alloy Cast House. There is a qualification process for die cast manufacturers prior to placing an order at a new plant. This process is different for each manufacturer and often requires technical staff to visit the site and audit the process.

The Magontec Qinghai magnesium alloys will be the first electrolytic magnesium metal available from China and will offer the highest annual volumes of continuous process 'green' magnesium in the world. Automotive manufacturers, already under considerable pressure to prove environmental credentials, are keen to access Mg alloy from the world's lowest CO2 manufacturing source.

The management and Board of Magontec have put considerable efforts into bringing the Qinghai Project into production and shareholders will welcome its commencement despite the delays. While the three events noted in my introduction will impact the full year result for 2017, 2018 is expected to be a year of much positive activity at Qinghai, a return to more stable production at the Company's Romanian facility and a recovery in bottom line earnings.

Nic Andrews

Executive Chairman
31 October 2017

Attachment 2

UNAUDITED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited Consolidated Comprehensive Income Statement		
Source: Magontec Limited Management Accounts		
\$000	9 months to 30-Sep-17	9 months to 30-Sep-16
Sale of goods	97,312	97,883
Cost of sales	(87,092)	(86,688)
Gross profit	10,219	11,195
Other income	282	302
Interest expense	(729)	(888)
Impairment	(55)	(401)
Travel accommodation and meals	(526)	(500)
Research & development	(344)	(253)
Promotional activity	(96)	(34)
Information technology	(237)	(227)
Personnel	(4,842)	(4,704)
Depreciation & Amortisation	(273)	(370)
Office expenses	(230)	(263)
Corporate and other	(2,684)	(2,279)
Foreign exchange gain/(loss)	(945)	(577)
Profit/(Loss) before tax	(460)	1,001
Income tax (expense)/benefit	(539)	(621)
Profit/(Loss) after tax	(999)	380
Other comprehensive income		
Exchange differences taken to equity	(515)	(1,313)
Movement in actuarial assessments and other OCI	160	(550)
Total comprehensive income	(1,354)	(1,483)

Reconciliation of reported NPAT to underlying NPAT (unaudited)		
\$000	9 months to 30-Sep-17	9 months to 30-Sep-16
Profit/(Loss) after tax (reported)	(999)	380
Add/(less) unrealised FX losses/(gains)	825	956
Profit/Loss after tax excluding unrealised FX ("Underlying NPAT")	(174)	1,336

Attachment 3

UNAUDITED BALANCE SHEET

Unaudited Consolidated Balance Sheet		
Source: Magontec Limited Management Accounts		
\$000	As at 30-Sep-17	As at 31-Dec-16
Cash & cash equivalents	3,582	4,593
Trade & other receivables	23,519	21,956
Inventory	24,412	22,302
Other	290	227
Total Current Assets	51,803	49,077
Property, plant & equipment	22,603	20,543
Intangible assets	2,849	2,869
Deferred tax assets	1,547	1,542
Other	986	1,045
Total Non-Current Assets	27,984	25,999
Total Assets	79,787	75,077
Trade & other payables	15,430	13,672
Bank borrowings	18,620	14,734
Provisions	1,524	1,337
Total Current Liabilities	35,574	29,742
Other payables	-	146
Bank borrowings	-	-
Provisions	11,024	10,815
Total Non-Current Liabilities	11,024	10,961
Total Liabilities	46,598	40,703
Net Assets	33,189	34,373
Equity attributable to members of MGL		
Share capital	58,907	58,616
Reserves	4,689	5,165
Accumulated (losses)/profits	(30,870)	(29,871)
Share capital	463	463
Reserves	-	-
Accumulated (losses)/profits	-	-
Total equity	33,189	34,373

Attachment 4

UNAUDITED STATEMENT OF CASH FLOWS

Unaudited Consolidated Cash Flow Statement			
Source: Magontec Limited Consolidated Management Accounts			
\$000	Quarter to 30-Sep-17	9 months to 30-Sep-17	6 months to 30-Jun-17
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (utilised in) underlying operating activities (1)	180	1,960	1,780
Net working capital assets			
- Trade and other receivables	1,823	(2,058)	(3,881)
- Inventory	376	(1,762)	(2,138)
- Trade and other payables	(2,414)	1,254	3,668
Cash generated from/ (utilised in) net working capital asset (2)	(215)	(2,566)	(2,351)
Other operating activities			
- Net Interest paid	(137)	(686)	(549)
- Income tax paid	(0)	(119)	(118)
Cash generated from/ (utilised in) other operating activities (3)	(137)	(805)	(668)
Net Cash generated from/ (utilised in) all operating activities (1+2+3)	(172)	(1,411)	(1,239)
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash out on purchase/disposal of property, plant & equipment	(779)	(3,017)	(2,238)
Group information technology	(0)	(2)	(2)
Security deposit	(12)	(14)	(2)
Other	-	-	-
Net cash provided by / (used in) investing activities	(792)	(3,033)	(2,241)
CASH FLOW FROM FINANCING ACTIVITIES			
Bank Debt	155	3,621	3,467
Net capital raised from issue of securities	-	-	-
Other	-	-	-
Net cash provided by / (used in) financing activities	155	3,621	3,467
Net increase / (decrease) in cash and cash equivalents	(809)	(823)	(14)
Foreign exchange effects on total cash flow movement	(28)	(188)	(161)
Cash and cash equivalents at the beginning of the period	4,419	4,593	4,593
Cash and cash equivalents at the end of the period	3,582	3,582	4,419

Attachment 5

APPENDIX 4C



**QUARTERLY UNAUDITED CASHFLOW
APPENDIX 4C**

for the Period Ended 30 September 2017

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 30 September 2017

Zhongjun Li
Kangmin Xie
Andre Labuschagne

Independent Directors

As at 30 September 2017

Robert Shaw
Robert Kaye

Management Team

Nicholas Andrews
Executive Chairman

John Talbot
Company Secretary

Derryn Chin
Chief Financial Officer

Issued Capital (as at 30 September 2017)

Ordinary Shares (ASX Code MGL)

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

Options: Nil

Performance Rights ⁽¹⁾:

Performance Period	Granted	Number
1 Jan 2015 to 31 Dec 2017	19 May 2017	22,976,789
1 Jan 2016 to 31 Dec 2018	19 May 2017	25,749,882
1 Jan 2017 to 31 Dec 2019	19 May 2017	15,621,146
Total		64,347,817

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	187,230,248	16.42
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 7, 207 Kent 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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Magontec Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	32,496	103,494
1.2	Payments for		
	(a) research and development	(162)	(401)
	(b) product manufacturing and operating costs	(28,917)	(94,535)
	(c) advertising and marketing	(50)	(112)
	(d) leased assets	-	-
	(e) staff costs	(1,672)	(4,842)
	(f) administration and corporate costs	(1,731)	(4,293)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	16	45
1.5	Interest and other costs of finance paid	(153)	(732)
1.6	Income taxes paid	(0)	(119)
1.7	Government grants and tax incentives	0	84
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(172)	(1,411)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment ¹	(779)	(3,034)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	(0)	(2)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	17
(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)	(12)	(14)
2.6 Net cash from / (used in) investing activities	(792)	(3,033)

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	4,740	25,172
3.6 Repayment of borrowing	(4,585)	(21,551)
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	155	3,621

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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	4,419	4,593
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(172)	(1,411)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(792)	(3,033)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	155	3,621
4.5 Effect of movement in exchange rates on cash held	(28)	(188)
4.6 Cash and cash equivalents at end of quarter	3,582	3,582

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	3,582	4,419
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)	3,582	4,419

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	43
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	

Not applicable

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	
Not applicable	

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	28,777	19,562
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 30 September 2017						
Lender	Maturity	Interest %	Limit \$A 000	Drawn \$A 000	Security status	
Commerzbank Germany	30-Sep-20	2.15%	14,858	10,046	Secured	
Commerzbank Germany	31-Dec-18	2.50%	321	321	Secured	
ING Romania	Open	3.15%	3,237	2,485	Secured	
Bank of Communications China	12-May-18	4.70%	3,836	3,836	Secured	
Commerzbank Bank China	14-Feb-18	5.78%	4,795	1,931	Secured	
Total borrowings on balance sheet			27,047	18,620		
Postbank (factoring)			1,729	942		
Total facilities as at 30 Sep 2017			28,777	19,562		
No additional facilities entered into or proposed to be entered into after quarter end.						

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(142)
9.2 Product manufacturing and operating costs	(30,719)
9.3 Advertising and marketing	(36)
9.4 Leased assets	-
9.5 Staff costs	(1,540)
9.6 Administration and corporate costs	(1,483)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(33,920)

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: 31 October 2017

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.